 

**RETAIL BUYER**

**Aligned with Qualification 103145 OC Retail Buyer**

**ASSESSMENT GUIDE**



**This Assessment Guide must be stored securely.**

**It should only be made available to Facilitators, Assessors and Moderators   
for this programme.**

**Under no circumstances should it be made available — in any format whatsoever —   
to learners or other unauthorised persons.**

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| 1 About this Assessment Guide |

* 1. The purpose of this guide is to provide the Assessor with guidelines on the assessment of the knowledge component and practical component.
  2. This Assessment guide must be read and used in conjunction with the Facilitator’s guide (containing model answers/guidelines for formative activities), as well as the Assessment strategy policy and process of the Training provider.
  3. This Assessment guide is for the ***confidential*** use by Assessors.

1.5 This document contains the following:

* Assessment Plan and Preparation
* Model answers for knowledge tests
* Assessment Review

1.6 Portfolio checklist

Please refer to the Portfolio guide – a Portfolio checklist is included that must be completed by the learner and checked by the assessor as a quality assurance tool.

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| 2 Assessment principles |

The Assessor should ensure that the principles of assessment are applied in all assessments conducted.

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| **No.** | **Principles** | **Description** |
| 1. | Fair | The method chosen to assess the achievements must be fair and must not present any barriers that are not related to the evidence. |
| 2. | Systematic | The assessment must be planned and recorded to ensure that the assessment is fair. |
| 3. | Appropriate | The method of assessment is suited for the performance being assessed. |
| 4. | Manageable | The methods used must be accessible, cost-effective and must not interfere with the learning. |
| 5. | Time efficient | Ensure that the assessment does not interfere with the normal daily activities or productivity of the candidate. |
| 6. | Open | The candidate must contribute to the planning and collecting of evidence. The candidate must understand the assessment process and the criteria used. |
| 7. | Consistent | The same assessor must make the same judgement under the same or similar circumstances. |

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| 3 Qualification document and curriculum |

The full qualification document and the curriculum can be found on the QCTO web page at this link:

*https://qcto.org.za/index.php?option=com\_edocman&view=category&layout=table&id=328&Itemid=  
555*

All assessment criteria are listed in the alignment matrix (refer to Section 6 of this assessment guide).

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| 4 The role players in assessment and moderation |

## 4.1 Learner

Learners have the following responsibilities in terms of assessment:

* **Self-assessment.** Learners should actively participate in learning, complete formative assessment activities during the contact session and conduct self-assessment. The learner should then ask for assistance if necessary.
* **Complete the portfolio.** The portfolio guide contains guidelines for completing the portfolio. Every summative assessment question describes what you have to do. Ensure that you understand the question. Ask for assistance if you need it.
* **Receive feedback from the assessor**. The assessor will give you written feedback. If you do not understand the feedback, it is your responsibility to ask the assessor to clarify.
* **Accept or decline the assessment finding**. you receive your final assessment report, you will be asked to sign the report and to indicate whether or not you accept the assessor’s decision. If not, you have a right to lodge an appeal.
* **Evaluate the assessment process**. After completion of the assessment, you will be asked to complete a form to evaluate the assessment process. The purpose of this is to help the provider improve the assessment process.

## 4.2 Assessor

Assessors have the following responsibilities in terms of assessment:

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### 4.2.1 Formative assessment

Formative assessment activities ae competed during the contact session. They serve as regular checkpoints for the facilitator/assessor to determine whether learners are progressing as planned.

Formative assessment activities are not assessed formally, but evidence from these activities may be considered in cases where a small amount of evidence has been found lacking during the summative assessments.

### 4.2.2 Prepare the learner for assessment and reach agreement on the assessment plan

Obtain the unit standard and the assessment guide.

Ensure learners are informed of learning outcomes, assessment criteria, assessment and feedback procedure, as well as dates.

Explain to learners what valid, authentic, current and sufficient evidence is.

Determine learner readiness for assessment and ensure agreement is reached.

Inform learners of their rights relating to assessment and appeal and ensure they understand the appeal procedure.

### 4.2.3 Identify and address special needs

If a learner has indicated that he or she has special needs or is experiencing a particular barrier to learning, assessments will be adapted as required to ensure a fair, valid and reliable assessment.

Special needs and barriers may include, among others:

* Physical disabilities
* Hearing impairments
* Poor vision
* Language and communication barriers
* Psychological and emotional challenges
* Medical conditions

### 4.2.4 Prepare for the assessment

Preparing for assessment includes organising and preparing resources, people, schedules, venues, assessment instruments and documents.

Prepare yourself by determining the learning context, assessment policies and administration requirements.

Obtain the qualification document and curriculum from the QCTO web page.

Determine learner readiness for assessment and ensure agreement is reached.

### 4.2.5 Administration

Perform administrative duties when you receive documents for assessment. These duties include, but are not limited to ensuring the following:

* The assessment plan/agreement/learner preparation checklist is completed in full and the learner has signed this (can be found in the Portfolio guide that is intended for collecting all documents to be submitted to the Assessment Centre for enrolling learners for Final External Integrated Assessment).

### 4.2.6 Conduct internal summative assessment

Internal summative assessment for knowledge components takes in the form of a knowledge test.

Portfolios are typically submitted 4 to 6 weeks after the contact session. Timeframes to be decided by the accredited provider and agreed with learners in the Assessment agreement.

Evaluate the evidence based on the criteria and guidelines in the assessment guide.

Keep record of communication with learners.

### 4.2.7 Provide feedback

Provide feedback to learners in the format of the detailed assessment feedback report supplied by the provider.

Ensure feedback meets the following criteria:

* Assessment feedback and results are handled as confidential.
* Provide feedback to learners within 30 days of receiving documents for assessment.
* Provide learners who are found Not Yet Competent with the necessary advice and support.

### 4.2.8 Re-assessment

* Learners who are deemed not yet competent on a summative assessment will normally not be allowed to be re-assessed on more than two occasions.
* When learners have to undergo re-assessment, the following conditions will apply:
  + - Specific feedback will be given so that candidates can concentrate only on those areas in which they were assessed as not yet competent
    - Re-assessment will take place in the same situation or context and under the same conditions as the original assessment
    - Only the specific outcomes that were not achieved will be re-assessed
* Candidates who are repeatedly unsuccessful should be given guidance on other possible and more suitable learning avenues.

### 4.2.9 Review of assessment

The assessor shall review the assessment in terms of:

* Process
* Evidence requirements
* Assessment method

The assessment guide typically provides the format for the assessment review.

The assessment review report is prepared for a batch of assessments and is submitted to the moderator, together with the list of assessment results, for the moderator to select portfolios for moderation.

### 4.2.10 The assessor’s role in terms of moderation

The assessor will receive a copy of the moderator’s report for the purposes of analysis and self-development.

An assessor may be requested to redo assessments at no additional remuneration if the moderator found that the assessor did not adhere to all principles of good assessment.

Assessors have a right to appeal against findings of the moderator.

## 4.3 Moderator

Moderators are expected to:

* Verify assessor registration.
* Verify that assessments are fair, valid, reliable and practicable.
* Evaluate assessment design, assessment process and assessment outcomes including documenting proof of learners’ competence status.
* Evaluate the performance of registered assessors.
* Identify areas for improvement within the assessment process.
* Identify the need for re-design of assessment tools/instruments.
* Evaluate the moderation process and identify areas for improvement.
* Provide an appeals procedure.
* Provide feedback on assessments to the relevant SETA.

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| 5 Learner rights relating to assessment |

Learners have the following rights relating to assessment:

* To be informed about the requirements for assessment, for ex ample, when and how assessment will take place; assessment activities they will be required to perform; type an amount of evidence required
* Timing of assessment to be suitable, i.e. when the learner is ready for assessment
* Fair assessment
* Feedback on assessment, including an indication of what further evidence is required if that is the case
* Re-assessment – the Training provider will provide information on re-assessment opportunities
* Guidance on further learning opportunities in the event that the learner is repeatedly found Not Yet Competent
* To be assessed in language of preference, as far as practicable, or to have an interpreter available
* To have special needs accommodated, for example, hearing, speaking or physical impairment, where possible
* The assessment to be free from barriers to a fair assessment, for example, access to venue for assessment, cost of assessment, working shifts
* Appeal against an assessment in the event of:
  + An unfair assessment
  + An invalid assessment, i.e. the assessment did not assess what was supposed to be assessed
  + Disagreement with the assessor’s judgement
  + Unethical behaviour of the assessor

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| 6 Alignment matrix with assessments |

## KNOWLEDGE MODULES

### KM-01 Supplier relationships and merchandise performance

| **KM#** | **IAC #**  **Internal Assessment criteria description** | **Learner guide Module #** | **Section # in Learner guide** | **Formative activity #** | **Internal assessment test question no.** | **Notional hours in training** |
| --- | --- | --- | --- | --- | --- | --- |
| **KM-01-KT01: The role of buying and planning (35%)** | IAC0101 Discuss the role players and their role in the buying cycle and how each impacts on the buying cycle | KM01 | 1.6 | 15  19 | Test 1 Q1, Q2, Q3 | 4 |
| IAC0102 Explain how the buying and planning functions will impact on the finances and Brand of the business, and turnover, shrinkage and profitability | KM01 | 1.7 | 3  4  19 | Test 1 Q4, 5, 6 | 4 |
| IAC0103 Discuss the inter-relationship between the buying and planning functions and other areas of the business | KM01 | 1.8 | 6 | Test 1 Q7 | 2 |
| IAC0104 Discuss the ethical standards required of people in the buying and planning function | KM01 | 1.9 | 7  8 | Test 1 Q8 | 4.5 |
| IAC0105 Identify criteria and behaviour conducive to working in a team and describe the impact it has on team dynamics | KM01 | 1.10 |  | 9 | 2.5 |
| **KM-01-KT02: Supply chains applicable to the industry (25%)** | IAC0201 Describe the various supply chains used in the industry | KM01 | 2.5 | 10 | Test 1 Q10 | 2 |
| IAC0202 Explain the concept of logistics and describe the various methods for distributing merchandise to stores | KM01 | 2.7 |  | Test 1 Q11 | 2 |
| IAC0203 Differentiate between the different distribution methods and explain their impact on buying and planning | KM01 | 2.7 | 12  14  19 | Test KM-01 Q12 | 2 |
| IAC0204 Discuss the inter-relationship of the role players involved in the flow of merchandise to stores | KM01 | 2.8 | 13 | Test KM-01 Q13, 14 | 5 |
| **KM-01-KT03: Concepts and principles of managing the supply chain (15%)** | IAC0301 Describe the responsibilities of the buyer and planner in managing the supply chain | KM01 | 3.7  3.8 | 15  16 | Test KM-01 Q15 | 8 |
| IAC0302 Discuss critical management stages in the management of the supply chain | KM01 | 3.9 | 17  19 | Test KM-01 Q16 | 3 |
| IAC0303 Describe generally accepted actions to remedy shortfalls in the supply chain | KM01 | 3.10 | 18  19 | Test KM-01 Q17 | 3.5 |
| IAC0304 Discuss Typical contingency plans used in managing the supply chain | KM01 | 3.11  3.12 |  | Test KM-01 Q18 | 4.5 |
| **KM-01-KT04: Concepts and principles of evaluating supplier performance (10%)** | IAC0401 List typical methods used to gather information on supplier performance along with the advantages and disadvantages of each | KM01 | 4.3.4 |  | Test KM-01 Q19 | 3 |
| IAC0402 Identify the generally accepted operational standards required of suppliers in terms of service delivery, merchandise quality, order fulfilment, and lead times | KM01 | 4.3 | 20 | Test KM-01 Q20 | 3 |
| IAC0403 Explain how a business’ target market could impact on operating standards required of suppliers | KM01 | 4.4 | 21 | Test KM-01 Q21 | 2 |
| IAC0404 List typical corrective measure for suppliers not meeting required standards along with the advantages and disadvantages of each | KM01 | 4.5 | 22 | Test KM-01 Q22 | 4.5 |
| **KM-01-KT05: Concepts and principles of managing the performance of merchandise (15%)** | IAC0501 Identify financial reports used to measure merchandise performance and how each is used | KM01 | 5.2 |  | Test KM-01 Q23 | 0.5 |
| IAC0502 Identify ratios used to measure merchandise performance and explain how each is used | KM01 | 5.3 | 24 | Test KM-01 Q24 | 3 |
| IAC0503 Describe typical measures used to evaluate buying and planning activities | KM01 | 5.4  5.5 |  | Test KM-01 Q25 | 2 |
| IAC0504 Describe possible activities for clearing merchandise not selling and the impact each will have on the business | KM01 | 5.6 |  | Test KM-01 Q26 | 1 |
| IAC0505 Describe possible activities for solving shortfalls in merchandise levels and the impact each will have on the business | KM01 | 5.7 |  | Test KM-01 Q27 | 1 |
| IAC0506 Describe possible activities for improving merchandise performance | KM01 | 5.8 | 24 | Test KM-01 Q28 | 1 |

### KM02 Local and overseas suppliers

| **KM#** | **IAC #**  **Internal Assessment criteria description** | **Learner guide Module #** | **Section # in Learner guide** | **Formative activity #** | **Internal assessment test question no.** | **Notional hours in training** |
| --- | --- | --- | --- | --- | --- | --- |
| **KM-02-KT01: Local and overseas suppliers (15%)** | IAC0101 Describe the impact of importing goods on the SA economy | KM02 | 1.3 | 26 | Test KM-02 Q1 | 2 |
| IAC0102 Describe typical methods for identifying applicable duties and legislation | KM02 | 1.6 | 27 | Test KM-02 Q2 | 2.5 |
| IAC0103 Discuss the impact of import costs on the sale price of goods | KM02 | 1.7 | 28 | Test KM-02 Q3 | 1 |
| IAC0104 Describe generally accepted import processes and procedures and the specific support functions required of an import buyer | KM02 | 1.5 |  | Test KM-02 Q4 | 0.5 |
| **KM-02-KT02: Generally accepted criteria for evaluating suppliers' ability to meet business requirements (10%)** | IAC0201 Discuss techniques available to identify suppliers of products | KM02 | 2.1 | 29 | Test KM-02 Q5 | 5 |
| IAC0202 Discuss businesses typical requirements when choosing preferred suppliers | KM02 | 2.2  2.5  2.6 |  | Test KM-02 Q6 | 2 |
| IAC0203 Discuss how logistics will impact on a business’ choice of a suppliers | KM02 | 2.4 | 31 | Test KM-02 Q7 | 2.5 |
| IAC0204 Discuss the advantages and disadvantages of broad and narrow supply bases | KM02 | 2.8 |  | Test KM-02 Q8 | 0.5 |
| **KM-02-KT03: Typical strategies for identifying products required (25%)** | IAC0301 Discuss the various factors that impact on range and product selection including target market, store size, buying preference, strategy, branding | KM02 | 3.1  3.2 | 33 | Test KM-02 Q9 | 4.5 |
| IAC0302 Describe and discuss methodologies used in the industry for developing ranges | KM02 | 3.3 | 34 | Test KM-02 Q10 | 3 |
| IAC0303 Discuss how trends, fashions, fads and world events impact on product selection | KM02 | 3.4 | 35 | Test KM-02 Q11 | 2.5 |
| **KM-02-KT04: Concept and principles for conducting research and analysing product and supplier availability (25%)** | IAC0401 Describe generally accepted methods for conducting research on product availability | KM02 | 4.2  4.3 | 36 | Test KM-02 Q12 | 2 |
| IAC0402 Discuss generally accepted methods for analysing research data on product availability | KM02 | 4.4 | 37 | Test KM-02 Q13 | 3 |
| IAC0403 Describe methods for identifying product sources | KM02 | 4.4 |  | Test KM-02 Q14 | 3 |
| IAC0404 Describe methodologies used in the industry for analysing competitor ranges | KM02 | 4.5 | 38 | Test KM-02 Q15 | 2.5 |
| IAC0405 Describe methods used in the industry for completing a SWOT analyses | KM02 | 4.6 | 39 | Test KM-02 Q16 | 3.5 |
| **KM-02-KT05: Concepts and principles for identifying target market (25%)** | IAC0501 Discuss how target markets are categorised in the wholesale and retail industry | KM02 | 5.3 | 40 | Test KM-02 Q17 | 2 |
| IAC0502 Describe the LSM method for categorising target markets in South Africa and explain how it can be used when setting ranges for a business | KM02 | 5.4 | 41 | Test KM-02 Q18 | 3 |
| IAC0503 Discuss how factors such as ethical sourcing, green products and sourcing, price, and brand influence customer shopping habits | KM02 | 5.7 | 43 | Test KM-02 Q19 | 3.5 |
| IAC0504 Describe the buying habits of shoppers falling into the LSM 1, LSM 5 and LSM 10 bands | KM02 | 5.5  5.6 | 42 |  | 3 |

### KM-03 Buy merchandise

| **KM#** | **IAC #**  **Internal Assessment criteria description** | **Learner guide Module #** | | | **Section # in Learner guide** | | **Formative activity #** | | **Internal assessment test question no.** | **Notional hours in training** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **KM-03-KT01: The negotiation process (60%)** | IAC0101 Discuss the negotiation process | | KM-03 | 1.1 | | 44 | | Test KM-03 Q1 | | 4 |
| IAC0102 Discuss the different negotiating strategies used in the industry | | KM-03 | 1.3 | | 46 | | Test KM-03 Q2 | | 3 |
| IAC0103 Discuss conflict that arises in negotiations and methods used to manage this conflict | | KM-03 | 1.5 | | 47 | | Test KM-03 Q3 | | 5 |
| IAC0104 Discuss the different relationships business has with suppliers and their impact on the negotiation process | | KM-03 | 1.2 | | 45 | | Test KM-03 Q4 | | 3.5 |
| IAC0105 Explain how a buyer should prepare for a negotiation with a supplier | | KM-03 | 1.1 | | 44 | | Test KM-03 Q5 | | 4 |
| IAC0106 Describe the various terms a buyer could negotiate including payment terms, settlement discounts, advertising allowances, growth incentives, penalties, rebates, swell allowances and the impact they will have on the negotiation process | | KM-03 | 1.6  1.1.2 | | 48 | | Test KM-03 Q6 | | 7.5 |
| IAC0107 Describe typical methods for recording minutes of a negotiation | | KM-03 | 1.1.3 | |  | | Test KM-03 Q7 | | 3 |
| IAC0108 Describe what needs to be included in a buying contract drawn up by a wholesale or retail business for a supplier of merchandise | | KM-03 | 1.6 | | 48 | | Test KM-03 Q8 | | 7.5 |
| **KM-03-KT02: Concept and principles of setting a selling price (15%)** | IAC0201 Discuss generally accepted pricing strategies used in the industry | | KM-03 | 2.3  2.4 | | 49 | | Test KM-03 Q9 | | 3.5 |
| IAC0202 Explain the difference between margin and mark up using examples | | KM-03 | 2.5 | | 50 | | Test KM-03 Q10 | | 2 |
| IAC0203 Discuss the makeup of GP and the buying factors that impact on profit | | KM-03 | 2.6 | |  | | Test KM-03 Q11 | | 0.5 |
| IAC0204 Discuss the concept of “loss leaders” as used in the industry and the impact they have on a business | | KM-03 | 2.7 | |  | | Test KM-03 Q12 | | 0.5 |
| IAC0205 Discuss various factors in the economy that could impact on the setting of the selling price of a product | | KM-03 | 2.8 | | 51 | | Test KM-03 Q13 | | 3 |
| **KM-03-KT03: Concept and principles of calculating order quantities (25%)** | IAC0301 Discuss the different factors impacting on order quantities including quantity of stores, expected sales, over / under sell, past sales, promotions, trends, budget | | KM-03 | 3.1 | |  | | Test KM-03 Q14 | | 2 |
| IAC0302 Describe generally accepted methods used to calculate order quantities | | KM-03 | 3.2 | | 53 | | Test KM-03 Q15 | | 4 |
| IAC0303 Discuss typical methods used to record orders placed | | KM-03 | 3.4 | | 54 | | Test KM-03 Q16 | | 2 |

### KM-04 Allocation and replenishment

| **KM#** | **IAC #**  **Internal Assessment criteria description** | **Learner guide Module #** | | | **Section # in Learner guide** | | **Formative activity #** | | **Internal assessment test question no.** | **Notional hours in training** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **KM-04-KT01: Concepts, principles and generally accepted methods of allocation and replenishment (50%)** | IAC0101 Discuss the various factors impacting on range and quantities allocated to stores | | KM-04 | 1.1 | | 55 | | Test KM-04 Q1 | | 3.5 |
| IAC0102 Explain the difference between allocation and replenishment | | KM-04 | 1.5 | | 56 | | Test KM-04 Q2 | | 2 |
| IAC0103 Discuss various methodologies used in the industry for allocating ranges to stores | | KM-04 | 1.9 | | 57 | | Test KM-04 Q3 | | 3.5 |
| IAC0104 Discuss the advantages and disadvantages of store and Head Office replenishment | | KM-04 | 1.10 | | 58 | | Test KM-04 Q4 | | 2.5 |
| **KM-04-KT02: Factors impacting on the allocation of stock to stores (35%)** | IAC0201 Describe the factors impacting on the allocation of stock to stores out of SA | | KM-04 | 2.1 | | 59 | | Test KM-04 Q | | 2 |
| IAC0202 Discuss the impact of data integrity on the allocation of stock to stores | | KM-04 | 2.2 | |  | | Test KM-04 Q6 | | 0.5 |
| IAC0203 Discuss typical methods used for calculating quantities of promotional stock to stores | | KM-04 | 2.3 | | 60 | | Test KM-04 Q7 | | 2 |
| IAC0204 Discuss typical methods used for allocating new merchandise and its quantities to stores | | KM-04 | 2.4 | | 61 | | Test KM-04 Q8 | | 2 |
| IAC0205 Discuss the impact of seasonal activity on the allocation of stock to stores | | KM-04 | 2.5 | |  | | Test KM-04 Q9 | | 2 |
| **KM-04-KT03: Typical methods for recording allocations (15%)** | IAC0301 Describe typical methods used to record allocations in a computerised environment | | KM-04 | 3.2 | | 62 | | Test KM-04 Q10 | | 1.5 |
| IAC0302 Describe typical methods used to record allocations in a non-computerised environment | | KM-04 | 3.3 | | 63 | | Test KM-04 Q11 | | 2 |
| IAC0303 Discuss how wholesalers and retailers measure the success of allocations | | KM-04 | 3.4 | |  | | Test KM-04 Q12 | | 1 |

