UNIVERSITY EXAMINATIONS

May/June 2021

MNG3701
Strategic Planning IIIA

70 Marks
3 Hours

Examiners:
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This paper consists of 7 pages.

Instructions:

1. **Answer all 4 questions.**
2. **Explanations should be in full sentences in order to earn full marks.**
3. **Honesty Declaration:**
   Type 'I AGREE' (in full) before you upload your exam answer file.
4. **Submitting your exam answer file:**
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Exam Access Code: 5a77322b

Read the case study below and answer all the questions that follow.

THE FOSCHINI GROUP (TFG)

Background

TFG is one of the foremost independent chain-store groups in South Africa and has a diverse portfolio of 29 leading fashion retail brands offering clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, and homeware and furniture. TFG was established in 1924 and listed on the JSE in 1941.

TFG has three business segments namely; TFG Africa, TFG London and TFG Australia. Each of these segments have their own local management teams, which report into the Group's head office in Cape Town. Within these business segments, our brands are grouped into retail trading divisions and each is supported by a local centralized support services structure.

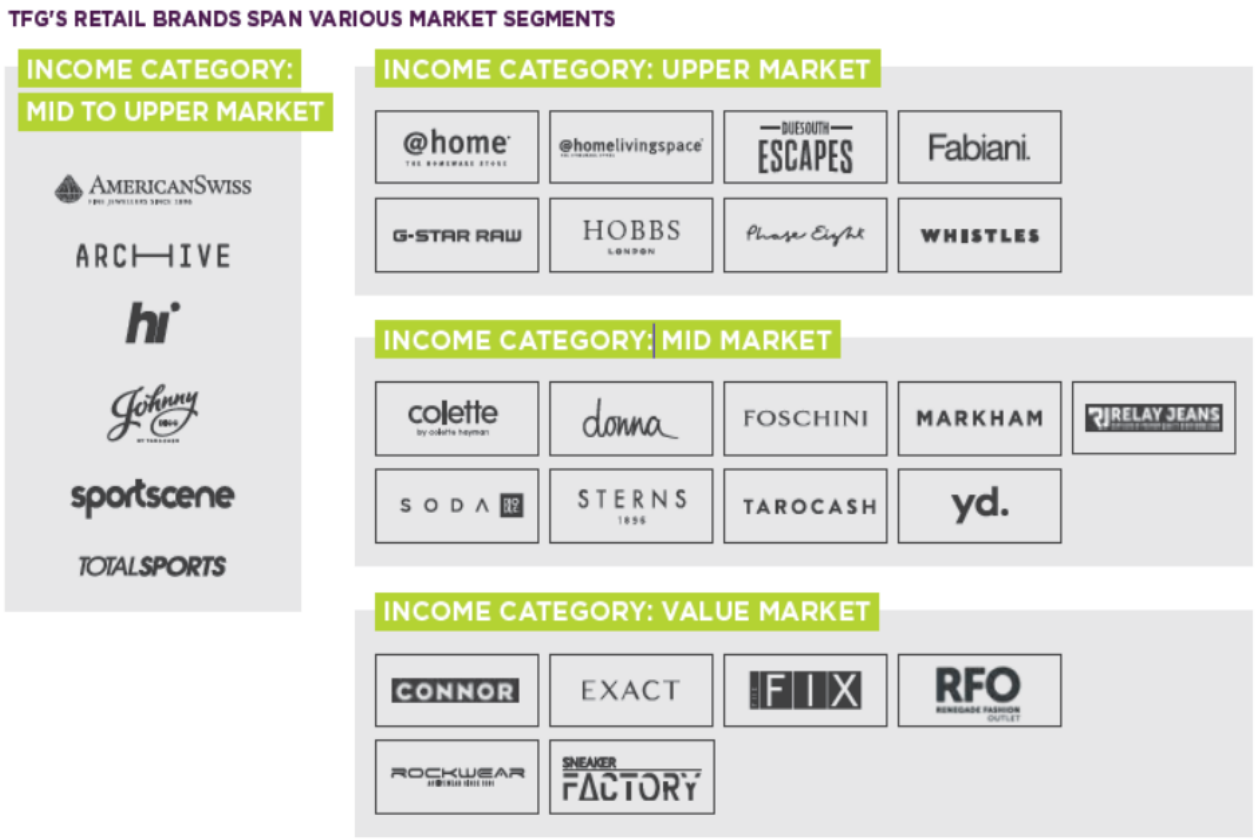
Our focus is on specialty retail where we invest in brands and build brand equity. Our brands cater for market segments from value to upper income while providing convenient shopping experiences in-store and online. Our unique portfolio of brands, geographic spread and customer retention initiatives differentiate us from other retailers locally and abroad. We source our product offering locally and offshore, with strong in-house design teams across all business segments. TFG Africa's manufacturing capabilities coordinate production through our own factories and various independent cut, make and trim (CMT) factories. This provides significant quick response capability and is a key differentiator for the Group.

