

**THE MARKETING PERCEPTION OF
GROCERY STORE RETAILERS
BELONGING TO BLACK BUSINESS
ASSOCIATIONS IN GAUTENG**

by

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TO GOD BE THE GLORY

DEDICATED TO MY HUSBAND AND CHILDREN

ROLAND, PETE, MICHÈLE AND EGBERT

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SUMMARY

This study investigates the marketing perception of grocery store retailers belonging to black business associations in Gauteng. In determining what the black grocery store retailer should know about marketing in order to be successful, an extensive literature study was undertaken on the basic components of marketing, namely the marketing concept, marketing environment and target market selection, and the retail marketing mix and strategy.

An empirical study was conducted to determine the black grocery store retailer's present knowledge and practices of the basic components of marketing. In the study, grocery store retailers who are members of Nafcoc in Gauteng, were interviewed by using a structured questionnaire which covered the basic components of marketing.

The research results reveal various prominent gaps in the black grocery store retailer's marketing perception of the marketing concept, marketing environment and target market selection, and the retail marketing mix and strategy. The most significant findings are that successful black grocery store retailers have certain unique characteristics and perceptions and follow specific marketing practices: they care what customers think of their stores and they see it as their responsibility to conduct marketing research on a regular basis; they are more sensitive to the diverse cultural backgrounds and needs of the customers and infrastructural problems of the townships in which they live; they do not focus only on providing the basic necessities but also keep an expanded product range, including shopping and emergency products; they use the self-service store concept to sell to their customers; they add value by providing after-sales services such as attending to defective goods; they have a broader perception of competitors and do not focus only on intratype competition inside the townships; they use more advanced accounting and financial management techniques; they accept their role as a socially responsible retailing business in the township community; they eliminate the middlemen in the distribution system whenever possible by buying directly from manufacturers and the fresh produce market; and they use more marketing communication elements to promote their stores and range of products and services.

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CHAPTER 1

INTRODUCTION TO THE STUDY

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

In this chapter several elements are addressed. In the *first* instance a background sketch of the study is provided, and flowing from that, the reason for the study is advanced and the research problem defined. *Secondly*, the objectives of the study, based on the problem definition, are presented. *Thirdly*, the methodology used to attain the objectives is explained. *Lastly*, an orientation outlining the main components of the research project is presented.

1.2 BACKGROUND SKETCH

1.2.1 General

This study focuses on the marketing perception of grocery store retailers belonging to black business associations in Gauteng, in the formal sector of the South African economy. In order to understand the current situation of the black retailer, it is necessary to consider the development of black business and the policies of the South African government on black people in general and black business in particular.

In this background sketch the historical development of black business, and more specifically the black retailer, will be reviewed *first*, against the background of the political climate. The development of black business can be divided into four significant periods:

- **Period up to 1976.** The period up to 1976 was characterised by the active curtailment of black business in support of the then prevailing political

ideology. The policies and other restrictive measures of the past have a direct bearing on the situation in which the black retailer finds himself at present. (In this study the masculine gender is used when reference is made to the black retailer or other businesspeople.)

- **Period from 1976 to 1985.** The period from 1976 until 1985 witnessed a turnabout in the attitude of the government and heralded the beginning of the active promotion of black business.
- **Period from 1986 to 1994.** During the period from 1986 until 1994 all the laws restricting black business were repealed.
- **Period after 1994.** After April 1994 the focus shifted to the economic empowerment of black business.

Secondly, the present disadvantaged situation of the black retailer, in his adaptation to the restrictive measures, will be examined. *Finally*, his business knowledge, based on secondary research, will be scrutinised.

1.2.2 Political factors affecting black business development

1.2.2.1 Period up to 1976

Most authors (Louw 1979; Van den Berg 1984; Rammala 1989) agree that politics tended to dominate the lives of black people and cloud business issues to such an extent that the normal functions of black business became impaired.

According to Rammala (1989:4-5), the development of the black communities which settled around the country's major white cities was discouraged and even ignored. He refers to the first investigation made by the Stallard Commission in 1921 into the desirability of the presence of black people in the urban areas and to the doctrine which was subsequently laid down that black people in the urban areas existed solely for the purpose of providing labour for their white counterparts. The effect of this was that black townships around white cities and towns remained undeveloped and black business of necessity suffered and was discouraged. In 1930 the Native Urban Areas Act 21 of 1923 was amended to

allow white local authorities to grant more business rights to black people in the black locations. Many municipalities opposed this measure on the grounds that it would encourage the permanence of black people in white areas and threaten the rights of white traders.

In 1948, when the National Party came into power, apartheid became official government policy. Mazwai (1991:26) writes that since 1948 "black business has been hammered into penury by various enactments". Rammala (1989:4) draws attention to the report of the Tomlinson Commission which, in 1955, confirmed the notion that the tribal homelands could be developed and made so attractive that the influx of black people to white areas would be completely stemmed and even reversed in due course. Rammala says that the findings of this Commission and the Stallard Commission were accepted as the cornerstone of government policy of racial separation for nearly four decades.

After 1948 the introduction of severe restrictions hampered the entry of black businessmen into the formal business sector in the white cities. Even in the townships the freedom of entrepreneurs to establish and expand their business undertakings was seriously curtailed. In a speech by the Minister of Native Affairs to a Sakekamer meeting in 1959, the following was said by the Minister (Ramala 1989:6):

I am considering the practical application of a policy to make it clear to some traders in the locations that their trading facilities are temporary; that they must go and continue their business in the homeland areas; that the conditions are that they are only gaining experience and building up capital in the locations for which opportunities in their home areas are small.

Many additional restrictive measures on black business after 1959 retarded the growth of black business and discouraged black people from entering business. Van den Berg (1984:82-101) lists some of the most significant measures:

- The nature of business that black people could conduct was limited as they were not allowed to carry on more than one business, even in a different residential area.

- Black businesses were confined to meeting the daily essential needs of local communities.
- The establishment of black companies and partnerships was prohibited.
- All buildings necessary for business activities were to be erected by local authorities and not by black businesspeople themselves.
- The promulgation of the more severe Group Areas Act 36 of 1966 and the Physical Planning Act 88 of 1967 prohibited black business from trading in white cities and abolished the native markets which had been allowed by local authorities in some white cities.

The effect of these restrictive measures in the political and constitutional field excluded black people from participation at all levels of government. The official view that black towns were transient dormitory locations which would one day disappear had a profound influence on the planning and provision of essential infrastructure to these areas and militated against the development of black businesses in these areas. Backlogs in education, for example, were created as the policies produced wide disparities between the black and white population groups both in the context of educational programmes and the provision of educational facilities, resulting in a poorly educated section of the population unable to understand and appreciate the elements of business.

Louw (1979:4) and Butler (1989:54) maintain that the Group Areas Act was self-evidently the principal Act restricting land tenure in conflict with free-market principles and that this Act was arguably the most important piece of legislation affecting the development of the black business sector. Black businessmen could only trade in a limited form in black residential areas and were prevented from operating businesses that served white, Indian or coloured clientele in their segregated residential areas.

Such restrictive legislation caused an outcry amongst black people in the sixties. Motsuenyane (1990:35) maintains that black people felt they needed an organised national body that would speak specifically on their behalf and that there was a need for extra government institutions for development. The National African Chamber of Commerce was formed in 1964 and subsequently became known as

the National African Federated Chamber of Commerce and Industry (Nafcoc) in 1968 (see sec 1.2.3.3 for more detail on Nafcoc).

According to Negota (1988:5-6), prior to 1976, there was a lack of awareness by black consumers that black business needed their concerted support to make it viable in the face of current political and economic conditions. Black business also suffered because consumers believed that it was more expensive to buy in the townships than in towns and cities and because most black businessmen were predominantly food retailers. Black business was reduced to the level of convenience stores where only small amounts were spent, with the bulk of the money being spent in towns and cities. The many and varied types of businesses found in white areas to cater to the needs of the communities simply did not exist in the black business context.

The plethora of restrictions and the ruling that all black pupils should be taught through the medium of Afrikaans, culminated in the 1976 Soweto Riots. According to Negota (1988:6), the subsequent political impact of the events of that year changed various aspects of life of all people in South Africa and heralded the beginning of the reassessment of policies on black business.

1.2.2.2 Period 1976 to 1985

Butler (1989:53) says that in the years following the Soweto Riots, various restrictions affecting black business were lifted. The government felt a need to hold discussions with black leaders, and for the first time acknowledged the importance of black business leaders. As a result of this feeling initiatives were taken, including a sharp focus on the need for expanding the scope of black business. In 1976 the range of businesses permitted in urban black townships was increased to 26 from the original seven. Another important change was that partnerships in which black people held at least 51 percent of the shares were henceforth permitted. Butler refers to the Theron Commission which proposed in 1976 that business and industrial areas be exempted from the Group Areas Act. This was followed by the recommendations of the Riekert Commission for the creation of so-called "free trade areas". In 1984 legislation was passed providing for these free trading areas. However, the Group Areas Act still affected the mobility of black businesspeople. This meant that a trader could have occupation

or ownership rights as far as his business activity was concerned but no right of residence.

The events of 1976 thus led to the acceptance of the argument for permanence of black residential areas and a greater awareness of the necessity for the development of these areas which, among other things, led to the easing of regulations on business in black residential areas, albeit over many years (Kroon 1986:15).

During 1984 the country experienced the most widespread black civil unrest since the Soweto Riots in 1976. According to the Race Relations Survey (1984:211), this coincided with the new South African constitution which incorporated Indians and coloured people but not black people into parliamentary structures which came into operation on 3 September 1984. The underlying causes of the violence were continuing dissatisfaction with black education, anger at the exclusion of the black population group from political power, and the persistence of high inflation and deepening unemployment. The violence escalated over the years to a point where it had a negative effect on the black retailer's turnover and the rate of entry of new black retailers was in a steep decline (Mazwai 1991:24-26). According to Motsuenyane (1990: 35), one of the reasons why black businesses were often destroyed, was the lack of appreciation of the importance of black business or the suspicion that business contributed nothing to the realisation of black political aspirations. Those running businesses in the townships were often looked upon as an extension of an exploitative, unjust and corrupt system.

Van der Merwe (1986:22) writes that in 1984 the "sleeping giant" — the black consumer market — made its presence felt in another way than had been predicted years previously. Black consumers were urged to boycott white shops to force the government to negotiate. These boycotts began in the Eastern Cape and spread throughout other parts of the country. Black businessmen were forced to align themselves with the masses and thereby win the support of black consumers. Initially the consumer boycotts benefited township business, but this was shortlived as wholesalers could not get into townships to supply businesses, or their prices soared to offset the risks they were taking. "In a rather bizarre way, the township dealer had become the traditional whipping boy of South African politics. Whether politics blew hot or cold, he always had the short end of the stick" (Mazwai 1991:26).

According to Gama (1986:31), black retailers had attempted to gain the black consumer's buying power by launching "Buy-at-home" or "Buy Black" campaigns for many years before 1984, but these campaigns proved unsuccessful. However, the boycotts of white-owned businesses had been effective in encouraging black consumers to buy from black retailers and had been described as a nonviolent but effective tactic. Mazwai (1991:26) says that the black retailer had to contend with sophisticated competition from white business and lacked capital and management expertise. The situation worsened when black retailers were forced to fund "unrest burials" or make donations to the "struggle" to show they were with "the people". They were also harassed by activists who regarded them as the personal representatives of capitalism in the townships.

With the change in government policy in the late seventies of actively promoting black business, it was felt that a new approach was necessary to promote small business entrepreneurs in all segments of the population and to give it impetus. The Small Business Development Corporation (SBDC) was subsequently formed in 1981. The SBDC was established as a joint venture between the government and the private sector. The SBDC project manager, Smuts (1986:27), says that whereas the US government was able to take the initiative in the development of US minority businesses, the private sector was best placed to get the ball rolling in this country because of the negative perception of the government.

The progress of the SBDC was noted by the Committee for Economic Affairs of the President's Council (President's Council Report 1984:169) but the Committee expressed misgivings about the SBDC's profit orientation in setting interest rate levels and the emphasis on its function as a provider of finance, to the detriment of the provision of advisory services and other forms of assistance on a wider scale. The importance attached to entrepreneurs as initiators of economic development was one of the considerations that prompted the Committee to emphasise the role of small business in the report. The Committee argued that the promotion of small business was important because it contributed significantly to the development of entrepreneurial talent, apart from facilitating the creation of jobs and income.

The move in South Africa for the entire deregulation of small business — black and white — commenced when the first official document on deregulation was submitted by the Committee for Economic Affairs (President's Council Report

1984:166-174). The Committee presented its report in response to a request by the State President to the President's Council to advise him on measures that restricted the effective functioning of a free-market-oriented economic system, with due allowance for the plural composition of the population of the Republic of South Africa. The Committee accepted as a basic premise that freedom and equity are best served by a system based on private enterprise or the profit motive in which initiative is permitted the maximum scope, provided it does not restrain other individuals from exercising such initiative. Everyone should, it stated, have equal opportunities and, where necessary and as far as practically possible, be supported and assisted to create greater prosperity and wealth through the market system. In order to effect meaningful participation in the economy by the lesser-developed population groups as entrepreneurs and employers, the lesser-developed population groups must therefore experience the advantages of the market system if they are to accept it. The Committee argued strongly for the development of a cadre of entrepreneurs, stating that the development of a larger entrepreneur cadre is of the utmost importance in creating opportunities for greater participation in economic activity by the lesser-developed population groups.

The Committee felt that attention should predominantly be directed at measures and factors which obstruct the worker, the entrepreneur and consumer of the lesser-developed population groups from full participation in the market economy in order to appreciate the advantages and responsibilities of the system. Some of the important recommendations were:

- That in the evaluation of the economic system the welfare of the entire community be given priority and not that of a specific group or groups.
- That built-in measures which favour one group at the expense of another must be avoided.
- That all individuals, regardless of the group identity, should have equal opportunities to make a productive contribution to economic activities and thus a corresponding claim on the products produced.
- That equivalence among all businessmen had to be obtained.

It was recognised in the report that the extent to which discriminatory, racial principles were embodied in legislation further restricted economic entry and participation of the black business community. Special mention was made of the Group Areas Act.

In a further investigation into the small business sector, with specific reference to the factors that retarded its growth and development, the National Manpower Commission (1984:48-51) recommended that regulations in terms of the Blacks (Urban Areas) Consolidation Act 25 of 1945, which placed a large number of restrictions on black entrepreneurship and commercial enterprises in black residential areas, be revised. These restrictions included that the prospective businessman or all the shareholders of a company had to be black, and the premises for conducting any business had to be allocated to the black businessman by the Administration Board or Community Council concerned. The Commission found that the Administration Board exercised wide arbitrary powers. The following were alleged:

- Business premises were awarded arbitrarily without taking business economic considerations into account.
- Applications by businessmen were postponed or refused without reasons.
- Premises other than those applied for were allocated, often without the necessary services.
- Restrictions were imposed on the alteration and improvement of premises.

