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| **MODEL ANSWERS – KNOWLEDGE TEST** | |
| Qualification | 103150 OC: Retail chain store manager |
| Knowledge module | KM06 Concepts and principles of implementing promotional activities  NQF5 Credits 3 |

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| Total possible marks | 146 | Minimum marks required (80%) | 116 |

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| **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **GUIDELINES FOR ANSWER** | **MARKS** |
| KM06 IAC0101 | 1. Explain the concept of marketing mix(4Ps) in retail. Give examples for each of the components of the marketing mix | |  |  | | --- | --- | | **Product** | Without a product, there is nothing to market.  The product is the item provided to meet a specific customer’s need.  The product should aim to fill a gap in the market in some way.  The product should be designed according to consumer need and desire.  **Examples** of a product include goods such as food, clothing, furniture, computers, etc.  There are two primary types of merchandise: Hard or durable goods like appliances, electronics, and sporting equipment; and soft goods like clothing, household items, cosmetics, and paper products. | | **Price** | The price of a product should be one that consumers are prepared to pay while simultaneously allowing the retailer to generate profit.  Price is dependent upon the cost of the product, the desired level of profit, and also the price of competing products.  Several factors influence the profit level that the retailer can aim for. These include customer demographics, product demand, brand image and exclusivity.  **Examples** of pricing strategies:   * *Everyday low pricing*: The retailer operates in thin margins and attracts customers interested in the lowest possible price. This strategy is used by big box retailers. * *High/low pricing*: The retailer starts with a high price and later reduces the price when the item’s popularity fades. This strategy is mainly used by small to mid-sized retailers. * *Competitive pricing*: The retailer bases the price on what their competition is charging. This strategy is often used after the retailer has exhausted the higher pricing strategy (high/low pricing). * *Psychological pricing*: The retailer sets the price of items with odd numbers that consumers perceive as being lower than they actually are. For example, a list price of R10.95 is associated with spending R10.00 rather than R11.00 in the customers mind. This strategy is also called pricing ending or charm pricing. | | **Place** | Place refers to the method of distribution for a product, or the place where consumers will be able to purchase it. Place may refer to the area where the store is located or to the area in the shop where the product can be found.  **Examples:**  Considerations relating to place include whether a particular product should be sold in all markets or is more suitable for a ***particular region***.  With reference to place within a store, if the product is, for example, a toy, it should be available to consumers in toy departments of departmental stores, as this is where people expect to find toys. | | **Promotion** | Promotion refers to the methods a company uses to make consumers aware of and attracted to a particular product or service.  A promotion can have a wide range of objectives, including increasing sales, new product awareness, creation of brand equity, positioning, competitive retaliations, or the creation of a corporate image.  Promotion includes a variety of marketing communication strategies and techniques. Whichever mechanism is used, it must be suited to the product, price and consumer.  **Examples** of promotional methods include television commercials, radio commercials, internet advertising, introductory prices, advertising in newspapers and magazines, sales promotions, special offers and public relations. | | 12 |
| KM06 IAC0102 | 1. List typical advertising media to draw customers into the store | * Television * Radio * Print media such as newspapers, and magazines and inserts into these media * Flyers * Social media * Outdoor signage and billboards next to roads | 6 |
| KM06 IAC0103 | 1. Explain promotional methods | **Sales promotions and promotional pricing**   * Sales promotions are a set of marketing initiatives aimed to bring an increase in the sales of a product. * Sales promotions involve offering consumers a deal that would enable them to either purchase a product for a lower price or get more value of the sale (for example, Buy One Get One Free). * A wide variety of sales promotion are used to create awareness of products, build the company’s brand or to increase sales.   **Store events**   * Store events are used to incentivise customers to come into the store for an event where they will not only be surrounded by tempting limited and “only available in stores” items, but also activities such as product demonstrations and services. * Store events may be held to unveil new products and may be combined with an extra offer such as getting 15% of when they buy a complementary product.   **Loyalty programmes**   * It is a well-known fact that it costs much more to attract new customers customer than it does to retain an existing one. Loyalty programmes are used to maximise retaining customers. * The goal of a loyalty program is to not only retain existing customers, but to make them feel excited about earning points and reaching the next VIP tier with an exclusive customer experience   **Point of sale displays**   * Most decisions to buy specific products are made while customers are shopping in a store, with more than 50% of those decisions considered an impulse buy. * Point of sale displays are usually placed throughout the store to encourage impulse buys. These displays may be in the form of display baskets close to the pay point (for example, biscuits, sweets, tuna on special, etc.), or in the form of attractive displays, placed at the end of gondolas, such as in the picture. The fact that the display looks totally different than the rest of the merchandising on the gondolas, immediately draws attention and makes customers stop to look and buy. | 8 |
