NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2024

BUSINESS STUDIES MARKING GUIDELINES

Time: 3 hours 300 marks

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SECTION B

QUESTION 4

4.1 **Read the extract below and answer the questions that follow.**

4.1.1 **Name and justify which element of the SWOT analysis is discussed in the extract.**

Opportunities OR threats – Both are acceptable. Opportunities:

- The business can use the information as an opportunity to improve its own investment in sustainable fashion.
- They can align with sustainable brands.
- They can prioritise sustainability in their own operations.
- Any other relevant answer.

Threats:

- The business may not view sustainable fashion as too expensive to invest in.
- The competition that supports sustainable fashion may take away their target market.
- Any other relevant answer.

4.1.2 **What are the THREE elements of sustainable reporting?**

People, **or** social responsibility, **or** the commitment of a business to positively impact society.

Profit, **or** economic prosperity, **or** the positive financial returns an organisation provides to its shareholders.

Planet, **or** environmental sustainability, **or** improvements the organisation makes to its impact on the environment.

Any other relevant linking to sustainable reporting.

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4.1.3 With reference to the extract above, identify **ONE** element from each of the three business environments. Stating a reason, outline what level of control the clothing retailer has over each element. Provide one strategy the clothing retailer could use to improve its control over the identified element.

Environment	**Identify ONE element from each business environment.**	**State a reason and outline what level of control the clothing retailer has over each element.**	**Provide ONE strategy that the clothing retailer could use to improve its control over the identified element.**
Micro	• The product – fashion/clothing. • Values (the text refers to consumer values, but second language students should not be penalised for recognising that the business has values too). • The purchasing function. • Decision-making.	Full control Product: The business has control over the products it produces, how it produces them, what quality it chooses to provide, and when it produces. Values: the business determines its vision and mission and what values it subscribes to. It can do through its Code of Ethics and Company policies. The purchasing function: The business controls how much money is spent and which suppliers it uses. Decision-making: Management and leadership control how they make decisions, who makes them and what management/ leadership style they use. Any other relevant answer.	Diversification: Add more sustainable products to the existing range to increase new products and new target markets. Product development: Add new, sustainable products to the existing range. Merges/Joint ventures: Combine forces with existing businesses known for their sustainable practices to improve the business's position in the market. Hire more people to promote the product if it already meets sustainability standards. Any other relevant strategy linked to the factor mentioned and description mentioned.

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Market	• Consumers • Brands	Limited control Consumers: Buyers can be influenced by marketing, quality, brand offering, etc., but ultimately make their own choice of whether to purchase. Brands: Depending on the chosen distribution channel of a brand manufacturer, the business may decide that a particular clothing retailer should/should not sell their brand. Any other relevant answer. **)**	Market development: Market to new customers supporting sustainability. Product development: If producing their own clothing, create more sustainable methods of doing so (student may suggest ways in which to do this). Hire experts to improve research and development in this field. Align with brands that create sustainable products. Backward integration: Gain more control of the production of clothing to enhance sustainable production. Horizontal integration: Merge with a sustainable competitor or join ventures. Any other relevant strategy linked to the factor mentioned and the description mentioned.

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Macro	• Environmental factors • Social factors • Sustainability **)**	No control Environmental factors: There is increasing pressure for businesses to make their production processes more environmentally friendly, align triple bottom line reporting principles, and be more conscious of their supply chain. Social factors: Society supports businesses taking care of the environment. Societal trends impact product choice and how people spend their money. Income levels play a role in whether society can afford to support a particular business. Lately, social media has also had an impact. Sustainability: Production lines, in general, are vulnerable, and one must determine whether they are sustainable. Questions may arise about carbon footprints, wastage, and other factors that influence how society views a particular industry.	Business re-engineering: Redesign the way in which the business operates to make use of more sustainable methods. Reduce carbon footprint by implementing more responsible business practices (students may suggest methods of doing this). Improve social media presence to promote sustainable practices on social media platforms. Consider other suggestions, such as applying the Delphi Technique, to persuade experts to help improve the business processes. Any other relevant strategy linked to the factor and description mentioned.

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4.2 **Read the extract below and answer the questions that follow.**

4.2.1 **What does Woolworths gain from investing in the corporate social responsibility projects mentioned in the extract above?**

- Improved community support.
- Positive media attention.
- Positive publicity.
- A better-functioning society due to socio-economic issues being addressed.
- Making sustainable and measurable differences in the lives of communities.
- Improved business image.
- Adherence to King reports.
- Improved recognition on the JSE SRI.
- Assisting employees' families in their communities, leading to loyal employees.
- Improved organisational culture.
- Better teamwork and productivity.
- Improved corporate governance.
- Improved sales to customers who support the initiative.
- Any other relevant answer.

4.2.2 **Name TWO internal stakeholders of a clothing retailer and explain why they have an interest in supporting a clothing retailer that operates sustainably.**

Employees:

- Employees may feel that a sustainable business will likely provide better job security. This ensures that they are more supportive of sustainable initiatives.
- They may feel that sustainable practises align with their personal values. This creates happier employees who will also be more productive and successful.
- Sustainable practices tend to support local communities. This motivates employees as they may come from these communities.
- Improved production by motivated employees could lead to greater profits for the business, ensuring improved employee growth as the business can support their demands financially.
- Any other relevant answer.

