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| **MODEL ANSWERS – KNOWLEDGE TEST** | |
| Qualification | 103150 OC: Retail chain store manager |
| Knowledge module | KM01 Concept and principles of retail chain store management |

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| Learner surname |  |
| Learner full names |  |
| Learner ID number |  |
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| Total possible marks | 176 | Minimum marks required | 140 (80%) |

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| **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **GUIDELINES FOR ANSWER** | **MARKS** |
| KM01 IAC0101 | 1. Give a definition of retailing. | Retailing is the *transaction of goods* between the *seller and the end user* in *small quantities* to *satisfy the needs of the individual* and for his or her *direct consumption*. | 6 |
| KM01 IAC0101 | 2. List 5 characteristics of retailing that sets it apart from other businesses. | 5 of the following:  It has following set of characteristics that sets it apart from other businesses:   * There is a direct end-user interaction in retailing. * It is the only point in the value chain to provide platform for promotions. * Sales at the retail level are generally in small unit sizes. * Location is a critical factor in retail business. * In most retail business, services are as important as core products. * There are a larger number of retail units compared to other members of the value chain. This occurs primarily to meet the requirements of geographical coverage and population density. | 5 |
| KM01 IAC0101 | 3. Discuss the changing consumer market in terms of trends in:   * Demographic trends * Socio-economic trends * Lifestyle trends | Allocate one mark for every appropriate fact. Maximum of marks.   |  |  | | --- | --- | | **Demographic trends** | The current demographic trend around the world shows an increasing number of older people, an increasing number of single households and a declining number of people per household.  These factors impact on retail factors such as the types of products, buying preferences and ways in which consumers shop. | | **Socio-economic trends** | There is a strong relationship between demographic trends and the labour market.  There has, for example, been a marked increase in the number of women in the labour force. Women are no longer stopping to work after having children and the role of the male head of the household or sole breadwinner has changed.  The changes in the labour force worldwide have resulted in an increase in disposable income, especially during times of an economic upturn.  An increase in cyclical changes in the economy impacts on discretionary purchases in that, when there is an upturn in the economy, consumers tend to spend more on non-essential purchases. | | **Lifestyle trends** | The combination of demographic and socio-economic trends has resulted in changed consumer behaviour and several of these behaviours are based on paradoxes – although developed countries have a more affluent society, there is, on the other hand, marked growth of both the number of poor people and unemployment rates. Levels of debt have also grown worldwide, due to more lenient debt practices of financial institutions – a very large number of people has been able to get more debt than what they could actually afford to repay.  Consumer behaviours that resulted from lifestyle changes include that consumers:   * Do not conform to traditional stereotypes. They are demanding, fickle, disloyal to suppliers of goods and services, footloose, individual and easily bored. * Are better informed and more sophisticated. * Are prepared to complain when they get poor service or products don’t meet their expectations. * Have less time for shopping. * Express growing concern for the environment. | | 6 |
| KM01 IAC0102 | 4. Give three current examples of shopping patterns | The following are examples. The assessor should accept other relevant examples.   * Working mothers who are in a hurry to get home and cook dinner during the week may do most of their grocery shopping on Saturday mornings of after work. They may also buy pre-prepared meals that are quick to heat up and serve. * Middle income consumers will be focused on saving money, so they will look for the better-priced goods in supermarkets and when buying appliances. They will also watch out for promotions to stock up on essentials when prices are reduced. * Consumers focusing on healthy eating will buy where they find fresh products and health products. | 3 |