|  | 1. Explain the objectives of promotional activities | * **Inform customers**. One of the major objectives of a promotional strategy is often to inform consumers about the availability and price of products. For example, inserts in local newspapers on Wednesdays and Thursdays inform consumers about special prices for grocery products offered by a supermarket over the weekend. * **Differentiate a product.** Organisations often develop a strategy to differentiate their product from similar products, i.e. to inform consumers how their product is different from other products and how it will benefit the consumer. Differentiation may be based on the characteristics of the product, price, quality or service. Product differentiation is done with the aim of achieving a position in the market that appeals to the target market. For example, Duracell attempts to differentiate its batteries on battery life, using the Duracell rabbit character that just goes on, and on and on… * **Increase sales**. The most common objective of promotional strategies is to increase sales. The promotional activity may take place any time of year, or it may be done to increase seasonal sales. For example, Beacon may have special promotions before Easter to promote sales of Easter eggs in an attempt to specifically promote Beacon chocolate products. Stores may have general promotions to increase sales of gift products before festive periods such as Diwali. Shops selling fresh flowers may have special promotions on flowers for Valentines’ day and Mothers’ day. * **Emphasise a product’s value**. Some promotional strategies are based on factors such as warranty programmes and repair services to add to the product’s value. For example, Dell computers enter into 3-year warranty agreements where they will service their laptops on the user’s site. This creates value for the consumer by creating both confidence in the product and convenience — the consumer does not have to take the laptop anywhere for repairs – it is done at the customer’s office or home. | 8 |
| KM06 IAC0104 | 1. Explain the principles of sales/selling | * **Consumers only buy products and services that benefit them**. Sales staff should therefore:   + Identify customer needs.   + Know clearly how the products in the store will benefit customers.   + Sell benefits rather than features of products.   + Explain the features and benefits of the product and demonstrate how the product works. * **Consumers buy on value rather than price. Good salespeople** show that an item’s unique features give that one customer a unique benefit. For example, “This measuring tape has an eraseable writing surface on the side, so you can write your measurement on it and not forget.” * **Credibility is dependent on two factors**: trust and expertise. Sales should have the ability to influence customers by growing the trust customers have in the store and what the store offers. This is at achieved by attaining and demonstrating expertise in the store’s product mix. * **Add-on and cross-sell increase profits.** Salespeople should aim to increase the sales total once the customer has selected their main item or product. Examples of selling techniques to achieve add-on sales include suggesting sheets for a bed, a purse for a dress, a belt for jeans, or compost for a tree. * **Customers need reassurance.** Build and maintain trust by confirming:   + that the customer has made a good choice and that the product will meet their needs.   + the store’s return policy should the product not perform as promised or expected.   + the delivery procedure and time. | 8 |
| KM05 IAC0104 | 1. Describe the principles of sales management on retail | It involves the following tasks:   * Planning and developing strategies. * Staffing and recruiting. * Training and onboarding. * Directing sales operations to reach goals. * Monitoring and evaluating results.   The chain store manager should train and manage sales staff to ensure compliance with the Consumer Protection Act, specifically the customer’s right to protection against false, misleading or deceptive representations:   * Suppliers are not permitted to, directly or indirectly, provide consumers with false, misleading or deceptive representations regarding goods or services; and * Suppliers are not permitted to use exaggeration, innuendo or ambiguity when referring to goods or services or the benefits thereof. | 8 |
| KM06 IAC0105 | 1. Discuss four types of sales promotions | |  |  | | --- | --- | | **Percentage off** | The percentage off deal (e.g. “20% off” or “50% off”) is one of the most popular — and effective — types of promotions. Consumers love bargains.  Mike Catania, Chief Technology Officer of PromotionCode.org suggests that experience has shown that store-wide flat percentages result in bigger sales than a high percentage discount on selected products. | | **Fixed amount off** | This type of promotion involves discounting items by a flat amount (for example, R100 off on product X or sales above Rx. | | **Buy one get one** | Buy One Get One (BOGO) is a common sales promotion.  This promotion can be applied in two ways: B*uy one get one free* or *buy one get the 2nd item % off*.  BOGO is typically used to move overstock products or dead stock items.  Some experts believe that BOGO-half-off deals frustrate customers since the deal always discounts the lower of the two prices. | | **Free gift** | This involves customers receiving a free product when buy another product. | | 8 |