Owners/shareholders:

- Improved public relations could result in higher profits and a better return on investment, which could lead to more investment, both local and foreign.
- Improved financial stability allows for business growth, potentially increasing sales and return on investment.
- Improved alignment with business values creates happier and more productive employees.

Any other relevant answer.

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4.2.3 Consider the following unethical activities. For each unethical activity, provide **ONE** example of how this could happen at Woolworths. Suggest how management at Woolworths could prevent this unethical activity from occurring.

Unethical Activity	**Provide ONE example of an aforementioned unethical activity at Woolworths.**	**How could Woolworths management prevent this?**
Counterfeiting	Woolworths could fraudulently imitate another party's work and pretend it is its own design. This often occurs in fashion, especially with clothing, shoes and handbags.	Woolworths could credit the original designer. It could apologise and backpay royalties on designs that were not its own. It could be transparent about who the original designer is. Woolworths could set up contracts that appoint its own employees as designers to maintain its rights to the labels. Any other relevant answer.
Conflict of Interest	The person awarding a tender knows the person submitting the tender (e.g., for uniforms). A person on recruitment or selection panel knows the applicant	The person should be removed from the decision-making process. They should disclose their relationship and should withdraw from the tender process. The person on the selection panel should disclose their relationship and remove themselves from the panel. A person who makes decisions in the business is hired to do so in the
	or is a family member. A person who puts their own interests ahead of the business's interests.	Employees must be transparent about their personal interests and declare them. Any other relevant answer.

Pricing of goods in rural areas	This could result from price fixing where competitors agree on a pre-determined price. Woolworths could charge higher prices in rural areas because there is no other competition.	Ensure that there is no collusion to set prices illegally. The CPA makes it illegal to charge higher prices in rural areas without good reason, therefore, Woolworths must keep its prices stable across all stores to avoid fines and lawsuits. Any other relevant answer.

4.2.4 **What is the purpose of a Code of Ethics?**

The purpose of a Code of Ethics is to regulate the behaviour of people who operate within the business. It stipulates acceptable or unacceptable behaviour and dictates the premise for decisions. The purpose is to have a business operate within the confines of the law and improve relations with external stakeholders.
Any other relevant answer.

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QUESTION 5

5.1 **Like any entrepreneurial industry, starting a business requires careful planning and execution, especially in South Africa's diverse fashion industry.**

5.1.1 **Identify THREE entrepreneurial characteristics a person would need to start their own business in the fashion industry**.

- Ability to identify opportunities
- Willingness to take risks
- Opportunistic mindset
- Dedication to hard work
- Strong sense of commitment
- Perseverance
- Market trend forecasting ability
- Creativity
- Innovative
- Planning and execution proficiency
- Proactive nature
- Resource acquisition and management skills
- Leadership capabilities
- Quick decision-making ability
- Intrinsic drive and motivation

Any other relevant answer.

5.1.2 **Explain, using an example relevant to a clothing retailer, why a floor manager must use the situational leadership style when managing a store.**

A **situational management style** combines the other management/ leadership styles. Managers adapt their behaviour and reaction to situations based on their perception of each situation. They may adopt an autocratic style when disciplinary decisions need to be made but are likely to include staff in decision-making when the occasion allows for it. The situational style implies that the manager understands that not every employee reacts positively to each style and thus uses their emotional intelligence to adjust their style to achieve the best outcome of a given decision.

Employees who disregard the code of conduct would require an immediate response that is unlikely to involve consultation. Similarly, emergencies would require fast decision-making.

Store layout and other creative processes could include employees' innovation as the manager recognises that others may have valuable input.

Teamwork is an intrinsic part of the success of a business, and the manager can employ transformational management techniques to make the team feel that they matter and motivate them to work hard. Any other relevant answer.

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5.2 **Briefly describe TWO non-monetary factors a fashion retailer could use to motivate their staff.**

Job enlargement: Additional tasks could be allocated to employees. This means less repetition. An employee could be asked to pack and design the layout of a display. This would allow them to use initiative and feel that their input matters.

Job enrichment: More responsibility or more authority is given to employees. They could be given additional tasks, such as supervising a section of the store. This would make them feel more trusted, but may require additional training.

Empowerment and advancement: Allowing employees to improve their potential by providing additional training to move from one position to another creates more opportunities for individuals by adding the training to their CVs.

Flexible hours: Clothing retailers in South Africa are open most days of the week. Allowing employees to structure their day more flexibly to accommodate their personal needs may make them feel that the business understands and cares about them.

Recognition of good work: Public recognition of high sales figures may lead to other employees striving to improve. Win-win.

Methods to show appreciation of the employee by including them in decision-making.

Variation of management style to accommodate for the needs of employees (more or less instruction depending on the type of employee).
Any other relevant answer.

5.3 **Conflict is inevitable in the workplace.**

5.3.1 **Suggest THREE ways in which a manager in a clothing retailer can address conflict between two employees.**

- Avoidance
- Accommodating
- Collaborating
- Cooperating
- Competing
- Compromising
- Smoothing
- Mediating
- Conciliating
- Arbitrating
- Negotiating

Any other relevant answer.

