

ASSIGNMENT COVER

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Executive Summary

Location plays a critical role in deciding where to establish a business. The Arcelor Mittal Steel Processing Facility in Saldanha is a prime example of a well-situated business that has considered the influence of a host of factors including trade agreements, tax, local infrastructure, labour, and supplier accessibility in its location decision. Furthermore, using a weighted-factor rating model is another tool at hand to assist in identifying the best possible location for a potential business by considering the labour costs, stability of local government and supply chain compatibility and weighing them in comparison to other locations.

All businesses offer a level of service in their functioning, it is however, important to understand and identify a pure service as well as what characteristics make up good service quality. Pure services are those that offer few (if any) tangible products to customers with the result of the primary service exchange being intangible while service quality is defined by reliability, responsiveness, assurance, empathy, and tangibles.

Lastly, ensuring a good queuing system is established is important for any business that wishes to ensure customer satisfaction. Options range from single channel single phase queuing systems to multiple channel multiple phase queuing systems that all need to be assessed and considered when owning a business.

Introduction

The success of any business is hidden in its location and the service it provides to the customers. To ensure you have the best location and provide customers with an amazing customer experience there are a few pointers you can make use of.

This assignment has three questions all focusing on different business aspects to help you succeed in location and service. The first question will focus on the location of a business, as this plays a crucial role in any business success. We will look at different factors to consider when choosing the location of your business. There are other possibilities to consider when identifying the best location such as the weighted-factor rating model. This will conclude the second question.

The last question will focus more on the service a business provides, specifically focusing on a pure service and what a pure service is. Concluding this assignment with establishing a good queuing system to ensure customer satisfaction and giving advice regarding the five dimensions of service quality.

Question 1: Identify an existing business within South Africa and give a brief background of the specific business. Use the appropriate location factors as indicated in Table 11.1 and explain the influence of these factors on the location decision for this specific business.

Organisation: Saldanha Steel (Arcelor Mittal)

The Saldanha Steel, now Arcelor Mittal was a R6.8bn Steel Processing Facility located 110km outside Cape Town on the West Coast area. The Facility was commissioned in 1998 and up to recently provided employment for about 900 locals.

The Saldanha Bay area has been one of the key identified areas for development since the late 1960's, because of its strategic location and presence of a deep-water harbour (Welman & Ferreira, 2014).

Location Factor	Descriptor
1. Regional trade agreement-trade barriers, tariff and import duty	One of the main reasons for the establishment of Saldanha Steel in the Saldanha Area, was to add value to the iron ore. The availability of affordable labour, land, electricity has opened the opportunities for exporting. With the Saldanha Bay area classified as an IDZ (Industrial Developed Zone). Furthermore, the IDZ is working with 58 Possible Tenants and has established the SEZ (Special Economic Zone). Special rules for these economic programmes have been developed to attract corporations to establish businesses in the area. Some of the benefits include a preferential corporate tax, reduced and exempted engineering services. It is critical and important before deciding on a location of a business to investigate and confirm if there are special economic benefits for establishing a business in a specific area.
2. Competitiveness of nations-economic performance, government efficiency, business efficiency and infrastructure	The port of Saldanha Bay offered reduced Tax on Vessel Services, making the iron ore exports more cost effective as the service of a Vessel is dependent on its value. Most of these Vessels Exporting the Iron Ore or Steel products is valued above \$20mil, and a reduction in Tax and Cost of Fuel has made Saldanha Steel competitive against steel producing nations like China, India, Japan

	and Korea. The Saldanha Port is also close to a national highway, Transnet Rail Line, and it is a deep-water harbour, making it suitable for large vessels to use. With the area as a national key point as well as a custom's regulated zone, the efficiency of services such as electricity infrastructure and well-maintained rail systems secures an improved business continuity model. To establish a business, infrastructure in the area needs to be well maintained and investment into infrastructure needs to be secured. If there is a lack of infrastructure, it will be difficult to transport products, or communicate effectively, and this will result in business interruptions.
3. Government Tax and Incentives	The establishment of a business in certain areas can enjoy special Government Tax and Incentives. The establishment of Saldanha Steel in a SEZ has yielded in: · Prioritized Infrastructure Development · A Special Economic Zone Fund · Skills development incentives · Reduced utilities cost The location and zone of a business can be beneficial in terms of reduced overheads, if located in the most economically benefited area for the business.