**PRACTICAL MODULES**

|  | | | **Applied knowledge** | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **PM#** | **PM description** | **IAC #**  **Internal Assessment criteria description** | **AK # and description** | **Learner guide Module #** | **Section # in Learner guide** | **Practical activity or Case study # in practical training workbook** |
| **PM-01-PS01: Evaluate and improve supplier performance** | PA0101 Determine shortfalls in the suppliers’ performance  PA0102 Propose actions to improve the suppliers’ performance | IAC0101 Shortfalls in the suppliers’ performance are determined according to the given scenario  IAC0102 The actions proposed are practical and would have the desired effect of improving the suppliers’ performance | AK0101 Techniques for evaluating case studies  AK0102 Techniques for determining shortfalls in performance  AK0103 Possible actions to correct shortfalls in supplier performance | KM-01 | 4.3 | 5.1.1.2  Plus  Formative 14  Formative 19  Formative 23 |
| **PM-01-PS02: Evaluate and improve merchandise performance** | PA0201 Rank the 6 products in order of performance  PA0202 Determine whether each are performing to, above or below required standards  PA0203 Propose ideas to improve performance or clear dead merchandise as applicable | IAC0201 The products are ranked in order of performance  IAC0202 All products are identified as to whether they are performing to, above or below required standards  IAC0203 Proposals for improving merchandise performance are practical and will result in improved performance  IAC0204 Proposals for clearing dead stock are within policies of the organisation and would result in stock being cleared | AK0201 Methods for calculating merchandise performance  AK0202 Methods to improve performance of merchandise  AK0203 Techniques for clearing dead stock | KM-01 | 4.5  5.3  5.6.1 | 5.1.2.2  Plus  Formative 24 |
| **PM-01-PS03: Work constructively in teams by applying good teamwork** | PA0301 Identify interaction that promotes good teamwork  PA0302 Identify interaction that is disruptive to the team  PA0303 Propose how interaction should have taken place so as not to be disruptive to the team | IAC0301 Interactions promoting good teamwork is identified in terms of the given scenario  IAC0302 The disruptive behaviour is identified in terms of the given scenario  IAC0303 Interaction proposed would promote good teamwork | AK0301 Techniques for analysing case studies  AK0302 Good and disruptive team interaction | KM-01 | 1.10 | 5.1.3.2  Plus  Formative 9 |
| **PM-02-PS01: Identify critical check points in the flow of stock through the supply chain** | PA0101 Analyse the supply chain and determine the critical points where disruption could occur  PA0102 Propose ways a buyer/planner could manage these critical points | IAC0101 All critical points are determined that could disrupt the supply chain  IAC0102 The proposed methods for managing these critical control points are practical | AK0101 The critical control points in the supply chain  AK0102 Methods for managing the critical control points | KM-02 | 3.9 | 5.2.1.2 |
| **PM-02-PS02: Manage stock through the supply chain** | PA0201 Determine where the disruption occurred  PA0202 Propose ways to manage these disruptions | IAC0201 All points of disruption in the supply chain are identified according to the given scenario  IAC0202 Proposals to manage the flow of stock are practical and will ensure a disruption free flow | PA0201 Determine where the disruption occurred  PA0202 Propose ways to manage these disruptions | KM-02 | 3.10  3.11 | 5.2.2.2 |
| **PM-03-PS01: Source products from South African suppliers** | PA0101 Source 5 suppliers in SA able to provide the merchandise  PA0102 Propose 2 suppliers that are best able to supply the product and justify why those two were chosen | IAC0101 The 5 suppliers chosen are able to supply the required product  IAC0102 The two suppliers chosen, and the explanation given identifies the best two suppliers to supply the merchandise according to the requirements of the organisation | AK0101 Techniques for sourcing suppliers on the internet or through trade journals  AK0102 Techniques for evaluating the suppliers’ ability to supply the required merchandise | KM-02 | 2.1 to 2.6 | 5.3.1.2 |
| **PM-03-PS02: Source products from international suppliers** | PA0201 Source 5 suppliers internationally able to provide the merchandise  PA0202 Determine the duties, tariffs and legislation applicable to the import of that merchandise  PA0203 Propose two suppliers that are most able to supply the product | IAC0201 The 5 suppliers chosen are able to supply the required product  IAC0202 All applicable duties, tariffs and legislation are determined according to the products given  IAC0203 The two suppliers chosen, and the explanation given identifies the best two suppliers to supply the merchandise according to the requirements of the organisation | AK0201 Techniques for identifying international suppliers on the internet or through trade journals  AK0202 Techniques for identifying duties, tariffs and import legislation  AK0203 Techniques for evaluating the suppliers’ ability to supply the required merchandise | KM-02 | 1.4  1.6  2.1 to 2.6 | 5.3.2.2  Plus  Formative 27 |
| **PM-03-PS03: Identify preferred supplier** | PA0301 Choose the supplier that best meets the needs of the organisation  PA0302 Identify the reasons for choosing that supplier | IAC0301 The supplier chosen is the best in terms of meeting the needs of the organisation  IAC0302 The reasons for choosing the supplier are correct in terms of the capabilities and background of the supplier | AK0301 Techniques for matching supplier capabilities and background to the organisation’s requirements  AK0302 Techniques for identifying suppliers capabilities and background | KM-02 | 2.1  2.3 | 5.3.3.2  Plus  Formative 29  Formative 30  Formative 32 |
| **PM-04-PS01: Prepare for a negotiation** | PA0101 Prepare an agenda for the negotiation  PA0102 Prepare ideal position as well as and fall back positions | IAC0101 The agenda prepared covers all points to be negotiated as per the given case study  IAC0102 Ideal and fall back positions determined are practical and meet the needs of the organisation | AK0101 Techniques for preparing agendas for a buying negotiation  AK0102 Techniques for identifying ideal and fall back positions | KM-03 | 1.1 | 5.4.1.2  Plus  Formative 30  Formative 45 |
| **PM-04-PS02: Negotiate ethically** | PA0201 Determine strengths and weaknesses of the buyer in the negotiation process  PA0202 Identify any unethical behaviour in the negotiation  PA0203 Analyse the impact of the unethical behaviour on the organisation | IAC0201 The strengths and weaknesses of the buyer in the negotiation process are determined in terms of effective and ineffective negotiation  IAC0202 Unethical behaviour is identified in terms of the given scenario  IAC0203 The impact of the unethical behaviour is analysed in terms of its effect on stock levels and the cash flow of the organisation | AK0201 Ethical and unethical behaviour in the negotiation process AK0202 Techniques for critiquing case studies  AK0203 Effective and ineffective negotiation techniques | KM-03 | 1.4 | 5.4.2.2 |
| **PM-05-PS01: Calculate quantities to buy** | PA0101 Calculate total quantity to purchase  PA0102 Identify the quantities to be delivered each month to cover expected sales over the three months | IAC0101 The total quantity ordered covers expected sales without overstocking the organisation  IAC0102 The calculation of the three split deliveries cover expected sales for each period | AK0101 Techniques for calculating quantities to purchase  AK0102 Techniques for scheduling delivery quantities according to expected sales | KM-03 | 3.3 | 5.5.1.2 |
| **PM-05-PS02: Calculate selling prices** | PA0201 Set a selling price giving the required margin  PA0202 Set a selling price giving the correct mark up percentage  PA0203 Propose a selling price in line with | IAC0201 The calculation of the selling price is correct based on the required margin  IAC0202 The calculation of the selling price is correct based on the required mark up  IAC0203 The calculation of margin and mark up is correct based on the proposed selling price | AK0201 Techniques for calculating selling price given a required margin  AK0202 Techniques for calculating selling price given a required mark up  AK0203 Techniques for calculating margins and mark up percentages | KM-03 | 2.4  2.5  2.6 | 5.5.2.2 |
| **PM-05-PS03: Analyse competitor strategies** | PA0301 Analyse the marketing and promotional strategies of competitors  PA0302 Decide whether the organisation should purchase the product | IAC0301 The report detailing the competitor marketing and promotional strategies are based on the strategies at the time of the analyses  IAC0302 The decision on whether to stock the product or not is based on the ability of the organisation to be competitive while still making an acceptable return | AK0301 Techniques for analysing marketing and promotional strategies  AK0302 Decision making techniques  AK0303 Techniques for calculating selling prices | KM-03 | 2.4  2.5  2.6 | 5.5.3.2 |
| **PM-06-PS01: Allocate new merchandise and quantities to stores** | PA0101 Allocate merchandise to stores  PA0102 Analyse requirements and calculate quantities to allocate | IAC0101 The allocation of the merchandise is according to the target market of the different stores  IAC0102 The quantities of stock allocated cover expected sales without overstocking the business | AK0101 Techniques for matching different merchandise to different target markets  AK0102 Techniques for calculating quantities to allocate | KM-04 | 1.4  2.9 | 5.6.1.2 |
| **PM-06-PS02: Replenish sales** | PA0201 Determine items to be replenished  PA0202 Analyse requirements and calculate quantities to replenish | IAC0201 All products needing to be replenished are identified in terms stock on hand and sales  IAC0202 The quantity calculated covers expected sales and the required safety stock of the organisation | AK0201 Techniques for analysing which products need to be replenished  AK0202 Techniques for calculating quantities of stock to cover expected sales | KM-04 | 1.5  1.9 | 5.6.2.2 |

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| 7 Assessment preparation |

## 7.1 Candidates

7.1.1 Candidates are prepared during the delivery of the Learning Programme’s contact time.

7.1.2 Learners sign declarations that they were prepared in their Portfolio guides.

7.1.3 The Assessor is to prepare the learner(s) for assessment by:

* Explaining
  + How feedback will be given to the learner
  + Learner review of assessment practices
  + Moderation and certification
  + Appeals procedure
* Agreeing the assessment plan – time-frame
* Confirming readiness of learners for assessment, completing and signing the form

***Learner preparation and assessment plan***

* Providing contact details of Assessor to learners in the event that they need to contact the Assessor about difficulties in terms of meeting the agreed dates.

## 7.2 Assessor

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| **Programme name** | 332301000 - Occupational Certificate: Retail Buyer | | | | | | | |
| **Level** | 5 | | | **Credits** | | | 131 | |
| **PURPOSE AND APPROACH** | | | | | | | | |
| **Purpose of Assessment** | The purpose of this assessment is to determine knowledge and practical competence of the learner. | | | | | | | |
| **Assessment Approach** | Knowledge components: Knowledge tests  Practical components: Practical guide and log | | | | | | | |
| **ASSESSOR PREPARATION** | | | | | | | | |
| **Organisational assessment and moderation policies and procedures available to Assessor (Yes/No)** | | | | | |  | | |
| **Qualification document obtained from SAQA/QCTO web page (Yes/No)** | | | | | |  | | |
| **Curriculum document obtained from QCTO web page (Yes/No)** | | | | | |  | | |
| **Special Assessment Requirements** |  | | | | | | | |
| **Special needs of candidates** | (Special needs related to the candidate(s) to be recorded here) | | | | | | | |
| **Assessor has received the model answers for tests** | | | Yes/No | | Comments | | | |
| **Assessor has reviewed curriculum, assessment strategy and instruments (including the Assessment design and plan matrix)** | | | Yes/No | |  | | | |
| **Name and surname of assessor** | |  | | | | | | |
| **Signature of assessor** | |  | | | | | **Date** |  |

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| 8 Feedback to learners |

Assessors must be registered to assess against the qualification and have industry experience as described in the curriculum.

Assessments are to be conducted in accordance with this Assessment Guide.

Written feedback to be given to learners and employers in the format of the Assessment Feedback Report included in this Assessment Guide.

Learners must receive feedback within 1 month of handing in their Portfolio guides.

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| 9 Evidence principles |

‘Good’ evidence is, as per the SAQA requirements:

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| **No.** | **Principles** | **Description** |
| 1. | Valid | The assessment must be valid in the sense that it must fit the purpose. |
| 2. | Authentic | The evidence that the candidate submits must be conducted by the candidate him/herself, in a real-life work environment, or acceptably simulated environment to the satisfaction of the assessor, and must bear the signature of the candidate parties involved. |
| 3. | Current | The evidence that is gathered must be a current and applicable. |
| 4. | Sufficient | The evidence must cover all the criteria that have been established and the performance of the candidate must be at the required standard. Thus, there must be sufficient to have enough evidence. |

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| 10 Recording and administration of assessment results |

The method of recording assessment and feedback is in the Assessment Feedback Form, which is included in the Learner assessment guide and in this Assessment guide.

Evidence of remediation required, re-submission and re-assessment must be indicated in the columns provided and feedback on re-assessment provided, as in the Assessment Feedback Form.

A list of final assessment findings must be submitted to the Training Provider.

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| 11 Recognition of prior learning |

Recognition of prior learning may be given according to the Training provider’s procedure for unit standards previously completed by learners.

The provider shall provide requirements for recognition of prior learning.

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| 12 Evidence guide for formative assessment activities |

Model answers/guidelines for assessment of formative activities are provided in the Facilitator guide, at the positions where activities should be completed during the facilitation process.

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| 13 Model answers for knowledge tests |

## 13.1 MODEL ANSWERS – KNOWLEDGE TEST – KM01

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| **MODEL ANSWERS – KNOWLEDGE TEST – KM01** | |
| Qualification | 332301 Retail buyer |
| Knowledge module | KM01 Concepts and principles for managing supplier relationships and the performance of merchandise |

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| Total possible marks | 346 | Minimum marks required | 276 (80%) |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 1 | KM01KT01 IAC0101 | Explain the role of the buyer in the buying cycle and how the buyer impacts on the buying cycle. | 10  (1 mark per function in the role and 1 mark per fact listed under impact – maximum 10) |

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| **Role** | **Impact** |
| Typically, the role and responsibilities of a buyer include:   * **Developing merchandise strategies** for the product line, store or company. * **Planning and selecting merchandise assortment**. The merchandise must be suited to the needs and wants of the customer target market. The buyer must not only select merchandise that has the potential for resale and profit, but he or she must also carefully plan the purchases. The planning includes:   + Determining what will be bought (product range planning).   + Determining the appropriate time for the merchandise to be available to shoppers. * **Supplier selection and management.** The buyer evaluates andselects suppliers who meet requirements. They also build and maintain relationships. * **Pricing the merchandise** to a achieve the targets in terms of gross margins. * **Communicating with the merchandise departments.** Buyers need to communicate with merchandising departments and stores not only to provide information on the new merchandise, but also to get feedback from the people who interact with customers on a regular basis. Communication may take place in the form of store visits, telephone communication, and e-mail. * **Advertising, promotion, visual merchandising and publicity**. Although large retail chains have staff components with responsibility for developing advertisements and promotional activities, it is the buyer who has the expertise to select specific products to be advertised or featured in displays. The buyer is the one who knows what the hot selling points are that should be stressed. * **Evaluation of suppliers and merchandise**. To ensure that the right merchandise is available, according to specifications and to ensure profitability, the performance of suppliers as well as merchandise need to be evaluated. | The buyer impacts the buying cycle by:   * deciding on the product range, * negotiating prices; and * determining when the products should be available.   These, in turn, impact on customer satisfaction and brand building. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 2 | KM01KT01 IAC0101 | Explain the role of the planner in the buying cycle and how the planner impacts on the buying cycle. | 10  (1 mark per function in the role and 1 mark per fact listed under impact – maximum 10) |

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| Planners ensure that products appear in the right *store* at the right *time* and in the right *quantities*.  The responsibilities of the planner include:   * Sales forecast * Studying market conditions and consumer buying behaviour * Effective ordering in terms of quantities of specific products (including factors such as colours, and sizes for clothing) * Efficient and effective inventory planning * Merchandise allocation * Overseeing delivery and distribution of merchandise. | Effective planning has a crucial impact on a retail business as it has a significant impact on profits.  If the right stock is not allocated to the right places at the right time this will impact negatively on sales and the success of a retail chain. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 3 | KM01KT01 IAC0101 | Explain the role of the following role players in the buying cycle and how they impact on the buying cycle: | 8  (1 per relevant fact) |

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|  | **Role** | **Impact** |
| **Finance** | Finance makes payments to suppliers and measures profitability. | Timeous payment according to the buying agreement has a positive impact on relationships with suppliers. |
| **Marketing** | Marketing introduces new products, develops advertisements and sales promotions. | Effective marketing increases sales and profits. |
| **Warehousing and logistics** | Warehousing and logistics are responsible for moving allocated merchandise to the stores on time. | If these functions are not effective, sales opportunities will be lost, impacting negatively on profits. |
| **Store operations** | Stores are ultimately responsible for presenting and selling merchandise to customers.  This requires effective space planning and communication to customers about new products and features. | The quality of customer experiences created by store staff has an impact on customer sales and customer loyalty |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 4 | KM01KT01 IAC0102 | Explain how the buying and planning functions impact on finances of the company | 5 |

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| The buying and planning functions impact on finances in several ways:   * Buying of merchandise requires financial resources and payment of suppliers. * The quantities of merchandise bought impacts on cashflow of the company. Careful planning, in co-operation with the finance department is important. Finance needs to be consulted to ensure effective financial planning and execution of merchandise orders. * The timeframe in which merchandise is bought and has to be paid for impacts on cashflow of the company. If orders, deliveries and payment for merchandise are spread over a period of time so that income is generated while products are being sold, money is generated to pay for the next order and it has a less severe effect on cashflow. * Pricing of products should be aligned with company financial strategy to ensure profit targets are achieved. * Overstock and understock situations both have a negative impact on finances. Therefore, buying should be carefully planned and scheduled. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 5 | KM01KT01 IAC0102 | Explain how the buying and planning functions impact on the brand of the business | 3 |

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| Buyers and planners source new products and introduce new products and trends into the retail chain.  The speed at which new products are introduced to the stores creates an impression of whether the brand is “up-to-date” with current global brands and able to meet the needs and interests of the targeted customer base.  The type of products sourced and bought, to be sold in the retail chain, further creates an impression of the type of store and the type of customer the company is targeting.  The products draw in a type of customer. Therefore, the merchandise sourced should be aligned to the company’s brand objectives. The targeted consumer base should also be satisfied with the services that the brand is offering.  Especially in fashion retail, buyers and planners promote the latest trends and help people connect to the world of fashion. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 6 | KM01KT01 IAC0102 | Explain how the buying and planning functions impact on turnover, shrinkage and profitability | 5  1 per fact – al least 1 fact per factor |

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| **Impact on turnover**  When the product mix, sourced and bought by the buyer and planner, meets the needs and desires of the targeted customer segment, interest is created, and purchases are stimulated. This increases sales turnover. However, if the buyer and planner cannot shape up to customer needs and desires with the product mix, turnover will stagnate, financial resources will be tied up in stock that does not sell, and eventually this will have a negative impact on the financial health of the company.  **The impact on shrinkage**  Careful selection of merchandise combined with accurate sales forecasts ensure that little markdown will be necessary. This prevents shrinkage due to markdowns. If sales forecasts are too high and large quantities of merchandise need to be marked down, shrinkage will increase.  **The impact on profitability**  Effective buying, planning and merchandising increase sales. Of prices quantities of merchandise and process were calculated correctly, there will be a positive impact on profits. On the other hand, ineffective buying and planning may lead to the need for increased reductions, which impacts negatively on profits.  How the buyer and planner schedule receipt of merchandise, will have a great effect on the company’s bottom line. For example, “frontloading”, where all the products in a range are ordered and delivered at the start of a season, has a serious impact on the cashflow and also storage and shop sales area requirements. Bringing in high quantities all at once creates large invoices and in most cases, invoices need to be paid prior to generating enough income to pay for them. The buyer and planner should aim for paying current invoices with income from current sales.  Inefficient flow of stock lowers the stock turn and as the stock turn goes down, merchandise stays on the sales floor longer and need to be marked down. This has a negative impact on profitability.  If there is new inventory coming in every month, it enables sales staff to reach out to their customers and invite them back into the store to see the new merchandise, creating excitement. That typically results in increased sales and has a positive impact on profitability. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 7 | KM01KT01 IAC0103 | Discuss the interrelationship between the buying and planning functions and other areas of the business, including the relationship between:   * Buyer and planner * Buyer and sales * Buyer and Finance * Buyer and marketing * Buyer and visual merchandising | 10  (1 per fact) |