The Commission further recommended that in the legislation measures as well as the application thereof, there should be no discrimination at all on the grounds of population group, and that all population groups should be treated in a similar manner. It was also pointed out that legislation that regulated and that could directly or indirectly influence the activities of the black businessman should not be based on the realities of his white counterpart's business community but on matters relevant to the functioning, development and problems of the black business sector itself.

Deregulation was taken a step further in 1985 when the Committee for Economic Affairs (President's Council Report 1985:95-114) recommended, inter alia, the following:

- Consideration should be given to the effects which policy measures may have on small business.
- The principle of minimum restrictions on entry should be consistently applied.
- No person should be barred from economic participation on the basis of race or colour.

The Committee identified the Group Areas Act and the Blacks (Urban Areas) Consolidation Act in particular as offending statutes as they deny Asian, black and coloured businessmen and potential businessmen access to the economically dominant areas of the country. Regrettably the Committee came to the conclusion that it would not be able to reach consensus on the principle of the Group Areas Act. However, the Committee took cognisance of the fact that the Act was being investigated by the President's Council. As far as the Blacks (Urban Areas) Consolidation Act was concerned, the Committee recommended that influx control as implemented in accordance with this Act be abolished. This Act, and the regulations made under these statutes, applied specifically to black traders. This legislation, the Committee stated, should be critically examined and amended to bring about a situation where black businessmen are governed by measures which are equivalent to the provisions applicable to whites.

1.2.2.3 Period 1986 to April 1994

The Race Relations Survey (1986:11-14) reports that in April 1986 the government published a White Paper on urbanisation which accepted the permanence of black people in South Africa. The White Paper coincided with the repeal of most of the pass laws as implemented by influx control in terms of the Blacks (Urban Areas) Consolidation Act. In addition, full property ownership rights in black townships came into effect.

The desegregation of trading areas took a step forward when the central business districts in Johannesburg and Durban were opened for trading by all races in 1986. This meant that members of all population groups could now freely obtain occupation and ownership rights of premises in the proclaimed area. By the end of 1986 a total of 29 central business districts had been opened to traders of all races.

In 1986 the momentum of the lobbying force on deregulation of small business was initiated and maintained by the Sunnyside Group, an association of approximately 40 agencies representing nearly 150 000 small businessmen with the aim of promoting small business development. Butler (1989:65) says that the main aim of this group was to formulate a set of proposals on small business, the informal sector and the unemployed, that were to be presented to the government. The proposals formulated were that:

- The government should appoint a commissioner for small enterprises to act as an intermediary ombudsman between such enterprises and legislative authorities at local, provincial and central government level.
- Regulations currently in force should be listed in terms of their impact on a small enterprise.

After a meeting with government officials in 1988, it was decided that the Sunnyside Group and the Competition Board would jointly endeavour to fulfil all the roles proposed by the Group and to achieve the same objectives that had been set out in the proposals. The chairman of the Competition Board would fulfil the role of the proposed commissioner (intermediary ombudsman) and the Sunnyside Group would continue to act as the lobbying force on behalf of small enterprise.

The promotion of small business was also stressed by the National Manpower Commission (1991) which notes in its report of 1991 that the restrictions referred to in its 1984 report still existed. The Commission emphasised the fact that small businesses should be accommodated owing to their peculiar business circumstances such as the following:

- Small businesses usually pay more for their inputs since they cannot buy in bulk because of their lack of purchasing power and because they usually have little influence over the price of their output.
- Small businesses are considered a higher risk by financial institutions and finance is therefore provided at a higher interest rate. This contributes to their lack of capital.
- The production and marketing processes of small businesses, in particular, are adversely affected by the lack of managerial and entrepreneurial talent.
- Small entrepreneurs often experience a lack of knowledge about administrative functions such as the calculation of expenses.

The repeal of major apartheid laws in 1991 helped pave the way for multiracial constitutional negotiations which began in December 1991. These developments ultimately impacted on black business (Race Relations Survey 1991/92:171). The Group Areas Act and other major statutory pillars of apartheid and discrimination were repealed, paving the way for black business to operate freely for the first time. However, the relaxing of the political controls and the attempts to normalise political dissent resulted in the use of organised mass action to force political concessions and the implementation of stayaways at national, regional and local levels in support of various demands varying from a call for a constitutional assembly and interim government to protest against grievances.

Although all the remaining legislative barriers had now been removed, black business continued to have to deal with the legacy of apartheid and with the volatile political situation which had undermined economic growth and stability (Race Relations Survey 1991/92:172). The boycotts had affected township business as wholesalers had been unable to obtain access to many townships, and prices had escalated to offset the risks of entering the townships due to the violence. Other problems experienced by black retailers during this period in 1991 included the establishment of large supermarkets on the peripheries of townships and the emergence of the informal sector which competed with these businesses, as well as the reluctance of major institutions to grant loans to black businessmen because they were considered a high risk. Businesses destroyed during the violence were usually not insured, resulting in heavy losses.

In the years that followed, when the country was being introduced to democratic principles, the focus of the transformation was on the empowerment of the disadvantaged to participate as equals in a single South African economy, with affirmative action becoming a top priority (Race Relations Survey 1993/1994:173).

The National Affirmative Action Alliance was launched in January 1993 to spearhead, facilitate and monitor the effective implementation of affirmative action initiatives in the private and public sectors, in order to implement practical steps to eliminate inequalities which had been created by deliberate design. According to Weiner (1993:6), affirmative action implied laws, regulations, administrative rules, court orders and various public interventions and private actions, to provide certain public and private goods such as admission to schools and colleges, jobs, promotions, business loans and land rights to people from disadvantaged groups, in order to achieve equality among these groups.

Nafcoc resolved in 1992 (Report 1992) that it should demand greater participation for black people at all levels of the economy, among other things, affirmative action legislation, support mechanisms for black business, and a small business administration department which could provide soft loans and technical assistance to black business.

1.2.2.4 Period April 1994 to date

South Africa's first all-race election took place in April 1994. The African National Congress (ANC) won the election with the support of 62,6 percent of the electorate (Race Relations Survey 1994/1995:327).

The Reconstruction and Development Programme (RDP), spearheaded by the ANC-led government was an initiative to normalise South African society and its economy (Portfolio of black business in Southern Africa 1995:33). Various groups came together to look into questions of macro-economics, black business, education, health, housing, land, electrification, water, youth, women, and so on. The RDP thus became a broad policy framework of integrated economic and social change. It was also suggested by business organisations such as Nafcoc that the RDP should be business-friendly and should not allow for government intervention in the running of business organisations; rather the role of the government should

be to create an environment for markets to operate more effectively (Race Relations Survey 1994/1995:174).

The ANC undertook the restructuring of the SBDC in order to provide adequate finance to meet the needs of small business to:

- Ensure availability of properly serviced sites for small traders and informal markets.
- Offer training to small business in management, accounting, marketing and production.
- Ensure equal access to loan capital, credit, licences and sites.

According to Legodi (1994:4) most black traders were at a disadvantage when they applied for loans from banks because they lacked collateral. He called for the relaxation of the stringent requirements affecting black businessmen and a restructuring of credit criteria because existing criteria had served only to meet the needs and sophistication of whites.

However, Tsita (1994:15) maintains that it is a misconception that insufficient capital is a major reason for the failure of black business in South Africa. Rather, cash-flow problems have been a symptom of a situation where a small businessman has too many debtors and an inadequate credit control system. Furthermore, he says, black businesses have a tendency to enter overtraded industries such as retail, hairdressing or transport instead of identifying gaps in the marketplace and taking advantage of them. In addition, black businesses lack sufficient management and technical expertise.

The current president of Nafcoc, Hlongwane (1994:5) promised that Nafcoc's manifesto on black business would outline how government could play an enabling role to ensure widely spread management and ownership of business in South Africa. Favourable treatment should be given to black-owned business and joint ventures. It should include measures such as the redirection of spending by government institutions, subcontracting of work to black businesses, provision of incentives to black-owned companies in the private sector, and the expansion of retail outlets to townships.

Subsequently in 1996, to promote black economic empowerment, Anglo American signed away control of Johnnic to the National Empowerment Consortium in 1996, with Cyril Ramaphosa as the chairman of Johnnic (*Sunday Times* 1996:5). By August 1997, 32 000 black investors had been awarded shares in the Johnnic Ikageng share scheme, with Nozala Investments, a black-led women's investment group, acquiring 35 percent (*Business Times* 1997:3). In 1997 the country's largest black-controlled company, New Africa Investments Ltd (Nail), was seeking to expand its interests in cellular phone group MTM and *The Sowetan* newspaper, as well as restructure its extensive financial services interests (*Business Times* 1997:1). The Rembrandt Group has also joined forces with Nail to win control of a significant stake in Gold Fields of South Africa (Lunsche 1997). The majority black-owned merchant and investment banking firm, DLJ Pleiade, has launched a R1 billion private equity fund which will invest in established small to medium-sized unlisted companies (Sikhakhane 1997). In August 1997, 17 black-owned companies had been listed on the Johannesburg Stock Exchange (Lunsche 1997).

In the above discussion (in sec 1.2.2) it became evident that during the years up to 1976, the plethora of restrictive measures retarded the development of black businessmen. Some of the severe measures with an adverse effect on the development of the black retailer were:

- He could only carry on business that met the daily essential needs of township residents.
- The establishment of partnerships and companies was prohibited.
- He was not allowed to trade in white cities.
- Buildings for business activities had to be erected by the local authorities.

After 1976 many of these restrictive measures were lifted. Black business and retailing were actively promoted. However, the black businessman had to contend with frequent violence although the boycotts initially benefited township business.

In 1986 the process of deregulation was initiated and resulted in the repeal of legislation restricting the economic entry and participation of the black business

sector, the most significant being the abolishment of influx control. In 1991 the Group Areas Act was repealed. During 1993 the focus shifted to the empowerment of the disadvantaged to participate as equals in a single South African economy and affirmative action was implemented to address socio-economic inequalities in all spheres of society.

After the April 1994 democratic elections, the focus was on reconstruction and development initiatives to redress the imbalances of the past. The disadvantaged position of black business, however, had retarded the development of the present black businessman and curtailed the expansion of black business activities.

The present situation of black business, with reference to black perceptions of the economy and the present marketing perception and business knowledge of black retailers, will be dealt with in the next section.

1.2.3 The present situation of black business

1.2.3.1 *Varied perceptions and other characteristics of black business*

Van den Berg (1984:103-104) argues that the discriminatory measures of the past were responsible for the present situation of a developed white economy based on a capitalistic system and an undeveloped economy in the black areas characteristic of a socialistic rather than a capitalistic order. Because the mobility of the black person was restricted, the development of black business communities had been retarded. He found that most black people associated free enterprise with apartheid and discrimination and that their perception of free entrepreneurship was confused with elements of Socialism. The Free Market Foundation of South Africa (1982:22) confirms these views by stating that an increasing number of black people described themselves as Marxist, Socialist or Communist. However, when asked which politics they advocated, in a survey conducted by the Foundation, their answer was overwhelmingly consistent with the free market's position of capitalism. The Foundation maintains that the economy had been based on ethnic socialism with extreme protection of the larger, white-owned businesses whilst actively and passively preventing the emergence of new businesses owned by black people.

In support of these views, Butler (1989:50) stresses that the disadvantaged situation of the black businessman in South Africa was the result of the continuous interaction between socio-economic and political forces over the last century. This had led to the establishment of separate black residential areas and the restriction of business development in these areas with the economic resources and the acquisition of skills being reserved for the benefit of the white population group. Butler further adds that the lack of occupational advancement among black people had led to the development of an occupational hierarchy of white professional managerial and skilled workers and black unskilled workers which had a direct impact on the ability of black entrepreneurs to establish themselves successfully as they inherently lack training and experience in the required fields of operating a business. Van den Berg (1984:50) maintains that the disadvantage of black entrepreneurs was not so much attributed to a lack of formal education but more a lack of practical experience and formal business training.

Hofmeyer (1983:20-22) contends that there is a belief that black people lack the necessary entrepreneurial attitude or ethic, as well as the ambition, initiative and dependability for success. Whereas whites are raised in a culture geared to a career in business, the environment in which black people are raised often does little to assist them with their later adaptation to the business world. In addition to the cultural problem, he adds, there is also a belief that black businessmen lack the education, technical and professional knowledge and experience to be successful. Hofmeyer, in questioning these two beliefs, argues that a more plausible reason for the lack of success of the black entrepreneur is to be found in the policies of discrimination and that an analysis of the arguments which are based on cultural and educational differences in effect reinforces this view. In addition, he says, government policies of separation had led, understandably, to a lack of commitment on the part of the black people to issues such as free enterprise and economic success which they see as only really benefiting the white population.

According to Gama (1986:31), black business was further curtailed by the perception of the black entrepreneur as being a capitalist, bourgeois, elitist and even apolitical. Even organisations such as Nafcoc have been labelled capitalist and part of those organisations which retard the "struggle".

The discriminatory measures of the past have resulted in a negative perception by black people of business integration between black and white businessmen thereby inhibiting the transference of skills from white to black businessmen. According to Van den Berg (1984), Mafuna (1986) and Ntoula (1989), social networking, which is a way of life in the black community, is one of the biggest assets that black businessmen have not fully exploited. Black and white businessmen who are fully familiar with their own particular environments could network ideas and opportunities to their mutual benefit. However, there is a general reluctance on the part of black businessmen to join hands with their white counterparts thus impairing the transfer of technology and skills to black businessmen. Black-white partnerships in the form of 51/49 companies but where, in terms of the regulations, black shares must be 51 percent, are viewed with suspicion by the black community. If black customers know that white capital is involved in a business, the risk of fire and intimidation is greater. Ntoula (1989:9) feels that the integration of black and white business sectors is a long-cherished ideal of many organisations but could take a long time to achieve because of negative political perceptions among black people. He stresses the need for transference of marketing skills through joint ventures between black and white. Cognisance should be taken of the black person's comprehension level of business concepts and his ability to relate it to the "hands-on" and day-to-day operations of his business, and in particular his perception of marketing. Although there have been changes in the dispensation, secondary research shows that these perceptions have not changed since April 1994.