4. Currency Stability	The iron ore is linked to the Rate of Exchange as a commodity and is dependent on several factors. In cases like this, there are other mechanisms to use such as forward cover to create a more stable export or import.
5. Environmental Issues	The biggest environmental issues for Saldanha Steel was, Marine Life, and Air Pollution of ore particles. These issues need to be evaluated in the form of Environmental impact studies and analysis and must obtain approval from local authorities.
6. Access and Proximity to Markets	The Harbour of Saldanha Bay is strategically located and is the largest and deepest natural port. The port is used for sea transport of ore in large vessels to the rest of the world and boast a 23m natural depth.
7. Labour Issues	In about 110km various universities and Technikons are situated in Cape Town contributing to the Labour Force of Saldanha Bay. In recent years, several TVET Colleges have opened, to provide semi-skilled and skilled artisans. The informal settlements and townships contribute to the low skilled labour requirements. It is important to identify the local labour and skill market for choosing a business location, as this can increase overheads if special skills are needed.

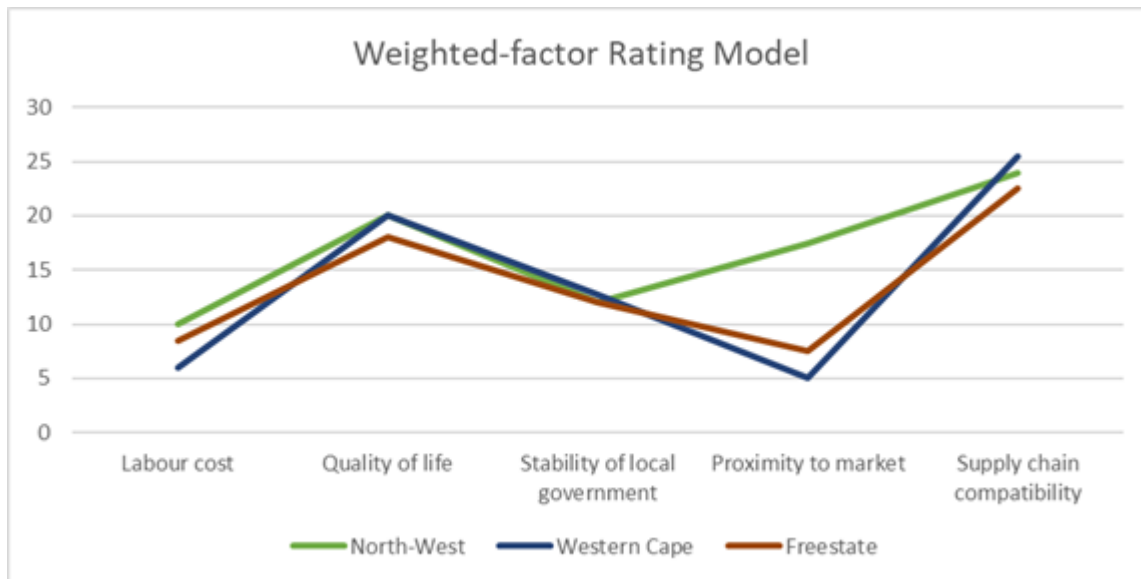
8. Access to Suppliers	To support maintenance functions and plant reliability, suppliers need to be reliable and in close proximity. Saldanha Bay Steel has developed a pool of critical suppliers, and this has led to the establishment of a small industrial area. On a worst-case scenario, the closest city is Cape Town, about 2 hours' drive, and this has been taken into consideration when Asset Care Plans and Sustainability programmes was developed
9. Transportation Issues	Most of the transportation of the Iron Ore and Iron was transported by Sea. The Port is one of the deepest ports and has thus not faced any major issues. The Port is fitted with a loading and offloading facility with Storage for Fuel, as well as hazardous cargo.
10. Utility Availability and Cost	Saldanha Steel has benefitted from the fixed Utilities cost associated with the Special Economic Zones. It is important to identify the economic benefits of a certain location to capitalize on it
11. Quality of Life Issues	Quality of Life is one of the drivers of crime in certain areas. If the quality of life does not grow with the organization, it might face issues within the workplace as well as in the local area, that can result in continued protest and business interruptions.