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| **Relationship between the buyer and planner:**  There is an interrelationship between buyer and planner. The buyer sources products and negotiates prices, while the planner brings in the right quantities of merchandise to the right places at the right time. Good communication between buyer and planner is important.  **Relationship between buyer and sales:** The sales department depends on the buyer to have the merchandise in place to satisfy customer needs. Buying, in turn, depends on the sales department to effectively sell the available merchandise and provide the buyer with feedback on customer response, to assist the buyer in making future buying decisions.  **The relationship between the buyer and Finance:** The relationship between buying and the finance department requires ongoing feedback in both directions. The buyer needs to know about the possibilities and constraints that the finance department handles. These include new sources of capital that make it possible to make advantageous inventory purchases and cash flow difficulties that limit purchasing power.  In turn, the finance department needs to know when the buyer is working towards an upcoming major merchandise buying contract.  Among the basic data needed by an organisation for proper planning of its working capital and cash flow positions are accurate sales forecasts and accurate procurement schedules. It is important for the buyer and planner to inform Finance of planned purchases.  **The relationship between the buyer and marketing:** The buyer depends on the marketing team to devise effective advertising and promotional strategies, to make consumers timeously aware of new merchandise categories and product ranges, to ensure that the new merchandise will sell in the planned timeframe and at the planned quantities. Marketing, on the other hand, depends on the buyer for timeous information about the product features that meet target market needs so that there is sufficient time to plan and roll out appropriate and effective marketing strategies. marketing needs to know how the merchandise meet customer needs and how the merchandise will add value to the customer.  **The relationship between the buyer and visual merchandising:** The purpose of visual merchandising is to attract, engage, and motivate the customer towards making a purchase.  Visual merchandising increases the visibility of the brand and also enhances brand loyalty.  The buyer depends on the merchandising department to design and erect visual displays in a manner that will draw the attention of the target market and motivate them to make purchases. The merchandising department, on the other hand, depends on the buyer for information about products features and benefits and how these meet the needs and desires of the target market. Since the buyer matches products to the target market, information about the segment that is targeted, is essential information the merchandising department needs from the buyer. This is especially true in departmental store chains that offer a variety of product categories. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 8 | KM01KT01 IAC0104 | Discuss the ethical standards required by people in the buying and planning function | 20 |

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| Use the following as guidelines:   |  |  | | --- | --- | | **Transparency** | The buying and planning process should be as transparent as possible, within commercial and legal parameters.  This requires that all parties involved should be open, so that everyone understand the procedures, timescales, expectations, requirements and criteria for selection.  No relevant information should be deliberately withheld by either party, nor should misleading information be given. | | **Integrity** | Integrity is about maintaining moral standards. No corruption or fraud must be present in the buying and planning process.  The United Nations (UN) defines fraud as “the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his/her detriment, for example in order to influence the competitive selection process or the execution of a contract.  The UN lists four common fraud scenarios in the buying process:   * A person with responsibility for buying defrauds his or her employer. * Suppliers defraud their customers. * Suppliers and buyers work together to defraud the buyer’s employer. * Buyers make personal gain at the expense of the supplier.   The Logistics Bureau adds the following as examples of immoral practices:   * **Bribery.** Payments in cash or in kind made to individuals or their friends, family, or partners to buy their support for a supplier or a contract negotiation. Bribes can occur before, during, or after (kickbacks) award of a contract. * **Coercion.** Threats made against or pressure put on individuals with the same objective as bribery, namely to gain support for a supplier or contract negotiation. Coercion aims to motivate through the fear of what they might suffer or lose. * **Extortion.** Asking for a bribe or similar payment. * **Favouritism:** Also known as nepotism, in which individuals give undue preference or negotiating advantage to a supplier who is a friend or part of the same family. * **Illegal sourcing.** Suppliers offer goods or services misrepresented or produced illegally or immorally, whether because of materials used (such as the substitution of horsemeat for beef) or the labour conditions in which production takes place (notably in the garment industry). * **Traffic of influence.** The exchange of an award of contract (or support for the award) for a favour or preferential treatment by the other party of another individual or organisation.   The Chartered Institute of Purchasing and Supply provides more examples of unethical behaviour:   * Payment for being an approved supplier. | | **Impartiality** | Impartiality implies objectivity, lack of bias, tolerance, and restraint.  The same standards should be applied to all potential suppliers. | | **Fairness** | When a supplier asks for clarification, the buyer and planner should give all suppliers the requested information.  The same standards should be applied to all potential suppliers. | | **Confidentiality** | Suppliers' confidential information must not be disclosed to any third party or used in any way without the consent of the supplier. It must particularly not be shared with other suppliers.  Any information that might compromise the competitive edge of a supplier must be kept confidential. | | **Due diligence** | *Due diligence* refers to carrying out duties carefully and thoroughly and avoiding careless practices or techniques.  Due diligence requires:   * Checking the references of potential suppliers * Developing impartial evaluation criteria * Carefully analysing offers received * Not cutting corners for the sake of convenience. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 9 | KM01KT01 IAC0105 | List behaviours that are conducive to working in a team.  Explain how these behaviours impact on team dynamics. | 10 |

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| 1. Everyone on the team talks and listens in roughly equal measure, keeping contributions short and sweet. 2. Members face one another, and their conversations and gestures are energetic. 3. Members connect directly with one another — not just with the team leader. 4. Members periodically break, go exploring outside the team, and bring information back.   The leader of the meeting should encourage participation.  Participation can be encouraged by:   * Listening sincerely to all contributions. * Giving recognition for contributions. * Asking questions to make people think or rethink issues. * Putting in effort to understand different points of view and helping other members to understand as necessary. * Managing dominant participants and drawing out quieter people.   **IMPACT:**  Encouraging discussion and participation by attendees is critical to the successful implementation of decisions because people implement decisions more readily or enthusiastically if they had participated, because they have had the opportunity of being heard. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 10 | KM01KT02 IAC0201 | Describe the following supply chains:   * Hot supply chain * Cold supply chain * General supply chain | 10 |

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| **Hot supply chains**  The hot supply chain basically only refers to the preparation, storing and selling of hot foods in a retail chain store.  Food safety standards specify that potentially hazardous foods must be stored, displayed and transported at safe temperatures and, where possible, prepared at safe temperatures.  Safe temperatures are 5°C or colder, or 60°C or hotter. Potentially hazardous food needs to be kept at these temperatures to prevent food-poisoning bacteria, which may be present in the food, from multiplying to dangerous levels. These bacteria can grow at temperatures between 5°C and 60°C, which is known as the temperature danger zone. The fastest rate of growth is at around 37°C, the temperature of the human body.  **Cold supply chain:**  The cold chain involves the transportation of temperature sensitive products along a supply chain through thermal and refrigerated packaging methods and the logistical planning to protect the integrity of these shipments.  **General supply chain:**  The general supply chain may, therefore, be illustrated as in Figure 6. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 11 | KM01KT02 IAC0202 | Explain the concept of logistics | 5 |

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| **Logistics** is the *process* of *planning*, *implementin*g, and *controlling* procedures for the *efficient and effective storage of goods*, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.  The process occurs between the point of origin (manufacture) and the point of consumption in order to meet requirements set by customers.  The main aim of logistics management is to allocate the right amount of a resource or input at the right time. It is also ensuring that it gets to the set location in a proper condition while delivering it to the correct internal or external customer. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 12 | KM01KT02 IAC0203 | Describe the distribution methods **and their impact** on buying and planning:   * Intensive distribution * Exclusive distribution * Selective distribution | 15 |

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| | **Distribution method** | **Description** | **Impact on buying and planning** | | --- | --- | --- | | **Intensive distribution** | With intensive distribution, a manufacturer’s products are put into as many retail locations as possible.  This method hinges on making a large number of goods available in multiple locations. These items do not typically necessitate an involved purchase decision where the customer (buyer and planner) does research before making a purchase.  Rather, these items are routine purchases that involve very minimal effort to sell. Examples are major brands of soft drinks and chocolates. | * With products available through intensive distribution, it is important that the buyer and planner do effective sales forecasts and negotiate the best possible prices for the products. * The buyer and planner must also ensure that they understand how the supply and delivery schedules work, to ensure that lead times and safety stock are calculated accurately in order to make sure that sufficient stock levels are always available in the chain stores. | | **Exclusive distribution** | When manufacturers opt for exclusive distribution, they make a deal with a retailer to sell a product through that specific storefront only, or they sell their goods directly through their own branded stores.  This distribution strategy works especially well for highly coveted, exclusive items. | * When a buyer and planner are interested in exclusive brands for their retail chains, they need to negotiate with the manufacturer where there is still room for exclusive distribution by the retail chain they represent. * Buyers and planners can also negotiate with manufacturers to specifically manufacture specific items, for which the retail chain will have exclusive distribution rights. | | **Selective distribution** | Selective distribution is an option between intensive and exclusive distribution.  With this distribution method, products are distributed in more than one location, but not as many as with an intensive distribution strategy.  For example, clothing from different brands may be offered selectively. A brand like Gucci may choose to distribute its items to its own stores in addition to a few selected department stores rather than placing its products in a range of locations.  Selective distribution helps create an implicit high-end brand message while it also increases the opportunity for shoppers to purchase the products. | Buyers and planners should source brands and products where there is scope for selective distribution through the retail chains that they represent. Examples are fashion and accessory brands. These may typically attract high-income consumers, and thereby profits can be increased while the retail chain’s brand is built. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 13 | KM01KT02 IAC0204 | Discuss the interrelationship between the role players involved in the flow of merchandise to stores:   * Between buyer and vendor * Between buyer and distributor * Between vendor and distributor * Between buyer and stores * Between stores and customers | 10  1 mark per fact |

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| **Interrelationship between buyer and vendor**   * The buyer communicates with the vendor about product requirements. The vendor (supplier) is dependent on the buyer for accurate and sufficient information on requirements to enable the vendor to suggest prices and lead times for delivery. * Once prices have been negotiated and agreed on, the buyer is dependent on the vendor for sending the right products in the right quantities to the right place at the right time and with a correct invoice.   **Interrelationship between buyer and distributor**   * The buyer communicates the type of product, the quantities and delivery times to the distributor. The buyer may also communicate types and quantities of product to be distributed to various stores in the chain. * The distributor is dependent on the buyer for the correct information. * The buyer is then, in turn, dependent on the distributor for distributing the right products in the right quantities to the right places (stores or warehouses).   **Interrelationship between vendor and distributor**   * The vendor is dependent on the distributor to have the correct type of and enough storage and handling facilities to ensure there will not be any loss of integrity or quantities of the products sent to the distributor. * The vendor is also dependent on the distributor to send the right products in the right quantities to the right places, as agreed between buyer, vendor and distributor. * To be able to send the right products in the right quantities to the right places, as agreed between buyer, vendor and distributor, the distributor is dependent on the vendor to send the right products in the right quantities at the right time to the distributor.   **Interrelationship between buyer and stores**   * Stores are dependent on the buyer to understand their target markets and to buy the correct types of products in the right colour, sizes and quantities for the stores to meet the needs and desires of their target market customers. * The buyer is dependent on the stores to ensure merchandise is displayed correctly and attractively, aligned to the target market customers and their needs, so that the products will sell as planned and that mark-downs and damages will be limited.   **Interrelationship between stores and customers**   * Customers are dependent on stores to ensure the right products are available at the stores in the right quantities, at the right time and the right price. * Stores are dependent on customers to be loyal and buy the products that are available. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 14 | KM01KT03 IAC0301 | Describe the responsibilities of the buyer in managing the supply chain | 10  1 mark per responsibility and per fact |

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| The three key responsibilities of buyers in managing the supply chain are:   * **Building and maintaining supplier relationships**. In the current economy, the buyer and supplier collaborate to ensure that the supply chain is effective and stable.   In this collaborative relationship, the buyer:   * + needs to build strong and trusting relationships with suppliers. If he or she fails to do this, the supply chain becomes weak and risks being unable to cope with sudden variances.   + needs to work with suppliers to make sure that the suppliers can deliver the merchandise when needed or on a continuous basis, and to ensure that the price will be as was agreed.   + must keep a watchful eye on what the supplier’s competitors is offering, to ensure that the buying company is getting the best deal. * **Quality control.** The second key responsibility of the buyer in supply chain management is to control quality. Buyers play a role in ensuring that the items they purchase are of good quality and that the quality is consistent, within set parameters.   This means that the buyers must be aware of quality issues and not allow price to outweigh the demand to have good quality products available.    **Innovative approach**  Buyers also must be mindful of new innovations especially in terms of changing consumer needs, new innovated products, product cost, distribution methods, and environmental considerations.  The key objective of an innovative approach is to support supplier development activities by promoting new technology opportunities, and by ensuring that there are no contractual issues prohibiting the development.  Another way to ensure the current supplier follows the market trends is to compare the suppliers’ operational performance and cost in relation to its competitors (e.g. benchmark). |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 15 | KM01KT03 IAC0301 | Describe the responsibilities of the planner in managing the supply chain | 12 |

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| The key responsibilities of the planner I terms of supply chain management include:   * **Sales forecast and spend monitoring**   In terms of *managing the supply chain*, the planner is responsible for regular reviews of sales forecasts, based on current sales, so that forecasts can be adapted where necessary because of higher or lower sales than the forecast.  The planner is also responsible for managing the merchandise buying budget to ensure profitability.   * **Monitoring prices and terms**   During the merchandise planning process, the planner sources suppliers and negotiate prices and terms.  During the supply chain management process, the planner should monitor prices, product compliance to specifications and supplier compliance to agreed terms.   * **Studying market conditions and consumer buying behaviour**   Market conditions and consumer buying behaviour are constantly changing. The planner should consistently study changes in market conditions and consumer buying behaviour. This is critical for monitoring and reviewing sales forecasts and budgets, so that plans can be amended promptly if necessary, to prevent overstock and understock situations.   * **Efficient and effective inventory management**   Supply chain planners are typically responsible for monitoring and managing inventories. They should track delivery performance and response time of the supplier, so that remediation activities can be implemented if necessary.   * **Monitoring and managing pricing strategies**   During the merchandise planning stage, the planner determines and applies pricing strategies to ensure profitability targets will be achieved.  During the supply chain management process, the buyer should monitor whether the planned pricing strategies are achieving the objectives and make amendments as necessary. this is because there could have been changes in costs such logistics and import duty fees.   * **Overseeing merchandise allocation, delivery and distribution**   Merchandise allocation is planned during the buying and planning process.  During the supply chain process, the planner must ensure that the allocation plans remains relevant, based on actual sales at the various chain stores. The planner must also ensure that the right merchandise reaches the stores at the right time, by monitoring distribution and delivery efficiency. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 16 | KM01KT03 IAC0302 | Discuss critical management stages in the management of the supply chain. | 20 |

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| Learner answers should cover the aspects at the top of the diagram. allocate 1 mark per factor and 1 mark per pact mentioned. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 17 | KM01KT03 IAC0303 | Discuss the following generally accepted actions to remedy shortfalls in the supply chain:  Several actions can be taken to prevent or remedy shortfalls in the supply chain process:   * Applying best practices in supply chain management * Identifying and evaluating risks and preparing contingency plans to mitigate risk. * Re-allocation and/or re-allocation of merchandise * Sourcing alternative suppliers * Subtly suggesting alternatives * Increasing focus on logistics | 10  1 per fact |

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| **Best practices:**   * Set up a supply chain council * Collaborate on strategic sourcing * Ensure role players have adequate resources * Implement effective technology * Maintain healthy supplier relationships * Establish KPIs for suppliers and regularly review performance * Optimise inventory * Minimise risk through regular reviews   **Identify and evaluate risk and prepare contingency plans**   * Identify risks * Evaluate risks in terms of probability and severity * Prepare contingency plans to mitigate risks   **Re-allocation and/or re-direction of stock**  Stock can be re-allocated or re-directed from stores or areas where there is more than enough to other stores or areas where stockouts occur due to disruption in the supply chain.  Inventory may be deployed to stores or regions with the biggest product-availability deficits.  **Source alternative suppliers**  Where possible, source alternative suppliers who follow an efficient supply chain model to substitute products where it is feasible.  Secure fast supply, even it if requires reduction in the number of stock-keeping units (SKUs).  **Subtly suggest alternatives**  Assortment planning and positioning on shelves or display areas influence what customers buy.  Research has shown that that a store can utilise assortment planning to entice customers to purchase products that are widely available when certain products are facing supply disruptions. A store manager could manipulate customers’ product choice and customers’ demand by reconfiguring the set of products on display, the location of each product on the shelves and the number of facings for each product.  **Increase focus on logistics**  Increase focus on logistics to find alternatives, for example:   * **Multi-modal transportation***.* Source other modes of transport to help cope with the disruption. * **Multiple routes.** Consider using alternative routes to improve product flow along the supply chain. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 18 | KM01KT03 IAC0304 | Discuss typical contingency plans used in managing the supply chain | 15 |

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| **Segment or diversify the supply chain**  When production is centralised, there are risks attached to using only one supplier. The supply chain needs to be flexible to avoid risk of disruption in supply.  Supply chains can be fragmented to improve profits and reduce fragility in the supply chain.  The authors suggest that:   * For high-volume commodity items with low demand uncertainty, the supply chain should have specialised and decentralised capacity. For these fast-moving basic products (typically with low profit margins), it may be worthwhile to source from multiple low-cost suppliers. This should reduce the impact of a disruption at any single supplier because other suppliers might still be producing the same item. * For low-volume products with high demand uncertainty (typically, high margin), the buyer and planner can take a different approach and keep supply chains flexible, with capacity that is centralised.   **Regionalise the supply chain**  Regionalising the supply chain could contain the impact of a disruption and decrease distribution costs.   * Should an unexpected situation in one region disrupt the supply chain, for example, because of a severe storm or political riots, not all regions will be affected. * Since rising fuel prices increase transportation costs, regionalising supply chains provides an opportunity to lower distribution costs while also reducing risks in global supply chains.   Buyers and planners need to respond to supply chain disruption incidents when these do occur, but how they respond will depend on how they have configured the supply chain. Researchers have identified three stages of response: (1) detecting the disruption, (2) designing a solution or selecting a predesigned solution and (3) deploying the solution.  The authors argue that, detection, design and deployment become simpler and faster when the supply chain is segmented or regionalised.  **Flexible transportation**  Transportation may pose a high risk for disruption of the supply chain.  Flexibility in transportation may mitigate the risk.  Christopher Tang suggests that three approaches could be considered:   * **Multi-modal transportation***.* To prevent the supply chain operations from coming to a halt when disruptions occur in the ocean, in the air, on the road, etc., a flexible logistics strategy that relies on multiple modes of transportation may be adopted. * **Multi-carrier transportation** can be implemented to ensure continuous flow of materials in the case of political disruptions (labour strikes, political riots, etc.). * **Multiple routes.** To avoid a complete shutdown with a breakdown on one route (for example, as a result of destructed road, riots, road congestion) considering using alternative routes may ensure smooth material and product flows along the supply chains.   **Safety stock**  Calculating and having “safety stock” available to cover short disruptions or delays in the supply chain is another measure that can be taken to mitigate risk. However, it can be costly to keep safety stock at all stores. Christopher suggests that, instead of carrying large quantities of safety stock, a retail chain may consider storing some inventories at certain strategic locations - such as warehouse, logistics hubs or distribution centres) - to be shared by multiple chain stores. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 19 | KM01KT04 IAC0401 | List typical methods used to gather information on supplier performance. List the advantages and disadvantages of each. | 20 |

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| |  |  |  | | --- | --- | --- | | **Method** | **Challenges/Disadvantages** | **Advantages** | | **Paper questionnaires** | * Hard to construct sound information gathering instruments * Require knowledge of what to measure * Difficult to deploy * Suppliers procrastinate filling out questionnaires | * If completed, the results of a questionnaire are usually easy to interpret. | | **Web based questionnaires** | * Require resources to develop * Compliance issues | * Anonymity is usually an advantage | | **Extract from current systems** | * Data integrity * Require cleansing, massaging and formatting * Data integrity disputes with suppliers | * Information already available in the buying company’s system | | **Site visits** | * Resource intensive for both customer and supplier * Requires trained personnel * Can be inconsistent | * Direct observation can be the basis for the evaluation | | **Certification to third-party standards** | * Conformance to procedures does not guarantee best practice deployment * Can move the focus away from performance to documentation of procedures * Not specific to performance, processes and practices required by the customer | * Work is done by a third, independent party. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 20 | KM01KT04 IAC0402 | List generally accepted operational standards required of suppliers in terms of:   * Service delivery * Merchandise quality * Order fulfilment * Lead times | 8 |

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| * **Service delivery**: On-time delivery of the right products in the right quantities at the right quality and the right price * **Lead times**: As short as possible and no longer than agreed. * **Order fulfilment**: Correct products in correct quantities at agreed time * **Quality:** Number of customer complaints limited; quality as per specification or agreement |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 21 | KM01KT04 IAC0403 | Explain how the company’s target market could impact on operational standards of the supplier | 5 |

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| Learners may provide relevant answers which the assessor should consider.  Examples include:  Consumers have become more aware of the impact of industry on, for example, the environment.  There has also been an increase in attention on how suppliers treat their employees in terms of human rights.  Stakeholder pressure on environmental and social standards, expectations with regard to sustainably in managing companies and their supply chains are gaining significant momentum. Therefore, the interests of a retail chain’s target market may have an impact on the performance standards of the company’s suppliers. Certain groups of consumers may, for example, stop buying certain products should they become aware that a retail chain’s suppliers violate human rights or sustainable manufacturing practices during the manufacture or distribution of the products.  Due to stakeholder pressures, buyers should take cognisance of the interests of their target market and select merchandise assortments and suppliers aligned to these interests. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 22 | KM01KT04 IAC0404 | List typical corrective measures for suppliers not meeting requirements. | 15 |