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5.3.2 **Read the scenarios below and answer the questions that follow.**

Scenario 1:
Woolworths employees are unhappy about the education and training they have access to. They want more opportunities to improve their skills.
Name an ideal third-party intervention that could be used in this situation and explain how this third party would be involved.

Workplace forums: Workplace forums are not technically third-party but have the possibility of providing input on training and development in the workplace. This method is less disruptive than others and is based on personal, hands-on experience by the representative employees.

Trade Unions: These are the mouthpiece of employees and represent them in work-related disputes. They have expertise and knowledge in the field and could thus advise employees on the best course forward and provide guidance and assistance if the matter remains unresolved.
Any other relevant answer.

Scenario 2:
An owner of a new Woolworths clothing store does not have the expertise to set up employment contracts that adhere to all legal requirements. This is causing employees to feel unfairly treated and is disrupting operations.
Name an ideal third-party intervention that could be used in this situation and explain how this third party would be involved.

CCMA: Employees may refer their dispute to the CCMA as they are not being treated fairly. They may involve their Trade Unions as representatives to resolve the situation or may even embark on industrial action.

Employer Organisations: The employer can request assistance from their employer organisation which has the legal expertise to set up fair contracts. This would resolve the conflict quickly with minimal cost. The employer also must set up fair contracts.
Any other relevant answer.

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5.4 **Explain the THREE reasons that constitute substantive fairness when an employee is dismissed.**

Dismissal due to incapacity: The inability of an employee to meet the required standards. This could be due to poor health or poor work performance. This could include inaccurate work, incomplete work or work of a poor standard. The employee could fail to meet deadlines. In the case of poor health, the previous standard can be used to measure the lack of performance after an incident of poor health.

Dismissal based on misconduct: This occurs when the employee breaches the Code of Conduct and does not adhere to rules. It must be clear that the rules were fair and consistently applied, that the employee was aware of them, and that dismissal is appropriate.

Dismissal for operational reasons: This includes retrenchments due to restructuring of departments, economic reasons such as cost reduction or profit increase, and technological reasons such as new machines necessitating fewer employees or making them redundant. The business may be closing.
Any other relevant answer.

Students must show the **substantiation**, not the procedure.

5.5 5.5.1 **Name THREE types of industrial action.**

- Strike
- Go-slow
- Work-to-rule
- Intermittent strikes
- Overtime bans
- Picketing
- Lock-outs

Any other relevant answer

5.5.2 **Explain the concept of secondary industrial action.**

Secondary industrial action takes place when employees strike in support of another strike. For the strike to be protected, the original strike must be protected and must have followed all correct procedures.

5.6 **Discuss the benefits of the Basic Conditions of Employment Act from the point of view of an employee.**

Employees are treated fairly and are protected against unfair labour practices. They can see what is allowed to be included in employment contracts and the regulations that apply to them since the BCEA must be displayed in the workplace. Nothing may be included in the work contract that the Act does not cover. Regulations regarding work time, overtime, working hours, leave, termination, etc. are clearly outlined. The Act makes provision for Employment Conditions Commissions that can be approached by the employee when they feel that their working conditions are unfair. The stipulations in the Act also provide the framework for the calculation of minimum wage.
Any other relevant answer

The student must consider the benefit to the employee and not just provided.

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QUESTION 6

6.1 **Following the introduction of large online clothing retailers into the clothing and apparel industry, Woolworths aims to improve its competitive advantage through a number of marketing strategies.**

6.1.1 **Discuss the factors that contribute to having a successful brand.**

Quality: Represents core benefits of what the consumer expects from the brand. These can include elements such as materials, stitching, style, etc.

Positioning: This refers to the market space that the brand occupies in the mind of the consumer. Ideal positioning is achieved through appropriate use of the brand name, the brand image, service standards, product guarantees, packaging, and even elements such as delivery systems.

Repositioning/Rebranding: When the brand's current position is not ideal, the business tries to improve its position in the market by improving its ability to reflect changes in consumer tastes and making general improvements to its internal systems to improve its external image.

Communication: The brand must clearly communicate what it stands for internally (to employees) and externally (to consumers). It should aim to be memorable and recognised as a high-quality brand.

Internal marketing: The process of encouraging employees to live the brand and become brand ambassadors. This can be achieved through motivational tactics and empowerment. A positive organisational culture is critical to improving employees' perception of the business.

Credibility: Consumers must be able to trust a business's promise to deliver what it said it would. Following through on promises builds a positive reputation.

Long-term perspective: The business must ensure that it develops and invests in its brand over time. The purpose is to provide brand relevance, brand loyalty and maintain customer satisfaction so that it has returning customers.
Any other relevant answer.

6.1.2 **Why do clothing retailers want to stock leading brands in their stores?**

Stocking leading brands in a clothing store inspires customer loyalty as the customer is drawn by the promise of accessing new, up-to- date fashion.

Branded items typically command higher prices (especially for market leaders). Many well-known brands are imported and cost more than local brands due to the weak Rand.

