



**FACULTY OF MANAGEMENT
SUPPLEMENTARY EXAMINATION JULY 2016**

DEPARTMENT OF BUSINESS MANAGEMENT

<u>MODULE</u>	:	CONTEMPORARY MANAGEMENT
<u>CODE</u>	:	BMA9X01
<u>DATE</u>	:	JULY 2016
<u>DURATION</u>	:	3 HOURS
<u>TIME</u>	:	08:30 – 11:30 plus 20 minutes reading time
<u>TOTAL MARKS</u>	:	300

<u>EXAMINER(S)</u>	:	THEUNS F J OOSTHUIZEN
<u>(EXTERNAL) MODERATOR</u>	:	DR H JACOBS
<u>NUMBER OF PAGES</u>	:	17 PAGES

INSTRUCTIONS TO CANDIDATES:

- Please read the case study and then answer all the questions.
 - Reading time: 20 minutes – no writing in answer books allowed.
 - Make sure numbering of questions are correct. Submit your answer in a clearly structured (using headings, sub-headings, paragraphs, figures, tables and bullets for listing) and written format.
 - Provide examples with all answers and make sure you stick to the topic at hand. Read the questions carefully and answer only what is asked.
 - This is a PAPER-BASED open-book exam - all relevant study material can be utilised in the exam venue. No electronic devices are allowed.
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The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

SUBMIT YOUR QUESTION PAPER WITH YOUR ANSWER BOOKS.

CASE STUDY: Mr Price Group

Hi Everybody,

Here at Mr Price we know good business is simple business, that's why when we started the Mr Price Group with one small retail outlet in Brickhill Road, Durban, in 1987 we started with a few simple goals. Being average Joe's ourselves, we looked at what the average South African needed in their life – more choice, honest value for money and the ability to enjoy life on a budget and if you look at each of our divisions you will see that they deliver these needs across the different product categories. For us at Mr Price it is about doing it right the first time and with the help of our business partners (everyone who works in every division at all levels) we have gone from strength to strength. That's why at Mr Price Group we are always expanding, evolving and growing. Mr Price Group Limited and its subsidiaries operate over 750 stores across Southern Africa.

Our vision

was to be the top performing retail group in South Africa (2008) ... and now

is to be the top performing international retailer (2012)

Everyone knows that to build something great you need to start with a solid and strong foundation. At Mr Price Group our three core beliefs of PASSION, VALUE and PARTNERSHIP form the foundation stones of our business.

passion

the positive attitude of our associates created through trust, communication and recognition.

value

the low-cost, high-volume, low-price philosophy of the group.

partnership

sharing ownership of the company with all the 8 000 associates who work for the group.

We believe these are what have helped us grow to where we are now and what will help us grow even stronger in the future.

“We have a dream for this company. If we achieve this dream it will dramatically improve the incomes, lifestyles and happiness of our associates and their families. Our dream is to see every individual in this company achieving their full potential, everyone passionate to perform at their best in a happy fun-filled workplace.”

Our mission

was to add value to our customers' lives and worth to our partners' lives. (2008) ... and now

... is to add value to our customers' lives and worth to our partners' lives, whilst caring for the community and environment (2012)

The dream:






“Our dream is to work together to make our company the top performing retail group and to use the success of our company to help our associates and partners acquire

decent homes and provide proper education for their children.” (Extract from Dreams & Beliefs of the Mr Price Group)

HISTORY

- 1885** – First John Orrs store opens
- 1934** – First Hub store opens
- 1952** – John Orrs listed on the JSE
- 1967** – Acquisition of two Miladys stores
- 1986** – Laurie Chiappini and Stewart Cohen, together with BOE acquire a major shareholding in John Orr Holdings (Group stores 118)
- 1987** – First Mr Price store opens
- 1991** – Laurie Chiappini & Stewart Cohen acquire control of the Group from BOE (Group stores 167)
- 1993** – Launch of the Mr Price Group Partnership (Group stores 176)
- 1996** – Acquisition of Galaxy & Co. and Sheet Street (Group stores 376)
- 1997** – Alastair McArthur appointed CEO (Group stores 456)
- 1998** – Mr Price Home launched (Group stores 534)
- 1999** – Mr Price Heroes introduced (Group stores 604)
- 2000** – Mr Price extends to Botswana and Namibia (Group stores 655)
- 2001** – Speciality Stores becomes Mr Price Group (Group stores 708)
- 2002** – Mr Price sells over 3 million jeans (Group stores 740)
- 2003** – Mr Price Home sells over 3 million pieces of crockery (Group stores 794)
- 2004** – Mr Price reaches the R2 billion sales mark (Group stores 800)
- 2005** – Over 116 million units sold across the group (Group stores 816)
- 2006** – Sale of the Hub and Galaxy divisions. Retail sales reach R5 billion (Group stores 761)
- 2007** – Launch of the Mr Price Sport and Mr Price Franchising (Group stores 829)
- Today** 1061 Group stores in Southern Africa and 96 franchises abroad

DIVISIONS

DIVISION	SOUTH AFRICA	FOREIGN	FRANCHISE	DIVISION TOTAL
 Mr Price	387	55	0	442
 Mr Price HOME	154	17	0	171
 Mr Price SPORT	71	2	0	73
 MILADYS	187	8	0	195
 sheet-street	262	14	0	276

	1061	96	0	1157
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Mr Price Group consists of four retail chains, focusing on clothing, footwear, accessories and homewares. These chains are divided into two operational divisions namely; the apparel and home divisions.