12. State Taxes and Incentives	The area is classified as a Special Economic zone which benefits from reduced taxes and incentives.
13. Right to Work Law	Each person working in South Africa needs to comply with the country's labour law.
14. Local Taxes and Incentives	The area is classified as a Special Economic zone which benefits from reduced taxes and incentives.
15. Land availability and cost	The availability of land enjoys priority in special economic zones, and in some instances, land can be obtained at no cost through local authorities to boost economic activity. The area is also not densely populated and there is still an area to have expansions.

Question 2: Weighted-Factor Rating Model

Weighted-factor Rating Model

	Factor weight	North-West	Western Cape	Freestate
Labour cost	10%	10	6	8.5
Quality of life	20%	20	20	18
Stability of local government	15%	12	12.75	12
Proximity to market	25%	17.5	5	7.5
Supply chain compatibility	30%	24	25.5	22.5
TOTAL SCORE:	100%	83.5	69.25	68.5



The analysis sketches a picture of the most important factors contributing to the success of a business. These are labour cost, quality of life, stability of local government, proximity to markets and supply chain compatibility. The business owner considers only three provinces to set up his new facility, North-West, Western Cape and Free State. For this analysis to be effective, the owner will have to establish the location of his clients and suppliers.

Supply chain compatibility weighs most as it is detrimentally important for companies to be able to get needed raw material, parts, or equipment else the business will cease to exist. Due to the constantly rising cost of fuel, proximity to the market will weigh heavily. Labour cost is perfect for this type of business, it is either high, but the business is not labour intensive, or the labour cost is lower than other provinces in a labour-intensive type of company. Quality of life and stability of local government rates are almost the same for all provinces, so it does not impact on the difference in scores.

Based on the results of the weighted-factor rating model, North-West is the most suitable province in which to locate a new facility because its overall score, taking all aspects into consideration is the highest.

Question 3

3.1. Do you think the Northwest University is a pure service?

Since all businesses offer some element of service, it is important to note that a pure service is a business in which a service is the primary entity sold. Any physical product is contingent to the service (Thomas, 2020).

Services play an important role in the global economy as there is an increased focus on service-oriented industries. Pure services are those that offer few (if any) tangible products to customers with primary examples including lawyers, entertainers, and consultants. Most services have a certain level of customer involvement (direct or indirect) in the production of the service itself (Wisner *et al.*, 2019: 450-451).

As an education provider, the North West University can be considered a pure service. While those who attend a tertiary institution do receive proof of the qualification and service exchange through a certificate, the actual benefit accrued from the service is intangible. The university fulfils the purpose of providing education and learning opportunities with the intangible product of skills and knowledge. The service paid for is that of access to knowledge which is intangible and therefore, a pure service (Kalenskaya *et al.* 2013: 369).

3.2. Discuss the primary elements to consider when designing a queuing system for a financial institution.

The purpose of a queuing system is to effectively handle the waiting times and or perceived waiting times of long queues. A queuing system consists of various primary elements that can be divided into the input process, the queue characteristics, and the service characteristics (Wisner *et al.*, 2019: 469-472).

The input process has a demand source which is the customers joining the queue. This demand source can be infinite, such as people walking into home affairs or SARS, with an undefined number of people coming in. Contrary, the demand source can also be finite, like people boarding a plane that had to buy tickets for the flight. It is also important to understand the arrival patterns of customers, when designing a queuing

system. The arrival pattern could be forecasted using the Poisson distribution formula. The input process also needs to consider whether a person decides to join a long queue, or not (balking), whether they would stay in the queue, or leave the queue before being assisted (reneging) (Wisner *et al.*, 2019: 470 & 472 & Universal Teacher Publications, N.d.).

The queuing characteristics describe the length of the queue, a queue can grow infinitely or are limited, such as the plane ticket example. Another characteristic of queuing system is that it can be by a single queue or multiple queues. Furthermore, the queue discipline of a queuing system mostly works on a first-come-first served basis, but it sometimes also works on a most-needy-first-service or most-important-first-service (Wisner *et al.*, 2019: 470).

It is also worth looking at virtual queues as part of queue characteristics. Virtual queue has been implemented more readily the last couple of years. In a virtual queue a customer is assigned a notification device or ticket. The customers are then allowed to move around and not stand in a line.