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| **Collaborate with suppliers in finding a solution.**  Advantage: Win-win situation for both  **Change suppliers**   |  |  | | --- | --- | | **Advantages** | **Disadvantages** | | * If the new supplier can consistently meet the agreed standards, the problem is resolved and that can have a positive impact on sales and profitability. | * It is time consuming and expensive to source and evaluate potential new suppliers. * Only time will teach whether the new supplier was a better match for company needs. * Alternative suppliers who can supply the required products might not be available. |   **Segment suppliers**   |  |  | | --- | --- | | **Advantages** | **Disadvantages** | | * Segmenting of suppliers may lead to lower merchandise costs for efficiency” model products. * Reliance on one supplier is reduced, and this could limit risk. | * Because of lower quantities, the buyer may lose exclusivity of product supply, price negotiation leverage and influence on the suppliers. |   **Regionalise suppliers**   |  |  | | --- | --- | | **Advantages** | **Disadvantages** | | * Regionalisation of suppliers may have the benefit of shorter lead times, making it easier to manage stock and prevent stockouts or excess stock. * Because of proximity, it might be easier to build personal relationships with suppliers. | * Regionalisation may limit the available merchandise assortment. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 23 | KM01KT05 IAC0501 | List financial reports used to measure merchandise performance and explain how each is used. | 10 |

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| **Classified income statement**  The classified income statement shows important relationships that help in analysing how well the company is performing. For example, by deducting cost of goods sold from operating revenues, it can be determined by what amount sales revenues exceed the cost of items being sold. If this margin, called gross margin, is lower than desired, a company may need to increase its selling prices and/or decrease its cost of goods sold.  **Inventory on hand**  The inventory on hand report shows how many product units are in each store as well as the current stock value. That information tells the user of the report how much capital is tied in on inventory, which in turn can help with financial plans and forecasts.  **Sales summary report**  The sales summary report provides an overview of sales for a given time period. This report typically also shows cost of goods sold, gross profit, margins, and tax.  The report provides is used to get a macro view of retail sales, for example:   * Sales for the month, quarter or year * Year-to-date sales * Sales compared to last month, quarter or year   **Product performance report**  This report shows how much merchandise was sold over a given time period as well as a summary of items sold per month or per week.  The product performance report is used to determine which items are worth investing in and which ones should not be re-ordered.  **Sales report per product and product type**  This report ***per product*** makes it easy to identify best and worst selling products, so the buyer/planner can determine the right course of action. If a particular product is selling well, for example, the buyer/planner could consider ordering more of it. On the flip side, if a product is not performing well, then the buyer/planner would want to know sooner rather than later so they can run promotions before the season ends.  Sales ***per product type*** helps the buyer/planner get a handle on revenue from a category level. This is a great report to run to identify broader trends or insights.  Example: If a footwear retail chain notices that a particular brand or style of shoes is quickly gaining in popularity, or that certain shoe sizes sell more quickly, these insights can be used to amend stock ordering and marketing decisions for the rest of the season. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 24 | KM01KT05 IAC0502 | List ratios used to measure merchandise performance and explain how each is used. | 25 |

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| **ABC analysis**  ABC analysis rank orders merchandise by performance measure to determine:   * which SKUs should be in the merchandise plan; * which items should never be out of stock; * which items should occasionally be allowed to be out of stock; * which items should be deleted from the stock selection; and * how much backup (safety) stock is required.   This is done by rank ordering the SKSs into categories A, B and C, through performance measures such as sales, gross margin and GMROI (Gross margin return on investment).  The first step in the ABC analysis is to rank order SKU’s using one or more criteria.  With this inventory classification, the total inventory is classified into three categories:   |  |  | | --- | --- | | A | This category represents the most valuable products. They are the products in this category contribute heavily to the company’s overall profit.  This category will be the smallest category but include the biggest money makers. These products are, however, crucial for inventory control, order scheduling, safety stock, prompt delivery, stock balance and refill demands. | | B | Category B represents the middle-of-the road products.  This category is all about potential. The products in Category B can usually be developed into category A items. | | C | Category C products are relatively unimportant in terms of critical stock control.  Products in this category make up thousands of tiny transactions that are essential for profit, but the products do not individually contribute much value to the company.  It is also the category where automated replenishment systems should be used. |   **GMROI**  The gross margin return on investment (GMROI) is an inventory profitability evaluation ratio that analyses a company’s ability to turn inventory into cash above the cost of the inventory.  The GMROI calculation assists buyers and planners in evaluating whether a sufficient gross margin is being earned by the products purchased compared to the investment in inventory required to generate those gross margin dollars.  The formula for the GMROI is  **Sell-through analysis**  With sell through analysis, the actual sales and forecast sales are compared and the difference is analysed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.  Tracking via sell-through is a traditional measure that is used by most fashion retailers and fashion brands. It is how the fast fashion retailers interpret, and respond to this metric, across their value chain, that creates value for the brand, business and consumers.  **Multiple-attribute**  Retailers and buyers use this method to evaluate the performance of merchandise and suppliers.  This method is used to analyse the various alternatives available with regard to vendors and select one that best satisfies store needs. This method is based on the concept that customers look a retailer or a product as a collection of features and attributes.  The steps for calculating multiple attribute are:   1. Develop a list of issues to consider for decision making, like supplier reputation, service merchandise quality, selling history etc. 2. Give importance weights to each attribute. 3. Make judgments about each individuals brand’s performance on each issue. 4. Combine the importance and performance scores. 5. Add all to arrive at the brand scores. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 25 | KM01KT05 IAC0503 | Describe typical measures used to evaluate buying and planning activities | 10 |

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| **Range reviews**  Range reviews are regularly conducted to remain competitive. Retailers continually have to monitor and assess their product ranges in line with their customer’s needs.  Range reviews are based on thorough data analysis. The goal is to use the data to spot opportunities to improve the category.  **Evaluation of allocation**  Sell-through analysis. Sell-through analysis measures the quantity of inventory that is sold within a given period, relative to the quantity of inventory received within the same period.  It is among the most important key performance indicators in inventory management.  The buyer can segment sell-through rate analysis by product to see which products are selling well and which products are selling poorly. This information can then be used to improve allocations and reduce the risk of carrying slow moving product.  The formula for sell-through analysis is as follows:  **ABC analysis.** It can be used to allocate product ranges and determine the top 20% of products that contribute around 80% of sales.  It can also be used to evaluate and product ranges (categories) in terms of performance and then to compare the actual performance against the initial product range plans.  It is often practice in retail to remove the last 20% from future product range allocations, unless the products play a specific role such as convenience to the customer who could be lost to the competition of the store does not sell these products. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 26 | KM01KT05 IAC0504 | Describe possible activities for merchandise not selling and the impact of each on the business. | 25 |

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| **Short-term:**   |  |  | | --- | --- | | **Sale** | **Sales help move overstock and dead stock, but they must be planned and used with caution. Sales should not be offered so regularly that customers become used to the sales and put off buying, in anticipation of the “good deals” they will get on the next sale.**  **There are different types of sale:**  **Flash sale.** Flash sales are often offered with heavier discounts (typically 50-70% off) and last for a limited time. Though the prices are discounted enough that some items may be selling at a loss, it is still better than keeping dead stock on the store’s shelves.  **Clearance section.** The store may either have a permanent clearance section in an effort to attract bargain shoppers or create one seasonally to feature overstocked inventory. This slow-moving stock typically consists of items that have been in the store for at least 3 months.  **Seasonal sale.** For retailers that order different stock seasonally, seasonal sales can be a great way to rid excess products. Consumers have learned to anticipate great seasonal discounts.  **Product specific sale.** Storewide sales can be dangerous if not managed perfectly. A larger than expected turnover can result in losses bigger than anticipated and take months to recover from. For this reason, sales of only a limited number of products may be wise. | | **Pricing strategies** | **Overstock pricing strategies can be applied in the following ways:**  **Bundle products.** Pairing a best-seller with one of the poorly moving products is a great way to move the slower-moving stock. Make the pair cheaper than the two would have been individually but price it so that there will still be a profit. Consider also pairing a high-margin item with a low-margin one. Bundled deals are fun for customers.  **Complementary items.** Take advantage of shelving strategies and product placement. Situate slow-moving products next to top-sellers, especially if they are related products. It might remind someone to buy something they forgot they needed.  **Buy one get one.** “Buy one get one” deals are hard to say no to, even if customers so not really want the product. Grouping several units of the same slow-moving product together can get inventory moving quickly. | | **Remerchandise** | **An effective strategy is to remerchandise and position products differently. It is quite often as simple as repositioning stock or merchandising the overstock or dead stock items at “hot spots” (high traffic areas).**  **In addition to changing position, the signage can be used to draw attention. Use nice displays and bright signage.** | | **Incentives** | **Use overstock items as incentives. Offer free products as rewards for signing up to loyalty programmes or set benchmark sales, for example, buy for Rx and get a free …** |   **Long-term:**  To prevent overstock and dead stock, the chain store manager should understand customer demand.  The chain store manager can get insight into demand by studying sales trends at the store. For stock that is replenished regularly, it is best practice to consider sales figures for six months.  Historical sales data can help predict what will sell during specific times of the year. It is especially helpful to plan for seasonal sales. For example, if sales of chocolate products over the previous Easter time were 20% higher than the average monthly sales, it is a good indication of how much more stock to buy for this Easter.  Demand forecast methods help with planning replenishment in a manner that will ensure sufficient stock without overstocking. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 27 | KM01KT05 IAC0505 | Describe possible activities for solving shortfalls in merchandise levels and the impact each will have on the business. | 20 |

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| **Short-term actions** Re-allocation and/or re-direction of stock Stock can be re-allocated or re-directed from stores or areas where there is more than enough to other stores or areas where stockouts occur due to disruption in the supply chain.  Inventory may be deployed to stores or regions with the biggest product-availability deficits Subtly suggest alternatives Assortment planning and positioning on shelves or display areas influence what customers buy.  Research has shown that that a store can utilise assortment planning to entice customers to purchase products that are widely available when certain products are facing supply disruptions. A store manager could manipulate customers’ product choice and customers’ demand by reconfiguring the set of products on display, the location of each product on the shelves and the number of facings for each product. Liaise with supplier In some cases, especially if the supplier is regionally located, it might be possible to request special arrangements to alleviate the shortage of stock.  **Long-term actions** Source alternative suppliers If the shortfall is caused by continuous underperformance of the supplier, one option is to source alternative suppliers who follow an efficient supply chain model to substitute products where it is feasible.  The buyer/planner should secure fast supply, even it if requires reduction in the number of stock-keeping units (SKUs). Review forecasting methods and safety stock levels A review of forecasting methods should be considered if the cause of understock seems to be vested in the manner in which demand forecasting is done or inadequate safety stock levels. Search for ways in which to reduce lead time Where possible, solutions should be found to shorten lead time.   |  |  | | --- | --- | | **Inventory planning** | Inventory planning as part of stock control is important. Running out of high-demand items leads to lost sales and lost customers.  In an ideal stock control situation, new inventory should come in at the same time old inventory is depleted. There should be no soldouts and no overstocking.  Accomplishing this requires accurate, up-to-date data on stock on hand, stock on order and stock that is being shipped. | | **Effective order cycles and replenishment** | To avoid either an overstock situation or soldouts stock control systems must include effective order cycles and methods for replenishment.  Replenishment methods must ensure ordering enough stock to meet demand without exceeding predicted turnover. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 28 | KM01KT05 IAC0506 | Describe possible activities for improving merchandise performance | 20 |

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| **TRAFFIC BUULDING**  The aim of the traffic building strategy is to draw customers’ attention into the stores then to the aisle, and into a category. This strategy is typically is used for products that are price sensitive and are frequently purchased.  Traffic building products or categories are usually displayed at eye-level, which is deemed prime position because it generates the most sales.  **TRANSACTION BUILDING**  The transaction building strategy focuses on increasing the size of the average category transaction, by encouraging consumers to purchase complementary products.  Transaction building strategies also include the display of items to encourage impulse purchases, and using promotions to encourage up-trading, for example, 3 for the price of 2.  **PROFIT GENERATING**  When identifying profit generating categories, buyers/planners need to consider three factors:   * Higher selling price * Higher gross profit % (margin) and * Categories that have a high GP% and a high stock turn.   Accessories that compliment a product are generally profit generating categories.  The consumer’s exposure to higher margin items can be increased by merchandising these categories in high traffic areas.  **EXCITEMENT GENERATING**  Excitement generating strategies essentially focus on offering fashionable and innovative products or promotions.  This strategy is used to create excitement for a particular category by communicating a sense of urgency or opportunity to the consumer.  **RECONSIDER CATEGORY ROLES**  Part of category management is to assign a role for each category.  A category role defines the role the retailer wants the category to play within the stores. Category roles can be used to:   * increase shopper traffic * support specific shopping needs * feature special occasions * make target categories more shopper friendly * help chain stores execute specific strategies targeted to meet consumer’s needs * help determine the strategic layout for the store. The chain store manager can manage traffic flow by placing categories strategically within identified destination roles throughout the store and surrounding them with related routine and impulse categories * Set the stage for assortment, pricing and merchandise strategies. |

## 13.2 MODEL ANSWERS – KNOWLEDGE TEST KM02

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| **MODEL ANSWERS – KNOWLEDGE TEST KM02** | |
| Qualification | 332301 Retail buyer |
| Knowledge module | KM02 Concepts and principles for identifying and sourcing products and selecting suppliers |

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| Total possible marks | 333 | Minimum marks required | 266 (80%) |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 1 | KM02KT01 IAC0101 | Describe the impact of importing goods on the South African economy | 30 |

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| Imports have a two-fold impact: firstly, on the country’s economy and, secondly, on consumers.  **Impact on the economy**  When products are imported, money is exchanged between buyers and suppliers from different countries.  Imports impact on four aspects of the South African economy:   Trade account A healthy economy is one where both exports and imports are experiencing growth. This typically indicates economic strength and a sustainable trade surplus or deficit. If exports are growing, but imports have declined significantly, it may indicate that foreign economies are in better shape than the domestic economy. Conversely, if exports fall sharply but imports surge, this may indicate that the domestic economy is faring better than overseas markets.  Imports have an impact on South Africa’s trade account because it may result in trade surpluses and deficits. The trade surplus or deficit is one of the measures against which the economic health of a country is measured.  If the country imports less than it exports, that creates a ***trade surplus***.  A trade surplus contributes to economic growth in a country. When there are more exports than imports, it means that there is a high level of output from a country's factories and industrial facilities, as well as a greater number of people that are being employed in order to keep these factories in operation. When a company is exporting a high level of goods, this also equates to a flow of funds into the country, which stimulate consumer spending and contributes to economic growth.  On the other hand, when a country has a ***trade deficit***, it must borrow from other countries to pay for the extra imports.  The impacts of imports on the South African economy, therefore include:   * When there are too many imports coming into the country in relation to its exports, it can distort South Africa’s balance of trade and devalue its currency. The devaluation of the currency can have a huge impact on the everyday life of citizens because the value of a currency is one of the biggest determinants of a nation’s economic performance and its gross domestic product (GDP). Maintaining the appropriate balance of imports and exports is crucial for any country. * When the country has a trade deficit because it imports more than it exports, the country must borrow money from other countries to pay for the imported goods. This has a negative impact on the currency value of the Rand. The Rand becomes weaker against other currencies, which makes imports more expensive. * Trade deficits have a negative impact on inflation and interest rates. This impacts on businesses as well as consumers. * A weaker domestic currency stimulates exports and makes imports more expensive; conversely, a strong domestic currency hampers exports and makes imports cheaper. * Fewer jobs are created locally because finished products that could have been manufactured locally, in a factory that would employ people, are imported.   Ideally, there should be more exports than imports because:   * Exports boost economic output, as measured by gross domestic product.﻿ They create jobs and increase wages. * Imports make a country dependent on other countries' political and economic power. That is especially true if it imports commodities, such as food, oil, and industrial materials. It is dangerous if a country relies on a foreign power to keep its population fed and its economy running. * ﻿Countries with high import levels must increase their foreign currency reserves. That is how they pay for the imports.﻿ That has an effect on the domestic currency value, inflation, and interest rates. * Domestic companies should be able to compete with foreign companies that import similar goods and services to their businesses. * Exports help domestic companies gain a competitive advantage. Through exporting, they learn to produce a variety of globally demanded goods and services.  Exchange rate A rise in imports will cause a depreciation in the exchange rate.  This is because to buy imports, the country spends more Rands to pay for the imports. This, in turn, causes a depreciation of the Rand. Inflation rate A depreciation in the exchange rate tends to increase the inflation rate because:   * Imports become more expensive * Exports increase * With more competitive exports, manufacturers in the country have less incentive to cut costs   If the inflation rate in South Africa becomes higher than that in countries from where South Africa imports, South African goods become less competitive. This, in turn, leads to lower demand for domestically produced goods. Instead, suppliers would look to buy more imports because they will be more competitive. Interest rates Higher inflation, caused by higher imports, typically leads to higher interest rates.  **Impact on consumers**  If the products are produced more cheaply in another country, those products can be made available to consumers at lower prices and this may, in turn, help the consumer balance household budgets.  Although some products may be manufactured more cheaply in some other countries, imports may have negative impacts on the South African economy and that may affect households in other ways such as fewer local jobs, higher interest rates on loans and financing of purchases (for example, a consumer buying furniture on credit at a homeware chain store).  When there are fewer job opportunities, unemployment rates rise and consumers without jobs cannot meet their financial needs and obligations. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 2 | KM02KT01 IAC0102 | Describe (i) applicable legislation and (ii) duties relevant to imports. | 10 |

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| 1. **Legislation**  |  |  | | --- | --- | | **Customs and Excise Act as amended by the Customs and Excise Amendment Act (13 of 2019)** | The Act intends to provide for the levying of customs and excise duties, the prohibition and control of the importation or manufacture or certain goods. | | **Taxations Administration Act as emended by Taxations Law Amendment Act (34 of 2019)** | The Act aims to, among many other aims:   * provide for the effective and efficient collection of tax; * determine the powers and duties of the South African Revenue Service and officials; | | **Import Control Regulations** | The Import Control Regulations specify products for which import is restricted. |  1. **Duties**   Import duties are imposed to protect local producers.  Import tariffs (duties) and VAT are levied at the first point of entry in the South African Customs Union.  SARS is also responsible for levying these duties, which include: customs duties (including additional ad valorem duties on certain luxury or non-essential items); anti-dumping and countervailing duties; and VAT.  Different rates of duty are applicable to) different goods or commodities, as listed in the HS tariff codes list (PAPD-LPrim-Tariff-2012  Once the goods/product to be imported has been identified, the particulars thereof can be provided to South African Revenue Service who will be able to advise on the relevant tariff heading and applicable duty (including VAT payable). |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 3 | KM02KT01 IAC0103 | Discuss the impact of import costs on the sale of goods | 3 |

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| When the buyer calculates selling prices, the relevant import costs should be included in the **landed cost** of every item.  It is generally recommended by experts that buyers should look for inventory management software that can automate calculations of net landed cost, because manual calculations done on a consistent basis will be painstakingly slow and tedious.  It is important to be as accurate as possible and leveraging technology automations can ensure that. If net landed cost is calculated to be too high, prices could be too high for customers. If the calculation is too low, profits could be affected negatively. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 4 | KM02KT01 IAC0104 | Describe generally accepted import processes and the specific support functions required of an import buyer | 10 |

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| South Africa has a complex import procedure.  An import buyer usually requires the specialist knowledge and services of agencies that provide import support functions such as shipping, insurance and customs clearance. Most major shipping companies provide these services to importers.  **Importer code**  Importer needs to apply for an importer code from SARS (if the company does not already have one)  **Harmonised System of codes for imported products and customs clearance**  A harmonised System (HS) of codes is used that strictly apply to all imports. There are around 90,000 products on the HS code list. This list is used to (i) control products entering the country and (ii) to determine Customs duties and VAT payable upon entry into the country.  It was already said that the first requirement for importing is that the importer should apply to SARS for an importer code.  SARS then uses a Single Administrative Document (SAD) to facilitate customs clearance fr importers, exporters and cross-border traders.  **Role of Customs clearance agencies**  Customs clearances agencies (a service typically provided by major shipping agents) manage all queries from the customs authority on behalf of the importer. Once goods are cleared by Customs SA, the shipping agent arranges for transit before final delivery.    Through the local services shipping and customs clearance agencies ensure that customs paperwork is relevant and accurate at all times. Once thoroughly checked, shipment information is handed over to the appropriate customs authority to expedite the clearance and get goods delivered quickly and efficiently.  The commodity code (HS code) is a critical piece of information for when goods are submitted to the customs authority.  **Conformity to specifications**  Certain products must be certified for conformity to South African specifications. Examples:   * Electrical products need to receive Electromagnetic Interference (EMI) certification through the SABS or SANAS. * All medicines must be evaluated and certified by the South African Health Products Regulatory Authority (SAHPRA, previously known as the Medicines Control Council). |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 5 | KM02KT02 IAC0201 | Discuss techniques available to identify suppliers of products | 20 |