Mr Price is about casual fun and relaxed fashion for the whole family. This value retail chain offers casual clothing, intimate wear and accessories for kids and adults at affordable prices. Located across Southern Africa, our stores are known for their popular house brands which include RT, RED (surf wear), BODY MATERIAL (underwear) and MAXED (sportswear). Mr Price is about affordable fashion for everyone, everyday.



From kitchenware to lounge living, Mr Price Home is about affordable modern living. Launched in 1998 and located throughout Southern Africa, Mr Price Home offers customers the latest in contemporary home textiles, kitchenware and home accessories. The products are inspired by local design talent to provide style with a distinctive local flavour.

MILADYS

At Miladys the belief is that fashion isn't about age, it's about attitude. This fashion retailer provides classic and updated classic clothing, footwear, intimate wear and accessories to women throughout South Africa, Swaziland, Botswana and Namibia. Brands include Rene Taylor which caters for the fuller figured woman, MI for classic and contemporary formal and leisurewear apparel, and Sequel for intimate and sleepwear. Targeting women between the ages of 30 and 55, Miladys' mission is to provide our customers with a shopping experience that exceeds expectations with product assortments that give pleasure and satisfaction in buying and wearing.

sheet street

Good quality and good value underlie Sheet Street's range of fashionable home textiles and accessories. What started out as a value retailer of home textiles based in the Western Cape, has grown to a chain of over a 150 stores throughout South Africa and Namibia. Offering all a home needs from curtains to kitchen towels, Sheet Street targets the middle-income customer who knows that decorating the home should not cost an arm and a leg.



The Mr Price Sport range comprises sporting apparel, footwear, equipment and accessories. All major sport types, including seasonal and non-seasonal sports, are represented in both international and own brands. All the product has been rigorously tested and carries endorsement of top sports personalities in each sporting code. The high costs of sports

goods are a thing of the past and Mr Price Sport is excited to bring performance product within reach of the South African sports fan.

WHAT WAS HAPPENING DURING THE LAST DECADE?

Mr Price plans to double credit sales in less than 5 years - Mboniso Sigonyela (2006)

Johannesburg 2006 - Clothing retailer Mr Price expected credit sales to double by 2010 as it increased trading space substantially, Alastair McArthur, the chief executive, said yesterday. "At the moment our sales are 90 percent cash, and we think by 2010 they'll be around 75 percent. We are raising credit sales to allow some of our customers to buy big-ticket items," McArthur said. "We are not changing our focus on being a cash retailer but we are expanding our credit offering to the whole group for the benefit of our customers."

Retailers have reported surging profits over the past couple of years thanks to record low interest rates, muted inflation and tax cuts. But the central bank last week raised rates over concerns that inflation was creeping up. In the past, Mr Price limited credit to its Milady's chain and jewellery division Galaxy. The latter has since been sold.

The group, which owns Mr Price clothing stores, homeware stores Mr Price Home and linen retailer Sheet Street, recorded sales of over R5 billion for the first time for the year to March and expects that to double by 2010. "That's an indication of our expectations in terms of the current sales trend, and we do not expect the central bank's 0.5 percentage point increase in interest rates to dampen that," said McArthur. "In fact we always do better when things get too slow, because customers come to us searching for value."

The company said it planned to double its trading space over the next five years at a cost of about R1 billion. "We have been successful in developing free-standing stores in the past, which are much cheaper than shopping centres, and we will look at that," McArthur said. The number of new stores would depend on space available and the group would be opening two stores in Soweto. In Soweto several malls with some of the country's biggest retailers as tenants are due to open over the next couple of months. Companies have flocked into townships trying to get close to the growing black middle class, which is now benefiting from policies intended to boost black participation in the mainstream economy.

(Reuters: Published on the web by Business Report on June 12, 2006.)

Cape Town, 25 May 2006

Value retailer Mr Price Group today released excellent results for the 53 weeks ending March 2006, with core headline earnings per share up by 46 % and retail sales exceeding R5-billion for the first time. CEO Alastair McArthur said that there had been strong growth in consumer spending in South Africa over the past few years and that the Mr Price Group, having launched its expansion strategy four years ago, had been well positioned to meet this growing demand.