The customer receives a notification when his/her turn to be assisted, or a notification when it is close to their time of assistance. The virtual queuing has several advantages, firstly, it seems like there is a decrease in balking and reneging. Secondly, priority (high paying/premium) customers can move up in the queue, without making this move obvious (Wisner *et al.*, 2019: 470).

When one considers the service characteristics for a queuing system, one can investigate single channel, single phase or single channel, multiple phase or multiple channels, single phase or multi-channel, multi-phase (Wisner *et al.*, 2019: 470).

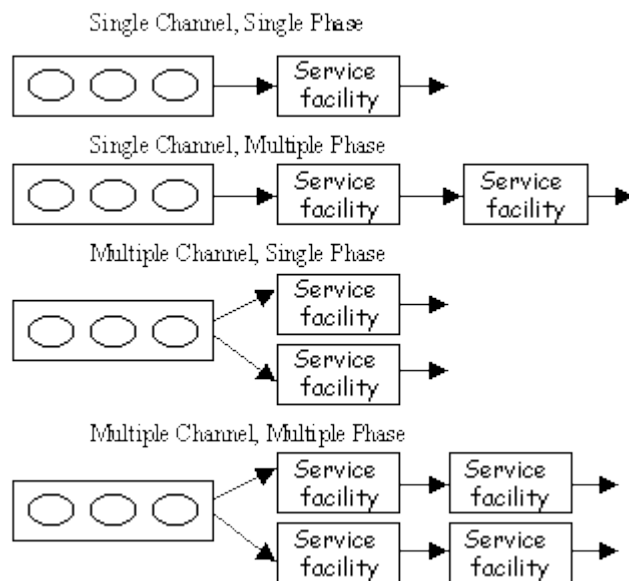


Figure 1 - Queuing system configurations (Universal Teacher Publications, N.d.)

The *single-channel, single phase* is a single assistance point that only performs one function. It can be like a kiosk at a fuelling station, which only has one employee and the only service the employee offers are to assist the customer/s with purchase at the kiosk counter.

Single-channel, multiple-phase is more complex, it is also only on assistance in queue per function, but it is a multi-step (phase) process, where customers will receive service from different employees. A modern example will be when going into a hospital, you queue in one queue, then you have to sanitise and have your temperature check by the first nurse after that you move to the second nurse that will assist you to complete a health check form, you then go to a third nurse that make sure these steps are completed and supply you with a sticker, authorizing you to enter facility.

Multiple-channel, single-phase systems are very common in retail shops, it entails different points of assistants that all offer the same function, like different pay points in a Checkers supermarket.

In a *Multiple-channel, multiple-phase systems*, customers receive service in sequence, but it can happen through various channels. An example of a *Multiple-channel, multiple-phase systems*, can be a laundry where you have the option to

choose from different washing machines, and after the wash, you can choose any of the different tumble dryers (Wisner *et al.*, 2019: 472 & 473).

All these characteristic primary elements of a queuing system must be taken in consideration, to establish how to address the specific needs for a queuing system for a financial institution.

3.3. Take the five dimensions of service quality and advise McDonalds how they can use that to their competitive advantage

The five dimensions of service are (UKEssays, 2018):

- Tangibles: the appearance of the physical facilities, equipment, personnel, and communication material.
- Reliability: the ability to perform the promised service consistently and accurately.
- Responsiveness: the willingness to help customers and provide quick service.
- Assurance: the knowledge and consideration of employees and their ability to convey trust and confidence.
- Empathy: the loving and individualized attention provided to customers.

Mc Donald's can make use of these five-dimension service qualities to their competitive advantage. Appearance draws immediate attention to customers. Mc Donald's can use this as an advantage to maybe give the franchise a face lift, changing the personals uniforms and ensuring the outside of the fast-food outlet draws attention with its clean look.

Time is very important especially at a fast-food outlet. Customers want quick service, warm food that looks amazing when opening the boxes. It's important for Mc Donald to make sure the pictures on the display boards are what the customers receive when opening their meals. This will show that love and compassion is put into the food.

More people are making use of delivery services to deliver food to their homes with the current health situation we face. To ensure that Mc Donald stick to their slogan: I am Loving it, they can get their own delivery service. This will speed up delivery's and clients will be happier feeling the love.

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