| KM06 IAC0106 | 1. Describe the principles of display and their effect on sales | 15 marks for 15 points   | **Principle of display** | **Explanation** | **Effect on sales** | | --- | --- | --- | | **Display with the customer in mind** | The goal of displaying products is to provide an experience to customers to prompt them to buy the products.  A display should communicate benefits and value propositions in an attractive way. | Latest research in neuroscience makes it possible to predict customer choice – for example, customers physically prefer the middle option due to the position of eye pupils. | | **Engage all senses** | Displays should engage all senses, not only vision.  *Sound. T*he music played in the store can directly affect customer mood and behaviour in-store or signal what target group the brand is aiming for.  *Touch* can provide an additional sensory stimulus to the customer to try products.  *Smell* and t*aste* can evoke pleasant emotions that prompt the customer to buy. | The more senses are engaged through a display, the better the chances the customer will buy the product. | | **Leverage interactive displays** | The development of retail technology has enabled retailers to provide interactive merchandise display experiences that increase customer engagement. If such technology is available, it should be used. | The effect of interactive displays is that it creates excitement and gives the customer the opportunity to “try out” the product before buying. | | **Product placement** | “Eye level is the buy level.”  Products positioned at eye level are likely to sell better than products above or below eye level.  With displays, more expensive options are often displayed at eye level or just below, while the store’s own brands are placed higher or lower on the shelves, to maximise on turnover and profits. | Placing products at eye level increases the chances that the customer will buy the product. | |  | **Facings**  Visibility relate to the number of facings, that is how many items of a product you can see. | The more visible a product, the higher the sales are likely to be.  According to Graham Kendall from the University of Nottingham, the location of goods in an aisle is also important. He states that there is a school of thought that goods placed at the start of an aisle do not sell as well. A customer needs time to adjust to being in the aisle, so it takes a little time before they can decide what to buy. | | **Complimentary displays**  This is the technique of placing complementary goods together. | Customers are reminded to by items that may not have thought about, for example, dips displayed in the potato crisp area. | | 15 |
| KM06 IAC0107 | 1. Describe the principles of point of sale ticketing and their effect on sales | * **Draw customers’ attention**. They should be positioned where they draw the customer’s eye. * **Promote impulse buying** or buying of larger quantities of the promotional products. The message, together with the display, must prompt the customer to try a new product or to buy larger quantities of the product (by, for example, offering 3 for the price of 2, etc.) * **Be easy to read and understand**. Promotional tickets should clearly serve their purpose, for example, to announce a new product or a special offer. | 6 |
| KM06 IAC0201 | 1. Explain what visual merchandising is | Visual merchandising involves artistic product displays to capture the attention and interest of customers. | 2 |
| KM06 IAC0201 | 1. Explain the purpose of visual merchandising | * The purpose of such visual merchandising is to attract, engage, and motivate the customer towards making a purchase. * Visual merchandising is, therefore, the act of making retail spaces attractive to customers so that they spend money. | 2 |
| KM06 IAC0201 | 1. Explain the principles of visual merchandising shelf displays | The chain store manager should plan how shelf displays will be used to feature products, and how much shelf space each product will get.   * Be careful not to clutter products * Capitalise on spaces at the end of shelves * Place popular or targeted products between eye level and knee level * Place the most profitable items at eye level   Place products for children at children's eye levels. | 5 |
| KM06 IAC0203 | 1. Explain the principles of visual merchandising window displays. Give an example | The store’s window display has the effect of improving or depressing sales. How it is set it up will determine whether customers will pass without a second glance, or whether their attention will be arrested by the sheer creativity of your display.  Window displays are used to make a statement about the business - for example, to imply the store’s products are elegant, sophisticated, edgy or contemporary.  Window displays should:   * Be topical and seasonal. * Have props, images, signage and products to convey an idea and message that will help customers connect with the store’s products. * Be changed regularly. | 5 |
| KM06 IAC0203 | 1. Explain the principles of visual merchandising stock displays. Give an example | Related stock items should be displayed together and premium spaces such as end of aisles, should be used for visual merchandising and to feature profitable products.   * Group similar products together to encourage add-on sales. For example, place crockery with cutlery. * Group different but related products together to promotes sales of complementary products. For example, include all components of a bathroom in a bathroom display. * Change product displays regularly and keep them clean and well ordered. * Feature a few product items, including product blurb and fliers, at your point-of-sale space. Point of sales shelves are placed near the cash register or the door for fast-moving and popular goods such as candy, cheap and popular items. | 5 |