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Retailers want to stock leading brands as they attract consumers. With the growing interest in social media and influencers, there is a growing market for well-known brands.

Helps with business appearance and image. Businesses that align with well-known, strong brands will have similar value systems. Since strong brands are usually associated with quality, the emphasis on presenting the products in a clean, neat and well-designed environment is far more likely.

It adds credibility and increases confidence in the business. There could be an assumption that strong, leading brands only associate with companies that follow similar principles, thus increasing customers' confidence that the business is more reputable.
Any other relevant answer.

6.2 **Explain how the physical evidence of a clothing store influences the buyer's purchasing decision when buying clothing.**

Physical evidence is associated with the store's appearance and the appearance of staff members. It includes tangible features, such as business cards, brochures, letterheads, signage and, especially in online clothing stores, the look and feel of the website.

Physical evidence is used to market the store and the product and should show elements of quality, care, and relevance to the buyer. Online stores need to draw the attention of the correct LSM category to be considered by the buyer, especially as there are so many variants to choose from.

6.3 **Discuss the advantages of a strong brand from the consumer's perspective.**

The brand helps the consumer identify the product on offer. In the clothing industry, there are many brands the customer can choose from; each will depend on customers' individual needs and wants.

Consumers feel safer buying brands that they are familiar with. With regard to clothing, this may be due to style, cut, size, or other factors that the customer has had a good experience with that may motivate them to make more purchases.

The quality of the product is also related to the brand. Consumers make choices based on past experiences and are influenced by the perception of high quality or value for money when they make purchases that they will be wearing for an extended period. These types of decisions are related to prestige or status.

The buyer feels that they know what to expect when buying a brand that they are already familiar with.

Any other relevant answer.

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6.4 **Many say that having the right salesperson can increase sales.**

6.4.1 **Explain the importance of a good selection process when hiring new employees.**

The business selects candidates with the right qualifications, experience and characteristics or requirements to suit their needs. The process is typically referred to as the exclusion of unsuitable candidates and serves to choose the best candidate for the required job.

Since involvement in the direct sales of very personal items such as clothing requires an individual who can represent the business positively, the store must hire candidates who will provide a good image for the business and represent the brands they sell in a positive light.

Creating a shortlist and interviewing candidates allows the business to understand the potential new employees and determine if they are the right fit for their team.

Background checks will determine whether there are any prior situations the potential new employer should be concerned about as they get to speak to references from past jobs.

The interview process should be impartial, and all conflicts of interest should be declared to ensure no unethical practices occur.

The employee is the face of the business and must be considered carefully to avoid poor work ethic and decrease the potential for high staff turnover.
Any other relevant answer.

6.4.2 **Discuss how an increase in online shopping has potentially changed the skills requirements of candidates applying for positions at a clothing retailer.**

Online shopping decreases the need for a direct salesperson because the buyer makes their choice using an online platform. The business must ensure that the contact person they hire for after-sales support is carefully chosen as this now becomes a larger focus of customer interaction and must be dealt with carefully and professionally.

Businesses may hire individuals for their social media presence and must ensure that the value system the person presents aligns with that of the business. They must carefully choose who celebrities may represent them on social media platforms.
Any other relevant answer.

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6.4.3 **Suggest TWO types of non-compulsory insurance you would recommend for a clothing store and provide a reason for each.**

Fidelity insurance – Employees deal mainly with digital transfers; therefore, there is potential for phishing and fraud.

Theft insurance – While the store is online, there must still be a central warehouse where goods are stored. Goods may also be stolen during the delivery phase of the sale. The central processing location will also have to insure its assets, such as computers and IT equipment, which are vital for their business operations.

Vehicle insurance – the delivery vehicles must be covered in case of accidents on the road.

Fire insurance – to cover stock kept in warehouses or central locations waiting for distribution.
Any other relevant answer.

6.4.4 **Describe the purpose of UIF and outline the importance of an employee being covered by it.**

The purpose of the UIF is to provide short-term relief to workers if they become unemployed or cannot work because of maternity leave, adoption leave, or illness. The UIF, which is governed by the Unemployment Insurance Act, 2001 (the UI Act) and the Unemployment Insurance Contributions Act, 2002 (the UIC Act), also supports those who are dependents of a deceased contributor.

Individuals may claim from the UIF in several instances and receive benefits depending on the case. Benefits are applied to those who submit claims for UIF in unemployment, maternity, illness, adoption, and dependency cases. These benefits assist individuals who require financial relief for any of these reasons, meaning everyone will likely require UIF claims at one point or another. For this reason, it is essential that all required citizens contribute if they, too, wish to benefit from the UIF policies.

UIF is an important policy enforced by SARS that protects individuals who become unemployed or cannot work for several reasons for a short period. Contributions are essential as these funds provide relief from economic burdens placed on individuals in the unfortunate case of unemployment, helping provide a safety net while they seek new work opportunities. This relief is provided to the country's entire workforce.
Any other relevant answer.

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6.4.5 **The warehouse in which Woolworths kept their stock recently caught fire. Woolworths had under-insured their clothing stock by 40%. Discuss how this impacts Woolworths when the insurance company calculates their payout after the fire.**

Under-insurance forms part of the average clause.