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| Potential suppliers can be identified by researching several sources of information, including:   * Manufacturer web pages * Trade and commercial shows * Online trade directories * Trade attaches at embassies * Trade journals or magazines  |  |  | | --- | --- | | **Manufacturer’s web pages** | * Searching the Internet for manufacturers of products that are needed (for example, searching for “clothing manufacturers in South Africa”), is one starting point for identifying potential suppliers. * Some suppliers proactively include on their web pages information they know buyers will need, including product lines they manufacture, whether they do custom manufacturing, manufacturing capacity and the type of equipment available. * Other suppliers may only indicate the product lines or specific products. * In both instances, the buyer will gain at least some information to decide whether to ask for further information or to request a quote. | | **Trade and commercial shows** | * Trade and commercial shows may provide a wealth of information, especially on the latest additions to product ranges. * Manufacturers often use trade shows to showcase their new products or capabilities. * Such shows provide the opportunity for direct contact and exploratory discussions between buyer and supplier. * Major trade shows are mostly held in the USA or Europe. * Information on major trade shows is usually published in trade magazines and on the Internet. An Internet search, for example, for “jewellery trade shows 2020” will deliver several listings. | | **Online trade directories** | An online trade directory such as exporters.sg may provide leads to potential suppliers for certain product lines.  The same search may also show up the Clothing Manufacturer’s Association of India, which claims to have 20,000 members: | | **Trade journals and magazines** | A trade magazine, also called a trade journal, is a magazine whose target audience is people who work in a particular trade or industry. Trade publications keep industry members abreast of new developments.  Subscribing to a good trade journal where manufacturers tend to advertise their latest offerings, as a valuable source of information that can be investigated further.  ***Sourcingjournal***.***com*** is an online trade journal on footwear and denims. In an article during May 2020, the journal provided information on footwear manufacturing categorised by country (Brazil, China, Portugal, Italy, India and the USA). | | **Trade associations** | Searching for trade associations may help identify potential suppliers for further investigation.  For example, an Internet search for “clothing manufacturers association” may show up the Clothing Manufacturers Association of India as well as the Clothing manufacturers Association of the USA.  Both these organisations have thousands of members, which the buyer may investigate further for matching potential suppliers to company apparel product needs. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 6 | KM02KT02 IAC0202 | Discuss business’ typical requirements when choosing preferred suppliers | 50 |

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| |  |  | | --- | --- | | **Process and design capabilities** | * It is important that suppliers should not only have up-to-date products, but also process technologies. * Different manufacturing processes have strengths an weaknesses, therefore the buyer should be aware of these upfront. * The design capabilities of the manufacturer is important for developing new products. | | **Quality and reliability** | * Quality is an important requirement in the selection of suppliers. * Quality should consistently meet specified requirements. * Reliability relates to whether the supplier can deliver as per agreed lead times. * The buyer should consider whether the supplier is certified against a relevant quality standard (such as ISO, BSI, etc.).   CIPS recommends considering of the following for suppliers who are not accredited or certified against quality standards:   * To what extent does the supplier know about and implement the concept of Total Quality Management (TQM)? * What procedures are in place for the inspection and testing of received materials? * What statistical controls are applied in respect of quality? * Do quality control procedures cover evaluation of the supplier’s sub-contractors? * Can the supplier guarantee that the buying company can safely eliminate incoming inspections? | | **Cost** | The cost of merchandise does not only include the unit price from the supplier, but also payment terms, discounts, carrying cost, and the cost of logistics. | | **Service** | Suppliers must be able to back up their products with services such as product information or warranty where applicable. | | **Production capacity** | The buyer should consider whether the supplier has the capacity to fill orders and meet requirements.  The Chartered Institute of Procurement and Supply defines production capacity as “the limiting capability of a productive unit to produce within a stated time period, normally expressed in terms of output units per unit of time (for example, capacity of 50,000 units per month). | | **Production facilities** | Attention should be given to aspects such as:   * Does the supplier have the full range of machinery to make the required product? * How would any shortage of machinery be overcome? * Are machines modern and well maintained? * Is plant layout satisfactory? * Are good housekeeping standards implemented? * Are health and safety measures satisfactory? | | **Location** | Geographical location is an important requirement because it impacts on transportation, lead times and costs of logistics. | | **Management capability** | Management capability includes aspects such as management’s commitment to continuous process and quality improvement, overall professional ability and experience, its ability to maintain positive relationships with the workforce and a willingness to develop a close working relationship with buyers. | | **Financial health and cost structure** | Financial health is evaluated using different financial ratios that determine whether a supplier can invest in resources, pay its suppliers and workforce and continue to meet its debt and other financial obligations.  Financial health is an important indicator of whether the supplier will be able to be a reliable source of supply.  The Chartered Institute of Procurement and Supply (CIPS) argues that financial appraisal of a potential supplier should reduce the risk of placing business with a supplier whose financial viability might be in doubt. It is recommended that the following checks be done:   * The assessed turnover of the supplier over three years * The profitability and relationship between gross and net profits over three years * The value of the capital assets and return on capital assets and return on capital employed * The scale of borrowings and the ration of debts to assets * Whether the supplier has a financial backer or guarantor * The possibility of a merger or take-over affecting ability to supply * Whether the supplier is “tied” to a small number of major customers so that if one withdraws their business it might not cause the supplier financial difficulties | | **Planning and control system** | Planning and control systems include those systems that schedule and control the flow of work within the organisation.  The level of sophistication (or lack of it) can have a major impact on supply chain performance. | | **Compliance with environmental regulation** | Compliance with environmental regulations – both in the location of the supplier and the retail chain – has become an important requirement.  ISO 14000 provides guidelines on environmental policies. Where applicable, suppliers should be expected to have environmental policies and procedures in place.  If ISO 14000 policies and procedures are not in place, the buyer may consider questions such as:   * Has responsibility for environmental management been allocated to a particular person? * Are materials obtained, as far as possible, from sustainable resources? * What facilities does the supplier have for waste minimisation, disposal and recycling? * What energy savings do the supplier’s product provide? * What measures are in place for the control of dangerous substances and nuisance? | | **Human resources** | The buyer should obtain information such as:   * Number of persons employed in manufacturing and administration * Economical use of human resources * Names, titles, qualifications and experience of managerial staff * Training schemes * Worker representation and recognised trade unions * Days lost through industrial disputes in each of the last (five) years * Staff turnover – managerial and operative staff * Worker attitudes to the organisation and their concern for meeting customer requirements | | **Ethics** | Ethical questions that could be considered include:   * Does the supplier have an ethics policy relating to the purchase and sale of items? * Who is responsible for the enforcement of the ethics policy? * What guidelines and procedures are provided relati9ng to the confidentiality of information relating to the supplier’s customers? * What guidelines are in place regarding receipt of gifts? * What principles apply in respect of conflicts of interest? | | **Longer-term relationship potential** | A long-term relationship is important, especially for critical suppliers.  The buyer/supplier parties should share mutual goals and establish metrics to guide the relationship. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 7 | KM02KT02 IAC0203 | Discuss how logistics will impact on a business’ choice of suppliers | 6 |

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| Lead time  Logistical factors that have an impact on the supply chain include:   * Transportation methods * Transportation time, including the time required for customs clearance * Transportation costs * Overall lead times from the time of placing the order until receipt of the purchased merchandise * Processes followed |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 8 | KM02KT02 IAC0204 | Discuss the advantaged and disadvantages of broad and narrow supply bases | 10 |

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| **Broad supplier base**  A broad supplier based may, to some extent, have an advantage in helping ensure availability of the type and quantities of merchandise required and possibly a broader product assortment, but it is not without disadvantages.  The disadvantages of a broad supplier base include:   * Having too many suppliers may be inefficient, costly and cause a waste of time in an effort to manage all suppliers. * Pricing will not be optimised because the supplier has only a portion of the retail chain’s business. * Visibility of information on overall spend at a supplier becomes fuzzy. * Increased back office support is required because there are more meetings, more orders to be placed, more invoices to process, more payments to be made and checked, etc. * Suppliers might not be as engaged and as committed as the retail chain want them to be, because they have only a portion of the retail chain’s business.   **Narrow supplier base**  A narrow supplier base has mostly benefits including:   * Financial advantage. Fewer suppliers equal greater leverage with better prices and terms. * Efficiency. Having fewer suppliers means less time, labour and cost is required to manage suppliers. * Decreased risk related to contracts and renewals. * Improved supplier performance. Because they have a bigger share of the purchasing capacity of the retail chain, suppliers are motivated to perform at the highest level. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 9 | KM02KT03 IAC0301 | Discuss the various factors that impact on range and product selection including target market, store size, buying preference, strategy, branding | 30 |

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| **Target market**   * A target market refers to a group of potential customers to whom a company wants to sell its products and services. This group also includes specific customers to whom a company directs its marketing efforts. * The target market typically consists of consumers who exhibit similar characteristics (such as age, location, income or lifestyle) and are considered most likely to buy the retail chain’s product offerings or are likely to be the most profitable segments for the company to service. * Retail chains will normally match the product mix with the needs and expectations of the target market the company has in mind. Products should also be matched to company strategy. * Understanding clearly who the target market is, has become even more crucial in the last decade. Steve Dennis from Forbes reported in 2018 that whilst a very broad product selection was once an area of strength (with chain stores selling a huge range of products all under one roof), “being something to a lot of people but ultimately not much to any of them is now a recipe for failure.” * The key to success in retail today is to offer consumers something different and add value in ways that other online stores simply can’t. If you want to attract prospective customers into your store (online or offline) you simply have to provide a differentiating advantage and a unique retail experience.   **Demographics – Lifestyle**  Lifestyle segmentation is a categorisation of target audiences by how they live. This includes activities like healthy eating, staying active, and participating in sports and other hobbies.  For example:   * Health food stores often target health-conscious consumers such as diabetics or people with food allergies. The majority of products in the product range will, therefore, need to focus on such factors. * Swimwear retailers focus on those who enjoy spending their leisure time in the water. The product range in a swimwear retail chain should therefore focus on a large range of swimwear but also offer related products.   Another example of how ***lifestyle*** may influence product selection, is the trend of “cellular” families, which resulted in a growth in spending on personal appliances. Households with teenage children are likely to have multiple television sets, telephones and computers. Buyers need to understand what types of product features each of these groups within families will prefer.  **Demographics – age groups**  If a retail chain’s target market is mostly based on demographics such as age and lifestyle, it is important to distinguish between different age groups as they behave differently (that is why they are being categorised for several purposes), have different needs and have different preferences in terms of types of products as well as how, where and when they buy. The age grouping during 2019 looked as follows:  Different ***age groups***, and even different genders within the same age group, might have different needs, expectations, preferences and shopping behaviours. Their buying behaviours may also be influenced by different factors. PWC found, for instance during 2019/20 that young millennials were highly influenced by social media content in deciding what to buy. They:   * Used social media to complain about products and services. Such information may influence others about their choice of store and product. * Recommended brands and products to others via social media. * Had been influenced to buy a product or service following endorsement from others. * Browsed social media channels to seek inspiration for purchases.   **Demographics – Income grouping**  The ***income grouping*** of the target market is another factor that will impact on product selection. It may even happen that a retail chain that sells mobile phones will offer different brands and models of mobile phones in different locations, based on the target market within each location. It is no secret that some clothing chains offer different styles of apparel at different branches, based on the income grouping and lifestyle differences of consumers in the different locations. To the same extent, different branches of retail chain stores might need to stock different cosmetic products suited to different skin colours, based on the location of the store and the composition of the local target market.  The most commonly used income grouping that is used when defining target markets, is the LSM.  **Demographics – Gender**  Apart from the fact that males and females have different product needs, buyers should take cognisance of changes in consumer needs, such as the fact that more males are using skincare and a larger variety of haircare products. The different attitudes of different genders in terms of brand preferences may also impact on product selection for the buyer. PWC has, for example, found in 2019 that while 44% of females wanted to have a variety of brands to test or try, 48% of men were happy to deal with a trusted brand.  **Geographic – Location**  Geographic segmentation includes categorisation of target market customers according to the physical location. Where the target market is situated, may have an effect on the types of product, sizes of packaging, etc. customers in rural areas may, for example, buy larger packages of items such as maize meal because they travel less often to shop. Customers at a coastal region may buy more leisure attire than in other areas.  **Store size**  The size of a store will impact on the product range that the store can carry.  A store with a larger floor space will probably need to stock a wider and deeper product selection to cater for the needs and expectations of a larger foot count (larger number of customers visiting the store).  Generally, consumers expect a larger store to have a much larger and more exciting selection of products to choose from.  **Buying preference**  Understanding buying preferences of the target market has a heavy impact on the selection of products offered by a retail chain.  Consumer preferences include their likes, dislikes, values and morals. Preferences may influence buying behaviour, and *vice versa*.  **Company strategy**   * If the company’s strategy includes a drive towards green retailing, the buyer will need to select products that have a lesser impact on the environment, are more environmentally friendly in several aspects, such as: * Materials that the products are made of (sustainable materials such as specifically grown timber rather than deforestation) * Smaller carbon footprint * Environmentally friendly packaging * If the retail chain aims for a high-end experience by customers, then the retailer will have high-end items only, with a larger assortment but smaller quantities per item, to create and maintain the impression of exclusivity.     **Branding**  Loyal customers are a retail chain’s most valuable assets. They are cheaper to retain, usually have the highest lifetime value, and can become brand advocates.  Retailer chains use branding for the purpose of positioning the company. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 10 | KM02KT03 IAC0302 | Describe and discuss the methodologies used in their industry for developing ranges | 30 |

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| To ensure the right selection (assortment) of products is available for the target market, the buyer should consider questions such as:   * *Who is the target customer?* * *Which product?* * *How much of it?* * *What colours?* * *What sizes?*   **Step 1: Define the category based on the needs of the target market**  The objective of step 1 is to determine the products that make up a category and its segments.  For this step, tools used include a market structure analysis and preference segmentation.  The ideal with defining a category and its segments, is that it should be based on the retail chain’s strategy which states which consumers are the most important to the retailer, that is, the target market.  The needs of the target market should form the basis of the category analysis and product identification.  Karolefski and Heller state that the buyer should understand customer buying patterns and how products interact with each other.  Shopper behaviour depends on the reason for shopping. A mother may, for example, at one shopping occasion need fruit-flavoured yoghurts in squeeze tubes for her children’s school lunch boxes, or she may need a large container of plain yoghurt for an elderly parent who likes to mix in her own fruits. When such behaviour patterns are monitored over time, patterns will emerge that can provide information to be used for effective product selection.  **Step 2: Assign a role to the category to support the retail chain’s strategy**  The objective of step 2 is to assign a category role (purpose).  Category roles can be used to:   * increase shopper traffic * support specific shopping needs * feature special occasions * make target categories more shopper friendly * help chain stores execute specific strategies targeted to meet consumer’s needs * Help determine the strategic layout for the store. The chain store manager can manage traffic flow by placing categories strategically within identified destination roles throughout the store and surrounding them with related routine and impulse categories * Set the stage for assortment, pricing and merchandise strategies.   There are four key consumer-centred category roles:   |  |  | | --- | --- | | **Destination role** | With this category, the store is profiled against the target consumers and differentiated from competition. It aims to offer superior value to consumers and define the chain store as a store of choice. | | **Routine role** | This category aims to provide consistent and competitive value for the everyday needs of consumers.  Products in this category tend to be items like pet products, paper towels, toilet tissue, etc.  A small percentage of consumers purchase these but they buy a large number of them. | | **Seasonal role** | This category refers to products which are purchased occasionally and not on a regular basis. | | **Convenience role** | Purchased infrequently, but important when a customer buys them. In a grocery store these are hardware items, shoe polish, etc. |   **Step 3: Assess the category to find opportunities for improvement**  The objective of step 3 is to analyse the category as well as its sub-categories, brands and items based on consumer, market, retailer and supplier.  The purpose is to determine the potential for growth.  It is true that retailers can effectively assess categories on their own, but they typically rely on the deep insights of their suppliers on who the consumers are and how they buy.  Four perspectives should be assessed:   * **The consumer perspective**. This perspective provides information into who shops, how, where and why. * **The market perspective**. This perspective enables the retailer to benchmark itself against the total market and against competitors in the market. * **The retailer perspective**. This perspective provides detailed information on category pricing and profitability, item movement and shelf placement. * **The supplier perspective**. This perspective allows retailers to assess their suppliers’ past logistical, marketing and promotional performance as well as future support of their brands to the retailer and the public.   **Step 4: Set performance targets to measure progress with a category scorecard**  The objective of step 4 is to set targets for the retail chain and its key suppliers in support of the category business plan.  Scorecards are created to keep track of progress against the plans. Their purpose is to highlight strengths and weaknesses of the category.  Scorecard measures for the category may include entries such as sales, profit, return on investment, market share, stock turn, market penetration, gross margin return on investment (GMROI), purchase size, purchase frequency, service level, etc. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 11 | KM02KT03 IAC0303 | Discuss how trends, fashions, fads and world events impact on product selection | 12 |

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| |  |  | | --- | --- | | **Fads** | * A fad is any form of behaviour is intensely followed by a population or a product for which there is a sudden, novel interest, for a short period of time. * Fads come fast and fade away – they are novelties for which interest rises very quickly and falls quickly. * Using fads can create attention and momentarily serve as a gateway for new customer audiences, but they fade away quickly and, therefore, should be used with utter caution to prevent overstocking and dead stock of an item that will no longer sell. | | **Trends** | Trends gets stronger over time. Most trends last for several years.  Trends have identifiable and explainable rises driven by needs of target market segments. They help solve problems and represent new ways of life. | | **Fashion** | Fashion is defined as a popular or the latest style of clothing, hair or accessory.  Fashion change relates to changes on colour, styling, fabrication, silhouette, and performance to reflect fashion trends.  Clothing products that exist for a long time without fashion change are called basic products, while clothing products that change rapidly in styling are called fashion-sensitive products.  The time range of a fashion trend is getting shorter than in the past due to easy access to trend information through advanced media and easy access to fashionable clothing products in stores.  It is believed that consumers will spend a higher share of their budget in retailers that renovate the fashion assortment at a faster pace.  Buyers should be aware and quick to respond to fashion trends worldwide, in order to select the right product assortment. Da Vinci Retail claims that “twenty years ago, customers discovered fashion differently. While some might have followed the trends in magazines and on TV, many may not have found new styles until they arrived in stores. Unfortunately, stores no longer dictate the fashions. Instead, retailers race madly to catch up.  Consumers find new styles on Instagram and other social media platforms you and I haven’t heard of yet. They read blogs and follow celebrities. And when they see something they want, they want it now.  Fashion plays a role in turnover, because fashion-conscious customers tend to continuously buy the latest fashion. The buyer should, however, carefully balance availability of the latest fashion items with buying quantities and varieties without overstockimg. | | **World events** | World events may take many forms, for example:   * World sports events * World socio-economic events such as Covid-19 pandemic in 2020. * Political events that rock the global economy   World events may temporarily change shopping patterns and need for specific products.  The buyer needs to carefully analyse potential needs of customers and forecast sales very cautiously to be able to maximise any opportunities without experiencing overstock and dead stock situations.  For sports events, there might be a need for team support apparel and memorabilia, especially if a team to seem to be on a winning spree. However, should the team start losing, consumer interest in these items will quickly fade.  On a socio-economic level, the 2020-21 Covid-19 pandemic is an example of how consumer buying patterns may change, not only because of an immediate crisis such as lockdown with closing of retail stores, but also in altering shopping patterns and preferences over the longer term. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 12 | KM02KT04 IAC0401 | Describe generally accepted methods for conducting research on product availability | 15 |

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| Potential suppliers can be identified by researching several sources of information, including:   * **Manufacturer web pages.** Working directly with manufacturers ensures inventory is acquired at the lowest possible prices by cutting out the middlemen (wholesalers and distributors). Without any middlemen to deal with, buyers can source high quality products that are in demand at the best prices. * **Trade and commercial shows**. There are trade shows for a variety of different industries, including textiles, apparel, home furnishing, electronics, beauty, health and nutrition, outdoor sports, and so on.   + The buyer can locate manufacturers by joining retail industry associations and trade organisations or by connecting with domestic and overseas manufacturers through attending trade show events.   + Trade shows are not only good opportunities for networking with potential suppliers, but they are also a place to spot upcoming trends. For example, the China Sourcing fair is organised by product type and attracts thousands of exhibitors and participants every year.   + Trade shows further provide buyers with the opportunity to compare prices and quality of products showcased and demonstrated by different suppliers at a one convenient venue.   + Trade shows are often advertised in trade magazines or through trade organisations. about upcoming trade shows. * **Trade attaches at embassies**. They can usually assist with finding suppliers because their mission is to promote trade between countries. * **Trade journals or magazines**. Trade magazines can be an inexpensive way to scour for companies that might offer the products that the buyer is looking for.   + Many manufacturers use trade magazines to make potential buyers aware of new technology or upgraded capacity. They can help with shortlisting a few suppliers to start communicating with and find out whether they will be participating at any upcoming trade shows that the buyer can attend. Trade magazines are usually a source of information. * **Trade organisations**. These organisations usually aim to match up buyers and sellers with their extensive network and access to manufacturers from other countries. * **Online trade directories**. Several online trade directories are available. One such directory is Global Sources |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 13 | KM02KT04 IAC0402 | Discuss generally accepted methods for analysing research data on product availability | 25 |

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| Buyers typically use the following methodologies for analysing data on product availability:  **Availability of substitutes**  A substitute is a product that serves the same purpose as another product in the market.  Substitutes provide choices and alternatives for consumers while creating competition in the marketplace.  The buyer should research substitutes before deciding to buy a particular produce, because:   * The greater the number of substitutes, the more rivalry there is between retailers. * Products with many substitutes are difficult to price. Prices of products with many substitutes are highly volatile. * Where there are fewer substitute products, there is a probability of earning higher profits. * In a bid to provide the substitutes at the lowest prices, suppliers may compromise on quality in an effort to reduce manufacturing costs. * If a product is priced fairly, for example in the case of writing pens, there is a higher risk of consumers switching from using one pen to the other unless they are loyal to the particular brand they have been using.     **Characteristics relative to competitors**   * The buyer should analyse the characteristics of the products he or she intends to buy, relative to products offered by competitors, and/or relative to the characteristics of competing substitutes. * Substitutes may have different characteristics and therefore meet different needs of consumers. If characteristics vary between substitutes, the likelihood of meeting the needs of a specific group of consumers is higher. Thus, a new product may provide good opportunities. * Porters’ Five forces model of analysing competition includes an analysis of threats based on the characteristics of substitute products. The model states that if the functions, attributes (characteristics) or performance of the substitute products are equal to or superior, the threat of substitutes is high, depending on consumer preferences and/or tastes. * Porter’s model has practical applicability for buyers. As the buyer analyses the impact of substitutes, he or she should consider the types of substitutes that might exist or might emerge to compete with the intended products. * Consideration of substitutes should be part of an ongoing process of environmental scanning to help forecast and identify potential risks that must be addressed to ensure the retail chain’s categories and product ranges remain viable and competitive.     **Pricing research**  Pricing research is a research method which uses research techniques geared towards (i) measuring the impact of change in prices to the demand of any product and (ii) to determine the optimal price for new products. Pricing research helps retail chains find optimal price a customer is willing to pay thus helping them maximize revenue and market share.    **Potential income**  Potential income is a critical aspect to consider when analysing product availability. The ultimate objective of product assortment decisions is to identify and implement products that will contribute to the bottom line of the retail chain.  Potential income (gross profit in Rands and in profit margin) can only be estimated once the buyer has identified product that offer good selling opportunities and has calculated landed cost as well as made sales forecasts.  **Market environment**  The market environment that needs to be analysed includes the following:   * The political and regulatory environment * The economic environment * The competitive environment * The technological environment * The social and cultural environment * Consumer behaviour |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 14 | KM02KT04 IAC0403 | Describe methods for identifying product sources | 15 |