| KM06 IAC0203 | 1. Explain the principle of visual merchandising blocking. Give an example | Grouping of items - especially colour blocking - is an effective way of emphasising merchandise.  It is based on the principles of contrast and repetition.  This is as simple as collating similar objects together.  For example: group girls’ shorts, boys’ tops etc.   It does not only maintain order, it also makes it easier for customers to identify additional items that may interest them, which can add to an increase in sales. | 2 |
| KM06 IAC0202 | 1. Explain the potential impact of visual merchandising on sales | * Window displays make the first impression.  The front window display has the power to draw in customers from the store’s target market. A bland or disjointed display will not draw attention and the passers-by will keep passing by. Displays with visual impact draw attention and will draw customers from the target market into the store and that will increase sales. * Because visual merchandising is all about the look, feel, and culture of the store and brand, it will help increase customer brand loyalty. This is because displays communicate the store’s product range, style and target market. This creates awareness and encourages repeat sales among the store’s target market. * Visual merchandising makes retail spaces attractive and appeals to customer desires. * Cross-merchandising increases sales of complementary products. * Interest in products, created through attractive and eye-catching visual displays, prompt customers to buy the products. This increases sales figures which, in turn, increases profits. | 4 |
| KM06 IAC0301 | 1. Explain the use of wash line ticketing (bunting) | Bunting: Small stickers/flags/ribbons tagged together with thread in a sequence keeping uniform distance is known as bunting in point of sale promotion terminology.  Bunting may be used on doors or windows or it may hang from the ceiling or in front of shelves. | 2 |
| KM06 IAC0301 | 1. Explain the use of hanging banners | Hanging banners are typically used for promotions.  They can be positioned at the store entrance or inside the store. | 2 |
| KM06 IAC0301 | 1. Explain the use of shelf tickets and wobblers | Shelf talkers and wobblers are attached on a shelf at the location of a product.  They are used to announce new arrivals, special offers or promote product characteristics. | 2 |
| KM06 IAC0302 | 1. Explain the use of directional signage | * These types of signage tell customers where to go. Such signage needs to be easy to read so that customers can quickly find their way in the store. * These signs are critical to giving customers a pleasant shopping experience as they help the customer navigate your space more easily. * Directional signage also adds to the look and feel of the store. * Directional and departmental signage are usually placed high so that they can be clearly seen from a distance. | 4 |
| KM06 IAC302 | 1. Explain types of price tickets and how they are used | **Tags**   * Prices can be printed, written on or attached to tags that are attached to the merchandise. * Tags are mostly used on clothing items in a manner that will not damage the clothing fabric. * They are often attached to the size or brand labels that are sewn to the inside of clothing.   **Shelf edge prices**   * Shelf edge labels may either be printed on paper and slid in behind a plastic strip or an electronic shelf edge unit may be used. * The benefit of an electronic device is that the price is controlled from the back office, preventing errors such as forgetting to attach a new price, attaching the price to the incorrect position or the paper label falling out when a customer accidentally bumps against the plastic strip. * The advantage of shelf edge price labels is that not all of the items on the shelf needs to be marked.   **Prices on rails**   * The price of all the items on a rail, boxes, bins, shelves or tables represents all the items in that location. * It is easy to change the price because the price is only in one place and not on all the individual items. | 6 |
| KM06 IAC0303 | 1. Explain the impact on the store of information detailed on ticketing | **CONSUMER PROTECTION ACT:**  **The consumer’s right to disclosure of prices of goods and services**   * Suppliers are required to display the prices of goods and services, in full view of consumers. * Consumers have the right to request the unit cost of goods and services, so as to avoid any “hidden” costs. * Suppliers are required to specify the duration of any promotions in catalogues or brochures, failing which consumers have the right to purchase the goods or services at the specified prices. * Consumers have the right to demand paying the lower price for goods displaying two varying prices – suppliers are not permitted to charge consumers the higher price for the same goods.   **The consumer’s right to product labelling and trade description**   * Suppliers are required to display labelling and trade descriptions of products, which do not mislead consumers about the contents of the packaging or goods attached to the products. * Suppliers are not permitted to alter, amend, conceal, remove or deface trademarks and other product labelling, so as to mislead consumers. * Producers/importers of products or goods are required to display the country of origin and any other prescribed information, such as expiry dates. * Producers, suppliers and importers are required to disclose the presence of any genetically modified ingredients, in compliance with international and South African laws and regulations. | 6 |