| KM01 IAC0102 | 5. Describe current staffing issues in the retail environment. | Learners need to list the five issues and give one statement for each.   * **High staff turnover.** The retail industry is one of the top industries with the highest employee turnover rates. Reasons for this include:   + the employee might not be a good fit for the job.   + There are better retail opportunities close by. Because of the relatively low remuneration in the retail sector, employees easily move to where they can earn a few Rands more.   + Lack of skills. * **Attracting and retaining a diverse workforce**. Workforce diversity directly influences the profitability of a retail organisation. * **Workplace and labour relations legislation**. Several laws related to recruiting and selecting employees are in place, including the Labour Relations Act and the Employment Equity Act. * **Determining the ideal candidate profile and evaluating candidates for the desired skills**. Unlike most of the jobs in other sectors of the economy, retail jobs do not necessarily target a particular qualification, educational background or experience. This means people with varied educational backgrounds and experience levels might be eligible for retail jobs. On the one hand, this is a positive aspect, but, on the other hand, it complicates the process of identifying the best candidates because there is not an ideal candidate profile against which candidates can be matched. In addition to this, most retail jobs require customer service skills and these skills are difficult to evaluate during recruitment processes. * **Fine**-**tuning staffing for seasonality.** Seasonality is common in the retail sector. Some businesses get more sales before Christmas, while others during the summer or winter. Seasonal trade conditions imply that staffing needs of retail businesses are quite volatile and difficult to address effectively. Figures for South Africa are not available, but it is reported that retailers experience the following types of problems in terms of season staffing. * **Competing for the same local talent.** The same talent (skills group) is available to all the stores in the same area. Therefore, local candidates have many options. | 10 |
| KM01 IAC0103 | 6. Describe each of the categories of retailing in South Africa.  Give one example of a shop in each category. | |  |  | | --- | --- | | **Groups and chains** | Groups and chains have many branches, often throughout the country. They are all owned by the same company and are linked up to a head office.  Groups and chains may offer one type of goods (for example, Mr Price Sport sells sportswear) or they may offer a very large range of goods (for example, Game sells groceries, appliances, electronic equipment, toiletries, office furniture, home décor and many more).  Examples: Edgars, Foschini, Truworths, Shoeperama, Woolworths, Beares, Jet, CUM Books | | **Discount stores** | Discount stores focus on competing with other retailers by offering lower prices.  Examples: Makro, Crazy Store | | **Convenience stores** | Convenience stores sell basic grocery items and other types of items that are part of the fast-moving consumer goods range, for example, a limited range of basic stationery.  Convenience stores at service stations is a relatively new concept. They sell, in addition to basic grocery items, snacks and cold drinks, also other types of items found at service stations such as basic car items. | | **Franchises** | With a franchise, the owner(s) who started and developed the first store, sells the right to other parties to use the business’ name and to make or sell the products.  The franchisee (person who buys the rights) must ensure that policies and procedures are adhered to in order to ensure that the products and service are the same throughout all franchise stores. The franchisee must pay a percentage of profits — according to an agreement — to the franchisor.  Examples: Montagu Dried Fruit, Pick n Pay Family Store, Spar | | **Independents** | Independent stores are those that are operated by the owner. There is usually only one store, or only a few, that all belong to the same owner(s).  Examples: Boutique shops, small florists, bike shops | | 10  (1 mark per category and 1 mark for 1 example for the category) |
| KM01 IAC0103 | 7. List 5 sub-sectors of retail shops in South Africa | Learners need to list the following:   * Furniture * Clothing, footwear and accessories * Food * Speciality * Fuel stations | 5 |
| KM01 IAC0104 | 8.1. Explain the relationship and inter-dependence between the retail chain store and store support functions.  8.2. List 4 support functions and explain how each supports the store. | Learners must explain the relationship and then list and describe how 4 support functions support the store.  Use the following as guideline:  The outlet as a whole cannot function effectively and be successful if support functions are not effective and efficient. Examples of how support functions facilitate the core functions in retail:   * **Customer service**. Many department stores have a dedicated customer service manager or desk in store (or at Head Office) to ensure that customer queries are handled quickly and efficiently. * **Information technology** supports the business functions and company infrastructure. This function may include managing systems for online retailing (‘e-tailing’), Human Resources and payroll, POS/EPOS (point of sale/electronic point of sale), trading, marketing and distribution software and other in-store applications. * **Human resource management** plays a key role in the recruitment, induction and training of staff and in coaching line managers to get the best out of their teams. The Human Resources manager is also responsible for administrative functions such as payroll and matters relating to employment law and discipline. * **Marketing and public relations** may be separate functions or combined in one role, which may also include responsibility for advertising, promotion of the brand (using the results of market research) to maintain and increase custom and to promote a positive image of the company. * **Finance** deals with forecasting, budgeting, cost control plus regular communication with retail managers to help them plan and administer budgets to ensure cost effectiveness and profitability. | 9 |