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| Potential suppliers can be identified by researching several sources of information, including:   * **Manufacturer web pages.** Working directly with manufacturers ensures inventory is acquired at the lowest possible prices by cutting out the middlemen (wholesalers and distributors). Without any middlemen to deal with, buyers can source high quality products that are in demand at the best prices. * **Trade and commercial shows**. There are trade shows for a variety of different industries, including textiles, apparel, home furnishing, electronics, beauty, health and nutrition, outdoor sports, and so on.   + The buyer can locate manufacturers by joining retail industry associations and trade organisations or by connecting with domestic and overseas manufacturers through attending trade show events.   + Trade shows are not only good opportunities for networking with potential suppliers, but they are also a place to spot upcoming trends. For example, the China Sourcing fair is organised by product type and attracts thousands of exhibitors and participants every year.   + Trade shows further provide buyers with the opportunity to compare prices and quality of products showcased and demonstrated by different suppliers at a one convenient venue.   + Trade shows are often advertised in trade magazines or through trade organisations. about upcoming trade shows. * **Trade attaches at embassies**. They can usually assist with finding suppliers because their mission is to promote trade between countries. * **Trade journals or magazines**. Trade magazines can be an inexpensive way to scour for companies that might offer the products that the buyer is looking for.   + Many manufacturers use trade magazines to make potential buyers aware of new technology or upgraded capacity. They can help with shortlisting a few suppliers to start communicating with and find out whether they will be participating at any upcoming trade shows that the buyer can attend. Trade magazines are usually a source of information. * **Trade organisations**. These organisations usually aim to match up buyers and sellers with their extensive network and access to manufacturers from other countries. * **Online trade directories**. Several online trade directories are available. One such directory is Global Sources |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 15 | KM02KT04 IAC0404 | Describe methodologies used in the industry for analysing competitor ranges. | 15 |

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| Two are mainly two methods that can be used for product range analysis:   * The Boston matrix * SWOT analysis   **Boston matrix**  The Boston matrix is a model which helps businesses analyse their **portfolio of brands** or products within a product range.  The matrix is used to categorise the products into one of four different areas, based on:   * **Market share: D**oes the product have a low or high market share? * **Market growth: A**re the numbers of potential customers in the market growing or not?   The four categories can be described as follows:   * **Stars** are **high growth products** competing in markets where they are strong compared with the competition. These products often need heavy investment to sustain growth. * **Cash cows** are **low-growth products** *with a high market share*. These are mature, successful products with relatively little need for investment. They need to be managed for continued profit - so that they continue to generate the strong cash flows. * **Question marks** are products with *low market share operating in high growth markets*. This suggests that they have potential but may need substantial investment to grow market share. * **Dogs are** products that have a *low market share in unattractive, low-growth markets*. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.   Ideally a business would prefer products in all categories except dogs to give it a balanced portfolio of products.  **SWOT analysis**  A SWOT analysis involves identifying the key internal factors (strengths and weaknesses) and external factors (opportunities and threats presented by the external environment - other retail companies, changes in consumer needs, changes in consumer behaviour, etc.) that are favourable or unfavourable to achieving the company’s objectives.  The results of a SWOT analysis are presented in the form of a matrix. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 16 | KM02KT04 IAC0405 | Describe methods used in the industry for completing a SWOT analysis | 15 |

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| **Sources of information**  Strengths and weaknesses of competitors can be identified through:   * **Primary data** collected through new information collected specifically for a particular purpose. * **Secondary data** is public information that has been collected by others. It is typically free or inexpensive to obtain. * **Personal experience and observation.**   Consider the following questions:  **Strengths**   * What product categories do competitors offer? * What are they known for? * What attracts customers to them? * How have they recently changed their product range to better meet the needs and expectations of their target market? * Why do customers ultimately end up purchasing from the competitors?   **Weaknesses**   * What do competitors’ customers regularly complain about? * What problems have you experienced when you “shopped” with them? * What products or services should they offer but don’t?   **Opportunities**   * Are the competitors doing anything that presents an opportunity for the retail chain you represent? * What do they not offer that can present an opportunity for the retail chain you represent? * Have they stopped carrying any products that might create an opportunity for the retail chain you represent?   **Threats**   * Is your competition doing anything that presents a threat to your business? * Have they lowered their prices recently? * Are they offering new products or services that might pose a threat to the retail chain you represent? |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 17 | KM02KT05 IAC0501 | Describe how the target markets are categorised in the wholesale and retail industry | 10 |

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| |  |  | | --- | --- | | **Demographic** | Demographic segmentation (or categorisation) slices the market based on demographical characteristics such as:   * age * gender * income * family size * educational qualification * socio-economic status | | **Geographic** | The population is divided based on geographics such as:   * country * province * city * suburb * region, etc. | | **Psychographic** | Psychographic market segmentation is based on factors such as:   * personality * personal characteristics * lifestyle * social status | | **Behavioural** | Behavioural market segmentation is based on consumer behaviour or usage patterns. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 18 | KM02KT05 IAC0502 | Describe the LSM method for categorising target markets in South Africa and how it can be used when setting ranges for a business | 20 |

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| LSM is the abbreviation for *Life Standards Measure*, which was developed by the South African Audience Research Foundation (SAARF) and which has become one of the most widely used tools for market research and target market definition.  LSM creates an index that groups together those people with similar behaviour and is, in essence, a wealth measure based on the standard of living rather than income.  Information available from SAARF divides consumers according to life stages and also according to lifestyles.  **Life stages**  Adults are placed into life stages based on:   * Age * Living with parents * Married/living together with a significant other * Dependent children in the household   The identified life stages were:   * **At home singles.** Up to 34 years old; live with parents; not marries or living together; no depended children * **Young independent adults.** Up to 34 years old; not living with parents; not married or living together; no dependent children * **Mature singles.** Age 35 and above; not married or living together; no dependent children * **Young couples.** Age up to 49; married or living together; no dependent children * **Single families.** Not married or living together; dependent children * **Young families.** Married or living together; at least 1 dependent child under 13 years * **Mature families.** Married or living together; no dependent children under 13 years; at least 1 dependent child over 13 * **Mature couples.** Age 50 and above; married or living together; no dependent children   The SAARF points out that the LSM is not to be used as a psychographic or attitudinal measure and that LSMs are not alternative labels for income levels. LMSs can indicate, for example, that those in LSM 10 have more commodities than others, but it does not tell their income or whether they are predisposed towards spending money. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 19 | KM02KT05 IAC0503 | Discuss how factors such as ethical sourcing, price and brand influence customer shopping habits | 10 |

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| **Ethical sourcing**  Ethical sourcing is the process of ensuring the products being sourced are obtained in a responsible and sustainable way, that the workers involved in making them are safe and treated fairly and that environmental and social impacts are taken into consideration during the sourcing process.  The worldwide focus on environmental protection and respecting human rights is having an effect on buying habits.  Consumers may, for example, resist buying leather shoes manufactured in a specific country should it become known that the particular factory is using processes that harm the environment or that human rights are grossly disrespected.  **Green products and sourcing**  The world-wide focus protecting the environment has had an effect on consumer buying habits in the sense that a growing number of consumers are developing their buying habits around “green” retailing and products.  **Price**  Price has a relative effect: Some consumers are sensitive to price, whereas others do not consider the price when making a purchase decision.  Consumers are very rational when it comes to judging what benefits they wish to get from buying products or services they pay for.  Price is an important factor in the purchasing decision, especially for products that are frequently purchased, and in turn, influences the choices of which store, product, and brand to patronise.  **Brand**  Brand image is important because it influences consumers’ decisions to purchase and their buying behaviour. Consumers typically do not have the time to obtain full knowledge about a product while making buying decisions. Therefore, they often rely on the brand image when making buying decisions.  Many consumers prefer to buy branded products because they belief that brands reflect quality. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 20 | KM02KT05 IAC0504 | Describe the buying habits of shoppers falling into the LSM1, LSM5 and LSM10 bands | 6 |

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| * Consumers who fall in LSM1 to 2 have very little household possessions and are driven to satisfy only basic needs as they have very little disposable income. They are mostly isolated from media, which makes marketing difficult, which further limits the information they receive and the options of choice they have. * Consumers who fall in LSM 3-6 have very basic household appliances and have more money to spend on things they want as opposed to need. They are, however, often still in lower income brackets. * Consumers who fall in LSM 7 to 10 have more household possessions and their needs in this product category are mostly satisfied. They are driven to satisfy their wants in terms of the lifestyle they prefer. |

## 13.3 MODEL ANSWERS – KNOWLEDGE TEST – KM03

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| **MODEL ANSWERS – KNOWLEDGE TEST** | |
| Qualification | 332301 Retail buyer |
| Knowledge module | KM03 Concepts and principles of buying merchandise |

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| Total possible marks | 220 | Minimum marks required | 176 (80%) |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 1 | KM03KT01 IAC0301 | Discuss the negotiation process by referring to the phases and briefly describing each. | 6 |

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| Negotiation is a three-phase process:   * Pre-negotiation preparation * Meeting phase * Contracting phase   During the **pre-negotiation** process, preparation includes analysing of information, setting objectives and developing strategies.  The **meeting phase** involves an introductory stage, discussion, further collection and analysis of information, with the reaching of agreement between the parties.  The process is, in essence, often more complex and the meeting phase may involve multiple meetings. In such cases, preparation requires phased objectives. It may, for example, be that the first meeting is purely intended as an exploratory exercise where both parties should clarify issues of the negotiation and collect further information.  ***Negotiating price, costs and payment terms***  Negotiations need to include the actual price of the merchandise but also discounts, related costs, and payment terms. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 2 | KM03KT01 IAC0302 | Discuss different negotiation strategies used in the industry | 25 |

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| The most commonly used negotiation strategies in buying are:   * Competitive * Distributive * Integrative   ***Competitive negotiation***  Competitive negotiation is a tendering method in which a request for proposals (RFP) is sent only to qualified suppliers.  The RFP details the scope, specifications, and terms and conditions of the proposed contract and the criteria for evaluating the bids. Then separate negotiations are carried out with each bidder whose bid falls within the pre-set competitive range.  The process concludes with the award of contract to the bidder who offers most advantageous price, quality, and service combination.  It is, therefore, a procurement procedure in which the contract is normally awarded to the supplier who submits the lowest financial prices or obtains the highest number of tender evaluation points.  Competitive strategy is used where:   * It is not feasible or necessary to formulate detailed specifications for the work or to identify the characteristics of merchandise to obtain the most satisfactory solution to procurement needs * There are a number of options for satisfying procurement needs.   ***Distributive negotiation***  Distributive negotiation is a competitive strategy in which one party gains only if the other party loses something.  The aim of this approach is not to achieve a win-win situation but rather for one side to win as much they can and is, in essence, a win-lose situation where both parties in the negotiation will try to get the maximum benefit.  Distributive negotiations may either be “hard” or “soft.  Hard distributive negotiation takes place when each party holds out for what it wants without any compromise. Often, such an attitude leads to an impasse.  In soft distributive negotiation, both parties follow the give-and-take the policy, make concessions, compromise on some issues and reach an agreement that is realistic and acceptable.  Usually, one party asks for much higher benefits than it is willing to accept and the other party offers much less than it is willing to give. Then, by negotiation and compromise, they meet somewhere in the middle and both parties are satisfied.  The basics of distributive negotiation:   * The basic guideline is to play your cards close to your chest, giving little or no information to the other side. The less the other negotiator knows about your interests in terms of the negotiation, the better your position. * Try to obtain as much information from the other side as you can. Any further information uncovered is potential leverage to negotiate a better deal. * Let the supplier know you have options. * Make the first offer. Whatever the first offer is, generally acts as a negotiation anchor. The anchor becomes the point on which the rest of the negotiation will likely revolve. * Be realistic. Being too greedy or making too low offers will likely result in no agreement.   ***Integrative negotiation***  **Integrative negotiation** is a collaborative model in which the parties seek to expand the range of possible outcomes and thereby maximise their individual benefits.  There are many advantages to be gained by both parties, when they take a cooperative approach to the negotiation.  The collaborative negotiation process is often described as the “win-win” scenario.  Generally, integrative negotiations are future-focused, with long-term relationships in mind.  **The basics of integrative negotiation**   * Integrative negotiations usually involve discussion of many issues. Each side wants to get something of value while trading something of lesser value. This is in contrast to distributive negotiations, which generally revolve around the price or a single issue. * To understand each other’s situation, both sides should share as much information as possible. This helps each side understand the other’s interests or objectives. * Co-operation of both parties is essential. * Integrative negotiation is all about bridge building with a long-term relationship in mind. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 3 | KM03KT01 IAC0303 | Discuss conflict that may arise in negotiations and methods to manage this conflict | 15 |

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| The most common causes of conflict include:   * Intercultural differences * Assumptions * Use of power and hidden agendas  |  |  |  | | --- | --- | --- | | **Potential cause of conflict** | **Discussion** | **How to prevent it** | | Intercultural conflict | When negotiating with someone from a different culture, negotiators often try to learn cultural practices that will help to avoid causing offense.  However, there is a risk to focusing on cultural differences: too much attention may be given to presumed cultural differences and this may end up over-simplifying or stereotyping the other party.  When one or both sides fall into this trap, misunderstandings and conflict can arise. | When preparing for an inter­national negotiation, background research on the other party’s culture is important, but it is even more important to get to know the person as an individual.  Obtain information such as the person’s profession, work experience, education, areas of expertise, personality, and negotiating experience.  Take care not to stereotype. | | Assumptions | Assumptions are most of the time incorrect. When negotiations are based on assumptions, rather than confirmed facts, conflict may arise. | Always test assumptions that were made while preparing for the negotiation. | | Use of power and hidden agendas | In difficult negotiations, some negotiators make moves to question the legitimacy of the other party and assert their own power. This can lead to conflict, angry outbursts and hurt feelings.  A negotiator may, for example, challenge the other party’s competence or expertise, or demean the ideas of the other party in a way that it makes it difficult to respond.  By challenging, demeaning, and criticizing, the negotiator who applies this technique to exert power (whether consciously or not) may be attempting to provoke the other party into an emotional response that will shift the balance of power in their favour. | Avoid being provoked into an emotional response. Stay calm and factual. | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 4 | KM03KT01 IAC0304 | Discuss the different relationships business has with suppliers and their impact on the negotiation process | 20 |

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| The three key types of relationships between retailers and suppliers are:   * Transactional * Collaborative * Alliance   ***Transactional relationship***  Transactional relationships are the most common and the most basic type of relationship between buyer and supplier. This relationship is referred to as an arm’s-length relationship that could be a once-off transaction between buyer and supplier.  Transactional relationships are often present where the products are not critical and where out-of-stock situations or late deliveries do not have a major impact on the retailer. It is therefore, often used for routine purchases and leverage purchases.  There is rarely serious negotiation in this type of relationship and it usually takes very little time and effort by either party to go through with an agreement.  One of the advantages to having a transactional relationship is that a lower skill level is required. Price negotiation is not really a big issue because it is usually negotiated to be somewhere around the market price standard.  In a transactional relationship, suppliers tend to have more leverage than the buyers of the product.  ***Collaborative relationship***  A collaborative relationship is one that is of mutual benefit to both parties. Buyer and supplier work together for increased savings for the buyer yet a profitable sale for the supplier.  Requirements for a collaborative relationship are dependent on the product and its importance to the buyer, but open negotiation with an understanding of the needs and interests of both parties is required.  Merchandise bought through a collaborative relationship are usually strategic to the retailer.  The benefits of a collaborative relationships usually include:   * Lower overall costs * Higher quality products * Less time to market due to open communication and improved technology and innovation.   Supply disruptions are less likely as the relationship is similar to friendship and suppliers and buyers look out for one another rather than opportunities to take advantage of one another.  Collaborative relationships take time and effort to establish. The buyer must nurture the relationship and build trust.  ***Alliance relationship***  An alliance or partner relationship formed for a systematic approach to the mutual benefit and growth of both parties.  Improved quality and technology from suppliers can be obtained from the openness and trust that is built from alliance partners.  An open and trustful relationship usually results in the development of new products with a lower total cost.  Trust and openness are critical during the negotiation process and there should be a desire to work together as partners to grow together. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 5 | KM03KT01 IAC0305 | Explain how a buyer should prepare for a negotiation with a supplier | 20 |

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| ***Pre-negotiation preparation***  The key aspects to be considered during preparation for negotiation are:   |  |  | | --- | --- | | **What do we want from the negotiation?** | The following are examples:   * A lower price * An improved relationship * Bigger discounts * Faster delivery * Improved quality | | **How valuable is each of the “wants” to the company?** | Wants need to be prioritised.  Examples:   * Prompt delivery = High priority * Lower price = Medium priority * Improved quality = Low priority | | **What are the entry and exit points?** | The entry point is the opening bid.  The exit point is the position of “walk away” from the negotiation. |   ***Collecting information and assessing the supplier with a SWOT analysis***  The information required for preparing for negotiation will be unique to every situation.  The following questions are typical examples.   * The current agreement (if one is in place) * Specification issues * Delivery issues * Financial issues * Contractual issues * Strengths and weakness of own team/company and of the supplier   ***Setting objectives and determining the ideal position and fall-back position***  Key areas in negotiation include the following:   * **Total value**. Both parties’ negotiators will aim to maximise the value of the deal for their organisations. * **Risk**. Each party will aim to minimise the risk to their organisations. * **Cost**. The buyer wants to get the lowest price and/or cost, while the supplier will aim for the highest price. Cost includes negotiating aspects such as cash discounts, anticipation, trade discounts, quantity discounts, seasonal discounts, advertising allowances, postdating, transportation costs, insurance, etc. * **Cash**. Negotiations need to include how payment will be made. * **Terms and conditions**. These are important aspects that are often neglected. These include all the rights and obligations of both parties, packing considerations and terms that define what can or should be done when situations change or one of the parties do not perform according to the contract.   ***Three positions***   * **BATNA** is the buyer’s best alternative to a negotiated agreement also called the fall-back position. If the supplier has more power than the buying team, it is unlikely that the buying team will gain all they hope for during the negotiation. Therefore, concessions will need to be made to reach a fall-back position, or BATNA. BATNA is used to determine the walk-away position, or where the buying team will say “No”. the buying team should work out in advance what the limit of the negotiation range will be. * **Least acceptable agreement (LAA**). This relates to considering, “What is fair?”; “What is desirable or attractive?”; and “When will it be ‘no deal’?” * **Most favoured position (MFP).** This relates to the ideal outcome.   ***Prepare an agenda***  Once all the preparation aspects have been considered and clarified, an agenda should be prepared.  ***The stages in the meeting phase***  The meeting phase consists of three stages, namely those indicated in Figures 1 and 2:   * Introductory stage * Discussion stage * Agreement stage |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 6 | KM03KT01 IAC0306 | Describe the various terms a buyer could negotiate including:   * payment terms * settlement discounts * advertising allowances * growth incentives * penalties * rebates * swell allowances   For each of the above, explain the impact they will have on the negotiation process. | 30 |