Our strategy is informed by our vision, mission and values, and is centralised around the TFG culture. We remain committed to our strategic pillars of Customer & Employee Obsession, Leadership, Profit and Growth. Digital transformation is a wraparound that touches each pillar, supported by our shared value sustainability strategy.

Vision: 'To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint by providing innovative products and creative customer experiences'.

Brands

Our brands cater for market segments from value to upper income while providing convenient shopping experiences in-store and online.



Strategic Goal: To increase online presence.

Customer and employee context

Our customer base spans from value to upper market. Through our 29 fashion-forward brands trading out of 4 083 outlets in 32 countries globally, we offer our customers clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, and homeware and furniture. 23 of our brands are available to our customers online. Our e-commerce marketplace, myTFGworld.com, gives customers access to all TFG Africa online brands on one site. Our TFG Rewards programme is available across all TFG Africa retail brands and is intended to suit every lifestyle and life stage. We have a full in-house credit management capability for our TFG Africa customers.

The Group employs almost 30 000 employees, with 23 268 employees in TFG Africa. We continuously enhance workforce scheduling in stores and offer training interventions across the Group.

Journey mapping has been a powerful tool to understand the experiences of our employees and customers. Multiple mapping sessions were completed during 2020 to kick off projects, identify pain points and reimagine existing journeys. Our Voice of Customer (VOC) and Voice of Employee (VOE) platforms remain robust and valuable tools to identify areas for improvement and have become integral parts of our business processes.

The conversion of ordinary cash customers to the TFG Rewards programme results in a higher percentage of Group turnover being tracked at a customer level. This enhances our level of customer knowledge and the relevance of our

engagement strategies. We acquired an additional net 1,6 million new TFG Rewards customers.

The environment and risk factors

Governments across our three main territories, South Africa, United Kingdom and Australia, require businesses to participate in growing the economy through job creation and by complying with all applicable regulatory requirements. We engage with governments through business and industry associations such as Business Leadership South Africa and the National Clothing Retail Federation of South Africa, employer organisations outside of South Africa and the Australian Retail Association

South Africa's first democratic government was elected in 1994, with a clear mandate to redress the inequalities of the past in every sphere: political, social and economic. Since then, government has embarked on a comprehensive programme to provide a legislative framework for the transformation of South Africa's economy. In 2003, the Broad-Based Black Economic Empowerment (B-BBEE) Strategy was published as a precursor to the B-BBEE Act, No. 53 of 2003. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy. Our Supervisory Board recognises the critical role it has to play in the transformation process in South Africa. The Supervisory Board's Social and Ethics Committee, through its governance and oversight role, ensures that an appropriate transformation strategy exists that is aligned with the Broad-Based Black Economic Empowerment (B-BBEE) Act and the associated codes of good practice.

In South Africa, it is essential that we attract and retain Employment Equity (EE) candidates. Considering the highly competitive retail market, a lack of focus on talent management could erode TFG's leadership pipeline and impact the ability to execute our strategic objectives. It is important and challenging to attract and train staff with skills necessary to carry out the Group's digital transformation initiative.

In South Africa, load shedding, the performance of state-owned enterprises, youth unemployment, social inequality and corruption remain concerning. These factors impact consumer confidence, interest rates, inflation and the Group's ability to raise and afford capital. Furthermore, the retail industry in South Africa has suffered from a lack of GDP growth, high unemployment rates and the lack of disposable income for large numbers of prospective customers. With the trend of credit customers being under financial distress, the Group reviewed its credit granting scorecard in order to further de-risk our exposure to credit customers.