The concept of business integration (*Financial Mail* 1986:96) is also a driving force behind much of the work of the SBDC. Whites, for example, are helped to get a comprehensive picture of available black suppliers. However, many business initiatives are not perceived by the black businessmen in the right light because of the political affiliations of the SBDC to the government, a major obstacle to black business development in the past. Since 1995, however, the SBDC has been known as SBDC Ltd, with the government having only 20 percent of the shares as opposed to 50 percent previously. Whereas in the past the SBDC was involved in training, the SBDC Ltd now mainly concentrates on financing small and medium (SME) enterprises, not micro enterprises as before, and grants loans from R50 000 to R3 million (SBDC Ltd 1997).

In 1995 the President's Conference on Small Business gave rise to a number of government interventions. The National Small Business Council (NSBC) was subsequently formed as a statutory body charged with looking after the interests of the small business sector and advising the government on small business development (Kobokoane 1997a:1). Although it plays only a facilitating role for its members, it can intervene in identifying opportunities and policy deterrents to small business development. Essentially, the most critical challenge facing a lobby institution representing the interests of its small business members, remains how to address the question of access to funding for SMEs, in particular black-owned businesses. The Ntsika branch of the NSBC focuses on training, while the Khula Enterprise Fund provides wholesale finance to retail institutions. In 1997 the NSBC was also planning to start an Enterprise Development for Growth and Equity (Edge) campaign in an effort to boost the competitive edge of the sector through entrepreneurial development. The key elements of the strategy will be building up capacity at small business chambers so they can participate in the development of the local economy.

The extent of black business in the townships is limited. By definition, black business is small business although it would be dangerous to say that small business is black (Rammala 1989:8). The number of business enterprises in black townships is also limited. Even in a large township like Soweto with a population estimated at two million, the number of licensed businesses is low. These enterprises also largely tend to be of the variety of the general dealer at the corner specialising in convenience goods. In most black residential areas, businesses are scattered throughout the whole area. Only in the newer black residential areas are the commercial sectors properly planned and developed. According to Van der Merwe (1986:22), the black traders do not have the funds to locate in these commercial sectors and white developers do not have the confidence to invest in these strife-torn areas.

In 1982, according to Kroon (1986:15), there were 7 555 black businesses catering for over four million people in the townships in the Republic of South Africa. General dealers constitute over 40 percent of all black business in South Africa. It is evident, he says, that there are too many traditional general dealers in black residential areas. In most black township areas there are very few registered service industries or shops catering for durable goods. Kroon maintains that there is a great need for a variety of purchasing facilities in most black

townships. There is a need, among other things, for large supermarkets, butcheries, cafés, restaurants and pharmacies in the larger black residential areas. The population growth and the increase in purchasing power of black consumers create a great need for large supermarkets and other facilities which could provide durable goods and services.

According to the latest BMR Register compiled by the Bureau of Market Research (1997:20-21), there are currently 36 748 registered retailers (by SIC code) in South Africa. The number of grocers and dealers in foodstuffs as well as general dealers amounts to just over 9 000. However, because many retailers in the townships are not registered, the Bureau of Market Research is of the opinion that the total number of retailers in South Africa could be in the region of 100 000. A study conducted in 1996 amongst the spaza owners in the Cape Town townships of Langa, Nyanga, Crossroads, Gugulethu and Khayalitsha, for example, indicated that the total value of the spaza market in Cape Town could be more than R2 billion, based on a conservative estimate of 10 000 spaza shops in these five townships (Samra News 1997:11).

With regard to the informal sector, Paton (1997:1) refers to recent figures compiled by the Department of Trade and Industry's Ntsika, revealing that the informal sector is far smaller than estimated, since the number of people involved in "survivalist enterprises" was found to be as few as 194 950. These enterprises include hawkers, vendors and subsistence farmers who generate income below the poverty line. A further 259 250 people are the sole members of viable micro-enterprises such as spaza shops, the taxi business and household industries. It has also been found by Ntsika that fewer than half a million people work in one-man enterprises and only about 900 000 are employed in unregistered enterprises in the popularly dubbed "informal sector", contradicting earlier estimates compiled by the Central Statistical Service which put informal sector employment at 1,7 million.

Some authors (Nel 1982; Kroon 1986; Ntoula 1989) maintain that the black businessman cannot attract black consumers because he finds it difficult to compete with the white businessman and with his limited knowledge of marketing he does not cater for the needs of his customers. The attitude of the majority of consumers is also unfavourable towards the existing purchasing facilities in the townships. The most important reasons for this are high prices, stale products and limited variety.

Nel (1982:12-13) refers to the purchasing behaviour of black consumers, arguing that black businessmen could attract the rapidly growing black purchasing power to their own businesses if they took note of the preferences of their people in the marketplace. He quotes various factors (listed below) of importance to black consumers, which were determined by various surveys conducted by the Bureau of Market Research among black people in Johannesburg and Pretoria.

- **Self-service.** For most of their purchases black consumers prefer self-service outlets where they have the opportunity of selecting the products themselves, comparing prices and saving time if they wish. Self-service retailing is considered to be more suitable for groceries, which is one reason why the well-educated, upper-income groups prefer white shops.
- **Proximity.** The majority of black consumers prefer to shop near their homes because of convenience. Because they lack transport, many of them have to walk to and from the shops, carrying their purchases. Proximity of shops to the home has the added advantage that small quantities of foodstuffs may be bought as frequently as needed and with little waste of time. The time and cost involved in travelling the relatively long distances into cities are further points in favour of township shops.
- **Price.** There is a fairly general belief among a large section of the urban black population that they are being exploited by black businessmen. They mention mainly high prices and fluctuating prices that vary from shop to shop and from day to day, and the fact that prices are not marked on goods.
- **Quality.** There is a negative attitude towards the quality of goods, especially foodstuffs sold in township shops. People are resentful when they are expected to pay high prices for stale or substandard goods.
- **Variety.** The limited variety of goods available is a point of criticism levelled at township shops.

In the discussion above (in sec 1.2.3) it became evident that restrictions of the past had retarded the development of black business and clouded the perception of black people of the economy. The black businessman has not been able to

acquire the necessary knowledge and skill for operating a business because of factors such as lack of education and experience in the business world. Business integration is also virtually nonexistent owing to negative political perceptions among the black community with the result that no business knowledge is transferred from white to black businessmen. The extent of black businesses is also limited, hence the black retailer finds it difficult to attract black customers. The black retailer's knowledge of marketing is particularly limited as he fails to take note of his customer's needs.

The restrictions limiting the growth of black business have now been lifted and the economic empowerment of black business has become the focus of the new government. However, the negative legacy which the restrictions have had over generations of black businessmen attempting to enter the marketplace, remains. It is therefore necessary to focus the investigation on the extent to which the black retailer's present general ability to compete in the business world has been impaired.

1.2.3.2 Business knowledge of the black retailer

In the previous section it was pointed out that the discriminatory measures of the past had retarded the development of black business and the black retailer in particular. In this section the extent of the black retailer's knowledge and skill of operating a business and, in particular his perception of marketing as a business function, will be scrutinised from the viewpoints of the most prominent researchers in this particular field.

■ **Lucas GHG.** In a research investigation into shopping facilities for black people in South Africa, Lucas (1974:177-189) found that at least 50 percent of the disposable income of the urban black consumer was spent at the shops of white retailers in the cities. It is therefore apparent that black retailers in the townships are not obtaining as much business as could be attracted to them.

Lucas identified the most important reasons why the black retailer is at a disadvantage and listed the following main problems:

- Black retailers have very little knowledge of conducting a business and are not acquainted with basic business principles.
- They are ignorant of buying methods and techniques and of selecting stock of certain quality.
- They are not aware of the latest products available from wholesalers.
- They know little about buying direct from manufacturers.
- The retailers do very little to determine the needs of the customers and stock their stores accordingly.
- Their knowledge of merchandising and various sales promotion methods and techniques is extremely limited. The sales promotion that is undertaken is done mainly by the suppliers themselves who supply the advertising material used within and outside the store.
- Their lack of marketing knowledge is part of a much wider problem which is, in most cases, their inadequate standard of general education.
- They have limited knowledge, if any, of bookkeeping and do not appreciate the importance of doing a regular "stock take".
- They are not concerned with the problems that can be avoided if tight control is kept on their cash flow.
- Very often they have problems because they have only limited capital at their disposal and that which they have is not employed in the most effective manner. When additional capital is required, they do not know how to set about obtaining it or using it effectively.
- The concepts of partnerships or private companies are foreign to the black retailer.
- Many black businessmen consider it unnecessary to have a large amount of capital because they do not own their own premises (legislation only allowed

black merchants to rent premises in the townships). They find it difficult to compete with the more spacious and attractive facilities that black shoppers encounter in the white areas. The shops in the townships were erected by local authorities and supply only the barest minimum facilities. It is therefore not surprising that black consumers complain about the facilities in the township shops.

- **Smith NJ.** Smith (1981:210-221) conducted research in Lebowa among black retailers, focusing on general dealers who represent the largest portion of entrepreneurs. The aim of the study was to give a representative view of the managerial capabilities of black general dealers and to indicate specific matters which should receive attention when training them.

It was found that although the black retailers indicated that lack of capital was the most important restriction on business success, poor management skills were in fact the real problem. The most important findings of the research on black retailers were the following:

- **Location.** Retailers gave too much attention to personal preferences instead of sound business economic criteria in their locational decisions. They tended to locate where their families and friends were living while buying power, market potential and competition were not adequately researched. In addition to the location, the buildings were also neglected. The neatness and general appearance of the businesses were negatively affected by inadequate supplies of water and electricity. There were no name plates outside the building; floor covering and the finish of the building were neglected. These factors deterred the black middle class from purchasing in these shops. The retailer did not seem to realise the importance of these factors for the success of his business.
- **Organisation.** The majority of retailers were sole proprietors and tended to centralise authority and responsibility in themselves. They did not make use of the advantages of partnerships and companies, thus hampering the mobility of capital. In most cases, sales were over the counter and hardly any self-service outlets were found. The main fear of self-service was theft. Service to customers was poor as shop assistants were not familiar with the

products and this hampered the selling process. Staff were not trained and had no benefits, hence they displayed no loyalty to the owner. The owners were also not keen to train the staff because they feared they would lose them.

- **Purchasing management.** The purchasing objective of buying at the lowest prices those products which give consumers most satisfaction, was not adhered to. Retailers bought small uneconomic quantities and no buying investigation trips were undertaken. They were not geared to research new customer demands, and goods bought were therefore mostly staple necessities which had proved to be good sellers. The retailer did not make use of the comparative advantages of knowing his customers' needs any better than his competitors. Stock control was poor and as they bought small quantities, their prices were higher. Cost price, date of purchase and other relevant information which could facilitate future negotiations were not taken into account.
- **Financial management.** In most cases no bookkeeping was done by the retailer and no financial records were kept. No formal profit planning was done and no objectives were set. When asked why they needed capital, they could not explain what they wanted to do with it.
- **Marketing management.** Price was found to be one of the main selection criteria of the black consumer. However, the retailer's prices were generally too high. In spite of the low-price image of the retailers, prices were not competitive. Consumers therefore bought only essentials from these dealers and the rest from white dealers in areas much further from their residential areas. The black retailers also had problems with cost-plus pricing as they did not understand the difference between fixed and variable cost. They did not have specific profit objectives, never allowed for possible discounts and simply added an amount to the cost price which they then considered a good selling price. As a rule, the retailers did not reduce prices, and when they did, it was not advertised. No attention was paid to any promotional activities. They only used the material supplied by the wholesalers, and the advertising was thus not related to the qualities of the store. In-store layout, decor and lighting were poor and inadequate. Shop hours also did not suit the customers as most of them were commuters.

Smith concluded that the black retailers lacked the necessary business knowledge and skill to operate a business successfully and that basic training was essential to assist them to survive.

■ **Kroon J.** In an investigation into black businesses in the Republic of South Africa, Kroon (1984:116-145) referred to some of the external factors influencing the success of the black retailer:

- **Building, premises and rent.** The buildings and premises were inadequate and in most cases the retailer had to pay exorbitantly high rent.
- **Distribution of businesses.** There were very few properly developed business centres, hence most of the businesses were spread throughout the black residential areas. This had a significant influence on the success of the business.
- **Other restrictions.** These included lack of capital, burglary and pilferage.

Kroon pointed out the internal factors curtailing the success of the black retailer:

- **Opportunities.** The retailer was unable to identify and utilise opportunities.
- **Partnerships.** There were only a few partnerships between black and white businessmen because black people do not wish to be dependent on whites. They did not appreciate the advantages of capital and training and there was a feeling of mistrust on the part of the black retailer.
- **Purchasing management.** Most of the businessmen were general dealers. They purchased on a weekly basis and there was no pattern in their purchases. In most cases no inventory planning and control systems existed. Owing to the shortage of capital, the inventory levels were low.
- **Shop layout.** Shop layout was not planned and they did not pay much attention to displaying their merchandise. Most retailers wished to increase

turnover. However, unless they paid attention to shop layout, decor and a more attractive interior of the shop, this would never materialise.

- **Advertising.** They did not appear to realise the importance of advertising. In most cases they did not have a need or the funds for advertising and regarded it as a waste of money, contending that the wholesalers rendered good service in this regard.
- **Exterior of the business.** The exterior of most of the businesses created the impression that the business was run down and unsuccessful. Window displays were not utilised to their potential and the name of the business was not displayed at all.
- **Financial planning.** They seemed to be confused with the terms “working capital” and “capital”. They had a shortage of working capital which limited product variety.
- **Personnel management.** The retailer did not know what methods to use to motivate personnel and in most cases he was not in a position to do so. The personnel could not manage the business in his absence. Staff turnover was also exceptionally high.

■ **De Coning C.** De Coning (1984:1-10) conducted an investigation into the formal black business sector in the Greater Soweto area. His two main objectives were to research the external factors influencing the location and success or failure of black retailers and to investigate the internal management practices and problems of black retailers.

De Coning referred to some general characteristics of the formal black business sector:

- More than 90 percent of all formal businesses were general dealers and most of these businesses were very small. There were only a few service enterprises.

- Approximately 77 percent of the businessmen were sole proprietors. There were only a few partnerships and even fewer private companies.
- With regard to school education, only 28 percent of the businessmen had a qualification higher than matric while 63 percent had a standard 8 or lower qualification. Significantly it was found that 28 percent had a standard 6 or lower educational qualification.