The four retail chains - Mr Price, Mr Price Home, Miladys and Sheet Street - all showed strong improvements in profitability during the year under review. This performance had more than compensated for the loss of profit contribution from the non-core Hub and Galaxy chains, which were sold during the year. McArthur said cash retailers were now benefiting fully from the trading conditions which initially favoured credit-oriented chains. Notwithstanding the introduction of credit into our three cash chains, we remain a predominantly cash retailer with cash comprising 89% of sales. Our forecasts indicate that

even with the roll-out of credit in the cash businesses, the majority of sales will remain on a cash basis."

During 2006, the group had sold its non-core operations (The Hub and Galaxy) and had made accounting restatements in relation to participation in export partnerships in terms of IFRS, which made comparisons with the previous year difficult.

- The Mr Price chain lifted sales on a like for like period by 17% to R2.6-billion, with comparable sales 14.6% higher. Improvements in merchandise assortments and delivery, coupled with excellent fashion interpretations resulted in a strong profit performance. This positive performance had continued into the new financial year.
- Miladys retail sales (like for like period) were 21% higher at R760-million with comparable sales growth of 14.8%. The store revamp programme had proved extremely successful with renovated stores recording a marked improvement in sales levels and branch profitability.
- Mr Price Home grew comparable period retail sales by 28% to R1.1 billion with comparable sales being 14.8% higher. The recently opened ultra stores all larger than 2,500 square metres carrying a wider assortment of furniture - had proved to be very successful.
- Sheet Street increased same period retail sales 37% to R460-million and with comparable sales were 16.7% higher and showed a strong profit improvement. The chain opened 38 stores and closed 5 during the year.

Looking at the profit performance of the two business segments, McArthur said that operating profits from the apparel chains had grown by 41% while that of the home chains had increased by an excellent 72%. Our home chains, which are younger businesses, are now getting into their stride and I am really pleased with their results. The apparel result is also very good given their higher base and the competitive arena in which they trade.

Our growth strategy is working well. Our customers have responded strongly to the updated and enlarged stores which allow enhanced assortments, better product presentations and a more comfortable shopping experience, resulting in more profitable stores. We are planning to extend the strategy and will invest more than R1-billion in new stores, expansions, revamps and new concepts over the next five years," he said. This will create another 4000 new jobs in the company."

McArthur said that the testing of credit in Mr Price, Mr Price Home and Sheet Street throughout KwaZulu-Natal and the Eastern Cape, and more recently the Western Cape, had been positive, with the rise in average basket size driving additional sales. A national rollout has now commenced, expected to be completed within the first half of the new financial year. McArthur said that the credit testing initiative would counter any softening in consumer spending that might occur. He added that credit is tightly controlled in the group with bad debts at 1.1% of credit sales and 2.6% of the debtors book over the past financial year.

WE ARE GROWING: MR PRICE GROUP LIMITED - LAUNCH OF MR PRICE SPORT - PRESS RELEASE

Mr Price moves into Sports Goods Value retailing formula to be used in lucrative sports retail market Johannesburg, Sunday 30 July 2006. Mr Price Group today announced the launch of a new test retail sports concept which will trade as Mr Price Sport. The first store opened in Gauteng on Friday 28 July and a second store will open in Cape Town next week. The concept is aimed at making quality sporting goods and clothing affordable to all South African sportsmen, sportswomen and children. The company has been preparing for two

years to launch the concept. Extensive research showed that there was a gap in the market for high quality sporting apparel and equipment at low prices.

"Mr Price has been involved in sports sponsorship for many years, working closely with leading sportsmen and women. This has allowed us to hone our skills in respect of the technical requirements needed by sportspeople. They have long complained to us about the cost of sports equipment and apparel and have encouraged us to get into sporting goods to make it easier for people to participate," said Mr Price Group CEO Alastair McArthur.

"Given our value retailing roots, the only way we could bring everyday low prices to sport was to apply all the same success factors that had previously worked for us in Mr Price and Mr Price Home; low operating costs, bulk buying and high volumes. We did our homework and discovered that we could purchase from the world's leading sporting goods manufacturers of brands and achieve significantly lower prices when these goods are sold under our own brands. As a result, we stock five of our own sports brands in the stores; Maxed for non-seasonal sports, Red for surf and extreme sports, Trail for outdoor enthusiasts, Wasp for cricket, hockey, basketball, netball and volleyball and Promaster for recreational sports."

Given Mr Price's strong history in apparel, the large collections of sports fashions are in line with the latest international trends in active sportswear. The sporting apparel is made to tight technical specifications from special performance fabrics like "Dri-Sport" for moisture management. All sports clothing is uniquely designed by an in-house team of sports-fashion designers. The full range of sporting apparel and equipment is stocked including athletic footwear, gym, boxing, yoga, swimming, cricket, hockey, soccer, rugby, tennis, squash, golf, cycling, skate, outdoor and loads of accessories.