In South Africa, only 16% of plastic is recycled. The rest of the plastic ends up at landfill locations where they can end up in rivers and in the ocean. We recognise the responsibility to balance the environmental imperative of reducing plastic waste with finding sustainable alternatives for our plastic packaging. In line with this thinking, TFG signed the South African Plastic Pact

The South African Plastics Pact (SA Plastics Pact) is a collaborative pre-competitive initiative that brings together key stakeholders from the local plastics value chain, including businesses, the South African government, Producer Responsibility Organisations (PROs), NGOs and other key players to tackle plastics waste and pollution at its source.

COVID-19

The impact of COVID-19 is being felt in all our operations globally. As the news of the pandemic and its impact on China broke, our initial focus was on mitigating the risk of disruption to the flow of goods from China. We worked with our own factories and regional suppliers and were able to limit the impact on our supply chain. The investment in our local manufacturing capacity has not only enabled us to diversify away from Chinese factories, but also provided significant flexibility as we have had to adjust forward purchases to cope with uncertain levels of turnover for the balance of the financial year.

Source:

https://www.saplasticspact.org.za/what/
http://www.thedtic.gov.za/financial-and-non-financial-support/b-bbee/broad-based-black-eco
file:///C:/Users/mawilmh/Desktop/TFG-Integrated-Annual-Report-2020.pdf
https://www.wwf.org.za/?26021/plastic-file-01

Question 1 [15]

1.1 The purpose of a business organisation is to create value. Value means different things to different stakeholders. Identify two stakeholders from the case study and explain how TFG creates value for each stakeholder. (6)

1.2 Use two examples from the case study to explain corporate level strategies. (4)

1.3 Use examples related to TFG to explain the activities that take place during the strategic planning phase. (5)

Question 2 **[20]**

2.1 Evaluate the vision of TFG to determine whether it meets the requirements of a good vision statement. (8)

Hint: When evaluating the vision use a table with the following headings; characteristic, yes/no, reason for your answer.

2.2. Re-write the strategic goal of TGF so it meets the requirements of a SMART goal. (5)

Hint: You need to write one or two sentences encompassing all the SMART elements.

2.3 Use examples from the case study to differentiate between a capability and a core competency. (4)

2.4 In order for capabilities and resources to become core competencies that result in a competitive advantage, they have to meet certain conditions /have certain characteristics. Briefly explain any three of these characteristics. (3)

Question 3 **[20]**

3.1 Use a suitable model to analyse the macro-environment of TFG with specific reference to the case study. (16)

Hint: your analysis should only focus on factors available in the case study. Ignore irrelevant factors.

3.2 Identify one opportunity and one threat caused by Covid-19 with specific reference to the case study (4)

Question 4 **[15]**

Table 1: TFG brand summary

	FOSCHINI	FABIANI	@HOME	SHEET STREET (Competitor)
	302 stores	34 stores	89 stores	313 stores
Brand Summary	Foschini offers good value smart, casual, denim, leisurewear, accessories, lingerie, footwear, cosmetics, fine jewellery and kidswear, and is renowned for its fashionable and contemporary clothing in a modern environment.	Fabiani is a luxury apparel brand that delivers on exceptional personalised customer experience by offering curated product collections, as well as a world-class store and online environment.	@home offers a comprehensive range of premium fashion homeware needed to equip and decorate a stylish modern home.	A value retailer offering a wide range of core and fashion products across the bedroom, living-room and bathroom. The brand offers tasteful homeware products at exceptional value, allowing its customer to create the home they love, at a price that they can afford.
Income Category	Mid-market (broad).	Upper marker (niche).	Upper market (broad).	Mid-market (broad)
Target market	Women aged 18 to 40 and children.	Men aged 25 to 40.	Men and women of all age groups.	Men and women of all age groups.

4.1 Table 1 above provides a summary of some of TFG brands and its competitor Sheet street. Use the four brands as examples to explain the business level strategies each brand pursues for creating and sustaining competitive advantage. (15)

TOTAL: 70 Marks

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