De Coning identified the following factors which curtailed the location and success of black retailing in the Greater Soweto:

- The retailer did not know how to acquire capital. He had a negative perception of the 51/49 percent dispensation and did not understand or utilise the advantages of this dispensation in acquiring capital.
- Inadequate school education.
- Lack of experience and training.
- There was a lack of suitable business premises and shops were located badly.
- The retailer experienced competition from inside Soweto and from white businesses in the Johannesburg area. The residents in Soweto purchased their daily essentials from him but a large percentage of their disposable income was spent at white shops outside Soweto.

De Coning identified the problems that the black businessman experienced in the internal management practices due to his lack of business skill:

- **Planning.** The business activities of most black businesses were not planned. Only one-third of the retailers had written or other formal plans for the future. Very few, however, could spell out their objectives and plans for the future, even if they had plans.
- **Staff.** Their turnover was high, which had a negative effect on productivity.

- **Purchasing.** Only 12 percent of the retailers belonged to a central purchasing organisation. Most of the dealers bought their purchases from a specific wholesaler because of price considerations. Payments had to be made within seven days which affected their cash-flow position as they in turn had to grant credit to customers.
- **Inventory control.** Very few dealers exercised inventory control and planning.
- **Profitability.** Most of the retailers regarded low turnover as the main reason why profitability was low. They failed to see that competition was one of the most important factors.
- **Credit facilities.** Most of the retailers were ignorant of credit facilities as they are known in the white business world as very few realised that supplier credit is a source of financing.

De Coning concluded by stating that apart from the capital need, the lack of management expertise was the most important factor curtailing the success of the black retailer.

■ **Butler C.** Butler (1989:31-212) conducted three research studies in 1984 and 1986 into the operations and problems experienced by black businessmen in Soweto, the Cape and Port Elizabeth areas. Butler first of all quoted a research study by the South African Foundation Review in 1988 into the role, activities and perceptions of black businessmen and listed the constraints that hinder the integration of black business into the mainstream of society and economic life as found by the Foundation Review as follows:

- Restricted access to capital
- Inexperience on the part of the businessmen
- The criteria used by white business to assess black business (eg banks)
- The way legislative restrictions on land ownership affected them

- The discriminatory practices in major economic institutions in both the public and private sector
- The competition experienced from established white business
- The bureaucratic obstructions placed by local authorities which result in difficulty in obtaining licences and premises in the townships
- The network of remaining discriminatory legislation still hindering black economic activity

In the three research studies conducted by Butler in Soweto, the Cape and Port Elizabeth areas, it was found that the constraints (listed above) identified by the Foundation Review, were confirmed in each of the three studies. Butler commented as follows on the major problems experienced by the black businessmen in Soweto, the Cape and Port Elizabeth areas:

- **Financial need.** Small firms in general are handicapped in their access to and use of public finance facilities. Disadvantage stems from the general absence of a "track record" in business, at least of a kind congruent with the perception of financial institutions; for example, concerning acceptable levels of risk, security and records maintenance. Financial institutions are sensitive about lending to the black businessman because of his general lack of knowledge. Butler points out that the need for financial assistance is often seen by the black businessman as his main problem when in fact his real problem lies in a lack of understanding of how to manage his business profitably. The provision of financial assistance should therefore not be regarded as a panacea for the problems that beset the black enterprise.
- **Restrictions on freedom.** Restrictions on the freedom to operate a business are perceived as critical. Some black businessmen are not aware of positive changes that have already taken place. Problems are, however, experienced as a result of restrictions on the freedom to make key decisions affecting the location of business. Often, business sites are zoned and licences granted to individuals at the sole discretion of officials administering black urban

development, and often only granted to those who have favourable pro-government leanings.

- **Lack of managerial and business skills/abilities.** Experience and/or expertise are often acknowledged as inadequate; consequently, control or administrative systems are generally found to be rudimentary or non-existent. This was found to be particularly evident in the areas of inventory management, marketing, financial records, credit control and forward planning. According to Butler (1986:62), the Small Business Advisory Board's experience in training and counselling, had shown that the following were recurrent problems shown by black businessmen attending courses:
 - Confusion over fundamental concepts, for example, the meaning of profit, and the fact that a business can lose more money than it actually has
 - Lack of experience in the commercial world
 - Total ignorance of fundamental economic systems
 - Poor arithmetic skills
 - Inability to calculate simple percentages
 - Confusion over the decimal system

- **General business constraints.** The procurement basis for supplies is often a problem for black businessmen. The average size of the business is often too small to permit direct access to manufacturers, which means that intermediaries are used. Frequently these are located outside the black trading areas, and this adds considerably to the cost structure of the trader. Problems also occur with the policy of wholesalers and suppliers demanding cash payment for goods, rather than payment on a 30-day basis. This results in chronic cash-flow deficits which can then prevent growth of the black business. Product range is generally very narrow and subject to intense competition, especially within the community itself, where there is

a proliferation of similar activities. Consequently there is undue pressure on margins and high levels of risk.

- **Civil strife and disturbances.** Civil commotion and frictions in black communities have, in the past, exacerbated the existing environmental problems. These include intensified security hazards, for example damaged communications resulting from road damage or blockage, suspension of public transport services, and the inability or unwillingness of suppliers and clients to move freely into and out of the affected areas.

Butler concluded by saying that the perceptions of the black formal sector businessmen indicated that the major needs for business development are training and the provision of opportunities via financing.

- **Cant MC and Machado R.** In a survey among black businessmen in the Pretoria/Johannesburg area on their ability to adapt to the changes in the environment, Cant and Machado (1990:6-10) focused on the dilemma of the black businessman in an environment which changes at a fast pace, giving him little chance to adapt to these changes.

The most significant findings of this research were the following:

- The majority of the businessmen do not have the necessary experience to operate a business and are more interested in personal survival than in the long-term survival of their businesses.
- Many factors relating to the environment and the lack of understanding thereof are causing problems. More than 80 percent of the businessmen regard the economic climate as "not important" to their business. They fail to see the connection between the business itself and the economic climate.
- When planning a business, the main factor to be considered by the businessmen is the generation of turnover. However, they do not appreciate the correlation between a high turnover and other environmental factors crucial for long-term survival.

Cant and Machado are of the opinion that to get black business to grow or at least to survive, it is important that black businessmen are equipped to this task. Factors which need urgent attention are

- Management skills
- Availability of capital
- Financial management
- Consumer orientation
- An understanding of the economy in the survival of a business

They maintain that training should go back to the basics to ensure that these businessmen have a basic understanding of business principles, know the importance of adhering to these principles, and possess the necessary drive to see it through.

The above six research reports (in sec 1.2.3.2) on the black retailer's knowledge of business revealed that several factors curtail the success of his business. The authors identified the following common factors:

- Lack of capital
- Lack of planning
- Lack of managerial and business skills/abilities
- Inadequate buildings and premises
- No consideration of environmental factors
- No knowledge of the correct purchasing skills
- No inventory control
- Inadequate financial management
- No marketing knowledge

Finally, the provision of financial assistance should therefore not be regarded as a panacea for the problems that beset the black businessman. It is apparent that the real problem lies in a lack of general business knowledge and skills, and in particular, an inadequate perception of marketing.

1.2.3.3 *Organised black business*

As mentioned in section 1.2.2.1, Nafcoc was founded in 1964 when black business felt it needed an organised national body to assist in its development.

Motsuenyane (1990:36), the first chairman of Nafcoc explains that Nafcoc was formed for two reasons: *first*, out of protest against the government for relegating black people to a position of perpetual nonparticipation in both the economic and political life of their own country; and *secondly*, as a response to the challenge which black people faced, particularly in the economic field where every law in the statute book was targeted at confining black people to the position of unskilled labourers whose presence in the urban areas was only needed to minister to the needs of whites.

Nafcoc is an independent and nonprofit business support organisation primarily, but not exclusively, serving the black business community (*African Business* 1995:2). Its main objective is to promote and encourage the development of black business in South Africa and, thereby, draw the black majority into economic activity and decision making. Equally importantly, it aims to promote a spirit of cooperation and unity among black business people, to encourage self-help in the black community and full participation in the economy of the country.

Nafcoc is a federation of nine provincial chambers of commerce and industry which represent black business across the country (*African Business* 1995:2). A total of 218 regional, municipal and township chambers are, in turn, affiliated to the provincial chambers. The highest policy-making body is the National Council, on which the regional and some sectoral chambers sit. The council, which elects the executive committee, meets twice a year to review the organisation's programme. The executive committee is responsible for guiding and supervising the day-to-day operations of the national secretariat of Nafcoc. In addition to the regional chambers, Nafcoc has fostered the development of seven sectoral chambers. These chambers reflect the areas of business, for example, transport, in which Nafcoc members are concentrated.

One of Nafcoc's newest projects (*African Business* 1995:50), is the Nafcoc Management and Leadership Development Centre (MLDC), designed as a

residential training centre for short-term entrepreneurship and management courses. It serves the interests of Nafcoc members and the larger community.

The other significant black business association, the Foundation for African and Consumer Services (Fabcos) was established in 1988 to promote the development and empowerment of black business by providing training, marketing expertise, research skills, management service, and empowerment opportunities to its members, entrepreneurs and communities in the informal sector (Fabcos Annual Report 1996:2). Fabcos acts as a catalyst between formal and informal business by assisting both sectors to participate in mutually beneficial relationships. On a different level, Fabcos strives to influence the government of the day to create conditions that will help the informal sector to develop to its full potential. According to Ngcoya (Fabcos Annual Report 1996:6), the founding president of Fabcos: "Fabcos is a creation born out of the dreams of noble men and women, committed to the development and empowerment of disadvantaged black business".

Fabcos is steered by its national executive council that is elected for a three-year term by the 36-member electorate; a body made up of four elected representatives - chairperson, vice chair, general secretary and treasurer - from each of the nine provinces. In addition to the policy body of Fabcos, directed by the national executive council, the Fabcos restructuring (since 1994) includes two distinct operational entities: Fabcos Section 21 Company, a nonprofit company that was created to focus on the development needs of Fabcos members, and Fabcos Investment Holding Company Limited (Fabhold) which focuses on the commercial and investment affairs of the organisation.

The leaders of Fabcos and Nafcoc were instrumental in forming the Black Business Council in 1997. Deputy President Thabo Mbeki (*Business Mail* 1997:7) was also at the forefront of this attempt to unify the fragmented and fractious black business sector in South Africa. These attempts came to fruition with the launch of the Black Business Council whose aim is to promote the interests of black business. The council will draw together a range of black national, regional, professional and corporate organisations which include Fabcos, Nafcoc, the National Black Business Caucus, the Black Lawyers Association and the Black Management Forum. Each organisation will maintain its own programme and membership, but will meet regularly to discuss matters of common interest.

1.3 REASON FOR THE STUDY AND FORMULATION OF THE PROBLEM

1.3.1 Reason for the study

The nature of legislation of the past retarded the development of the black retailer and prevented him from competing with white businessmen. The most significant result was that he was unable to acquire the necessary knowledge and managerial skills to operate a business successfully.

Since 1986 all of the laws and regulations have been repealed, and after the April 1994 elections the focus shifted to the economic empowerment of black business. However, the effect of these restrictive measures is still evident in the present situation of the black businessman. From the scanning of the literature referred to in the background sketch it is evident that there are various problems peculiar to the position of the black retailer. Apart from his problems with obtaining capital, inadequate business premises and buildings and poorly developed business centres, he experiences severe problems with his general lack of knowledge of managing and operating a business. It is apparent that his knowledge of marketing is particularly limited and has a progressively negative effect on his ability to attract customers, to generate an income, to expand his business, to increase the range of products offered to his customers, on the economic viability of his enterprise and, ultimately, on his ability to compete successfully in the market environment and make a meaningful contribution to the development of the local and national economies.

The impetus for this study arises from the preliminary scanning of the literature which has revealed that the black retailer is at a disadvantage in his knowledge of operating a business. It was also revealed that not much is known about the black retailer's knowledge of business owing to a lack of research in this field.

The government has finally recognised the crucial role of black business in the development of the economy of the country. Black business must be assisted in order to lead to a rapid assimilation of the black business sector into the mainstream of the business life of the country. In order to redress the imbalances and inequalities of the black businessman, possibilities must be explored to ensure the acceleration of his development. The contribution of this study in assisting black business lies in investigating the black grocery store retailer's knowledge and

perception of marketing. It is hoped that once his lack of knowledge and perception of marketing has been revealed, recommendations can be made on how to improve this situation in order to assist him to gain the efficiency required to make a contribution to the country's economy.

1.3.2 Formulation of the problem

The literature study has revealed that owing to the discriminatory laws of the past and other measures, the lack of education and business experience, the black retailer lacks the necessary general knowledge to operate and manage a business successfully. More specifically, his knowledge and perception of marketing as a business function are inadequate. The latter statement will also serve as the research hypothesis for this study.

1.4 OBJECTIVES OF THE STUDY

The research objectives of the study aim, in the *first* instance, at determining what the black retailer knows about marketing and his perception of marketing. This will be determined by means of primary research. *Secondly*, it will be established what the black retailer should know about marketing in order to be successful. This constitutes the secondary research dimension. In this way the discrepancy between his actual knowledge and desired knowledge can be established.

More specifically the research objectives of this study are as follows:

- **The present situation.** The black retailer's present perception of the basic components of marketing as a management function of the enterprise will be investigated. The three components of this objective are: the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix and marketing strategy. Each of these three basic components of marketing management will entail the following:

- **The marketing management process and the marketing concept.** The black retailer's perception of the marketing management process and the

marketing concept, the managerial philosophy that directs the marketing activities of an enterprise, will be determined. The three basic principles of the marketing concept considered for this study are consumer orientation, integrated marketing and profitability.

- **The marketing environment and target market selection.** The black retailer's perception of the marketing environment in which he operates will be determined. This necessitates an investigation of the following basic elements:
 - ***Internal marketing environment.*** It will be established how he perceives the organisational mission, objectives and plans, and how he sees the marketing function in particular.
 - ***Marketplace.*** *Firstly*, the black retailer's perception of his consumers, competitors, intermediaries and suppliers will be investigated. *Secondly*, his knowledge of the macro-environment and *thirdly*, his knowledge of target market selection will be investigated.
- **The retail marketing mix and marketing strategy.** In determining the black retailer's perception of his retail marketing mix, his understanding of the four marketing instruments, namely product, price, distribution and marketing communication will be investigated.
- **The desired situation.** It will be established what the black retailer should know of marketing to operate a business efficiently and successfully. This constitutes the theoretical contribution of the study and will entail an extensive literature study. This also represents the secondary research dimension. Based on the literature study, an attempt will be made to determine what the black retailer should know of the three basic components of marketing management in order to be successful.