| KM01 IAC0105 | 9. Explain the relationship and inter-dependence between the various departments in a retail outlet | There exists an inter-dependence between the various departments in a retail outlet – departments within the outlet depend on the performance of others.  Examples: | 5 |
| KM01 IAC0201  KM01 IAC0202 | 10.1 Give a definition of stakeholders of a retail chain store.  10.2 Give 5 examples of stakeholders in a retail chain store and explain why each of them are stakeholders. | 10.1 A person or organisation with a valid *interest* in the organisation *or that impacts* on the organisation.  Learners need to list 5 of the following and explain the stake of each.   |  |  | | --- | --- | | **Suppliers** | A supplier is a person or organisation that supplies goods or services to the organisation, for example, the manufacturer or distribution centre. | | **Shareholders** | A shareholder is any person, company or other institution that owns at least one share in the wholesale or retail company. | | **Employees** | Employees provide the labour and have an interest in the survival of the business because they earn an income from the business. | | **Trade unions** | Trade unions bargain for protection of employee rights and jobs. | | **Customers** | Customers are the most important stakeholders of a business because they bring the income. | | **Creditors and lenders** | Businesses who are owed money by the wholesale or retail organisation, for example, a bank that loaned money to the business. | | **Government** | Government regulates certain business operations through legislation.  Government also has other interests, for example, getting income from taxes paid by the business. | | **Local communities** | The community has a stake in the business as employers of local people.  Business activity also affects the local environment. For example, noisy night-time deliveries, or a smelly waste management area would be unpopular with local residents. | | 2 for 10.1  10 for 10.2 |
| KM01 IAC0203 | 11. Explain how the retail chain store manager is responsible for building relationships with stakeholders. | Learners should describe 3 of the following:  Every retail chain store manager is responsible for building stakeholder relationships.  Research indicates that good relationships with customers and suppliers, for example, could enable retailers to be more efficient in developing effective strategies and that effective strategies, in turn, influence business performance.  Managers who can build positive relationships with customers will have an impact on sales and customer loyalty. This helps improve the financial bottom line.  Positive relationships with suppliers play a role in ensuring suppliers who will do everything they can to ensure the store receives what it needs when it needs it. | 3 |
| KM01 IAC0204 | 12. Explain the purpose of each of the Acts and list at least 1 stakeholder that is affected by each. | |  |  |  | | --- | --- | --- | | **Consumer Protection Act** | The Consumer Protection Act applies to an agreement concluded between a **consumer** and supplier in the ordinary course of business.  The Act aims to:   * promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose to establish national norms and standards relating to consumer protection * provide for improved standards of consumer information * prohibit certain unfair marketing and business practices * promote responsible consumer behaviour * promote a consistent legislative and enforcement framework relating to consumer transactions and agreements | Consumers | | **National Credit Act** | The National Credit Act was implemented mainly to promote responsible consumer behaviour relating to debt, to promote responsible granting of debt by registered credit providers and to provide for assistance to consumers who cannot meet their debt commitments.  The purpose of the Act is to:   * promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information; * prohibit certain unfair credit and credit-marketing practices; * promote responsible credit granting and use and for that purpose to prohibit reckless credit granting; * provide for debt re-organisation in cases of over-indebtedness; * regulate credit information; * provide for registration of credit bureaux, credit providers and debt counselling services. | Consumers | | **Environmental Protection Act** | This Act provides for the conservation and use of environmental media, the control over the sources of pollution and damage, the establishment of permissible emission levels and of environmental quality standards, the management of the environmental media and of environmental factors, environmental impact assessment.  