Mr Price Sport will also stock all the leading brands such as Adidas, Asics, New Balance, Reebok, Hi-Tec, Polar, Kookaburra, B&S, Head, Wilson and others, many of whom have provided exclusive styles for Mr Price Sport. Branded goods will be well-priced in terms of Mr Price's commitment to giving value to customers. "Customers will thus have a choice between well-priced but more expensive international brands or the value-driven performance brands such as Maxed, Wasp, Red and Trail. For those who simply cannot afford the international brands, the value-driven brands are an appealing concept especially given that their quality and performance has been so extensively tested both by the company and leading sportsmen and women. Ultimately, our products are tested by the professionals and priced for everybody."

The panel of sports counsellors to Mr Price Sport reads like a Who's Who in sport. These have included Vladimir Kotov and Gwen van Lingen in running, Neil Tovey in soccer, Dale Steyn, Andre Nel and Albie Morkel in cricket, Keegan Daniel, Brad Barrit and Scott Mathie in rugby, Kevin Curren in tennis, Adrian Hansen in Squash and Hank McGregor in Trail, to name but a few. "In the past, cheap sporting goods were just that - poor quality and low price. But there is nothing sub-standard about their brands," said Springbok cricket star Andre Nel. "I was simply bowled over by what they have achieved with their own brands like Wasp in terms of both price and performance. It's a great day for sport in South Africa and will help sports development for the future," he said.

The Boksburg store, located near the Pick 'n Pay Hypermarket, is a free-standing 1500 sq metre shop with plenty of parking. In-store graphics show clearly the different sporting departments and there is a sports-stadium feel on entering. A unique feature is the Mr Price Sport "infotouch" touch screen which gives customers all the features of the product they are holding near the screen. Product specifications and information are found all over the store.

Credit facilities are also provided with the Mr Price Money card accepted as well as major credit cards which are necessary for big ticket items such as treadmills.

A second store of 1000sq metres will open at N1 City in Cape Town on Friday and a further 2 stores are planned for later in the year. "It's premature to predict the earnings potential of Mr Price Sport," said McArthur. "This is still in the nature of a test and we will wait a while before committing to a roll-out. Customer response to test concept has been very encouraging. Our hope is that Mr Price Sport will grow like Mr Price Home did to become an important profit contributor to our group."

As on 31 July 2007 we have already opened 8 Mr Price Sport stores and currently we are starting to franchise. Mr Price Group Limited, a listed company on the JSE, has over 820 stores which operate across southern Africa. Included in this are approximately 630 Mr Price, Mr Price Home and Sheet Street retail store outlets which operate successfully throughout South Africa, Namibia, Botswana, Lesotho and Swaziland. These stores retail an exciting range of quality, highly fashionable clothing, footwear, accessories and home related products for the family at unbelievable value in a dynamic and exciting shopping experience.

The group is also looking to expand its successful and profitable business formula into the rest of Africa and the Middle East. We are looking for Franchise partners outside of Southern Africa.

- If you have the passion for running your own business;
- If you are an energetic, hands-on self-starter;
- If you have retail or customer service experience with sound financial acumen;
- If you want to be associated with a dynamic brand and be part of a winning team,

In order to be considered, you must be financially sound with access to unencumbered start-up funding for both CAPEX and merchandise. Lusaka, Zambia, was selected as the first test Mr Price Clothing store in October 2006 and Maputo, Mozambique followed in May 2007, and both stores are exceeding expectations.

AND THEN IT ALL HAPPENDED

Durban, 27 May 2009

Value retailer Mr Price announced good results in a very difficult trading period during which consumer spending was inhibited by high interest rates as well as high food and fuel costs. These factors were compounded by continuing high levels of consumer indebtedness.

Mr Price International added 10 new franchise stores, bringing the total to 17. These stores performed well and infrastructure is being put in place to add more franchised stores in Africa and beyond. The group has continued to expand its footprint notwithstanding the economic climate and opened 86 new stores (including franchised) during the year, ending the year with 971 stores. In addition, 54 stores were expanded by a weighted average total of 17 504 net square metres. The result was that group's weighted average trading space increased by 16.5%.

In line with the group's focus on working capital management, cash sales comprised 84% of total sales. Commenting on the results, CEO Alastair McArthur said that he was pleased with the performance of the group given extremely difficult trading conditions. "Our cash-driven value retailing model has proved itself sustainable through both good and bad times.

Our more established businesses certainly performed better. They have the experience of

previous downturns and have benefited from merchandise systems improvements made through Project Redgold. Customers delayed purchases of home products and this has made life more difficult for the home chains, but they're well positioned for an upturn."