Once it has been established what the black retailer knows of marketing and what he should know in order to be successful, recommendations can be made on how

to bridge this gap between the present situation (what he knows) and the desired situation (what he should know).

1.5 RESEARCH METHOD

1.5.1 General

This study focuses on the marketing perception of grocery store retailers belonging to black business associations in Gauteng. In order to determine the black retailer's perception of marketing, the black retailer himself will be approached. For this purpose all retailers belonging to black business associations in the formal sector in the Gauteng area will serve as the population. During preliminary discussions with the management of Nafcoc it was established that approximately 60 percent of all black retailers are located in the Gauteng area. Thus this study would generate meaningful results pertaining to marketing which will be significant to all black grocery store retailers in South Africa. It was subsequently established that Nafcoc was the only black business association with a membership list containing retailers relevant to this study. The mailing list of Fabcos, the only other significant black business association, contained no grocery store retailers, the focus of this study. It was therefore decided to use the Nafcoc mailing list for the empirical part of the study.

In order to achieve the objectives of the study, secondary research will be conducted, followed by primary research.

1.5.2 Secondary research

Secondary information is defined by Kotler and Armstrong (1996:118-119) as consisting of information that already exists somewhere, having been collected for another purpose. The main advantages of secondary data sources are economy and speed, and secondary sources will provide information for the development of the relevant concepts for the primary study. The secondary sources can also be used as a guide to the formulation of recommendations.

An extensive literature study will be undertaken and outlined in chapters 2, 3 and 4 of the study. This secondary research will cover aspects of the fundamentals of marketing which the black grocery store retailer should know about: the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix and marketing strategy. The research will attempt to satisfy the second objective of the study, namely to determine what the black grocery store retailer should know of the basic components of marketing in order to be successful.

1.5.3 Primary research

Primary data consist of information collected for the specific purpose at hand (Kotler & Armstrong 1996:119). Good decisions require good data - therefore care must be taken in collecting primary data to ensure that they provide the decision-maker with relevant, accurate, current and unbiased information. The primary research for the study will be undertaken in an endeavour to achieve the first objective of the study, namely to investigate the black grocery store retailer's perception of marketing as a management function of the enterprise. This includes his perception of the three fundamental components of marketing, namely, the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix and marketing strategy.

The black grocery store retailer will be approached to determine his perception of the above three basic components of marketing. The management of Nafcoc has agreed to assist in locating the black grocery store retailer by providing the names and addresses of its members who operate retail grocery store businesses in the Gauteng area. The required data will be obtained by means of personal interviews with the aid of a structured questionnaire.

The author is aware of the problems that may be encountered in obtaining meaningful answers to a questionnaire from the less sophisticated black grocery store retailer. It will thus be difficult to formulate the questionnaire in such a way that it will be possible to infer the black grocery store retailer's perception of marketing. Therefore the questionnaire will be designed with meticulous care in liaison with the Bureau of Market Research, Unisa, since they have conducted various research

projects in disadvantaged areas. They will be consulted on matters such as the length of the questionnaire, the language to be used and the phrasing of the questions. A letter of introduction from the promoter of this study, Prof JW Strydom, will accompany the questionnaire to overcome resistance from the respondents and to elicit their cooperation. It is hoped that the answers which will be obtained will make it possible to infer the black grocery store retailer's perception of marketing.

In conclusion, the research to be undertaken for this study will attempt to achieve the three objectives of the study. The primary research will satisfy the first objective, namely to determine the black grocery store retailer's present perception of marketing as a management function of the enterprise. The secondary research will satisfy the second objective, namely to determine what the black grocery store retailer should know of marketing. Once these two objectives have been satisfied, it is hoped that the discrepancies between what the black grocery store retailer should know of marketing and what his actual perception of marketing is will have been revealed. In order to bridge this gap between what he knows and what he should know of marketing, recommendations will be made.

1.6 SCOPE OF THE STUDY

From the research method the scope of the study is clear. The black grocery store retailer's perception of one management function of the enterprise, namely the marketing function, will be investigated. The black retailer who is a member of Nafcoc and operates a grocery store business in the Gauteng area will be investigated. This represents the primary research dimension of the study.

It is necessary to define the term "black grocery store retailer" as it will be used in this thesis. Van der Walt, Strydom, Marx and Jooste (1996:282) refer to retailing as consisting of the final activities and steps necessary to place products in the hands of consumers or to deliver services to consumers. Thus any enterprise which sells products or delivers a service to the final consumer is in effect a retailer. Services will be excluded from this study as they are more informal and intangible. Since it is difficult to identify services in the market in which the black grocery store retailer operates, this study will concentrate on those black retailers dealing in products because products are more formal, and the

retailer has a fixed address and carries inventory. According to the Central Statistical Service (CSS) (1993:140), retail trade in nonspecialised stores is defined as those "stores engaged in retail trade in a variety of new goods of which food, beverages and tobacco are predominant. This kind of activity is usually carried out by so-called general stores which, apart from their main sales of groceries, have several other lines of merchandise such as wearing apparel, furniture, appliances, hardware, cosmetics etc". This study will thus focus on the black retailer who owns a grocery store selling mainly food, beverages and tobacco products to the final consumer, and who also keeps several other lines of merchandise.

The secondary research dimension will cover the fundamentals of marketing, namely the marketing management process and the marketing concept; the marketing environment and target market selection; and the retail marketing mix.

1.7 ORIENTATION TO THE STUDY

In view of the research method given in the previous section, the chapters envisaged for the study are as follows:

Chapter 1: Introduction to the study

This chapter contains the background sketch, the research problem, the objectives of the study and the research method that will be followed.

Chapters 2, 3 and 4: Literature study

In chapters 2, 3 and 4 aspects of the fundamentals of marketing which the black grocery store retailer should know about to enable him to operate a business successfully, will be detailed. Chapter 2 will contain the marketing management process and the marketing concept, the managerial philosophy which directs marketing activities of the business; chapter 3 the marketing environment in which the black grocery store retailer operates, as well as the selection of a target market; and chapter 4 the retail marketing mix and marketing strategy which the black grocery store retailer should follow in order to be successful. These three chapters will be based on an extensive literature study and constitute the secondary research dimension of the study.

Chapter 5: Research methodology

The approach to be followed and the type of primary data that will be collected will be outlined in this chapter. The data will be collected by means of personal interviews with the aid of a structured questionnaire. The questionnaire will be designed to collect data on the black grocery store retailer's perception and knowledge of the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix and marketing strategy in order to evaluate his present knowledge and perception of marketing.

Chapter 6: Analysis of the research results

The findings of the empirical research will be presented. These findings will refer to the knowledge and perception of the black retailer of the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix.

Chapter 7: Conclusions and recommendations

The findings of the research results will be interpreted, conclusions will be drawn, recommendations will be made, and areas of future research will be indicated.

CHAPTER 2

THE MARKETING MANAGEMENT PROCESS AND THE MARKETING CONCEPT

CHAPTER 2

THE MARKETING MANAGEMENT PROCESS AND THE MARKETING CONCEPT

2.1 INTRODUCTION

A study of the black grocery store retailer's perception of marketing requires that his knowledge of the marketing management process be explored in order to draw inferences about his understanding of the marketing task which, in essence, is the continuous process of planning, implementing and controlling the marketing activities, and ultimately the marketing strategy. The marketing management process thus begins by determining consumer needs, finding attractive marketing opportunities, and ends with serving the consumer demand (Lucas 1989:36).

All the prominent researchers, referred to in chapter 1 (see sec 1.2.3.2), who had investigated the black retailer's knowledge of marketing, stressed the inadequate marketing skills of the black retailer. It was revealed, among other things, that the black retailer did very little to determine the needs of his customers and stock his store accordingly; that he was not geared to researching new customer needs; and that he simply bought products which had proved to be good sellers.

In order to determine whether the black retailer has adopted marketing principles and practices, it is further necessary to explore his understanding of the marketing concept, a philosophy of management directing the marketing and other business activities to such an extent that the primary objective of the organisation is accomplished through consumer satisfaction. Although it was noticed that no specific mention was made in the research reports (see sec 1.2.3.2) of the black retailer's comprehension of the marketing concept per se, these findings point to a total lack of understanding of this concept. At this stage of the study it therefore appears that the black retailer is not focused on a marketing orientation, thus the marketing concept notion is still foreign to him.

This chapter details the marketing management process and the development of a business philosophy which ultimately gave rise to the marketing concept. The marketing management process is dealt with in the next section, against the background of the nature of marketing.

2.2 THE NATURE OF MARKETING

2.2.1 Marketing defined

Marketing is an important and wide-ranging task of any organisation which must succeed, at all costs, to survive and grow in a highly competitive market. It is the bridge between the organisation and its environment, bringing into contact the organisation and its market, providing an input in the development of the organisation's mission and strategies, and helping to correlate the resources of the organisation and the demands of the market. It is therefore necessary for the marketing task in these organisations to be properly planned, implemented and controlled.

Anderson (1991:127-142) quotes the American Marketing Association's officially sanctioned definition of marketing which is, he says, simply the direct translation of the marketing concept into a managerial process:

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

This broad definition of marketing takes into account all parties involved in the marketing effort: members of the organisation that produces goods or services, resellers of the goods and services (such as retailers), and customers or clients. The objective of marketing is to create exchanges, a process in which two or more parties provide something of value to each other. These exchanges take place within a market which consists of the individuals and organisations with the desire and ability to purchase a particular product or service. The overall goal of marketing is thus to facilitate highly desirable exchanges and to minimise as much as possible the costs of doing so.

The definition of marketing clearly identifies marketing as a process. Within most organisations this process is the responsibility of marketing management.

2.2.2 The marketing management process

2.2.2.1 *The marketing management process defined*

To carry out their task, marketing managers follow the marketing process. Kotler and Armstrong (1996:44) define the marketing process as:

The process of analyzing marketing opportunities; selecting target markets; developing the marketing mix; and managing the marketing effort.

The marketing management process is depicted in exhibit 2.1 below.

EXHIBIT 2.1 THE MARKETING MANAGEMENT PROCESS



Source: Adapted from Lucas (1989:35)

From exhibit 2.1 above it is evident that the marketing manager is responsible for all the managerial tasks in marketing, namely planning, implementation and control of the marketing activities, and ultimately the marketing strategy.

Marketing has an input at two management levels in an organisation, namely top management level and functional management level. Top management are responsible for setting into motion the whole planning process by formulating a business strategy, that is, preparing broad statements of mission and strategy. Marketing, a functional department, is a member of top management, and thus plays an important role in strategic decision making. At functional level marketing therefore plans, implements and controls the marketing strategy within the broad framework laid down by top management, thereby assisting in implementing the business strategy (Lucas 1989:32).

The marketing process thus begins with the identification and evaluation of marketing opportunities and threats as well as internal strengths and weaknesses, with due consideration of the organisational mission and objectives which will now be discussed.

2.2.2.2 Organisational mission and objectives

An organisation's mission statement, the responsibility of top management, defines the purpose of the organisation, that is, what it wants to accomplish in the larger environment with the object of making a profit (Cronje, Hugo, Neuland & Van Reenen 1994:49). Thus the long-term vision of what the organisation is or is striving to become, establishes the boundaries within which objectives, strategies and actions must be developed. The mission statement is turned into the long-term objectives of the organisation which usually include critical areas such as profitability, productivity, competitive position, technological leadership, and social responsibility. From the long-term objectives, more precise and detailed supporting functional and operational objectives are set for each level of management. These objectives must all contribute to the realisation of the overall business objective of maximising profitability in the long term.

The black retailer's marketing activities should start with a clear understanding of the organisation's mission and objectives as they define his main activities in the present, and in particular, in the future. Naturally a large black retailer will have difficulty describing the nature of activities in a single statement, yet the description of the mission in the most accurate terms possible is essential since all his activities are directed by the mission. This study will investigate what importance the black grocery store retailer attaches to organisational mission and objectives.

Planning the marketing strategy entails the following activities: analysing the marketing environment, researching and selecting target markets, setting marketing objectives, and developing the marketing mix.

2.2.2.3 Analysing the marketing environment

This step involves an analysis of marketing opportunities inside and outside the organisation as well as an assessment of the organisation's ability to utilise opportunities. With a clear understanding of organisational objectives and mission, the marketing manager must then analyse and monitor marketing opportunities in the marketing environment so that he can avoid threats and take advantage of opportunities.

The marketing environment has two facets, namely the internal environment (the organisation itself) and the external environment. The primary factors inside an organisation that should be considered when analysing marketing opportunities are, according to Pride and Ferrell (1997:11-13), organisational mission and objectives, financial resources, managerial skills, organisational strengths and weaknesses, and cost structures. The main factors in the external marketing environment to be investigated are: consumers, competitors, intermediaries, and suppliers. The enter-

prise should also stay on top of broad trends in the external environment which are largely uncontrollable and to which it has to adapt, namely economic, technological, political and socio-cultural developments (Kotler & Armstrong 1996:60). (The marketing environment is detailed in chapter 3.)

To identify and evaluate its opportunities, an organisation needs to build and operate a reliable marketing information system. Marketing research is an indispensable marketing activity based on the modern marketing concept, in that organisations can serve their customer markets well only by researching their needs and wants, their locations, and their buying practices.

The black grocery store retailer needs to analyse both the internal and external marketing environments of his organisation in order to develop a strategy to counteract the weaknesses and threats, and to utilise the strengths and opportunities available. The potential for conflict in the external environment is great with competition and suppliers being the most visible problems with which the black retailer must contend. He also has to adapt to changes in the uncontrollable influences in the external environment. His understanding of some of these uncontrollable influences in the external environment will be investigated.

2.2.2.4 Researching and selecting target markets

The analysis of the marketing environment forms the basis for researching and selecting target markets. Peter and Donnelly (1989:25) maintain that the success of any marketing plan hinges on how well it can identify consumer needs and organise its resources to satisfy them profitably. Thus, a crucial element of the marketing process is selecting the groups or segments of potential consumers the organisation is going to serve with each of its products. Present target markets and potential target markets are then ranked according to profitability, present and future sales volume and the match between what it takes to appeal successfully to the segment and the organisation's capabilities. Those that appear to offer the greatest potential are selected and then market positioning which is the backbone of a product's marketing strategy, is decided upon. This entails arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers (Kotler & Armstrong 1996:46). (Market segmentation and market positioning are dealt with in chapter 3.)

In this study it will be determined whether the black grocery store retailer conducts any research in identifying consumer needs, and analyses and evaluates potential market segments (with due consideration for the organisation's mission and objectives) in order to select his target market.