Under-insurance is insufficient insurance coverage that leaves the policyholder responsible for a large percentage of a total loss or expense and may lead to financial hardship.

A business that has only covered 60% of its goods only receives 60% of the value of the claim should an incident occur. This means that further financial compensation for the losses must be paid directly by the business and the cover will NOT re-instate the business to the same financial position it was in before the incident.

It is crucial for a business to carefully analyse and value its assets to prevent this from occurring. Re-assessment is also important as the value of certain assets depreciates over time.
Any other relevant answer.

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SECTION C

The following aspects will be considered when marks are allocated in this section:

- Format:
  - The CORRECT format must be used, i.e., business report.
  - Where applicable, include an introduction and conclusion.
  - Use headings and subheadings where appropriate.
- Terminology: Correct business terminology must be used.
- Content: Must be sufficient to cover all aspects of the question.
- Substantiation: Justification of statements made.
- Application to case study/context.
- Creative problem-solving rather than just giving theoretical facts.
- Synthesis and appropriate sequencing.

QUESTION 7

Required:

South African clothing retailers face many challenges. The industry is growing, and competition is no longer only local. Clothing retailers need to manage the risks that originate in their external environment and devise creative solutions to maintain their competitive advantage.

Assist a clothing retailer of your choice with the following:
- **Identify risks that a clothing retailer faces from their external environment.**
- **Suggest problem-solving techniques to overcome the risks identified.**

The report must be marked according to the report rubric.

Fact marks are allocated as per the rubric for:

- ***Naming***
- ***Explaining/justifying/motivating***
- ***Examples***

Some examples of risks that are relevant to a clothing retailer
Opening a clothing boutique exposes the owner to several industry-wide risks. If these risks are not managed, the result can be a concise and abrupt exit from the cutthroat industry.

Inventory management
To operate this type of retail store, owners must keep an adequate supply of clothing on hand. When customers enter the store in pursuit of the most fashionable leather handbag or the autumn season's line of trench coats, they expect the merchandise to be available in the colour and size they choose. Failure to purchase enough inventory results in disgruntled customers and lost sales. On the other hand, businesses that purchase too much inventory may incur steep losses by selling the excess clothing at discounted prices. A second risk of buying too much inventory is incurring excessive storage costs. Storing clothing in a temperature-controlled warehouse is a time-sensitive cost that can be reduced or managed by proper inventory management.

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Trend analysis
Another risk is trend assessment. Trends in the fashion industry are fickle, ever-changing and often elusive. A successful store capitalises on the latest trends and recognises when such trends are on the decline. One misstep may result in excessive inventory, undermined credibility and confused brand identity for the store. All these errors may prove fatal in the clothing industry. Stores may avoid these mistakes by hiring experienced buyers, purchasing well-respected brands and buying commercialised clothing instead of risky, Avant Garde, hit-or-miss pieces.

Marketing
Clothing stores may incur risks through their marketing strategies. The business must target the appropriate audience and offer items corresponding with this demographic. Additionally, the brand must adapt to changing economic conditions. In times of recession, for example, companies that purvey expensive items should amend their line to include less costly garments. A clothing business should also enter the market with a clearly defined niche. Petite and plus sizes, maternity wear, athletic gear, 'tween' apparel and travel gear are examples of such niches.

Business landscape
The nature of the clothing industry poses significant risks to business owners. Cutthroat competition is a considerable risk.

Seasonality
The fashion industry is generally subject to the laws of seasonality and obsolescence, and this perhaps is more so in women's fashion than in any of its other segments. Demand trends shift dramatically throughout the year according to predictable patterns, but current inventory can unexpectedly fall out of fashion, leaving retailers and wholesalers with greatly devalued inventory.

Seasonality combined with obsolescence, presents the risk that a women's clothing store may be left with large stocks of outdated inventory that must be sold at lower price points in offseason sales – this can diminish profitability or even lead to a loss. A just-in-time inventory system is one way to mitigate this risk because fewer resources are tied up in inventory at any given time.

Macroeconomic influences
The high-end segment of the fashion industry is greatly influenced by macroeconomic trends, and this is especially true of women's fashion. When the overall economy suffers, women are more likely to purchase clothing and accessories at budget retailers or resellers as thrift becomes fashionable. On the other hand, upswings in the economy result in higher spending in luxury categories such as jewellery and high fashion.

The challenging aspect of this risk is its unpredictability. Establishing a high-fashion brand often means avoiding the budget segment entirely, which can leave a company in dire straits when macroeconomic conditions weaken. One way to manage this risk is to develop a robust product line with entries at different price points.

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High-cost structure
The high-cost structure of brick-and-mortar clothing stores presents economic risks to small and large businesses alike. Continual outlays for overhead, property taxes, insurance, security, labour and inventory storage can leave brick-and-mortar clothing stores with smaller profits than their online-only competitors. Any economic risks are heightened for businesses with lean profit margins, as an unexpected drop in income or a rise in expenses can quickly turn a narrow margin into a loss. Lean business practices can reduce brick-and-mortar store costs while maintaining an online business and a physical store can bring in higher-profit income to diversify your revenue stream.