McArthur said he expected the gap between the operating margin of 14.0% in the Apparel chains and the 3.1% in the Home chains to close over the next few years. "The Home businesses are clearly more cyclical and achieved much higher margins in the last upturn but, as value retailers, we want them to be less cyclical in the future. Better merchandising systems, space management and marketing in the Home chains will make that difference and will lead to an improved operating margin," he said.

McArthur said that over the past two decades the number of associates in the business had increased almost tenfold to 10 204 full-time associates and 6 651 part-time associates. "We created more than 400 full-time new jobs last year, notwithstanding the economic environment," said McArthur. "Training and developing this large group of people is a major priority in our business."

All associates with one or more years' service have shares or share options in the company. Store associates receive a free award of shares on which dividends are paid with R13 million having been awarded in dividends to staff over the last two financial years. Associates in the group are encouraged to hold their options until retirement to achieve the maximum gain from the compound growth of the company's share price. Currently the net gain of shares and share options owned by associates other than directors exceeds R250 million.

McArthur said that the long-term performance of the business had been excellent with 23% compound annual growth in earnings having been achieved over the past 23 years. He said the objective of the management team was to maintain or even improve on that performance through growth and margin enhancement. More than 50 stores, including franchised stores, will be opened in the year ahead to bring the total number of stores over the 1 000 mark. Expansion of high performing stores would continue.

McArthur said that lower interest rates are positive for retail, however levels of indebtedness remain high and there will be a lag before the impact of these lower interest rates reaches customers. He said that while he was hopeful that the negative trend in the retail sector would turn before Christmas trading, global uncertainties could delay the local economic recovery. He said the group was well positioned to capture further market share with its fashionable merchandise at everyday low prices.

MR PRICE TURNS IN STRONG RESULTS IN WORST RECESSION IN DECADES

Durban, 11 November 2009

Notwithstanding the global recession and the tough domestic trading environment, value retailer Mr Price today announced a strong set of interim results with improvements in sales, operating margin, earnings per share, dividends and cash generation. This substantiates the value retailing proposition followed by the group since inception, and the fact that a focus on cash with a tightly managed credit facility would pay dividends in any business cycle.

The group's retail sales for the six months ended 30 September 2009 grew by 10.8% to R4.3 billion. This is in contrast to Stats SA reports of sales growth in the textiles, clothing and footwear sector of 3.2% and drop of 5.2% in household furniture and appliances over the five month period to August. Comparable group sales, which include sales of expanded and relocated stores in like-for-like locations, were up 9.2%. These sales were achieved off an increase in gross inventories of only 2.2%, aided by the continued progress being made by Project Redgold, an initiative aimed at enhancing supply chain and merchandise processes. Through the fashion value appeal of its merchandise, the group has continued to gain

market share, as measured by the Retailers' Liaison Committee. The group increased its net weighted average trading space by 6.1% during the period and closed with 951 stores.

CEO and Deputy Chairman, Alastair McArthur said "This has been the toughest trading period in decades and the group has proved extremely resilient to a poorly performing economy by showing that it does well in both good and bad trading conditions."

The Apparel chains (Mr Price, Miladys and Mr Price Sport), which constitute 71.3% of group sales, grew sales by 15.1% to R3.0 billion and comparable sales were up 11.7%.

Mr Price grew sales by 20.3% to R2.4 billion on an increase in weighted average trading space of 6.9%. The division's merchandise strategy, aided by sophisticated IT capabilities, enabled it to continue the trend of achieving growth in market share. "That's a superb result in these times" said McArthur, "and we are confident that as we spread the sophistication and experience from this major chain to our other businesses, it will improve group operating margins".

Mr Price Sport generated sales of R193.6 million, an increase of 17.1%. The initiatives put in place last year to accelerate performance are proving successful and during the period, the division exceeded its own financial and operational targets. Independent market research commissioned in July 2009 highlighted that Mr Price Sport has the highest affinity amongst sport retailers and the division ranked first in top-of-mind awareness, both of which are significant milestones given the relative newness of the brand.