2.2.2.5 *Setting marketing objectives*

Based on the needs, preferences and other characteristics of the target market, the marketer sets marketing objectives which he wishes to realise in the target market (Lucas 1989:34). The organisational mission and objectives provide guidelines in this respect as these marketing objectives have to contribute towards realising the overall business objective, namely maximising profitability in the long term.

The black retailer's marketing objectives should therefore be based on his particular target market. In addition, operational objectives have to be set for each of the four marketing instruments, namely product, distribution, price and promotion, which constitute the marketing mix. His perception of marketing objectives will be investigated.

2.2.2.6 *Developing the marketing mix*

The four marketing instruments, namely product, distribution, price and promotion constitute the marketing mix used by the marketer in his attempt to achieve success in the marketplace. The needs and characteristics of the target market largely determine the nature and essence of the marketing mix (Lucas 1989:40). The marketing mix is oriented towards the target market as it represents the organisation's market offering with which marketing management wishes to satisfy the consumer's needs and at the same time endeavours to accomplish the business objective. Therefore, with the target market in mind, a product strategy, distribution strategy, promotion strategy and price strategy are developed, and a combination of these four strategies forms the organisation's marketing strategy with which it competes in the environment to achieve the business and marketing objectives. According to Lamb, Hair and McDaniel (1992:27-28), an astute marketing manager also attempts to gain advantages over competitors and to achieve competitive success.

The black grocery store retailer's market offering would normally consist of a whole assortment of individual products and product lines. He should consider that the prices of the products, their easy availability, and the information in the promotion message all contribute to the products' value or utility. His marketing decisions about the marketing mix should therefore be based on the needs and preferences of his particular target market. (The retail marketing mix is detailed in chapter 4.)

2.2.2.7 *Implementing and controlling the marketing plan*

The final step in the marketing process is implementing and controlling the marketing plan.

■ **Implementation.** The marketer must build a marketing organisation that is capable of implementing the marketing plan. This entails grouping the marketing activities into meaningful subdivisions, assigning the necessary authority and responsibility, and establishing communication lines between the subdivisions and other divisions in the enterprise (Lucas 1989:47). The marketing division's effectiveness depends not only on how it is structured but also on how well its personnel are selected, trained, directed, motivated and evaluated (Kotler & Armstrong 1996:55).

Marketing managers must coordinate the activities of marketing personnel and integrate these activities both with those within other areas of the organisation and with the marketing efforts of personnel in external organisations such as research firms and advertising agencies. An organisation's communication system must allow the marketing manager to communicate with high-level management, with managers of other functional areas within the organisation, and with personnel involved in marketing activities both inside and outside the organisation.

The black grocery store retailer's implementation task therefore involves creating an organisation structure best suited to the implementation of the marketing plan; grouping marketing activities rationally; determining levels of authority, areas of responsibility and lines of communication; establishing methods of cooperation between divisions and individuals; and selecting, training and motivating personnel. The black grocery store retailer's perception of these factors will be investigated in this study.

■ **Control.** Marketing control is the process of measuring and evaluating the results of marketing strategies and plans, and taking corrective action to assure that marketing objectives are attained.

Controlling the marketing plan involves three basic steps:

- **Setting performance standards.** During the planning process certain performance standards on desired achievement of the marketing strategy are determined.
- **Measuring actual performance.** The collection of information and reports on actual performance, that is, the practical measurement of performance, is a continuous activity.
- **Evaluating deviations.** An evaluation is made of the disparities between actual performance and the standards set.
- **Taking corrective action.** If any deviations are revealed, it is necessary to take steps to attain performance standards or to improve on them to ensure that deviations do not recur.

As the marketing management process is continuous, the controlling and evaluating process could be seen as the first step of the next phase of planning the marketing strategy (Lucas 1989:49).

The black grocery store retailer needs to ensure that the actual performance of his marketing strategy is aligned with the planned performance. If serious deviations occur, corrective steps are required. In this study, as part of the research undertaken, the author will investigate whether the black grocery store retailer measures actual performance against planned performance.

The marketing process constitutes the various activities which must be executed in order to comply with the marketing concept, the business philosophy which forms the principal basis for managing an organisation. This business philosophy, and how it developed, will be dealt with in the next section.

2.3 THE DEVELOPMENT OF A BUSINESS PHILOSOPHY

Modern conceptions of the marketing function of an enterprise can be traced back to the early part of the twentieth century. During this period, marketing has experienced three distinct developmental stages that accurately depict the evolution of marketing, namely the production era, the sales era and the marketing era.

2.3.1 The production era

Before the technological developments of the Industrial Revolution which made mass production possible, consumers were largely self-sufficient. After the Industrial Revolution, however, products were produced in mass by machines and consumers, who were relatively poor and unsophisticated, were eager to buy these products.

The production era, stretching from about 1870 to 1930, was therefore characterised by strong consumer demand with the result that most businesses focused their attention on how to raise output and how to produce items of uniform quality (Abratt & Sacks 1989:25-33). During this era techniques such as standardisation and interchangeability of parts led to mass production, the assembly line, and ultimately, lower unit costs.

According to Lamb et al (1992:12-13), a company that practises a production-oriented philosophy assumes that buyers wish to obtain merchandise at the lowest price possible, that price is the critical variable in the purchase decision and that buyers are aware of the prices of competing brands. However, price, they say, is not the only component of the production orientation. Rather, a production

orientation is an internal philosophy that focuses on the internal capabilities of the organisation instead of also taking into account the desires and needs of the marketplace. A production orientation further assumes that consumers will favour those products that are widely available and low in cost, and that organisations concentrate on achieving high production efficiency and wide distribution coverage.

Kotler and Armstrong (1996:16) maintain that a production orientation falls short because it does not consider whether what the firm produces most efficiently also meets the needs of the marketplace. It leads to a "marketing myopia", an undue concentration on the product rather than on the need.

Taking the above into consideration, the question arises whether the black grocery store retailer in South Africa focuses on production rather than on the needs of his customers. It will be determined in this study whether he believes that the consumers will buy whatever is available in his store, or whether he stocks his stores to cater to their needs.

2.3.2 The sales era

When the strong consumer demand subsided during the 1920s, businesses realised that products which by this time could be made relative efficiently, would require aggressive selling and promotion effort and looked on sales as the major means of increasing profits (Pride & Ferrell 1997:10). This period came to have a sales orientation and was based on the idea that consumers will buy more goods and services if aggressive sales techniques are used, and that the key to profitability is greater sales volume.

Kotler and Armstrong (1996:16) maintain that today most firms practise the selling concept when they have overcapacity. Their aim is to sell what they have rather than keep what they can sell. They say that if selling is to be effective, it must be preceded by several marketing activities such as needs assessment, marketing research, product development, pricing, and distribution. Lamb et al (1992:9-10), in concurring with this view, say that the fundamental problem with a sales orientation, as with a production orientation, is a lack of understanding of the needs and wants of the marketplace.

In the first chapter to this study (see sec 1.2.3.2) it was established that the black retailer was interested only in increasing turnover, but did not know how to accomplish this. This study will investigate whether the black retailer knows that in order to increase sales, he should keep products that meet consumer needs.

2.3.3 The marketing era

After 1950 consumers became more ardent, articulate, and discriminating in expressing their needs and wants owing to economic growth, wealth creation and consumerism. Conditions of scarcity which prevailed during the Second World War, were replaced by an abundance of competitors scrambling for the patronage of an increasingly affluent consumer. No longer a simple function of physical or functional features of products or price alone, consumer demand took on the added dimensions of time, place and possession utility (Anderson 1991:127-142).

Some organisations began to realise that a sale did not predominantly depend on an aggressive salesforce, but rather on a customer's decision to purchase a product. They found that they must first determine what customers want and then produce it, rather than simply make products and try to change customers' needs to fit what is produced. As more and more organisations realised that the measurement of customers' needs is where everything begins, business moved into the marketing era, the era of customer orientation (Pride & Ferrell 1997:10).

Keegan, Moriarty and Duncan (1992:20) point out that even today some organisations subscribe to a production orientation, others follow a sales orientation, while others again have adopted a marketing orientation. This study will determine which orientation is followed by the black grocery store retailer.

The marketing orientation era resulted in the development of a new business philosophy about an organisation's entire activities. This philosophy is referred to as the marketing concept, a business philosophy that arose to challenge the production and selling orientations.

2.4 THE MARKETING CONCEPT

2.4.1 General

The marketing concept evolved from the evolutionary process where first a production, then a sales, and then a marketing orientation dominated business thinking. The marketing concept is a way of thinking - a managerial code or philosophy guiding an organisation's entire activities. Although it has a long history, its central tenets did not fully crystallise until the mid-1950s. Kotler and Armstrong (1996:16-17) define the marketing concept as follows:

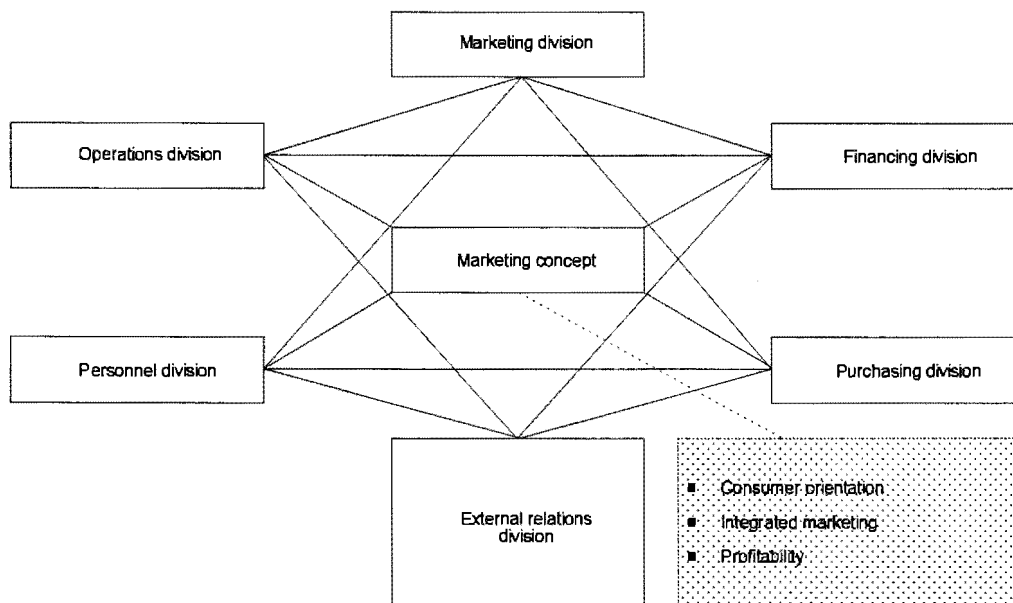
The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

From this definition it follows that, to be effective and efficient, marketing should start with a well-defined market, focus on customer needs, and coordinate all the activities of the organisation that will affect customers, so that profits are produced through creating customer satisfaction.

The marketing concept is therefore a managerial prescription relating to the attainment of an organisation's goals, showing how these goals can be achieved most efficiently by providing a guideline for management decision making. It requires that all organisation members focus their efforts on consumer satisfaction, that management emphasise marketing strategy and planning, and that the organisation strives to earn a profit through selectively meeting customer needs.

Exhibit 2.2 illustrates how the entire organisation is marketing oriented since the marketing concept provides guidelines not only to the marketing division but to every division in the enterprise. It should be noted that this reflects the manufacturer's viewpoint. The black grocery store retailer is not a manufacturer; he has to obtain goods to sell to his customers. The basic tenets are, however, still applicable.

EXHIBIT 2.2 THE MARKETING CONCEPT: A MANAGERIAL PHILOSOPHY



Source: Adapted from Lucas (1989:23)

The black grocery store retailer's entire organisation should be geared towards applying the marketing concept. The achievement of his organisational goals depends on determining the needs of his customers and delivering the desired satisfactions more effectively and efficiently than his competitors. In this study a key factor to be investigated is whether he has adopted the marketing concept.

The tenets or principles of the marketing concept, as put forward by most authors (Churchill & Peter 1995:20-24; Kotler & Armstrong 1996:16-19; Pride & Ferrell 1997:9), namely consumer orientation, integrated marketing and profitability, will be dealt with next.

2.4.2 Consumer orientation

The marketing concept emphasises that the key to achieving the organisation's objectives lies in determining the needs of consumers and delivering the desired satisfaction. Consumer orientation, the first principle of the marketing concept, therefore means that all marketing actions should be aimed at satisfying customer needs and wants. Webster (1988:31-32) quotes Drucker who, as early as the 1950s claimed that there is only one valid definition of business purpose: to create a satisfied customer. Drucker pointedly stated that one of the basic functions of any business is marketing, which is the whole business seen from the customer's point of view.

The implication for the black grocery store retailer is therefore that the needs of his customers must be the central focus of his store's business purpose and that it is his responsibility to create this environment.

Implicit in consumer orientation (Gummesson 1987:11; Grönroos 1990:6-7) is the establishment and strengthening of satisfying customer relationships, where this can be done at a profit, and where the individual needs of the consumer and the objectives of the organisation are met. Relationship marketing therefore places its main focus on the maintenance of long-term relationships between the enterprise, the government, the public, the suppliers of raw materials, the employees, and current and potential consumers. In order to establish and maintain these long-term customer relationships, it is important to recognise that the first customer contact may not pay off, but as the relationship continues, leading to more business, the customer becomes profitable to the seller. It is thus almost always more profitable in the long term for the black grocery store retailer to develop enduring customer relationships.

Relationship marketing has placed greater emphasis on providing excellent customer service. Good customer service means putting the customer's interests first, bending over backwards, if necessary, satisfying the customers and treating them individually, according to their needs. The organisation's employees play a

crucial role in providing customer service. Internal marketing, the efforts by management to communicate with and motivate employees to share in the goal of improving customer satisfaction, is therefore important in developing a more customer-conscious minded workforce (Van der Walt et al 1996:25-29). The black grocery store retailer therefore needs to recognise that the direct result of excellent customer service is customer satisfaction. This factor will be investigated in this study.

Excellent customer service, however, never compensates for a low-quality product or one that does not serve its purpose. The so-called "TQM" (total quality management) principle, that is, the commitment to satisfying customers by continuously improving every process involved in delivering products and services, is a key element in relationship marketing (Churchill & Peter 1995:10-13). It implies that quality must not only be seen in terms of products, but also in terms of a total way of doing business, a total commitment to the customer. The goal of the black grocery store retailer should therefore be to have everyone in his organisation committed to quality in everything that is done. It is his responsibility to train, motivate, remunerate and persuade employees to actively support total quality in the organisation.