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| ***Payment terms and Settlement discounts***   * Cash payment:   + Cash discounts are reductions in the selling price for prompt payment of invoices.   + The supplier indicates on the invoice that a given percentage may be deducted if payment is received by a specified date. A cash discount benefits the byer and the supplier.   + The supplier gains quicker payment while the buying company gets to pay less for the merchandise. * Anticipation.   + Anticipation is a special form of cash discount.   + Anticipation works in the manner that a given amount may be deducted before the end of the cash discount period. * Trade discount.   + Some suppliers have list prices. The list price is the published price set by the supplier from which a percentage or trade discount is taken.   + The discount awarded to the retail company is based on the business classification, for example, wholesaler or retailer.   + The purpose of this type of arrangement is for the supplier to publish one set of prices and to merely assign an appropriate discount percentage to different categories of buyers. * Quantity discount.   + Quantity discounts may apply, but both the buyer and supplier should take cognisance of relevant regulations. * Seasonal discount.   + Seasonal products such as swimwear and outdoor furniture are sometimes offered with discounts prior to the selling season.   + The objective of this is to motivate retailers to purchase these items early in the season so that the supplier can minimise the costs of warehousing.   + The retailer needs to consider own storage facilities and the cost of storage. * Postdating.   + Postdating involves an additional period of time before payments become due.   + This is also called “dating the order”. It enables the retailer to sell some of the merchandise before payment must be made.   ***Advertising allowances:***  Most retail companies have limited budgets for advertising.  Retailing is, however, very competitive and it is important to publicise merchandise regularly. This situation may be partially overcome by retail companies and suppliers participating in cooperative advertising. In some instances, suppliers pay up to a half of the advertising costs.  ***Growth incentives:***  Where the supplier is keen to increase the total volume a rebate or growth incentive based on incremental growth in orders is often used.  Growth incentives may be negotiated to motivate a supplier by means of a reward if the supplier performs at pre-determined criteria such as cost, schedule, quality or safety that may result in benefits for the retailer such as:   * Inventory reduction * Increased sales * Reduced cost   In addition to financial reward, the supplier may also expect to gain a better reputation as a successful supplier.  Growth incentives could take the form of a year-on-year target, with a supplier rebate applying if the purchased volume exceeds the growth baseline.  ***Penalties***  Most procurement contracts contain a penalty clause.  Penalties are imposed when the supplier does not abide by the contractual obligations in the contract.  The purpose of penalties is to have a mechanism where it is known when a penalty will be imposed. This can either be a % or an amount of the contract value.  ***Rebates***  A rebate is calculated as a sum of money payable back to the buyer by the supplier, based on actual purchase volumes over the previous operating period.  The arrangement is attractive to suppliers, as the discount is based on actual rather than estimated volumes and is payable in arrears.  Rebates may also be negotiated for:   * **Product launches.** When introducing new products, it is common to link spend on the new range to discounts on regular purchases. For example, a supplier might offer an extra 1% discount across the entire product range in exchange for a spend of a specified amount on the new product. * **End of life promotions.** As old versions of certain products (such as cell phones, laptops, etc.) are being phased out, or when the packaging design of a product is changed, suppliers might want to ship as much of the remaining stock as possible before the new version appears. The supplier sometimes achieves this through extra volume discounts on the old lines. * **Product mix incentives.** To encourage buyers to make purchases across a range of products, suppliers might provide a rebate based on total spend over a period.   ***Swell allowances***  A method of automatically deducting a fixed percent from the supplier’s invoice payments to compensate the retailer for items not fit for sale. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 7 | KM03KT01 IAC0307 | Describe typical methods for recording minutes of a negotiation. | 10 |

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| ***Minutes of a negotiation***  Minutes of the meeting(s) should be recorded and distributed to all stakeholders.  Minutes of a meeting is a document that records all the discussions that take place between the buying team and the supplier team, as well as any consultants that may have attended the meeting.  The minutes should be based on the agenda and contain all further matters that were added to the agenda and discussed during the meeting.  The minutes should include:   * Date, time and venue of the meeting * Names and roles of attendees as well as apologies for people who could not attend * Purpose of the meeting * Discussion points, based on the agenda, and including any further discussion items that were not on the agenda * Outcomes/decisions/agreements * Action to be taken; by whom and by when   ***First draft contract/agreement***  Once agreement has been reached, negotiations are concluded, and minutes of the meeting(s) have been confirmed as accurate and complete, the first draft agreement should be prepared and sent to the supplier with a request for comments and agreement. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 8 | KM03KT01 IAC0308 | Describe what needs to be included in a buying contract for supplier of merchandise | 20 |

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| * An unambiguous description of the goods to be supplied. * Duration of the contract and, where appropriate, specific delivery dates and quantities * Quality standards and acceptance criteria. This may be in the format of a separate specification, where appropriate. * Details of reports required, their scope and timing, where appropriate * Price or pricing mechanism and what the price includes * Payment terms and a term to permit the recovery of any money owing * Intellectual property rights * Confidentiality * Security * Publicity * Right of audit * Indemnity and insurance provisions * Terms relating to compliance with legal obligations, such as corrupt gifts and payments of commission, unlawful discrimination, health and safety, etc. * Specifications. There are two basic approaches to specifications, namely performance specifications and conformance specifications.   + A performance specification gives a clear indication of the purpose, function, application and performance expected of the supplied merchandise. The detailed specification is provided by the buyer and agreed between the two parties – the supplier should be given the opportunity to make an input.   + A conformance specification defines as aspects such as quality and/or environmental specifications. * The buying company’s (customer’s) right of termination in the event of the supplier’s default * The customer’s right to break the contract, with the obligation to give written notice and pay for work done/goods delivered, even in the absence of any breach on the part of the supplier * A term to prevent the supplier from transferring the contract to a third party * A term to describe when ownership and risk passes to the customer * A term to describe action that may be taken in the event of the customer not paying * A term stipulating which law governs the contract * An arbitration or dispute resolution clause |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 9 | KM03KT02 IAC0201 | Discuss the 10 generally accepted pricing strategies used in the industry | 25 |

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| 1. ***Cost-based pricing***   Cost-based pricing (also called mark-up pricing) is the simplest way to calculate the selling price of merchandise.  The company calculates the cost of the product and adds on a percentage (profit) to that price to calculate the selling price.    The components of costs in the retail industry that may be taken into consideration when calculating the cost of the product are:   * Variable cost: Consisting of direct materials and direct labour and consumables. These are directly attributable to each unit of product. Variable cost can also be the cost per item, if prices vary * Fixed costs: These are not directly at­tributable to the product or service but have to be incurred. Fixed costs are also known as overhead costs. They do not vary with sales level. Examples are the monthly rent, interest or salaries. * Financial costs and profits: Consisting of depreciation, interest, and return on investment.   **The situations under which prices are based on costs are include:**   * When the number of competitors in market is limited to one or two. Cost-based pricing allows the competitors to make adequate returns and makes them hopeful of achieving the target returns. * The company may need to come up with a new price for a product that does not already have a price.      1. ***Demand-based pricing***   Demand-based pricing is a strategy based on known periods or high or low demand and the elasticity of price during those periods.  One of the simplest examples is the pricing and selling dynamics at your local fresh produce markets. Early in the morning when the market opens, there is the best selection but at the highest prices of the day. Later during the day as the market nears closing, there will normally be a reduction in price because sellers are trying to avoid having any product left unsold. Another factor that influences demand pricing at the market, is the relationship between the quantities of a particular product available against expected sales (the concept of demand versus supply).  Another example of is when down parkas are offered by department stores at the beginning of autumn, they will be at their highest-ticketed price. And that will continue throughout the prime selling season. Then, when it is time for swimwear and shorts to arrive on store for spring, the price of those down parkas is likely be greatly reduced. With falling demand for down parkas, the retailer lowers the price in efforts to reduce inventory.   1. ***Competition-based pricing***   Competitive-based pricing occurs when a retail company sets prices for its merchandise based on what competitors are selling a similar product for.  For a vast number of products, consumers have many choices and are generally willing to shop around to get the best price. Where retailers apply competitive pricing strategy, they need to provide outstanding customer service to stand above the competition.  The competitive pricing strategy is used by retailers to boost sales and gain a competitive advantage through smart pricing that differentiates them from competitors.  Two types of competitive pricing may be used:   * **Pricing below competition** – involves pricing products lower than the competitor's price. This strategy works well if you the retailer can negotiate the lowest buying prices from suppliers, reduce other costs, and develop a marketing strategy to focus on price specials. * **Prestige pricing, or pricing above the competition** - may be considered when exclusivity or unique customer service can justify higher prices.   There are substantial drawbacks and risks related to a simplistic implementation of competition-driven pricing strategy. A retailer who blindly follows competitors would most likely get involved in devastating price wars that damage the financial health and price positioning of all parties who participate in the price war.  Instead of pricing every product following the competition, the buyer should consider the role that every SKU plays in the category portfolio and apply a corresponding pricing approach. Where a pricing strategy of “best price guarantee” is followed, it is important to remember that the retailer cannot use the same strategy for the company’s exclusive ranges.   1. ***Value-based pricing***   Value is defined as perceived benefits for the total cost of acquisition.  Value-based pricing is often used to build a loyal customer base. With this strategy, items are usually priced low for the items of higher quality. This is due, in part, by the fact that prices are determined based on how consumers perceive the value of the product to be, and such perceptions are often lower than it actually is.   1. ***Premium-based or prestige pricing***   Premium pricing is used by the retailers who differentiate themselves from competitors as ones selling better or unique products and who provide premium service. This pricing strategy is, therefore, often used for exclusive, luxury items.  A high price is set as a way to show that the item is of high value. The practice is the practice of keeping the price artificially high to encourage favourable perceptions among buyers, based solely on the price. Premium pricing is intended to exploit the tendency for buyers to assume that expensive items enjoy an exceptional reputation or represent exceptional quality and distinction.  This strategy is sometimes also called skim pricing because it is an attempt to “skim the cream” off the top of the market. It is used to maximise profit in areas where:   * customers are happy to pay more; * there are no substitutes for the product; * there are barriers to entering the market; or * when the seller cannot save on costs by producing at a high volume.   Premium segment buyers tend to consider making purchasing a means of reinforcing their social status.   1. ***Penetration pricing***   Penetration pricing is usually used in the introductory stage of a new product ‘s life cycle. It involves pricing relatively low and accepting a lower profit margin during this stage.  This pricing strategy is used to build large volumes.  In order to get larger number of customers to do a trial, the initial introductory offer is based on low price. Once the product becomes well known, the prices are set back to the normal level where they should be. Customers are usually informed that the price will only be for a special period.   1. ***Bundled pricing***   The [bundled](https://competera.net/resources/articles/bundle-pricing-strategy) pricing strategy implies selling a set of products for a lower price than each of these products separately.  Bundled pricing strategy is used to create the impression of “more for less”.  The main advantages of bundle pricing strategy stem from the fact that customers like purchasing products in groups, as it usually adds value to their buying experience. Shoppers also tend to enjoy avoiding frustration while choosing complementary products.  The retail chain may separately offer a specific brand of shampoo for R50 and the same type of conditioner for R48. However, in order to get customers to buy both, the two may be offered as a combined bundle for R85. This bundled price lets the customers focus on the benefit of a total bundle, instead of making them nervous about spending well close to R100.   1. ***Promotional pricing (also called high-low pricing strategy)***   Promotional pricing involves temporary reduction of the price of an established product in order to increase interest in customers. This is sometimes done because the sales of the product are falling, and the company wants to renew customer interest in it.  Promotional pricing is also applied wen a product has gone out of fashion, or stock levels of merchandise that will not be sold again are low and the retailer wants to clear such stock.  Promotional pricing sometimes includes a “buy-one-get-one-free” scheme. This usually increases interest in goods, so sales are also likely to increase dramatically.   1. ***Segment-wise pricing***   Segment-wise pricing differentiates the price based on the target group of consumers.  For example, a number of software packages, including Microsoft Office and Microsoft Windows XP, etc., are offered at different prices in different segments of the market.     1. ***Psychological pricing***   **Psychological pricing is based on the concept that various levels of prices have different psychological impacts on consumers.** The psychological effect is considered while pricing products to maximise revenue and profit.  Anchoring techniques are often used to capitalise on the concept of psychological pricing. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 10 | KM03KT02 IAC0201 | Explain the difference between margin and markup. Give examples. | 5 |

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| The difference between profit margin and markup is that profit margin is sales minus the cost of goods sold; meanwhile, markup is the amount by which the cost is increased on a product to arrive at the selling price.  **Examples:**   * Margin (also known as gross margin) is sales minus the ***cost of goods*** sold. For example, if a product sells for R100 and costs R70 (calculated cost of sales), its margin is R30. Or, stated as a percentage, the margin percentage is 30% (calculated as the margin divided by sales). * Markup is the amount by which the cost of a product is increased in order to derive the selling price. To use the previous example, a markup of R30 from the R70 cost yields the R100 selling price. Or, stated as a percentage, the markup percentage is 42.9% (calculated as the markup amount divided by the product cost). |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 11 | KM03KT02 IAC0203 | Discuss the makeup of GP and the buying factors that impact on profit. | 10 |

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| ***How gross profit is made up***  The retail company’s overall gross profit is the profit the company makes after deducting the costs associated with making and selling its products.  ***Factors that impact on profit***   * **Price points.** Price is one of the leading factors that influence a customer's decision on whether to buy an item. Buyers must decide on a price point for each product that is high enough to cover costs and make a profit, but not so high that it drives away potential buyers. The buyer should, therefore, carefully calculate price points when considering buying merchandise. * **Cost of goods sold (COGS).** The cost of goods sold is the sum of all the costs involved in selling the product. When a retail store can lower any component of its cost of goods sold, the gross profit goes up. Stores that can find methods to reduce their cost of goods sold will see an increase in gross profits. * **Total cost.** The factor of total cost of merchandise was discussed earlier. When making buying decisions, the buyer should ensure that merchandise is sourced and bought from suppliers where factors such as transport, distribution, import costs and storage costs will be a low as possible. * **Product mix.** The product mix enables retailers to offer different products, which attract a wide range of potential customers. Retailers can set different gross profit margins for each and find the most profitable blend of products. When deciding on the product mix and relevant pricing during the buying process, the buyer should carefully consider the products in the product mix and how they are priced, so that “conflict” does not develop. Jacobsen quotes an example where the price of one item “killed another item, resulting in required markdowns and financial loss. Knit garments that were deemed sellable as the prices were reasonable for the quality and styling of the garments, were ordered from an Italian supplier. At the same time, budget knitwear of a similar style was ordered from a local supplier and priced to be sold at below-budgeted margin as a promotion for the season. These promotional items sold very well and sold out but made the overall margin for the department plunge for the first two months of the season. In an effort to compensate for the reduced overall margin, and achieve the budgeted margin, the price of the Italian merchandise had to be increased. This price increase resulted in an exaggerated markup and prices that consumers did not accept. Markdowns were required and this did not resolve the non-achievement of the targeted margin. A more carefully selected product mix could have prevented this negative impact on profits. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 12 | KM03KT02 IAC0204 | Discuss the concept of loss leaders and the impact they have on a business | 5 |

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| **Loss leader pricing** is a marketing strategy that involves selecting one or more retail products to be sold below cost – at a loss to the retailer – in order to get customers in the door. The loss leaders are the products being sold at such low prices as an enticement to buyers to step foot in the store.  This strategy is often used in supermarket chains for items that consumers ***need***, for example bread and milk, in locations where these items are highly price sensitive. While customers are in the store, they may buy additional items that have a higher profit margin.  The potential (expected) impact of loss leader pricing strategy is two-fold:   * It draws more traffic and lure customers away from competitors. * It increases the convenience factor for customers and their buying of merchandise with a higher margin increases profits for the store. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 13 | KM03KT02 IAC0205 | Discuss the factors in the economy that could impact on the setting of the selling price of a product. | 10 |

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| Several factors in the economy could impact on the selling price of merchandise. These include:   * Inflation * Economic trends * Exchange rates * Supply and demand   ***Inflation***  Higher inflation raises the cost of living. The impact on workers depends on what happens to nominal wages. For example, if inflation is caused by rising demand and falling unemployment, companies are likely to raise wages to keep attracting workers. In this case, workers real wages will continue to rise and inflation will not have an impact on selling prices.  However, if inflation rises significantly without a matching increase in salaries and wages, selling prices of most products will be impacted as retailers might need to set their gross margin targets lower, to prevent a drastic decrease in sales.  ***Economic trends***  When an economy is booming, retailers usually do not experience problems in attaining gross profit margins based on what they consider as reasonable prices for merchandise to sell. However, during more difficult economic periods, retail chains need to be more cautious in setting selling prices to ensure that they do not alienate their target customer market. An example is the global Covid-19 pandemic, during which the incomes of millions of people were reduced and many workers were retrenched.  ***Exchange rates***  A country’s exchange rate is impacted by the trade account, which is the difference between the money the country gets in from exports, and the money the country pays out for imports.  When a country is paying more for imports than it is earning from exports, a trade deficit exists. This depreciates (“weakens”) the country’s currency in comparison to the currencies of other countries.  A weakened currency increases the cost of imported products. During such times, retailers should carefully consider how they set selling prices and they may need to “absorb” some of the increased costs in order to not price their merchandise above levels acceptable or affordable by consumers.  An appreciation of the exchange rate usually reduces the price of imported consumer goods and durables, raw materials and capital goods.  According to Investopedia, a weak domestic currency can push up the inflation rate in a nation that is a big importer, because of higher prices for foreign products. This may induce the central bank to raise interest rates to counter inflation, as well as to support the currency and prevent it from plunging sharply. Conversely, a strong currency depresses inflation and exerts a drag on the economy”… In response, a nation's central bank may move to keep interest rates low or reduce them further so as to preclude the domestic currency from getting too strong.” Exchange rates, therefore, have a direct impact on the interest rates that consumers pay on their home bonds and car loans, among others. This may leave consumers with less or more discretionary spending (when interest rates increase or decrease, respectively). The amount of money available for discretionary spend often impacts on a retail chain’s pricing strategy and decisions.  ***Supply and demand***  **Supply** refers to how much of a product is available. **Demand** refers to how much of a product is wanted by consumers. The term, **supply and demand,** refers to the relationship between the quantity that is available, and the quantity wanted by consumers.  The concept of supply and demand is an economic model of price determination in a market. It concludes that in a competitive market, the unit price for a particular product will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium of price and quantity. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 14 | KM03KT03 IAC0301 | Discuss the factors that impact on order quantities including:   * Number of stores * Expected sales * Over/undersell * Past sales * Promotions * Trends * Budget * Lead time | 7 |

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| ***Number of stores***  The number of stores for which stock must be ordered, and stock turn, impact on order quantities. The buyer should ensure that sufficient stock is ordered for all stores to prevent stockouts (on the one hand) but also overstock (on the other hand).  ***Expected sales***  Expected sales is critical when making decisions on order quantities.  Sales forecasts need to be done for individual stores as well as all the stores combined. This is achieved by considering past sales and taking into consideration any situations that might lead to an increase or a decrease in expected sales.  Demand forecasting is used to estimate how much stock is needed for a given period. Several methods of demand forecasting is available.  ***Over/undersell***  It is important for the buyer to strike the right balance in ordering stock, to prevent understock or overstock situations.  In a case where undersell occurred in the past, the buyer will need to use past sales information to forecast future sales, and adapt ordering quantities accordingly. Where oversell occurred, estimates should make provision to prevent understock situations.    ***Past sales***  Past sales impact on order quantities. When the buyer studies past sales, he or she needs to estimate whether future sales will be the same, better or worse than past sales. In the case where past sales were not as expected, the buyer will naturally order smaller quantities.  ***Trends***  Trends play an important role in ordering quantities. Retail chains should take advantage of the opportunity to sell more during trends in popularity of certain products. The buyer should order more of these products at the beginning of the trend but should be cautious about re-ordering, especially where long lead times exist to ensure that all the merchandise will be sold before the trend fades away.  ***Budget***  There is an interrelationship between buying and financing. The finance department is responsible for ensuring that the budget is controlled and that cashflow is managed carefully. In most companies, the budget is usually reviewed during the financial year.  When deciding on order quantities, the buyer should ensure that the cost of quantities of stock being ordered is within the budget.  ***Lead time***  Lead time refers to the number of days between replenishment order and receiving of the stock, including the time it takes to enter the stock into the system and place it onto the shelf. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 15 | KM03KT03 IAC0302 | Describe generally accepted methods used to calculate order quantities | 15 |

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| The most commonly used methods for making decisions on order quantities include:  ***Demand forecasting*** including lead time and safety stock. Demand forecasting is used to estimate how much stock is needed for a given period. It is the real foundation of successful replenishment and has a big impact on effective replenishment.  Where sales history is available, quantitative demand forecasting is done. This is a method where lead time and safety stock required are included in the demand forecasting to calculate order quantities.  Chain stores – in fact, all retail stores - must hold a *safety stock* to meet unpredicted sales. To attain that, threshold stock levels should be calculated and maintained.  ***Six-month merchandise planning***  In most retail operations, plans are formulated for six months.  The six-month plan stipulates how much money the buyer will be allowed to spend. Given this information, the buyer completes the necessary forms to record the figures. According to Diamond and Pintel, buyers usually complete two forms:   * A form that addresses particular items in the inventory that will be continued and the targeted quantity increase or decrease * A form that uses the overall amount, without attention to specific products.   External factors such as economic trends are considered when planning order quantities.  ***Model stock development***  Proper assortment planning is critical for profits. The retail company’s inventory must contain a satisfactory assortment of items to satisfy customer needs. Therefore, the buyer needs to develop a model stock, which is a merchandise offering that carefully outlines:   * Staple versus fashion merchandise * Classifications of merchandise to be purchased * Subclassifications * Price points   ***Open-to-buy planning***  The buyer needs to know how money is available to buy. There must be enough money in the budget to buy according to the plan, or the plan must be adapted.  Diamond and Pintel argue that the buyer should have an open-to-buy (OTB). This is the difference between how much the buyer needs for a period to buy the merchandise required less the merchandise that is already available.  Calculations are complex and most software programmes can calculate the open-to-buy.  ***Economic order quantity***  The economic order quantity (EOQ) is a quantity designed to assist companies in calculating order quantities so as to not over- or under-stock inventories.  The economic order quantity is the point that optimises both the cost of ordering and the carrying costs.  ***Automatic stock replenishment***  In many retail environments, inventory is based on regular needs of customers and is not affected by fashion.  Buyers must ensure that there is always sufficient stock in the stores.  One way in which the retail company can make sure that staple merchandise is always at the required stock level, is to use computerised automatic reordering. Such software systems analyse every staple item in terms of sales patters over a period of time and determines the ideal inventory level. The ideal inventory is then compared to the actual inventory on hand. When the inventory level is below the ideal level, the computer system automatically generates a printed order that can be checked by the buyer before it is transmitted to the supplier. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 16 | KM03KT03 IAC0303 | Discuss typical methods used to record orders placed | 6 |