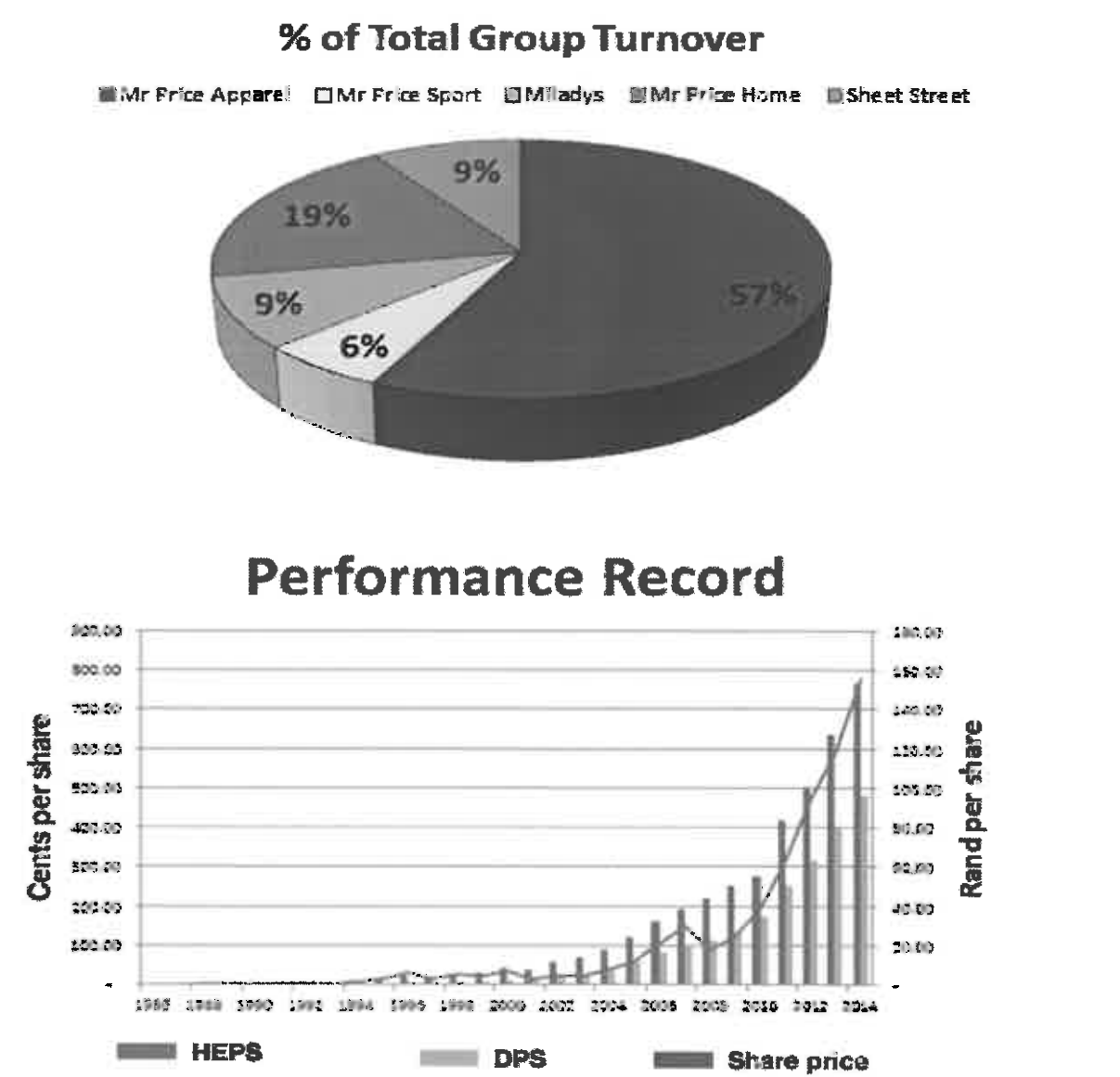
Sales in the Home chains (Mr Price Home and Sheet Street) were up. This segment continues to be the most affected by the reduction in consumer spend on semi-durable products, however both chains maintained market share. "These divisions' performance will improve as the economy improves and with a continued focus on value and innovation," said McArthur.

"The enormous benefits that Project Redgold has brought to Mr Price Apparel will also positively impact the Home businesses. Having achieved critical mass through rapid space expansion in recent years, space growth in these chains will now slow down. The focus on improving trading densities and operational efficiencies will ensure that we achieve our goal of double digit operating profit margins in the home segment," McArthur added. "While it's hardly surprising that customers who are under financial pressure will delay a purchase of say new curtaining or bedding, we see many ways in which our home businesses can become less cyclical."

Mr Price International opened an additional four stores in the Mr Price and Mr Price Home formats, bringing the total to 21. These test stores have to date proved that there is strong demand for our merchandise. Extensive research and planning is now underway that will enable us to enter selected markets with an appropriate business model and with streamlined business and logistics processes. "This is a strategically important part of the business and represents a significant growth area for us," said McArthur. "We have tested a number of markets across Africa and the demand is clearly there. Now we need to focus on growing further in the best of those markets."

Cash generated from operating activities increased by 36.3% to R310.9 million and cash resources rose to R635.2 million. "Our cash-driven business model, whereby 82.6% of our sales were for cash, will enable us to retain a healthy balance sheet and fund our growth as the economy turns," McArthur said that although the debtors book has increased by 21.7% to R741.6 million, the group has continued with its cautious credit granting approach.

McArthur said that the positive results in this environment had “a lot to do with the hard work and dedication of the group’s almost 19 000 associates” and it was significant that the group had continued to create new employment opportunities during an economic recession, when many businesses were laying off staff. “We are also delighted that during these cash-strapped times our associates have benefited from the increased dividends that they receive from the free shares that were awarded to them under the Partners Share Scheme” said McArthur. “Our associates also stand to gain substantially from an increased share price over time.”