Inherent in the consumer orientation principle of the marketing concept is the idea that an organisation must achieve customer satisfaction by providing the right marketing mix of need-satisfying physical, emotional and psychological benefits to the right groups of customer, that is, to those consumers who need and will buy it. As most consumers' tastes and wants have become heterogeneous, the marketer has little choice but to offer one product to a specific segment, that is, a specific group of consumers, or to offer several products to several segments. Meziou (1991:73) maintains that the marketer does best when he defines his target markets carefully and prepares tailored marketing programmes for each target market. This approach allows marketing resources such as advertising expenditure and salespersons to be used more efficiently as they can be targeted on the known characteristics of specified market segments. (Market segmentation will be dealt with in detail in chapter 3.)

The implication for the black grocery store retailer is that he should investigate needs and wants in the marketplace. From these findings he should identify and develop market segments in terms of these needs and wants and then develop marketing programmes designed to satisfy these needs. Only then does his business stand the best chance of making a profit and surviving in the long run. The main advantage is that a black retailer with widespread resources and large capabilities can thus sufficiently compete in many segments whilst a smaller black retailer with fewer resources can compete in a few, or even only one market segment.

Ellis and Marino (1992:42-47) found in research conducted on the adoption of the marketing concept by retailers, that the key measure of whether retailers are fulfilling the marketing concept is customer satisfaction. Most marketing practitioners and researchers, they say, accept customer satisfaction as a key outcome of marketing efforts. The acceptance and centrality of customer satisfaction is underscored by its inclusion in the marketing concept in that profits should be achieved through the satisfaction of customers' needs and wants. Ellis and Marino (1992) contend that if one is interested in evaluating a store's fulfilment of satisfaction in the eyes of the customer, then one must first establish the relevant criteria upon which a store is judged: merchandise, physical characteristics, service, employees and other shoppers. They also found that location was the most important, also the right goods at the right price, and that customers will not notice if a store is clean but they will notice if it is dirty.

The satisfaction of customer wants and needs is the black grocery store retailer's primary concern, yet at a fair profit to his business. The implication is that the black retailer must first determine just what it is that customers in the store's trading area want and then organise the retailing effort to satisfy these wants. This does not imply that the retailer must cater to every whim of the customer, nor should he submit to unreasonable customer demands. It simply means that a retailer's product and service mix should reflect consumer orientation. He should look at all the facets of his business from the vantage point of the customer looking in rather than from the view of the retailer looking out.

A high level of customer satisfaction is therefore an integral part of the black grocery store retailer's programme of relationship marketing; it helps him satisfy current retail customers, do more business with existing customers and attract new customers. According to Lewison (1994:16) it costs five times as much to attract a new customer as it does to retain an existing one; it therefore makes sense for a store to try to ensure customer satisfaction. It has also been documented, he says, that customers become more profitable to the retailer over time, hence retention retailing (holding onto customers over time) is vital to the black retailer's long-term success.

2.4.3 Integrated marketing

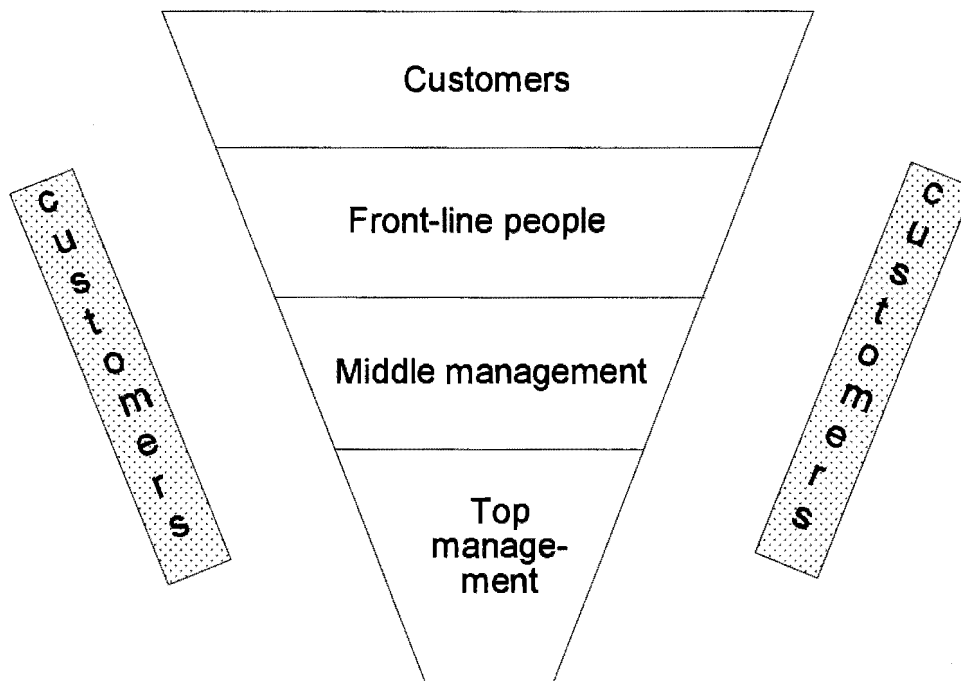
Integrated marketing, the second principle of the marketing concept means (Kotler 1994:23-24), *firstly*, that the various marketing functions must be coordinated among themselves from the customer point of view, *secondly*, that marketing must be coordinated with the other departments of the organisation, and *thirdly*, that marketing must be constantly aware of and adjust to changes in the marketing environment. Marketing should be viewed as the guiding philosophy for the whole organisation with all employees appreciating the effect they have on customer satisfaction. Lucas (1989:25) and Ryan (1989:62) confirm this view, saying that

the enterprise as a whole is responsible for the execution of the marketing task. This does not mean, they say, that marketing is more important than the other functional departments as this place is held by the consumer. It means that the total system's effort is guided by what customers want instead of what each department would like to do.

Webster (1988:31-39) maintains that the customer-focused definition of the business should originate with top management who must establish clear values and beliefs about serving the customer, facilitating the development of customer commitment throughout the organisation. According to Grönroos (1990:7-8), marketing is therefore not a specialist function but becomes an integral part of top management.

The black grocery store retailer's task is therefore to ensure that everyone in his organisation works towards the overriding objective of creating satisfied customers. Each individual and especially those who have direct contact with the customer in any form, is responsible for the level of customer service and satisfaction. He should train employees to be able to respond to customers' questions and to handle customer complaints. This study will investigate how he perceives such training.

Kotler (1994:23-24) refers to top marketing companies which, in their organisational charts, place the customers at the top as shown in exhibit 2.3 below. Next in importance are the front-line people (sales and service, telephone operators, receptionists) who meet, serve and satisfy the customers. Under them are the middle managers whose task is to support the front-line people so they can serve the customers better. And finally, at the base is top management whose job it is to support the middle managers so they can support the front-line people who make all the difference in whether the customers end up feeling satisfied with the company. Customers along the sides of the figure indicate that all the managers in the company are personally involved in knowing, meeting and serving the customers.

EXHIBIT 2.3**KOTLER'S VIEW OF AN ORGANISATIONAL CHART**

Source: Kotler (1994:23)

In order to effect integrated effort in the organisation, it is therefore important to recognise the crucial role of the employees in ensuring customer satisfaction. Internal marketing therefore needs to be done as it makes no sense to promise excellent service before the employees are ready to provide it. The task of internal marketing involves the successful hiring, training and motivating of able employees to serve the customers (Kotler 1994:22).

Grönroos (1990:6-7) and Gummesson (1987:10-20) both refer to the employees who perform tasks other than marketing, for example production, technical services, deliveries, invoicing, claims handling, are also involved in marketing-like contact, as "part-time marketers". These employees are true part-time marketers, fulfilling their responsibilities as members of the total marketing function of the organisation, and should therefore receive appropriate training in customer service. They have to demonstrate their job skills and provide a level of service whereby the customers' trust in them is maintained and strengthened. Therefore many staff and support functions also include a marketing element. A large number of employees may be in direct contact with the customer. They supply back-up services which enable other functions and employees to serve the customer. These indirectly involved staff should be encouraged to see their colleagues as

"internal customers" who have to be served - as part of the service to the ultimate, external customer.

In addition to training, the marketer should provide employees with values, vision and pride in the organisation; and should encourage them to enjoy their work while accomplishing something meaningful (Friedman & Friedman 1988:219-221).

The black grocery store retailer needs to recognise that in the customers' eyes, an employee is the organisation. An employee may be the only contact a particular customer has with his business, and if this employee is not customer oriented, the positive image of the entire organisation may be weakened. For example, if a person answers the telephone abruptly or discourteously the potential customer may well assume that the employee's attitude represents the whole firm.

The black grocery store retailer should ensure that there is an open and free communication channel between management and employees. Employees should hear about products and services right from the beginning. It often happens that an employee is unaware of his organisation's new advertising campaign when confronted with it on television while new products are sometimes noticed, for the first time on the supermarket shelf. This point will be investigated in this study.

2.4.4 Profitability

The third principle of the marketing concept states that an organisation will be successful only if it is objectives directed. In a competitive market, consumers' purchase choices determine which businesses will survive and grow. Thus by providing customer satisfaction, the organisation can accomplish its business objectives, since customer satisfaction is the means to achieve long-run profits, the most basic condition necessary for an organisation's survival in a capitalistic market (McGee & Spiro 1988:40-45).

Kotler (1994:23-26) stresses the importance of being objectives directed. The main purpose of the marketing concept is, he says, to help organisations achieve their objectives. In the case of private enterprises that are marketing oriented, the ultimate goal is to make a profit from satisfying customers. The marketing-oriented enterprise therefore places a high premium on developing long-term customer relationships. The key is to achieve profits by satisfying customer needs better than competitors can by focusing on identifying profit-making opportunities.

Maximising profitability, the primary objective of a profit-seeking organisation, can be achieved only with due consideration of customer needs. Lucas (1989:26) states that an organisation must aim to adhere to the economic principle. This principle refers to achieving the greatest possible difference between input (costs) and output (income) in providing customer satisfaction. The organisation's

resources such as capital, human resources, raw materials and entrepreneurship should therefore be employed in the most profitable way. Profitability of the organisation, usually expressed in quantitative terms, is measured by the difference between cost and income expressed as a percentage of the assets (resources) employed or capital invested to generate this profit. This percentage is known as the return on investment (ROI) and is a measure of the organisation's profitability. The financial model for calculating profitability is as follows:

$$\begin{aligned} \text{Profitability} &= \frac{\text{Profit (income - costs)}}{\text{Assets employed}}\% \\ &= \text{Return on investment} \\ &= X\% \end{aligned}$$

The assets employed (investment) represent all the enterprise's resources or capabilities such as raw material, capital, personnel, management and know-how required for creating consumer demand and serving the consumer demand (Lucas 1989:26). The return on investment as a measure of business profitability, in turn, measures how profitably the business resources are employed. Depending on the percentage return and long-term prospects it may be advisable to withdraw from a specific market and find a more attractive marketing opportunity.

Lucas (1989:26) cautions, however, that the enterprise should not blindly attempt to maximise profitability without taking into account the ultimate counterreaction of the consumer, competition, society and the government in general as it does not market its products in isolation but within a specific marketing environment. Hence the primary objective of the enterprise is stated as maximisation of profitability in the long term within the restrictions set by the marketing environment.

The implications of being objectives directed for the black grocery store retailer are that he should learn to plan and control his operations increasingly in quantitative terms. This means that he has to become increasingly aware of the financial implications of his marketing plans and actions - that is, he should understand how his decisions will enable him to realise his planned profit objectives. To do this he must use techniques of financial analysis to weigh alternative marketing opportunities and choose those which will yield maximum return on the assets he is employing.

The black grocery store retailer should avoid looking only at profits which are merely the difference between income (sales) and costs. Profit must always be regarded within the context of profitability, a measure of the effectiveness of his business. A lack of productivity caused by factors such as a bad layout of the store and poorly trained sales assistants can be reflected in the profitability. He should be receptive to change, or new customer services, and refrain from blindly following a new strategy initiated by a competitor. He should not rely only on the

reports of suppliers or his own past sales but should conduct research on the future preferences of his consumers. A lack of knowledge about the profit picture can be fatal for the black retailer. Maintaining sales is important, but profit is even more important. These factors will form part of the investigation of this study.

Lucas (1989:26-27) points out that there are constraints within the enterprise on the application of the marketing concept. This is mainly caused by the conflicting objectives of the various departments in the organisation. Some organisations value stability and the avoidance of risk. Such an attitude may limit management's willingness to adopt a strong consumer orientation. Moreover, he says, application of the marketing concept is no panacea, nor a guarantee of success. The marketing concept provides no solution to an enterprise which markets a product for which no need exists. In fact, the application of the marketing concept could indicate that the product should be withdrawn from the market if it is determined that there is no need or virtually no demand for the product.

The marketing concept, comprising the three principles as explained above, has been criticised as being short-sighted because it ignores possible conflicts between short-run consumer wants and long-run consumer welfare (Friedman & Friedman 1988:219-221). These objections gave rise to the so-called "societal marketing concept".

2.5 THE SOCIETAL MARKETING CONCEPT

Kotler & Armstrong (1996:19-20) say in recent years that some people have questioned whether the marketing concept is appropriate organisational philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty and neglected social services. They therefore propose a "societal marketing concept" which is a management orientation aimed at generating customer satisfaction and long-run consumer and public welfare as the key to satisfying organisational goals and responsibilities. The question is therefore whether companies that do an excellent job of sensing, serving and satisfying individual consumer needs are necessarily acting in the best long-run interests of consumers and society.

In terms of this societal marketing concept the organisation's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and society's wellbeing. The implication is that the marketer must be prepared to take a longer-term view and not concentrate on the pursuit of short-term profits via satisfaction of every consumer whim. A good marketer, Kotler and Armstrong (1996:20) maintain, will probably be more concerned with customers' present needs while still keeping an eye on the long-run needs of society. The marketer who totally ignores society's needs, may suddenly

be in serious difficulty when, for example, laws are eventually changed because of these needs.

According to Van der Walt et al (1996:23), social responsibility also means that the enterprise will abstain from any action in conflict with current norms or moral or ethical standards. Contravention of the norms of society can result in loss of goodwill and consumer resistance. However, spending money on social responsibility often comes in for a lot of criticism. Some are of the opinion that a profit-seeking enterprise is responsible only for profits for its shareholders, since deliberate profit seeking will ultimately benefit society as a whole.

Social responsibility is demonstrated in various ways (Lusch, Dunne & Gebhardt 1993:43-44). Some companies spend large sums of money on projects contributing to the wellbeing of the public at large instead of focusing only on the organisation's target markets. Many organisations have also recognised their responsibility towards the welfare of their own employees by providing housing, health programmes and care centres for young children. Social responsibility also means that the organisation will abstain from any action that is in conflict with current norms or moral and ethical standards or is detrimental to the environment.