Competitive risks
Branding is everything in the clothing business, and a large marketing budget is key to establishing a well-known fashion brand, even for a store. Because of this, smaller clothing stores can struggle against larger competitors in several ways. Not only can brand awareness be an issue, but larger chains have the pricing power to offer deep discounts to undercut cash-strapped startups. If a large competitor carries the same brands at lower price points with more effective advertising, a small clothing store can find itself struggling to attract people. Making personal connections with customers through loyalty and referral programmes is one way to mitigate this risk, as is stocking unique clothing from local designers.

Barriers to entry
Entrepreneurs hoping to enter the children's clothing industry need more than just great designs. Starting a line of clothes requires finding a fabric wholesaler and sewing factories for large-scale production. Opening a storefront to distribute or sell children's wear brings other obstacles. For instance, the owner needs financial backing and a marketing plan. A new store must also differentiate itself from the big players in the market, such as Gymboree and Toys R Us.

Location
The income of the surrounding community can impact a children's clothing store's market viability. Middle-class communities usually purchase children's clothes from discount retailers like Target and Wal-Mart. Parents who come from old money typically shop at stores with many better name recognition, such as The Gap or TJ Maxx. Communities with young, wealthy individuals often shop for high-end children's clothing, such as Calvin Klein and Jessica McClintock, according to Entrepreneur magazine.

Trends
Like any fashion industry, children's clothing trends can come and go overnight. Animal prints and other designs often fall out of demand due to seasonal changes. Thus, ordering too much of one style of children's wear can lead to a low inventory turnover, which might require offering deep discounts to eliminate the style from the stockroom. Achieving a good turnover rate involves a mix of the latest designs and staples of children's clothing, such as light blue, pink and green.

The following are among the most common challenges:

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Macroeconomic trends
The state of the economy changes from year to year, even month to month. Among the current challenges affecting the fashion industry are global inflation, including rising energy costs that make transportation and heating more expensive; cotton crop shortages in Pakistan (due to flooding) and in Texas (due to drought); and continued supply chain disruptions from strikes, worker shortages, trade disputes, economic sanctions, and other factors. Fashion supply chains must be flexible enough to adjust to the next economic challenge.

Sustainability and human rights
Customers are concerned about climate change and global working conditions. They ask questions like: Was this clothing made in a sweatshop? Is it made from recycled materials? And they want answers from fashion brands and retailers. Software applications can help retailers evaluate suppliers to ensure they follow set ethical and environmental guidelines. Fashion retailers are starting to track this information and make it easily findable on their websites and product labels.

Fluctuating demand and trends
Fashion is a fast-changing business. Leading design brands introduce new clothing lines every six months, typically in the spring and autumn. A style of jeans popular in March might fall to near-zero demand by October. Therefore, supply chain planners must keep enough products on hand to meet demand while it lasts but not so much that they end up with a lot of unsold inventory they have to discount once demand begins to drop.

Logistics and tracking
Logistics for fashion supply chains can span the globe, from Asian clothing manufacturers to retail outlets in the American heartland. Goods are transported across multiple borders by multiple carriers via ship, air, rail, truck, bicycle, and even on foot! Supply chain managers must coordinate handoffs between carriers and track their shipments every step of the way. They typically rely on logistics applications, including track-and-trace, keeping tabs on where their goods are at any given time.

Many other types of risks can be considered. Allow students to explore risks in depth to receive maximum application marks.

Problem solving techniques
There are many formal solutions the student may refer to. ALSO consider students' less formal, more creative problem-solving applications. This may include informal strategies that are not directly mentioned in the textbook.

Creative thinking: The process of thinking of new, innovative, out of the box ideas. Unconventional thinking.

Decision-making: Choosing which ideas best fit with the vision and mission of your business after considering all alternatives.

Problem-solving: Involves creative thinking and decision-making to choose the best solution.

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Problem-solving cycle:
- Identify the problem
- Define the problem
- Formulate a strategy
- Implement the strategy
- Allocate resources
- Monitor the solution
- Evaluate the process

Pros and cons chart:
This technique helps management to plan based on a specific option's advantages and disadvantages.

Micro environment:
- SWOT
- Analysis of the eight business functions

Market environment:
- Porter's SIX Forces Model
- Influence of all the role players

Macro environment:
- PESTLE

Decision tree:
A decision tree is a mathematical model used to help managers make decisions. It uses estimates and probabilities to calculate likely outcomes. It is a visual representation of different outcomes of a single event. It helps to determine whether a decision's net gain is worthwhile and assists decision-makers to consider different options and their consequences.

Value chain analysis:
A business needs satisfied customers to be successful. Therefore, the concept of adding value for the customer and other stakeholders should be its aim. It is important to look at the entire business process to decide where value can be added in a cost-effective manner to enhance the quality of the product or service rendered. If a business is involved in something that is not their core-strength, the activity will probably not add value to the business process and should be disregarded.

Delphi technique:
This involves expert interactions on a joint project through the internet, skype, email or other electronic means. It allows participants to remain anonymous. It is run by a facilitator who organises the logistics of the process. The facilitator poses questions and determines the formality of the process. It avoids problems of negative group dynamics. Negative factors:
- It is open to manipulation by the facilitator.
- Time consuming with regard to the response and feedback.
- Experts may not respond timeously.