GOVERNANCE

The code provides a framework on how directors and management should perform their respective duties to add and create shareholder value. It creates transparency, strengthens confidence in the company management and in particular serves the protection of the

stakeholders. In essence corporate governance is the practices, principles and values that guide a company and its business every day, at all levels of the organisation. The governance environment is supported by the King Code of Governance for South Africa 2009 (King III) principles and practices and the JSE Listings Requirements. The Board recognises that compliance with this combination of voluntary and compulsory guides creates a solid governance foundation. It details the ethical standard of conduct required of Directors and executive management in the discharge of their fiduciary and governance duties and ensures the Group remains a sustainable corporate citizen.

Code of Conduct

Directors and associates are required to maintain the highest ethical standards. A code of conduct has been issued to every associate of the company and its subsidiaries and its provisions are annually reinforced under the guidance of a senior officer.

Business Code of Conduct

During the year all senior associates of the group were required to submit a declaration testifying to their compliance with various aspects of the code. The board believes that ethical standards embodied in the code are effectively observed within the business. A further code, setting standards and practices to which the group expects its suppliers to adhere to, is distributed to new suppliers.

AWARDS 2011-2012



2012 - Mr Price Group

Voted the best performing investment over a ten year period by the Sunday Times in May 2012.



2012 - RedCap Foundation

R17.5 million grant awarded to the RedCap Foundation's Jumpstart programme by the National Treasury's JobsFund.



2011 - Mr Price Group

SAGRA (South African Graduate Recruiters Association) The Mr Price Group recruitment team scooped up three medals at the SAGRA awards 2011, for outstanding examples of excellence in graduate recruitment. Therefore placing the Group in first place overall! The three awards won were in the following categories:

- 1) Gold for Best Graduate Website
- 2) Silver for Best Integrated Campaign
- 3) Bronze for Best Printed Media



2011 - Mr Price Group

IASSA (Investment Analysts Society of Southern Africa)

The IASSA functions as a liaison body for the investment analysts profession.

IASSA Awards 2011: Mr Price Group won Section 11 - Best Presentation to the Society in 2010/2011 - companies with market capitalisation between R5 billion - R20 billion.



2011 - Mr Price

TGI (Target Group Index) SA

Superior consumer trend profiling: Icon brands are brands that exist in every home in South Africa, they are brands that people not only know about, they actually own and use them.

The 2011 TGI ICON Brand Winner Ranking: Mr Price is ranked 9th as a brand that is used and loved by all South Africans.



2011 - Mr Price Group

BEE SCORE is a SANAS accredited BEE verification agent with a national footprint: Mr Price Group was independently accredited as a level 6 BBBEE contributor. The Group completed its first BBBEE verification exercise for the year ended 2011 and is proud to announce that it has been accredited as a level 6 contributor.



2011 - Mr Price Group

Best employers South Africa: are Organisations that take excellent care of their employees.

Objective research shows these employers have outstanding HR policies and practices.

Based on independent research by the CRF Institute: Mr Price Group has been certified as one of the BEST Employers™ South Africa 2010/11. The Group continues to remain committed to talent management and excellence in the employer framework, therefore enabling the group to remain one of the best companies to work for in South Africa

SUSTAINABILITY

Sustainable environments (2011-2012)

The Group is committed to reducing its impact on the environment and therefore participates in the Carbon Disclosure Project (CDP) and calculates its carbon footprint annually. Targets have been set to reduce energy consumption, fuel usage and manage waste by reusing, reducing and recycling. In addition, the systems division is driving the use of technology to further reduce the Group's impact. The Group identified the following issues that are relevant to its ability to create and sustain value in the longer-term:

Context	Future focus area	Key stakeholders
Value	Continue to increase efficiencies to improve margins and maintain the low cost structure.	Customers Shareholders Associates Suppliers
Logistics	Continue to improve supply chain capacity and cost efficiencies.	Associates Suppliers
Systems	Information technology and business systems innovation.	Associates Suppliers
Suppliers	Product sourcing and enhanced level of engagement with key suppliers.	Associates Suppliers
Growth	Continue to sustain the sales growth through: <ul style="list-style-type: none"> Maximising local opportunities (new locations, products and markets); New channels (such as e-commerce); and International research (testing owned stores in Africa). 	Customers Shareholders Investor community Associates Suppliers
People	Grow the human capital, including: <ul style="list-style-type: none"> Merchandise and emerging leadership development; Focused development of Asian, Black and Coloured associates for middle and senior management succession; and Change management processes. 	Associates
Social	Continue to invest in the community and support sustainable BBBEE.	Shareholders Associates Suppliers Government Communities in which we operate
Environment	Formal Utilities Management Committee (UMC) established with a mandate to focus on key areas within utilities management for the Group.	Shareholders Associates