Retailers must ensure that customers are not negatively affected by the activities of the retailer. Retailers also need to comply with legislation such as the use of plastic bags. | Consumers  Retail chain  Community | | **Protection of Personal Information Act** | In simple terms, the purpose of the **PoPI Act** is to ensure that all South African institutions conduct themselves in a responsible manner when collecting, processing, storing and sharing another entity's personal information by holding them accountable should they abuse or compromise your personal information in any way. | Consumers | | **Health and Safety Act** | The Health and Safety Act provides for the health and safety of people at work an for the safety of persons in connection with the use of plant and machinery; the protection of persons other that persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work. | Consumers  Suppliers | | **Labour Relations Act** | The Labour relations Act regulates relationships between employers and employees.  The Act also:   * regulates the organisational rights of trade unions; * promotes and facilitates collective bargaining at the workplace and at sectoral level; * regulates the right to strike and the recourse to lockout in conformity with the Constitution; * promotes employee participation in decision-making through the establishment of workplace forums; * provides simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration (for which purpose the Commission for Conciliation, Mediation and Arbitration is established), and through independent alternative dispute resolution services accredited for that purpose. | Employees | | **Basic Conditions of Employment Act** | The purpose of the Basic Conditions of Employment Act is to give effect to the right to fair labour practices, as referred to in Section 23 (1) of the Constitution, by establishing and providing for the regulation of basic conditions of employment. | Employees | | **Employment Equity Act** | The Employment Equity Act is the law that promotes equity in the workplace, ensures that all employees receive equal opportunities and that employees are treated fairly by their employers.  The law protects employees from unfair treatment and any form of discrimination. | Employees | | **Commission for Occupational Injuries and Diseases Act (COIDA)** | The purpose of COIDA is to provide compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees arising out of and in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith. | Employees | | **Unemployment Insurance Fund Act** | The Unemployment Insurance Fund (**UIF**) gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption leave, or illness.  It also provides relief to the dependants of a deceased contributor. | Employees | | 20  (1 per statement of purpose and 1 per stakeholder) |
| KM01 IAC0301 | 13. Explain each of the operations management elements for the retail chain store manager. | * **Store design and layout:** Display layout relates to the arrangement of racks, shelves, or displays into straight patterns, at angles, or in a geometric pattern to create visual interest. In addition to this, traffic patterns for customers can be gridded, almost like streets, looping or curving, or more free flowing. * **Creating departments within a store:** This is important for finding items in a store, as well as for delivering tailored customer service. * **Visual merchandising and display.** Attractive displays of products sets the tone and creates expectation. * **Store atmosphere:** The store must project a positive ambience to the customers for them to enjoy their shopping and leave with a good impression. * **Signage:** Posting signs, both outside and inside, help to direct customers and make them aware of products, services, and offers. * **Store space management:** The retail chain store manager must avoid clutter and disorganisation by managing space well in the store. Items must be easily accessible. * **Customer service management.**   + Ensure customer service policy is carried out   + Ensure customer service procedures are followed   + Ensure customer service standards are met * **Handling cash and credit:** Cash is an asset of the company and it must be handled in a secure manner to prevent losses.   Effective, secure cash and credit handling requires a good system to track everything, quickly discover discrepancies, and keep the store’s finances and inventory on accurate, solid footing.   * **Manage refunds and returns.** Refunds and returns must be managed to protect the assets of the company. Managing refunds may include:   + Following the company’s refund policy.   + Recording refunds and returns according to company policies and procedures. * **Shoplifting and fraud prevention:** Stores devote significant resources (both people and technology) to deter shoplifting and fraud. * **Safety and security:** Stores need to ensure that their employees and customers are safe. They may use security guards and security camera monitoring. * **Ordering merchandise: Or**ders for products are placed, trying to anticipate the demands of customers. The intention is to get the right products in the right quantities at the right time. To be efficient and cost-conscious, there should not be too much stock, but there should also not be any stockouts. * **Receiving stock:** Stores receive shipments from suppliers and distributors. Stock receipts must be tracked and recorded, while making sure stock is