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RIMS:
Stands for: Rational Interaction for Moral Sensitivity. Developed by Jurgen Habermas as a strategy for moral decision making in a business. Its primary focus is society instead of individuals (utilitarian approach). All participants are considered equal, and the survey based only on facts.

STEP 1: Generate and evaluate all points of view. It should be a moral not selfish argument; it must be understandable and clear to all. It must be factually correct.
STEP 2: Identify implications. Identify positive and negative implications expressed in all the points of view.
STEP 3: Find solutions that minimise negative implications and maintain positive implications.

Drive technique:
- **DEFINE** the problem and criteria to solve it. *For example, poor team dynamic*s
- **REVIEW** the background of problem to find the crux. *For example, the problem started when a new manager was appointed*
- **IDENTIFY** the real problem and related issues. *For example, the manager has an autocratic leadership style.*
- **VERIFY** if solving the real issue achieves the desired outcome. *For example, employees worked better in the past when there was a democratic leadership style.*
- **EXECUTE** the proposed solution and evaluate to prevent similar issues. *For example, the manager should implement a democratic approach.*

Drill down technique:
This technique is used to break down complex problems into smaller parts.
Firstly, write down the problem on the left-hand side (halfway down the page). Secondly, break it into 'component parts' by asking questions about it. Next, break down the component parts into Actions, Timeframes and People responsible. Lastly, try to find solutions to the smaller, more manageable components.
Resource based approach:
The approach necessitates that a business should determine which resources are strategically important. These resources assist to gain a competitive advantage and include tangible resources (scarce raw materials, financial resources, equipment, land and buildings) and intangible resources (patents, established brands, skills, moral/ethical workforce).

Balanced score card:
This was developed to describe the key outcomes the business wants to evaluate to improve itself. The following elements are to identify and describe their particular role in the business:
- Financial perspective: Maximising the utilisation of assets and minimising costs.
- Customer perspective: What are customer expectations of the business?
- Internal perspective: Focused on innovative products and services, operations management and social investments.
- Learning and growth perspective: Examines how business employees can improve and create value. The focus is on leadership, teamwork and accountability.

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Generic strategies:

Low-cost strategy
The competitive advantage created by a *low-cost strategy* is based on having the lowest cost in the industry. In order to achieve this, the workforce has to commit to cutting costs. This can be achieved if:

- The business has access to cheap raw materials (i.e., low input costs)
- Costs can be reduced through efficiency, mass production, technology, and re-engineering activities (i.e., low-cost manufacturing)

Focus (niche market)
Using a focus strategy to develop a competitive advantage means all efforts are aimed at a specific market segment based on geography, culture, age, hobbies or any other criteria that create a unique group of customers in the market. This unique group will have different needs from the rest of the target market. Customers must have distinct preferences that are catered to. This niche market becomes the focus and presents the business with opportunities often overlooked or viewed as not being 'worthwhile' by its competitors. The niche must be big enough or have the growth potential to make it valuable.

To successfully implement a focus strategy, the business must have expert knowledge of the niche market and the ability to develop products for this particular market segment.

Differentiation
All efforts are aimed at providing a unique product/service that ensures customer loyalty, as this may give the business an opportunity to charge a premium price. The uniqueness may be based on factors such as:

- Quality (real or perceived per brand name, fashion, image)
- After-sales support
- Product features
- Distribution or marketing efforts

In order to base the business's competitive advantage on a differentiation strategy, the product/service must be difficult for competitors to copy. The key to a successful differentiation strategy is the continuous redevelopment of products and/or services to stay abreast of changes in the environment.

Corporate strategies:

Corporate combination

There are different options when a corporate combination strategy is implemented:
- A joint **venture** takes place where two or more businesses enter into an agreement to combine resources to improve the functioning of both.
- When two or more businesses **merge** or when a **takeover** occurs, the individual businesses no longer exist separately; they combine to form one new business. The Competition Board must approve a merger/takeover to ensure fair competition continues in the industry after the merger/takeover.

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Decline/Defensive strategies

When a business decides to scale down or reduce its operations or some of its products, it follows a defensive or decline strategy.

- If a business decides to follow a **retrenchment** strategy, it reduces its size or the diversity of products/services it sells. This is done to reduce expenses and improve its financial position. **Divestiture** is part of a retrenchment strategy and involves the business selling off some its operations due to related assets being under-utilised, hampering the business's financial performance. If Nestlé decided to sell all their chocolate brands to Cadbury, it would be an example of divestiture. (Please note this is NOT happening, but just an example!)
- If a business is bankrupt, it results in liquidation. This means all assets are sold to pay for its debt with the result that the business ceases to exist.

Growth

When a growth strategy is implemented, the aim is to grow a business's turnover and sales volume.