The Group completed its second carbon footprint assessment during this reporting period. The accuracy and completeness of the calculation continues to improve due to the application of data analytics. The 2012 carbon footprint calculation is a self-assessment using in-house developed software. The carbon emission for this financial year is 141 485 tonnes CO₂e, with 96% of our carbon emission related to electricity consumption. The scopes reported on are as follows:

		Tonnes CO ₂ e	
Scope	Emission sources	2012	2011
Scope 1	Consumption of fuel of company owned vehicles	2 593	2 344
	Consumption of fuel for generators (stationary fuels)	4	6
	Refrigeration and air conditioning equipment (fugitive emissions)	2 526	688

Scope 2	Consumption of purchased electricity	136 362	144 554
Total		141 485	147 592

Sustainability and people

The Group is committed to talent management, employment equity, health and safety, skills development and wealth creation through our share scheme for associates. In addition, the Group drives its social investment through the RedCap Foundation and RedCap Sport, with a focus to improve education and sports development for children in South Africa.

Nurturing the Planet

The Group recognizes environmental and climate change challenges and their responsibility towards building a sustainable business, community and planet. Their most significant environmental impacts occur within the supply chain, during the process of production and transportation, as well as during the customer washing and drying of the apparel and textile products. To this end, in order to fully understand the climate change risk and impact on raw materials used in the production of the Group's products, detailed and specific research appropriate to the needs of the industry is required. It is expected that the participation in the National Sustainable Textile and Apparel Cluster will produce life cycle assessments that will assist the South African textile industry to make informed decisions in this regard.

The Group is committed to reducing its impact on the environment and targets have been set to reduce energy consumption and waste.

Key Performance Indicators

The following key indicators have been identified to measure the Group's economic, social and environmental progress

	Unit	2014	2013	2012
Economic				
Retail sales	R/m	15 227	13 266	11 757
Headline earnings per share	cents	765.1	534.8	503.0
Operating margin	%	16.7	15.5	14.8
Dividends per share	cents	432.0	398.0	314.0
Share price (closing)	Rand	156.01	116.99	94.34
Return on net worth	%	47.6	46.4	43.8
Cash sales as a % of total sales	%	80.8	72.9	81.4
Social				
Total number of people employed		10 104 ¹	10 381	17 894
Staff turnover	%	20.09	21.5	22.6
Black staff as a % of total permanent staff	%	91	91	91
Promotions of black people as a % of total promotions	%	82	87	85
Investment in people learning & development	R/m	33.6	30.6	25.1
Black people participating in learning & development	%	90	88	87
B-BBEE rating	Level	5	5	5
Corporate Social Investment	R/m	16.3	16.7	13.0
Enterprise Development Investment	R/m	23.0	23.2	21.4
Environmental²				
Carbon emissions (estimated) (in SA)	Tonnes	167 630	210 766	
Electricity consumed (Kwh in SA)	Million	2.9	Not reported	

Risk Management

The Board is committed to business sustainability and to creating and preserving stakeholder value. It recognises that the governance of strategy, risks/opportunities and performance are critical success factors and therefore exercises active oversight over these processes, in order to ensure that the achievement of its strategic objectives is enabled. The Board recognises that an entrepreneurial spirit and the taking of considered risks and opportunities remain critical for the Groups' continued success and longevity. A well-defined risk and opportunity management process and risk appetite policy are therefore considered core instruments for aligning overall corporate strategy, capital allocation, risk, opportunities and performance; and are considered to be key business disciplines that provide the context for strategy setting, guide entrepreneurial behaviour, balance risk and reward and ultimately enable the achievement or acceleration of the Group's goals.

Source: www.mrpricegroup.com (August 2008-August 2012, 2015)

- Considering the vast amount of change that took place, identify and debate potential resistors to change relevant to the Mr Price scenario, based on the research available why people resist change.
- Debate how the resistors to change could be addressed, considering available change management tools for managing resistance to change.
- Debate if Mr Price have used innovation to meet their bottom-line with these above-mentioned change interventions.

(Please note that each of the 3 aspects has an equal weight contributing to the total of 100 marks.)

QUESTION 3

[100 MARKS]

Organisations worldwide strive to ensure customer satisfaction. This drive and key organisational objective forms part of strategies formulated for their business. The question arise whether Mr Price aligns their procurement and retailing practices with sustainable strategies, to support their communities and the environment.

To support your answer, you are required to develop a report indicating how Mr Price address three critical contemporary aspects, which directly and indirectly impact stakeholders and their organisational performance, namely:

- Sustainability
- Corporate social responsibility
- Competitive advantage

(Please note that each of the 3 aspects has an equal weight contributing to the total of 100 marks.)

END