handled properly according to stock characteristics. * **Using an inventory system:** Three main types of inventory system can be used:   + perpetual inventory   + physical inventory and   + combined. * **Pricing:** Stores set the prices and mark the products either physically on the product or in the computer using the product’s barcode, or both ways. Physical pricing means that every item on the shelf has a price label. In large supermarkets, this is not practical because any change in price will require re-marking of every item on the shelf. In such cases, one price label is displayed on the shelf with the products. When the price change, only that label needs to be replaced. * **Merchandise handling:** This includes stocking shelves and displays, moving items for customers, and shipping items to customers. * **Managing the premises:** Maintain the store in good working order. The retail cain store manager must ensure adequate facilities and maintenance of the store. * **Training of employees:** Employee training is essential. Employees must be trained in customer service and store procedures, such as cash handling and internal controls. * **Managing of promotions and events:** Stores rely on promotions and sales to drive additional business. * **Data management and use of technology:** This includes streamlining store operations with POS systems and barcoding. * **Recruitment.** Recruitment refers to the overall process of attracting, shortlisting, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organisation. * **Working hours.** Working hours involve the period of time that a person spends at paid work. *Normal working hours* refers to the legislation to limit the working hours per day, per week, per month or per year. * **Scheduling.** Scheduling employees helps employers manage compensation and payroll. Schedules are a way of logging the number of hours an employee works and they are compensated based on the number hours logged within a pay period. Schedules are also a way of ensuring employees receive fair pay and access to overtime payment. * **Skills development.** Skills development is the process of identifying the skill gaps and developing those skills. Skills development is important because the skills of employees determine their ability to perform their jobs effectively and efficiently. * **Motivation. Motivation**can be defined as a set of forces that cause people to behave in certain ways. | 25  (1 per element) |
| KM01 IAC0302 | 14. Explain what employee capacity planning is | In retail, capacity planning is to a large extent concerned with the *predictive provision* of employees with the necessary *skills* at the times *when they are needed*, according to shopping patterns and peak times. | 3 |
| KM01 IAC0302 | 15. Explain the principles of employee capacity planning by stating why it is important | Capacity planning for efficient supply of employees is important because:   * It helps ensure that the store has the correct number of employs available at the right time to meet customer needs and demands. * Capacity planning helps determine operating costs. * A discrepancy between the capacity of the store (number of employees) to serve customers, and the demands of customers results in one of two situations:   + Oversupply results in waste of money   + Undersupply results in customer dissatisfaction | 5 |
| KM01 IAC0303 | 16. List the methods and tools used in retail chain store operations management | * Policies * Procedures * Checklists * POS software | 4 |
| KM01 IAC0304 | 17. Explain the key elements of daily, weekly and monthly operational activities | Learners must explain least 10 elements.  **Daily:**   * Store cleaning * Store opening procedures * Store closing procedures * End-of-shift procedures   **Weekly:**   * Deep cleaning * Ordering replenishment stock (according to the retail chain store’s procedures) * Changing merchandising displays, according to the retail chain store policies, procedures and merchandising plans * Returning damaged or soiled stock to the supplier or distributor, according to the retail chain store’s procedures * Checking shift hour records and calculating wages and overtime pay for (casual) employees who receive their remuneration on a weekly basis, according to the retail chain store’s procedures * Staff scheduling for casual employees, according to the retail chain store’s procedures   **Monthly:**   * Changing window or seasonal displays * Reporting on monthly sales against targets. This information will come from the POS system. * Reporting on stock losses and damages. This information will come from the records that are to be kept in terms of the retail chain’s policies and procedures. | 10 |