MARKET		
Existing	**Market penetration**: The *existing market* and *existing products* are used to expand. The business may use different tactics to achieve this. Offering lower pricing or more intensive distribution may convince consumers of an existing product to switch businesses. If MTN wants to 'steal' some of Vodacom's clients, it must attract potential customers with better rates or better network coverage offers to grow its business.	**Product development**: This involves offering a *new product* to an *existing market*. When internet banking was first introduced, it was an example of product development. There was already a banking market, but the first bank to offer customers a product to bank in a new way attracted customers, thus growing its business. However, as soon as competitors copied the 'unique' concept of internet banking, the competitive advantage was lost.
New	**Market development**: When Pick n Pay decided to expand to other African countries where the concept of retailers was not yet established, an *existing product* (food retailing) was taken into a *new market*. If a high school does not yet have a primary school, school management may offer an existing product (education) to a new market (parents with younger kids).	**Diversification**: The business enters a *new market* with a *new product*. This does not mean the market or product did not exist at all, merely that the business has never before sold this product to this market and is now doing this to grow. For example, when Edgars (Edcon) began offering credit cards they diversified by entering a new market with a product they had never offered before, and by doing so, they grew their business.
	Existing	*New*
	PRODUCT	

There are numerous options for a business when it comes to growing, but the four most common options (as discussed above) are known as intensive strategies or Ansoff's growth matrix.

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Other possible strategies to improve the OVERALL PERFORMANCE of the business: Revising the business mission and/or revising its objectives

Stated is the mission statement, which is a description of what the business does or the purpose it serves. If the business produces/supplies merchandise that consumers no longer want, it must revise its mission. A business planning to do so after consumer demand has already changed has waited too long.

In our rapidly changing world, no business can afford to 'wait and see' what the future brings. Management should be proactive in their approach to possible marketplace changes and then align the business's mission and objectives with what is **desired** in the future. The business must **immediately** revise its mission and objectives to 'meet the future before it happens'.

Allocating resources differently
Business resources refer to employees, money, machines, time, raw materials and even skills. Resources should be allocated to where they are most productive, in other words, where they create the biggest competitive advantage and generate the most profits.

If the business has decided to revise its mission and objectives, it has to reconsider how its resources are allocated. And, if resources are allocated to a task not adding value, that task must be outsourced or terminated so that resources can be reallocated to a more productive part of the business's operations.

Investing in integrated technology
When supply chain applications for planning, sourcing, ordering, invoicing, payments, inventory, logistics, and returns are integrated, their data can flow freely from one system to the next, giving industry players insight into every step from a single dashboard. Such integration also helps fashion companies automate their supply chain processes, improving efficiency, reducing costs and limiting errors.

Prioritising insight and communication
Having insight into each stage of a product's lifecycle – from design to delivery – helps ensure that all parties involved work together and can resolve problems quickly. Implementing advanced tracking technologies (such as the Internet of Things and intelligent track and trace) can provide more visibility of where goods and shipments are at any point in the supply chain. The technologies can also relay information about delays to suppliers and buyers, helping them work together to resolve these problems.

Complying with local regulations
As a company in the fashion industry, it is important to be aware of relevant laws and regulations that affect business conduct in different countries. Shipping goods internationally requires insurance, duties, and taxes, the costs of which differ from country to country. Global trade management systems can automatically calculate these costs by trade route and transportation method. Such systems can also keep fashion companies updated with the latest information, helping them comply with local regulations, sanctions, or embargoes.

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Optimising inventory management
Most supply chains aim to have enough inventory on hand to meet customer demand, but not so much that it goes unsold for many months. This is especially important in the fashion industry, where trends change yearly. Inventory management systems render everything in a fashion brand's warehouse and retail store visible. Such systems can help companies optimise their inventory management to balance supply with demand, track items quickly, alert them when stocks run low, avoid stockouts, and reduce waste.

Using predictive and prescriptive analytics
Predictive analytics lets fashion companies evaluate historical data and external factors such as weather and competitors' strategies to predict market demand accurately. These analytics helps businesses plan orders more effectively, reducing overproduction, waste, stockouts, and unfulfilled customer needs. For example, during the COVID-19 pandemic, brick-and-mortar stores were shut down while online orders soared. The AI capabilities in fashion predictive analytics systems can help retail companies anticipate such an outlier event and prepare more accurate crisis plans for similar events in the future. Retailers use AI and machine learning to rely on various product and consumer 'attributes.' Attributes represent a more stable data pool whereby items and customers are grouped differently based on relationships and similarities. Fashion retailers can map and analyse these forensically determined characteristics, arriving at more accurate predictions.

Partnering with ethical suppliers
Today's customers are more concerned about ethical and sustainable business practices than in the past, and many prefer to buy from brands that share their values. Fashion industry producers and retailers should ensure their suppliers pay their employees a living wage, provide sanitary and safe working conditions, and do not tolerate corruption. Industry players should consider investing in certification programs for suppliers that adhere to high standards – such as social compliance audits (which measure a company's human rights track record).

Implementing sustainable environmental strategies
Customer awareness continues to grow on issues such as climate change, pollution, and waste. Fashion companies should source materials that can be recycled, minimise their own waste and carbon footprint, and craft eco-friendly strategies throughout their supply chain. Fashion customers increasingly want to see evidence of sustainable business practices – both social and environmental – on company websites, packaging, and store labels, making environmental certifications such as ISO 14001 a good investment.

Total: 300 marks

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