| KM06 IAC0401 | 1. Explain centralised control over promotional displays | To implement promotional activity within centralised Store Support Centre control, the staff from the Support centre will either set up the display or they will send a planogram and display setup instructions to the individual stores to carry out the instructions.  To ensure uniformity in promotional displays throughout the retail chain, and thereby maintaining brand image, it is important that the display is positioned where recommended on the planogram and that the merchandising instructions be followed.  The generally accepted principles for promotional displays with centralised merchandising Store Support Centre are:   * **The retail chain’s merchandising policy is adhered to.** The policy outlines what needs to be displayed at what time and where. The policy will also indicate to if deviations from centralised merchandising instructions are allowed and, if so, to what extent. * **Displays are set up in positions planned and indicated and** **display instructions are followed**. Displays were carefully planned for maximum effect. * Merchandise is unpacked according to instructions and product characteristics. * Health and safety requirements are met, both for the merchandisers and to prevent injury of customers during and after setup * **Merchandise is handled according to stock characteristics**. Certain items have stock characteristics that should be considered when displaying. For instance, some perishable items such as milk can only be displayed in refrigerators. Hazardous and flammable commodities should be displayed in enclosed spaces protected from direct sun light and heat. | 5 |
| KM06 IAC0401 | 1. Explain de-centralised control over promotional displays | 10 marks for 10 points mentioned  With de-centralised merchandising, the Store Support Centre might either leave it up to individual stores to plan and set up displays, or they may send guidelines that can assist.  Generally accepted principles for implementing promotional activity within de-centralised Store Support Centre control include:   * **The retail chain’s merchandising policy is adhered to**. Every store has its own policy for displaying merchandise. The policy outlines what needs to be displayed at what time and where. Certain items have stock characteristics that should be considered when displaying. For instance, some perishable items such as milk can only be displayed in refrigerators. Hazardous and flammable commodities should be displayed in enclosed spaces protected from direct sun light and heat. * **Displays are planned for visibility and accessibility.** Merchandise and the display thereof mean nothing if the customer cannot see it. Visibility can be enhanced by the products themselves, the height of the shelves and the store layout. Promotional material such as posters and speaker cards can assist in drawing the attention of customers to the merchandise. Customers cannot buy items that they cannot get to. This relates to the height of shelves and rails but also to products behind counters and in locked cupboards * **Displays are striking, attractive and innovative.** If the store uses the same displays or even types of displays, it can become boring and customers might not even notice the displays anymore. The whole idea of displays is to attract customers and to make them aware of the product with additional sales in mind. Creativity and innovation are important. * **Displays are appropriate.** Products determine the possibilities for displays.   + One can, for example, stack cans and toilet paper but you cannot do it with fine glass wear or fresh produce.   + The display must also be appropriate to the store. Some stores have space that others do not have.   + The style of display must also be appropriate to the style of merchandise and the type of customers – age, lifestyle, income group, etc. * **Displays are safe.** Safety in stores is important. Displays must not be hazardous to customers or staff. This is applicable to both permanent and temporary displays. If shelves are used, they must be securely fixed and must not fall over. The same applies to rails and all other display fixtures and fittings. * **Health and safety requirements are met** during setup. * **Merchandise is handled according to stock characteristics**. Certain items have stock characteristics that should be considered when displaying. For instance, some perishable items such as milk can only be displayed in refrigerators. Hazardous and flammable commodities should be displayed in enclosed spaces protected from direct sun light and heat. | 10 |
| KM06 IZC0402 | 1. Discuss the conflict between set layouts and promotional displays | 5 marks for 5 points mentioned   * Retailer space and floor layouts are planned in such a way that the use of floor space is maximised, yet customers have enough space to easily move around the store and access merchandise. * Merchandising - the display of merchandise in an appealing manner to encourage customers to make purchases - relies on the store layout to have customers walk through more than just one section of a store. * Store layout and merchandising are, therefore, inseparable. * Grid flow patterns are highly structured layouts which maximise the available retail space. * Free-flow patterns are more open formats in which fixtures are used to create a relaxed environment for customers to browse and shop at their own pace. * With a free flow pattern, there is no defined customer flow pattern. * In stores with a free flow layout, it is mostly possible and relatively easy to set up virtually any type of special promotional display in most areas of the store. * Where the layout is not fixed, in other words, in stores with a free flow, the promotional display can be placed where it will have the biggest visual impact. | 5 |