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| **MODEL ANSWERS – KNOWLEDGE TEST** | |
| Qualification | 522201000 OC: Retail supervisor |
| Knowledge module | KM03 Concepts and principles for the implementation and maintenance of retail or wholesale operations |

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| Learner surname |  |
| Learner full names |  |
| Learner ID number |  |
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| Total possible marks | 80 | Minimum marks required (70%) | 56 |

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| **INTERNAL ASSESSMENT CRITERIA** | **QUESTION** | **GUIDELINES FOR ANSWER** | **MARKS** |
| KM-03 IAC0101 | 1. Describe the concept of shrinkage | Shrinkage describes the loss of inventory due to circumstances such as shoplifting, vendor fraud, employee theft, and administrative error. | 2 |
| KM-03 IAC0102 | 1. Explain how shrinkage affects the organisation and its staff | |  |  | | --- | --- | | **Lost revenue** | Shrinkage amounts to lost revenue.  For most retailers, those losses account for just under 1.8% of sales. For fashion and accessories retailers, the shrinkage rate can reach as high as 2.43%. | | **Decreased purchasing capacity** | Lower revenue causes decreased purchasing capacity.  This may result in stockouts, leading, in turn, to lost selling opportunities, dissatisfied customers and loss of customers. | | **Lost profitability** | Profit margins in retail are “razor thin” because of very strong competition.  Any losses impact on profitability. | | **Lower value for shareholders** | Shrinkage is reported on financial statements which must, in the case of companies listed on the stock exchange, be published and distributed to all shareholders.  Over time, shrinkage erodes revenue and profitability, leading to lower returns for shareholders in the company.  Shrinkage and loss may also cause the company’s shares to drop in value. | | 8 |
| KM-03 IAC0103 | 1. Discuss the typical causes of loss in a wholesale and retail environment and the concepts of loss supervision:  * Preventing theft including cash * KM-02 IAC0104 * Administrative errors * Vendor fraud * Shoplifting | The following measures can be implemented to **prevent theft.**   |  |  | | --- | --- | | **Procedures for handling of cash** | * Implement secure processes for receiving and handling cash as well as cash-up procedures. * Implement and enforce procedures for refunds and returns, with appropriate authorisation measures. * Implement additional security measures such as security cameras above every point of sale pay point if such measures are necessary. * Ensure the POS system requires staff members to log on. * Assign each team member at a POS point with a unique password for logging in to the POS system. * Regularly change passwords. * Closely monitor cash totals. Be mindful of regular shortages and overages. * Monitor shift sales by checkout operator/cashier/salesperson. * Record the amount of cash in the float at the beginning and end of each day or shift. | | **Prevent theft of stock** | * Implement a buddy system. Employees who are stealing inventory often hide items in the trash to steal at the end of the day. The supervisor can prevent this by requiring employees to take out the trash in teams and frequently switching the teams to avoid co-conspirators working together. * Inspect employees’ handbags, backpacks or other bags before they leave for the day. It is a simple, but effective, way to deter theft of stock. * Probably the most theft of stock occurs in or on its way to the stockroom. Employees may steal inventory before it reaches the stockroom. * Keep the stockroom locked and only allow authorised entry. * Do rotational stock counts. By conducting smaller counts regularly, in addition to formal annual stocktakes, employee theft is discouraged. It helps with identifying patterns of stock loss. * Have cameras installed. Cameras are typically installed to cover vulnerable areas such as POS terminals, the entrance to the store, as well as delivery and loading areas. * Always replace locks if a key is lost or misplaced. * Do not allow any person other than staff in the store before or after normal trading hours. * Keep customers out of employee-only areas such as stockrooms. * Install a key control system for all business keys. * Follow store procedures for returns. Insist on proof of purchase. |   **Administrative errors**  Administrative errors can be controlled by use of a good, well-documented system containing built-in checks and balances.  The following are examples of measures that can be taken to prevent administrative errors:   * All employees (receiving clerk, salespeople, buyers, office personnel) must be properly trained on the procedures. They must understand the importance of following the proper procedures. Supervisors must follow up to see that the proper procedures are being followed. * Validate mark-up and mark-down of prices. * Ensure that merchandisers verify price changes in the system verified before applying changes. * Ensure maintenance of registers for all stock movement.   **Vendor fraud**  To prevent vendor or delivery person fraud, the following measures may be taken:   * Follow store procedures for receiving stock. * Ensure products are scanned and checked while GRN forms (goods received note) are completed. * Ensure that invoice matching is accurate against purchase order, supplier invoice and GRN and that any discrepancies are highlighted and resolved before payment. * Do not allow the delivery person to distract the receiving clerk. * Always complete the delivery check on the spot. Do not leave and return. * Only allow full time employees to accept deliveries. * Let staff carry out empty boxes or garbage. Do not allow the vendor to do this. * Credits are to be dealt with first before new delivery is brought into the store. * Do not allow the vendor to carry merchandise to the sales area until entire delivery has been checked.   **Shoplifting**  Many thieves work in groups of two or more to distract the sales staff while they steal.  Shoplifters learn to take advantage of busy stores during peak hours, or they may hit at times when employees are less alert, such as opening, closing and shift changes.  The following are important measures to prevent shoplifting:   |  |  | | --- | --- | | **Put employees on alert** | Train staff members on ways to prevent shoplifting and the signs to look for.  These include a friendly, helpful approach and lots of eye contact.  Also educate them on the costs of theft to the business, how it affects them, and the role they can play in preventing it. | | **Implement security measures** | Install security cameras.  Hire a security guard.  Put security tags on high-value items and mirrors in aisles for greater visibility.  Install security mirrors, which can serve as inexpensive yet effective tools for spotting shoplifting and other suspicious activities in “blind spots”.  Follow the store policies and procedures for returns. Require a receipt for all returns: Many shoplifters steal with the express intent of returning the merchandise to the store, the same or another branch, for a cash refund. This can be addressed by requiring a purchase receipt for all returns. | | **Check store layout and merchandise placement** | Put expensive and small items that are easily concealable in more conspicuous places or inside a locked display case.  Arrange product displays so that it is noticeable when an item is missing. | | **Secure high-risk stock** | Electronic article surveillance (EAS) is the popular method of attaching security tags to items. These systems use electromagnetic or RFID scanners to detect items from which the tags were not removed before the item leaves the store. A cashier must deactivate the tag at the point of sale. If it is not deactivated, it sets off an alarm when someone removes the product from the store.  Display high-ticket items like electronics and jewellery in a locked display case. Control access to the keys. | | **Supervise the use of fitting rooms** | Follow the store’s procedures for monitoring fitting rooms in clothing stores. | | **Train checkout operators to be alert** | Train cashiers to:   * Check the lower racks of shopping carts, watch for switched labels, look inside items that can also be used as containers for lifted items, such as toolboxes, jacket sleeves, waste baskets, etc. * Check for factory seals on boxed items. And look inside if the boxes are not sealed. * Staple receipts to the outside of packages. * Be familiar with the store prices. This can help prevent price switching. | | 30 |
| KM-03 IAC0201 | 1. Describe the concept of housekeeping | Housekeeping includes cleanliness as well as keeping all areas of the wholesale or retail space neat and orderly, maintaining all areas free from safety risks such as slip and trip hazards, and removing of waste materials such as paper, cardboard and other fire and pest hazards. It is also about keeping the store and storeroom organised to prevent accidents and to be able to manage stock to prevent stock loss due to theft and due to damage. | 8 |
| KM-03 IAC0202 | 1. Explain how housekeeping impacts on the image of an organisation | Housekeeping impacts on the image of the wholesale or retail company.  First impressions have an impact on whether customers decide to buy or to walk out.  First impressions are developed the moment customers walk through the doors of the business – and even when they see displays in the window. An overall clean and tidy store creates a comfortable atmosphere, and customers are likely to spend time browsing. An unclean or disorganised area, on the other hand, makes people feel uneasy. When people do not feel comfortable, they are likely to leave the store in a short amount of time.  Merchandising areas, fitting rooms and cash register areas all have an impact on how customers perceive the wholesale or retail business. When one place is dirty or untidy, customers may assume the rest of the store is also dirty or untidy, and this results in negative customer experiences. First impressions, therefore, contribute to or distract from customer loyalty, housekeeping is important. | 6 |
| KM-03 IAC0203 | 1. Discuss the relationship between housekeeping and losses | When a store or the storeroom is not organised well, stock losses and shrinkage can take place due to damage, perishable items that expire because they are not being rotated.  An unorganised store and storeroom also make theft easier because it is not easy to spot products that are missing. | 2 |