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| |  |  | | --- | --- | | **E-mail and other electronic communications** | This is not ideal, because e-mail is a text-based system and orders need to be read into the supplier’s system. Therefore, e-mails entail extra work.  Liaison between buyer and supplier is required to ensure this process of ordering is accurate.  The supplier should ensure that they have an up-to-date list of persons who are authorised to place orders and to ensure that a formal process required in the buying company is not by-passed. | | **Manual orders** | Where suppliers need a formal contract or signature, authorised media can be agreed on. Occasionally, there is a legal aspect to be enforced, either by the buyer or supplier. It is, therefore, important that the agreed processes for ordering and delivery requests be followed. | | **Online orders** | Some suppliers have systems through which orders can be recorded online. In such cases, orders are directly led into the supplier’s system.  This is an efficient method for recording orders, as progress with processing of the order can usually be traced online as well. | |

## 13.4 Model answers – Knowledge test – KM04

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| **MODEL ANSWERS – KNOWLEDGE TEST** | |
| Qualification | 332301 Retail buyer |
| Knowledge module | KM04 Allocating stock to stores |

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| Total possible marks | 90 | Minimum marks required | 48 (80%) |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 1 | KM04KT01 IAC0101 | Discuss the factors impacting on the range and quantities allocated to stores | 25 |

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| ***Customer decision trees and behaviour:***  In different locations, customers have different decision trees, that is, they make buying decisions in different ways, based on their priorities.  For example, in one location where customers are price sensitive, the majority of customers may look at price first, then flavour, then size and brand last.  In another location where customers are not price sensitive, environmental issues may be more important and may be a higher priority for the customer base than price is. Customers may first consider the impact of specific products and their packaging on the environment before deciding which products to buy.  It is important to know the customers (target market), because different types of customers use different decision trees to select products. The figure below provides examples of customer considerations when buying cold drink items, based on factors such as:   * price (premium, mainstream, economic); * consumer - who will use the products (the customer, family, children, etc.); * occasion (e.g. food on-the go; food for school lunch box; work lunch box, etc.) and so on; * packaging (size; UOM; re-sealable; etc.) and finally * the product (carbonated/non-carbonated; flavour; normal/sugar-free; cold/ambient).   Consumer behaviours differ based on cultural, personal, physiological ad social factors within a customer base. For each of these segments of a customer base, the focus of product selection and priority factors are different. For example, for customers who are price sensitive, price will be a priority when considering product selection. Some customers may be highly influenced by visual factors, so for them packaging and brand may be key factors in product selection. Yet another group of customers may consider functionality as key factor for deciding which product to buy.  ***Store size***  Size of the store impacts on capacity – how much stock can be accommodated. This will impact on how the buyer selects the number of products within categories (category width).  Quantities required are also impacted by the size of the store. The buyer does not want to allocate more goods than a store size can handle. Store size determines how much capacity the store has and therefore the quantities of stock that can be allocated at a time.  A store with larger floor space will probably need to stock a wider and deeper selection of products to cater for the needs and expectations f a larger number of customers visiting the store. Generally, consumers expect a larger store to have a much larger and more exciting selection of products to choose from.  Naturally, the physical characteristics of merchandise are also considered when allocating stock. For example, furniture stores of smaller size will in most cases not carry large lounge suites, or if they do, there will be a limited selection.  One of the first questions to answer when considering product range for a particular store is, therefore, whether store capacity will fit all the assortment options.  ***Sales***  Most retailers classify stores as A, B or C based on their size and annual sales.  A type stores carry the maximum product range and quantities since they are larger and contribute the largest sales volume.  C type stores are allocated only a basic product range and smaller quantities.  ***Demographic characteristics***  The allocation of merchandise is different for different stores. It depends on the profiles of consumers frequenting the store – their preferences, size rations, colour requirements, etc.  Buyers, therefore, consider the physical characteristics of the merchandise and the depth of assortment and level of product availability that the company wants to portray for a specific store.  The geo-demographic characteristics of a store’s location are considered when making decisions about allocation. For example, stores in rural areas will have different geo-demographics than stores in urban areas.  Demographic characteristics of the target market and the local customer base such as employment status, age and lifestyle have an impact on customers’ buying decisions.  **Lifestyle**  Lifestyle of the customers of certain stores may impact on assortments for clothing and food. For example, an analysis of the cereal category at some stores with an upmarket customer base might reveal that in those stores there is a significantly higher percentage of sales for the healthy breakfast cereal assortment than for sugary breakfast cereals.  **Age groups**  Different age groups have different needs and preferences in terms of types of products. In locations where the customer base is mainly young families, assortments for food items, clothing, etc. will need to be different from those for locations where the customer bases consists mainly of mature families.  **Employment status**  Employment status may impact on more aspects than price of the product range. It may also impact on aspects such as style of clothing, e.g. office wear or more casual wear.  In addition to considering the demographics of the stores’ locations, the buyer that allocates stock should also consider trends and how the target markets in different locations respond to trends. In an article on assortment planning, the following example is given.  Such a mix in allocation would apply to stores in locations where the customers are keen to follow fashion trends. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 2 | KM04KT01 IAC0102 | Explain the difference between the allocation and replenishment | 5 |

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| Allocation and replenishment are two different approaches to getting the right stock in the right quantities to the right stores at the right time.  ***Planning and allocation***  Merchandise planning involves the process of setting and maintaining goals for sales and inventory.  **Allocation** is the process of assigning individual quantities to specific stores based on performance analysis. It works on the basis of assessing how many units are likely to be sold over a given period and hence an overall allocation of goods is determined.  The objectives of allocation systems are to:   * Minimise time required to allocate merchandise; and * Maximise profit by reducing costs and aligning product placement within a store with the opportunity to sell the merchandise.     ***Replenishment***  Replenishment involves acquiring product on a **recurring basis** to support anticipated need at a store.  It works on the basis of re-ordering the same goods as stock levels reduce. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 3 | KM04KT01 IAC0103 | Discuss the methodologies used in industry for allocating ranges to stores | 4 |

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| The buyer may use the ABC classification to categorise stores based on floor space and sales contribution.  **Class A**  Class A stores are those that have the highest sales figures (and are typically the largest in size).  Typically, Class A includes the top 20% of stores.  Class A should carry the full product range and it is crucial that these stores receive sufficient merchandise so that they never experience stockouts of merchandise, especially staple products.  Therefore, there should ideally be short lead times in supplying these stores and their sales should be monitored continuously to observe any changes in demand for merchandise so that quick response can be initiated.  **Class B**  Class B stores have lower sales than stores in Class A.  Class B typically makes up 50% of the stores, after Class A.  They are important to monitor very closely for replenishment but do not require the same level of attention and control as Class A.  **Class C**  Class C stores are typically the lowest 30% of the stores, both in terms of size and sales. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 4 | KM04KT01 IAC0104 | Discuss the advantages and disadvantages of store and Head Office replenishment | 8 |

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| Use the following as guidelines. The assessor should accept other appropriate responses.  ***Head Office replenishment***   |  |  | | --- | --- | | **Advantages** | **Disadvantages** | | Centralised information and placing of orders – reduced confusion  Can be automised | Not necessarily when stock needed  Unexpected higher sales may lead to stock not being available because Head office replenishment often takes place at fixed time periods  Might be inflexible and not responding quickly enough to changes in demand at store level |   ***Replenishment at store level***   |  |  | | --- | --- | | **Advantages** | **Disadvantages** | | Allows for quick response to changes in demand  The manager is in charge of what is replenished | Managers may overbuy because they place regular orders of fixed quantities | |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 5 | KM04KT02 IAC0101 | Describe the factors impacting on the allocation of stock to stores out of South Africa | 8 |

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| * **Suitable attire acceptable to local culture** in the country to where the stock is allocated. Certain types or styles of clothing might be offensive in certain countries. * **Climate and weather**. Climate and weather in another country might differ from the climate and weather in south Africa, and that may impact on the types of products allocated to stores outside South Africa. * **Documentation required for trans-border transportation**. Border control of imports and goods transported out of South Africa into another country will need specific documentation both for the export and the import. The buyer should ensure that all documentation meets the requirements of both countries. * **Legislation including import legislation, environmental management legislation**. Legislation of the other should be taken into consideration before allocating products to stores outside South Africa. There might be restrictions on, for example, imports of certain types of food products. For other products, special import permits may be required. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 6 | KM04KT02 IAC0102 | Discuss the impact of data integrity on the allocation of stock to stores | 5 |

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| Data integrity within software systems is essential to ensure the accuracy and usefulness of the results.  Inaccurate data, outdated data and/or missing data can cause inaccurate results that will impact the outputs generated by these processes. Errors and inaccuracies may have a huge impact on effective allocation of stock to stores. Possible consequences include:   * Inadequate quantities of stock allocated to stores result in stockouts and loss of selling opportunities. * Too much stock allocated to stores result in markdowns, which have a negative impact on potential profit. * Incorrect product ranges allocated can result in either lost selling opportunities or stock that does not sell and need to be marked down. Both ways, the company loses potential income and profit. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 7 | KM04KT02 IAC0103 | Discuss typical methods used for calculating quantities of promotional stock to stores | 6 |

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| ***ABC classification of stores***  The method that is used most commonly is to classify stores into three or four groups based on size of the stores. (This is where the ABC classification of stores can be used).  Promotional stock is then allocated proportionally to these stores, based on the Pareto principle of prioritisation.   * Class A stores: 80% * Class B stores: 15% * Class C stores: 5%   ***History-based allocation***  Although ABC classification might seem the easiest method to use for allocating promotional stock to stores of different sizes, it lends itself to inaccurate allocation that may result in large markdowns in some stores and loss of sales in other stores.  It is suggested in literature that history of promotional sales per store or class of store for similar products will result in a more accurate forecasting, because such forecasts will be based on consumer buying behaviour per store. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 8 | KM04KT02 IAC0104 | Discuss typical methods used for allocating new merchandise and its quantities to stores | 6 |

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| ***ABC classification of stores***  The method that is used most commonly is to classify stores into three or four groups based on size of the stores. (This is where the ABC classification of stores can be used).  Promotional stock is then allocated proportionally to these stores, based on the Pareto principle of prioritisation.   * Class A stores: 80% * Class B stores: 15% * Class C stores: 5%   ***History of sales of similar merchandise***  Although ABC classification might seem the easiest method to use for allocating promotional stock to stores of different sizes, it lends itself to inaccurate allocation that may result in large markdowns in some stores and loss of sales in other stores.  It is suggested in literature that history of promotional sales per store or class of store for similar products will result in a more accurate forecasting, because such forecasts will be based on consumer buying behaviour per store. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 9 | KM04KT02 IAC0105 | Discuss the impact of seasonal activity on the allocation of stores | 10 |

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| **Seasonal sales** **activities** include any period of the retail fiscal calendar year where a business predictably experiences a surge in customer traffic and sales.  This **seasonality** happens regularly, be it every year, every quarter, or with other predictably repeatable occasions. When thinking about seasonal sales, most people instantly think about the November/December time frame. However, while the end-of-year holiday season certainly is a busy season that should be prioritised, there are other several other situations that contribute to seasonal spikes in sales.  Examples of seasonal events include:   * Back to school * Valentine’s day * Mothers’ day * Fathers’ day * Secretaries’ day * Easter * Hanukkah * Eid * Christmas   During these seasonal events, sales for certain categories of merchandise will experience a spike. Some types of products might only sell well during a specific period while others might not sell well during these times.  Seasonal sales activity impacts on allocation of merchandise. The buyer needs to carefully forecast sales and allocate merchandise according to the forecast.  The following are some of the factors that should be considered when planning and allocating merchandise for seasonal sales:   * **Target market profile.** This will impact on the type of products to allocate. * **Target market needs** in terms of products as well as quantities * **Sales history** for different stores for similar seasons * **Economic forecast** for the country. In some cases, the economic forecast for a location might also impact on seasonal sales, for example, when a large factory in an area closes and thousands of people lose their jobs. * **Overall trends.** Merchantmethods.com suggests that “what was once just Christmas and Black Friday has turned into a whole fiscal quarter of shopping events.” It is recommended that this quarter be broken down by each phase of the holiday season so that the buyer can recognise the different contexts that shoppers are coming from. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 10 | KM04KT03 IAC0101 | Describe typical methods used to record allocations in a computerised environment | 4 |

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| ***Seasonal adjustment of sales figures***  Seasonal adjustment of sales figures, using a spreadsheet:  The basic concept is that for each month, you compute the ratio of that month’s sales to the entire year’s sales. So, for January of the first year, you calculate January sales as fraction of the average sales for the year. This is done for January of every year, then average the results. This gives a good idea of how January typically differs from the average month.  Repeat the exercise for every other month, February through December, giving you results for all 12 months of the year.  Allocation for the season is then calculated based on the factor of the season over the average for the year. |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 11 | KM04KT03 IAC0102 | Describe typical methods used to record allocations in a non-computerised environment | 3 |

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| **Allocation software**  In large retail chains, complicated mathematical algorithms are used for calculating accurate and effective allocations on store as well as product basis. This is the most effective method for preventing both overstock and understock situations.  Many merchandise allocation software programmes are available, including software provided by:   * JustEnough * RELEX * Logility * JDA Software * Oracle * Mi9Retail |

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| **Question #** | **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **MARKS** |
| 12 | KM04KT03 IAC0103 | Discuss how wholesalers and retailers measure the success of allocations | 6 |

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| In a non-computerised environment, that is, where dedicated allocation software is not available, the buyer will need to generate sales reports from the POS software system and use that information either on a Microsoft Xcel spreadsheet into which relevant formulae is entered, or a paper-based form.  The explanation given under seasonal adjustment of sales through the method of moving average serves as an example.  In such a case, the spreadsheet serves as tool to assist with allocation of quantities and as a record for evaluation of the effectiveness of the allocation – columns can be added to the sprreadsheet to record:   * Quantities of a product allocated per store, then summed for the retail chain as a whole * Actual sales per store, then summed for the retail chain as a whole * Calculation of the success of the allocation by solving the the sales as a percentage of the allocation that was made. For example, if the allocation of SKU108 was 6,000 and sales were 4,500, then the allocation success was |

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| 14 Assessment guide for practical training |

All requirements for practical training are provided in the Practical guide and log.

The assessor should ensure that all practical training activities are completed and signed off by the facilitator/manager.

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| 15 Assessment feedback report |

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| Learner full names and surname |  |
| Learner ID number |  |
| Programme completed |  |
| Assessor full names and surname |  |
| Assessor ID number |  |

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| **Knowledge subjects** | | | |
| **Number** | **Title** | **C/NYC** | **Feedback to learner** |
| 332301000-KM-01 | Concepts and principles for managing supplier relationships and the performance of merchandise |  |  |
| 332301000-KM-02 | Concepts and principles for identifying and sourcing products and selecting suppliers |  |  |
| 332301000-KM-03 | Concepts and principles of buying merchandise |  |  |

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| **Practical skill modules** | | | |
| **Number** | **Title** | **C/NYC** | **Feedback to learner** |
| 332301000-PM-01 | Manage supplier and stock performance |  |  |
| 332301000-PM-02 | Manage stock through the supply chain |  |  |
| 332301000-PM-03 | Source products and identify preferred suppliers |  |  |
| 332301000-PM-04 | Negotiate with suppliers |  |  |
| 332301000-PM-05 | Buy products |  |  |

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| **Work experience modules** | | | |
| **Number** | **Title** | **C/NYC** | **Feedback to learner** |
| 332301000-WM-01 | Processes and procedures for the management of supplier and stock performance |  |  |
| 332301000-WM-02 | Processes and procedures for sourcing products and setting ranges |  |  |
| 332301000-WM-03 | Processes and procedures for identifying preferred suppliers |  |  |
| 332301000-WM-04 | Processes and procedures for negotiating, buying and recording products purchased |  |  |

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| Assessor’s overall finding (C/NYC) |  | | |
| Assessor comments | | | |
| Assessor’s signature |  | Date |  |
| Moderator full names and surname |  | | |
| Moderator ID number |  | | |
| Moderator comments | | | |
| Moderator’s signature |  | Date |  |
| Learner’s signature |  | Date |  |

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| 16 Assessor review of assessment – Report to moderator |

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| **ASSESSOR REVIEW DOCUMENT**  Please complete this review document to enable us to finalise the assessment process | | | |
| **Programme Name and ID** |  | **Date of Review** |  |
| **Assessor** |  | **Moderator** |  |
| **Assessor Registration ID** |  | **Moderator Registration ID** |  |
| **Organisation** |  | **Organisation** |  |

Dear Moderator,

This is a review on the assessment against the qualification:

**Assessment schedule**

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| **Activity** | **Proposed date(s) and time** | **Actual date and time** | **Comments** |
| **Pre-assessment meeting** |  |  |  |
| **Assessment** |  |  |  |
| **Feedback to candidate and relevant parties** |  |  |  |
| **Moderation** |  |  |  |

**List of candidates**

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| **First names and surname** | **ID** | **Outcome of the assessment** |
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I used the following for the assessment:

1. Assessment plan (Alignment matrix)
2. Assessment instruments in the Learner assessment guide
3. Assessment guide (Model answers/Evidence guide) in the Assessment guide for assessor

**Review of the assessment plan**

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| **Criteria** | **Y/N** | **Comment / Action required** |
| Is there an assessment plan (alignment document) available which demonstrates alignment of instruments with the assessment instruments and tools |  |  |
| Are there sufficient questions to cover the **knowledge competence** as required by the qualification? |  |  |
| Are there sufficient checklists to cover the **practical competence** as required by the qualification? |  |  |

**Review of the assessment instruments**

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| **Criteria** | **Y/N** | **Comment / Action required** |
| Are the memoranda available for the questions? |  |  |
| Do the instruments cover all the practical skills as required? |  |  |

**Review of the assessment principles**

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| **Criteria** | **Y/N** | **Comment / Action required** |
| Are there assessment instruments for **ALL** the assessment criteria? (Principle: Sufficiency) |  |  |
| Do the assessment instruments clearly relate to the specific outcomes? (Principle: Validity) |  |  |
| Does the assessment plan indicate which assessment instruments must be used for each specific outcome? (Principle: Systematic) |  |  |
| Are the evidence requirements relevant to the qualification? (Principle: Validity) |  |  |
| Were the evidences verified to be contributable to the specific candidate? (Principle: Authenticity) Further: The evidence mirrors the candidates’ natural work and is not fabricated. |  |  |
| Does the evidence prove that the candidates can perform the outcomes at the time when the assessor declared them competent (Principle: Currency). |  |  |
| Are the assessment methods suitable for the outcomes being assessed? (Principle: Appropriateness) |  |  |
| Is the assessment instruments manageable and user friendly? (Principle: Manageability) |  |  |
| Was the assessment conducted in a fair manner? (Principle: Fairness) |  |  |

**Review of the assessment process i.e. (prepare, conduct and feedback)**

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| **Criteria** | **Y/N** | **Comment / Action required** |
| The assessment process was transparent, in that the candidates were allowed to provide input to the accumulation of evidence. |  |  |
| The assessment process was transparent in that the candidates had a clear understanding of the evidence requirements and the criteria against which the evidence would be judged. |  |  |
| The assessment process is systematic. |  |  |
| The assessor confirms being able to make the same judgements again, in similar circumstances. |  |  |
| The assessment methods are suitable for the outcomes being assessed. |  |  |
| The assessment does not present any barriers for the candidates. |  |  |
| All special needs have been catered for and considered during the assessment. |  |  |
| Evidence collected is integrated into work, i.e. it mirrors the candidate’s natural work environment and is not fabricated evidence. |  |  |
| Feedback mechanisms are appropriate and sufficient. |  |  |

**Review of the qualification**

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| Do you agree with the title of the qualification? | **Yes** | **No** | |
| If “no”, please suggest an alternative with a brief motivation for the change | | | |
| Do you agree with the purpose of the qualification? | **Yes** | | **No** |
| If “no”, please suggest an alternative with a brief motivation for the change | | | |
| Do you agree with the specific outcomes as an indication of the elements of the qualification? | **Yes** | | **No** |
| If “no”, please suggest an alternative with a brief motivation for the change | | | |
| Do you agree with the various range statements as a means to provide context and scope for the unit standard, as well as to clarify the use of terms, exclusions and inclusions? | **Yes** | | **No** |
| If “no”, please suggest an alternative with a brief motivation for the change. | | | |
| Do you agree with the assessment criteria (for each specific outcome) | **Yes** | | **No** |
| If “no”, please suggest an alternative with a brief motivation for the change | | | |

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| 17 Moderator evaluation on assessment |

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| **Moderation report on assessments** | |
| Name and surname of moderator |  |
| Registration number or ID of moderator |  |
| Qualification number and title |  |

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| **Training provider information** | | | |
| Name of provider |  | | |
| Accreditation number |  | | |
| Contact person |  | | |
| Telephone |  | Mobile number |  |
| e-mail address |  | | |

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| **ASSESSMENT INFORMATION** | |
| Assessment date/timeframe |  |
| Names of assessors |  |
| Assessor information | * Assessors have the required subject matter expertise * Assessors are registered and their scope cover the qualification/skills programme/unit standard9s) |

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| **Documentation for moderation** | | | |
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| **Sampling** | | | |
| Sample details | **Total number of portfolios** | **Sample percentage (at least 10% of assessments)** | **Sample method** |
|  |  |  |

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| --- | --- | --- | --- |
| **Validation of assessors and candidate allocation (manageable ratio within the timeframe)** | | | |
|  | | | |
| **Special needs** | | | |
|  | | | |
| **Planning and preparation for assessment and assessment instruments** | | | |
|  | | | |
| **Comments on assessments conducted – Feedback to the assessor (advice, support and guidance)** | | | |
|  | | | |
| **Signature** |  | **Date** |  |