| KM01 IAC0402 | 18. Explain the three steps in staff scheduling. | **Determine resource needs**  * Advance planning is especially crucial because staff needs vary across scheduling periods. * The retail chain store manager should first clearly understand the labour resources needed to meet operational goals and requirements.  **Assess the resources pool**  * Once you understand exactly what you need, you can assess whether your current human resources are a match those needs. * Look ahead to identify upcoming events that may impact staff availability. For example, if a three-day weekend is fast approaching, your permanent staff pool may be smaller than usual. * In addition to staff, you may need to factor in any non-staff resources such as additional security pickup of cash; or a much larger quantity of packaging may be required.  **Define scheduling rules**  * Regulations, policies, and processes all impact on the work schedule. Factors such as maximum number of normal working hours per week and overtime payment status are common factors that need to be reflected in the hourly schedule. Scheduling rules based on these factors may also be unique to your organisation, so retail chain store managers must understand the organisation’s guidelines or rules before scheduling staff.  **Assign staff to shifts** Consider the following key criteria:   * **Approach.** Are your shifts assigned by managers, requested by staff, or something in the middle? Bottom-up scheduling, where staff choose open shifts they’re qualified for, is an effective approach. It can drastically reduce scheduling effort. * **Qualifications.** Use the defined skills and competencies criteria to ensure any employees assigned to a shift meet the requirements for it. * **Scheduling Rules.** Apply all defined scheduling rules. You may need to consider seniority, overtime, or other rules unique to your organisation. * **Availability.** Identify who is available to work each shift. Annual leave requests and other forms of leave (such as family responsibility or longer-term sick leave may influence staff availability. * **Preferences.** When you take employee preferences into account, you reduce requests for changes to the schedule. * **Costs.** Compare scheduled resource cost with your staff resources forecast. * **Employee performance.** Sometimes you need your best people on the job.  **Review and communicate the schedule**  * Review the schedule to make sure all the factors are considered. * Publish and communicate the schedule so that everyone knows where and when to find it.  **Manage change** Effective change management means quickly and efficiently addressing developments. Keep a close eye on the following common reasons that may require changes to the schedule:   * Swings in staff demand. * Changes to availability of employees. * Employee no-shows. | 20 maximum |
| KM01 IAC0402 | 19. List 5 benefits of effective staff scheduling | * If the retail chain store manager could better predict the number and skill set of employees that the store needs every day of the week (or, better, every hour of the day), then:   + customers would get prompt assistance;   + shelves would be replenished in a timely manner;   + employees would be neither idle nor overworked; and   + labour costs would be optimised. * Scheduling of employees creates order in workflow in the store. Everyone knows when they are supposed to work, which allows them to plan their personal life around the work schedule. * An effective schedule balances the needs of stakeholders such as management, employees and customers. * Scheduling employees also helps employers manage compensation and payroll, because a schedule should be planned in such a manner that human resources are allocated according to shopping patterns to prevent overstaffing and understaffing situations. | 5 |
| KM01 IAC0402 | 20. Explain three principles of staff scheduling. | **Principle 1: Plan in advance**  Not planning in advance may cause complications with employee scheduling. Employees need to have their work schedule in advance, so they have sufficient time to plan and arrange their personal life and schedules accordingly, especially if they do not work the same shifts or hours all the time.  **Principle 2: Schedule irregularly**  The idea of irregular scheduling is that an employee should be schedules to work at the times that the store needs them, rather than starting at the same time each day. For example, if shopping patterns are concentrated at certain times of the day or days of the week, it makes sense to schedule more employees for these hours and on these days.  Do, however, ensure fair schedules and schedule overtime with care.  **Principle 3: Use part-time or casual staff**  It is unproductive to schedule staff for peak periods using only full-time employees. Full-time staff can provide a steady, well-trained core of employees to meet average business conditions, while part-time or casual workers can be used to supplement the core staff during peak periods. | 6 |
| KM01 IAC0403 | 21. Explain the concepts:  21.1. Recruitment  21.2. Selection | ***Recruitment*** is the process through which an organisation puts in an effort to attract people from whom the organisation will ultimately make selections.  ***Selection*** is about choosing between job candidates attracted through the recruitment process. It involves making a fair and accurate assessment of the strengths and weaknesses of applicants and identifying the candidate who is most likely to perform well in the job. | 2 |
| KM01 IAC0404 | 22. Explain the purpose of induction of new staff | The purpose of induction is to ensure the effective integration of staff into or across the organisation for the benefit of both parties. Research has shown that tailor-made programmes increase staff retention | 2 |