| KM-03 IAC0204 | 1. Discuss the concept of supervising housekeeping | * For wholesale and retail stores, maintaining a brand standard is essential for securing repeat business. Cleanliness plays a large part in shaping a brand, as well as customers’ purchasing decisions. * Providing customers with a well-kept store is especially important given today’s increasingly social culture, in which negative online reviews and word-of-mouth can adversely impact business. * Cleanliness further influences employee satisfaction and reduces the occurrence of and costs associated with slip-and-fall accidents. * The supervisor should ensure that standards of housekeeping are maintained. * The supervisor must set standards of cleanliness or ensure the standards set by management are met consistently. * Cleaning schedules must be panned, implemented and monitored. | 5 |
| KM-03 IAC0301 | 1. Explain the impact of safety legislation on the workplace | * Workers in the retail industry face as many health and safety hazards as people employed in jobs that are generally believed to be more dangerous. Retail jobs require repetitive motions, heavy lifting and long periods of standing. Store and storeroom layout and management may also pose safety hazards. * To ensure a safe work environment in the wholesale and retail sector, as well as a safe shopping experience for customers, every employee has safety duties and responsibilities, as clearly outlined in Sections 8, 13 and 14 of the Occupational Health and Safety Act (85 of 1999, as amended). * The Occupational Health and Safety Act regulates health and safety at work in South Africa. * The ***objective*** of the Occupational Health and Safety Act (OHSA) is to provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery. The Act aims to protect employees as well as other stakeholders such as customers and contractors working for the employer. | 5 |
| KM-03 IAC0302 | 1. Discuss the impact of safety on the image of the organisation. | * When people go shopping, they don’t want to be worried about being injured. Customers expect wholesale and retail outlets to have dry floors, clear paths, well-stocked shelves, and shopping aisles unobstructed by shopping carts or product movement equipment, and free of broken floor surfaces or cables on which they can trip, fall, and be injured. * When an accident happens and a customer is injured, it tends to get to the news very quickly, especially with the speed at which news can nowadays run away on social media. The public tends to side with the customer and not with the business, especially when it is a large retail chain. * A poor safety record, where there are numerous or repeated safety incidents and injuries, creates a negative image of the organisation. It creates the perception that the organisation does not care for employees and customers. This has a negative impact on the image of the business. * Ensuring a safe shopping experience is, therefore, an important responsibility of supervisors in the wholesale and retail environment. | 4 |
| KM-03-IAC0303 | 1. Discuss the supervision of safe working procedures in a wholesale and retail operation | | **MAINTAINING A HEALTHY AND SAFE RETAIL SPACE** | | | --- | --- | | **Maintain effective lighting** | * Make sure the lighting is adequate in all areas. * Replace dead lights immediately. * Always keep replacement bulbs available. | | **Prevent slipping and tripping hazards** | * Ensure all walkways are cleared of clutter and debris. * Secure electrical cords so that no one can trip on them. * Ensure that the storeroom is well-organised and that there are no tripping or slipping hazards. * Immediately post barriers and/or signs when spills take place. * Place water-resistant mats and flooring near entrances and exits leading out of the store. * Keep the floor clean and dry at all times. | | **Prevent fire hazards** | * Regularly check for fire hazards such as loose wires, improper chemical storage, and combustible materials. * Ensure that fire exits are clearly marked. * Always ensure that fire exits are not blocked. * Ensure that fire extinguishers are easy to reach, that their positions are clearly indicated with appropriate safety signs, and that they are serviced as indicated on the equipment. * Remove all waste such as boxes and used packaging to the correct waste area. * Ensure that all electrical equipment, connection points and cables are in good condition. Do not delay reporting any hazards for fast repairs. | | **Prevent accidents and injuries** | * Protect pallets and warehouse goods from heavy machinery with protective guards, railings and bollards to prevent them from falling and causing injury. * Ensure that policies and procedures are followed for aspects such as the following: * Use of ladders (for example, while setting up displays or when storing merchandise) * Use of electrical equipment (for example, steaming equipment for clothes; vacuum cleaners; electrical hand tools) * Manual lifting and handling * Handling of cleaning and other chemicals * Disposing of hazardous chemicals (where applicable) * Housekeeping and maintaining store areas and work areas * Use of forklifts (in organisations with large storerooms) * Cleaning up of breakages and spills   Examples of some procedures are given below the table. | | **Ensure compliance to safety legislation requirements** | * Provide safety training for all employees. * Appoint a safety officer as required by the Occupational Health and Safety Act. * Conduct regular safety inspections. It is advisable to use a checklist which is completed with information such as the date of the inspection, the names of the persons conducting the inspection, and the areas and items inspected. This serves as a record of inspections, which will be required when a safety incident is investigated. | | 15 |