Van der Walt et al (1996:24) contend that the four areas in which social responsibility can be demonstrated in South Africa are education, health, provision of houses and the creation of job opportunities. These four areas are also emphasised in the Reconstruction and Development Programme of the government, the purpose of which is to create a stable economic, social and political environment in which profits can be realised now and in future.

The implications of the societal marketing concept for the black grocery store retailer are that his societal objectives should highlight his concern with broader issues in the world. These objectives could include factors such as employment (he provides employment opportunities for the members of his community); consumer choice (he may desire to be a leader and innovator in merchandising and provide the consumer with choices that were not previously available in the trading area); equity (treat the consumer fairly, handle consumer complaints quickly, fairly, and equitably, and inform the consumer of the strengths and weaknesses of his merchandise); and benefactor (he may desire to underwrite certain community activities or provide scholarships to help finance education). This study will investigate whether he understands his role as the responsible marketer.

2.6 RéSUMÉ

In order to investigate the black grocery store retailer's perception of marketing, it is necessary to explore his understanding of the marketing management process which involves the planning, implementation and control of all the marketing

activities and ultimately the marketing strategy. With due consideration of the organisational mission and objectives, the black grocery store retailer should analyse the marketing environment, research and select his target market, set marketing objectives, and develop the marketing mix which should be aimed at the consumer needs of his particular target market. The marketing plan must then be implemented and controlled.

The black grocery store retailer's perception of marketing will also be determined by his understanding of the marketing concept, the managerial philosophy guiding an organisation's activities. It is therefore necessary to establish whether he follows the three principles of the marketing concept, namely consumer orientation, integrated marketing and profitability. It is important to determine whether he realises that the objectives of his business will be achieved only if he meets the needs of consumers and if everyone in his business is marketing oriented. As far as the societal marketing concept is concerned, the black grocery store retailer needs to recognise his role as the responsible marketer.

In chapter 3 the analysis of the retail environment and target market selection will be detailed.

CHAPTER 3

ANALYSIS OF THE BLACK GROCERY STORE RETAILER'S MARKETING ENVIRONMENT AND TARGET MARKET SELECTION

CHAPTER 3

ANALYSIS OF THE BLACK GROCERY STORE RETAILER'S MARKETING ENVIRONMENT AND TARGET MARKET SELECTION

3.1 INTRODUCTION

The black grocery store retailer's perception of marketing will be manifested in the importance he attaches to an analysis of the environment, the starting point in marketing strategy planning. The marketing concept, and more specifically the marketing management process (dealt with in ch 1), call for a constant awareness of and adjustment to what is occurring in the marketing environment. It requires of the black retailer to determine the needs of his customers, and to satisfy these needs. Therefore, if he wishes to develop an effective marketing strategy for the business, he must continually stay well informed of the changes and trends in the environment, and possess the ability to adjust to these changes. One factor that will be investigated in this study is whether the black grocery store retailer performs an analysis of the environment and, based on such an analysis, whether he applies target market selection.

According to Cronje et al (1994:148), the marketing environment comprises all the variables that can have an influence on the marketing of an organisation's products. Also, the organisation and the environment in which it operates coexist in a state of mutual dependence and mutual influence. This mutual dependence arises from the fact that the environment largely depends on the organisation for the satisfaction of its needs, such as products, services and employment; conversely, the organisation depends on its environment for such resources as labour and management, capital and raw materials if it is to make a profit, which is the reward for entrepreneurship. The black retailer's business and the environment are therefore not closed self-supporting entities, but influence each

other reciprocally, and they depend on each other for their existence.

Since change in the environment constantly presents the organisation with opportunities and threats, it is essential to carry out an analysis of the marketing environment to enable the organisation to adapt itself and attain its objectives by taking advantage of the opportunities and circumventing the dangers and threats in order to ensure that it will survive in a rapidly changing marketing environment. Once this analysis has been done, the selection of a target market can be carried out. It is therefore necessary for the black grocery store retailer to have adequate knowledge of changes in the marketing environment and to identify those environmental dimensions that would largely determine the development of his retail organisation. For example, the position of his consumers and competitors, his relations with suppliers, and the economic, social and political trends could threaten the successful existence of his enterprise or, conversely, could offer receptive and favourable conditions with good marketing opportunities. The analysis of the marketing environment will then enable him to select a target market on which to focus his marketing effort.

In this chapter the analysis of the marketing environment in general will be discussed, followed by a more detailed discussion of the target market.

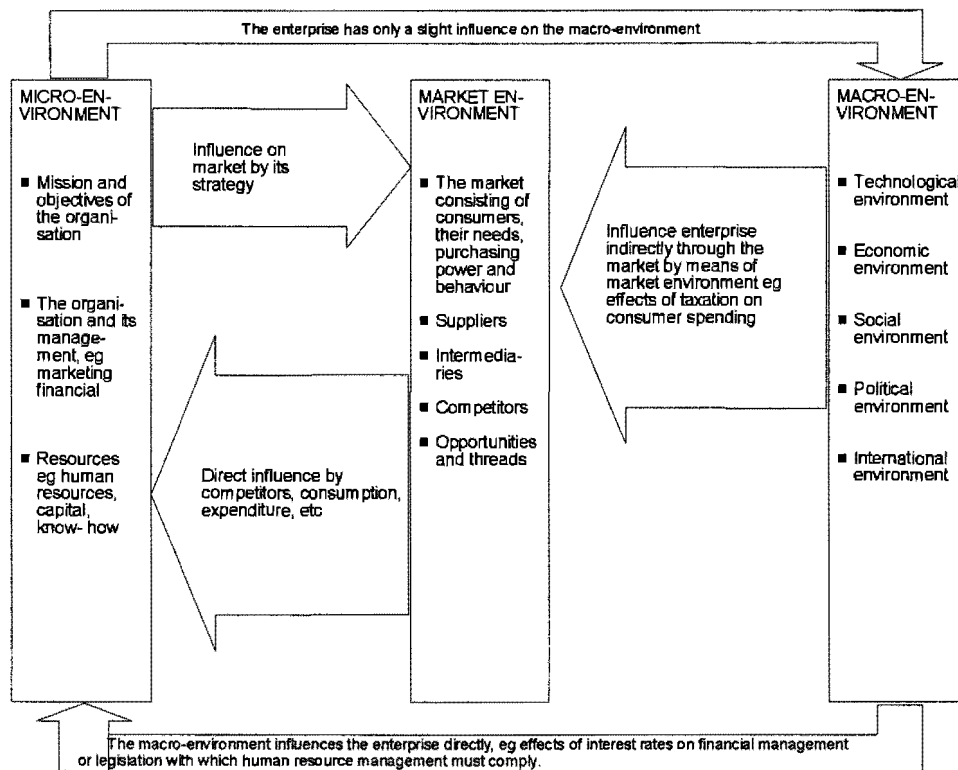
3.2 COMPOSITION OF THE BLACK GROCERY STORE RETAILER'S MARKETING ENVIRONMENT

According to Kotler and Armstrong (1996:60) an organisation's marketing environment consists of the actors and forces that affect the organisation's ability to develop and maintain successful transactions and relationships with its target customers. This environment thus influences the black retailer's ability to develop and execute successful strategies for the target market.

The composition of the black grocery store retailer's environment is illustrated in exhibit 3.1 below.

EXHIBIT 3.1

COMPOSITION OF THE BLACK GROCERY STORE RETAILER'S MARKETING ENVIRONMENT



Source: Adapted from Cronje et al (1994:47)

From exhibit 3.1 it is clear that the environment of an organisation comprises two distinct components, the first being the internal or micro-environment which consists of the organisation itself over which the marketer has complete control (Cronje et al 1994:46-48). This environment determines the strengths and weaknesses of the organisation. The variables in this environment include the objectives of the organisation, the various functions of management and the resources of the organisation. This study focuses specifically on the marketing function and will investigate how the black grocery store retailer perceives and applies this function.

The second component of the environment is the marketplace in which the retailer operates. The marketplace has two facets. In the *first* instance, it comprises the task or market environment consisting of suppliers, consumers, competitors and a distribution system, and it is here that the marketer has his most important task outside the enterprise: to identify, assess and take advantage of whatever opportunities exist in the market; to develop and adapt his strategies constantly to

keep ahead of competition; and to recognise threats that may affect the survival of his business. He has no control over these components of the marketplace although he may influence the variables concerned through his strategy. The market environment therefore continually exercises an influence on the black grocery store retailer's organisation. If he wishes to develop an effective marketing strategy for his business, he must continually stay well informed of the changes and trends in the market environment, for example changes in consumption patterns and new competitors, and possess the ability to adjust to these changes.

The *second* facet of the marketplace is known as the macro-environment which consists of distinct influencing factors: social, economic, political, technological and international. The individual marketer has no control over the macro-environment, and his influence on these variables is negligible (Cronje et al 1994:46-48). As he has no control over the macro-environment, the black retailer needs to monitor tendencies and developments in this environment in order to make the necessary adjustments to his marketing strategy.

Both the internal and external environments are characterised by an interplay of the components peculiar to the particular environment, while at the same time there is interaction between them. The analysis of the internal and external environments will now be dealt with.

3.3 ANALYSIS OF THE INTERNAL ENVIRONMENT

3.3.1 General

The internal environment refers to the organisation itself and the variables found in this environment, namely the organisational mission and objectives, the various functions of management and the resources, which are controlled by top management. Marketing management does not control these variables, but as a member of top management, has a significant influence on them and provides input in developing the overall strategies of the organisation. However, to a large extent, it has authority over the activities of the marketing function (Lucas 1989:55).

Top management deploy the basic resources at the organisation's disposal, and activate and guide the organisation in order to realise the specific objectives of the organisation (Pearce & Robinson 1994:12). The fundamental tasks of management are therefore planning, implementation and control. In the black retailer's organisation, these management tasks would probably be performed by the black retailer himself, depending on the size of his operations. He would have to combine, allocate, coordinate and deploy resources in such a way that the organisation's objectives are realised as productively as possible.

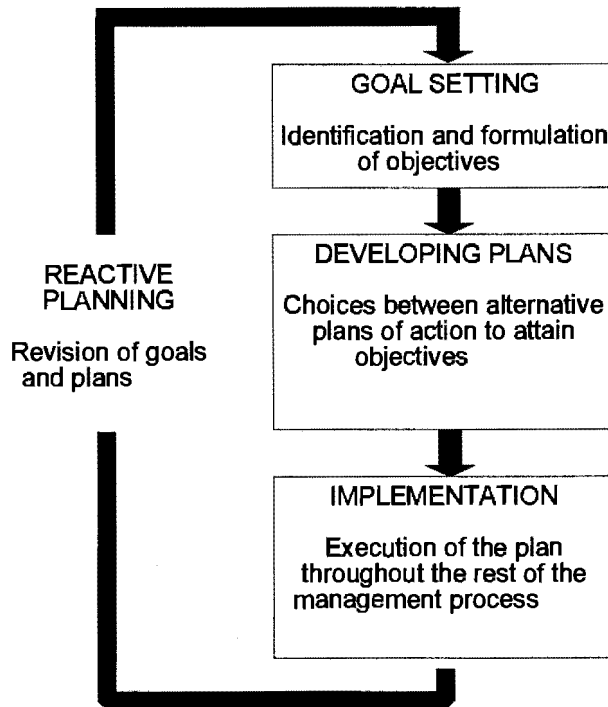
The various tasks of management, namely planning, implementation and control, will now be dealt with.

3.3.2 The planning task

3.3.2.1 *General*

The planning task includes various activities, namely formulating the mission of the organisation, setting organisational objectives, and considering alternative plans or strategies for achieving the objectives. It therefore gives direction to the organisation in the form of objectives, and plans indicating how to set about achieving the objectives. The planning process is depicted in exhibit 3.2 below.

EXHIBIT 3.2 THE PLANNING PROCESS



Source: Cronje et al (1994:90)

From exhibit 3.2 it can be seen that the planning task is a process which does not take place in isolation but in close relation to the other elements of the management process. The planning task includes various activities, namely formulating the mission of an organisation, setting organisational objectives, and considering alternative plans or strategies for achieving the objectives. These planning tasks will now be detailed.

3.3.2.2 *Organisational mission*

The mission of the organisation is the broad long-term direction it proposes to take in order to make a profit (Cronje et al 1994:91). When formulating the mission, certain factors must be taken into account such as the wishes of the owners, the history of the organisation, its ability to do well in some particular direction, the resources available to it, and environmental trends that could influence the mission. If the black grocery store retailer owns the business, he would be responsible for

formulating the organisational mission, stating the nature of the business in clear terms since all other activities are directed by the mission, an element to be investigated.

From the mission statement, top management derives the long-term objectives of the organisation, referred to as the organisational objectives.

3.3.2.3 Organisational objectives

The organisational objectives are statements of how an organisation intends to fulfil its mission. They are generally expressed in more specific terms and include a more definite time frame than the organisation's mission (Griffin 1993:149). In considering long-term plans, top management usually include objectives in such critical areas as profitability, productivity, competitive position, human resource development, human relations, technological leadership and social responsibilities. The black grocery store retailer's organisational objectives should therefore state clearly precisely what is to be achieved. His perception of organisational objectives will be investigated.

On the basis of the organisational objectives, medium-term or short-term functional objectives are set for each functional area, for example, to increase sales in urban areas by 10 percent over the next four years. In addition, operational objectives, which are short term, are also set by each functional department, concerning such matters as sales for a particular year.

3.3.2.4 Developing plans

The next phase of planning includes the consideration of several alternative plans of action for achieving the objectives, and ultimately the selection of that alternative or plan that will lead to the achievement of the predetermined objectives. Management select those plans that capitalise on the organisation's distinctive competencies and are consistent with its mission and objectives (Smit & Cronje 1992:88).

Different plans are encountered at the different levels of management, namely

strategic planning by top management, focusing on the organisation as a whole; functional planning carried out by the various functional departments to realise the functional objectives; and operational planning which is concerned with short-term plans relating to day-to-day performance of tasks.

The black grocery store retailer's plans should therefore be stated clearly to determine what his organisation proposes to achieve and how this should be achieved. Some of his plans could, for example, relate to the product assortment to stock and the prices to be charged.

3.3.3 Implementation of the plan

The implementation of the chosen plan involves the development of a framework for its execution and the necessary leadership to set the plan in motion. The implementation of the plan forms part of the other two elements of the management process - organising and leadership (Cronje et al 1994:99).

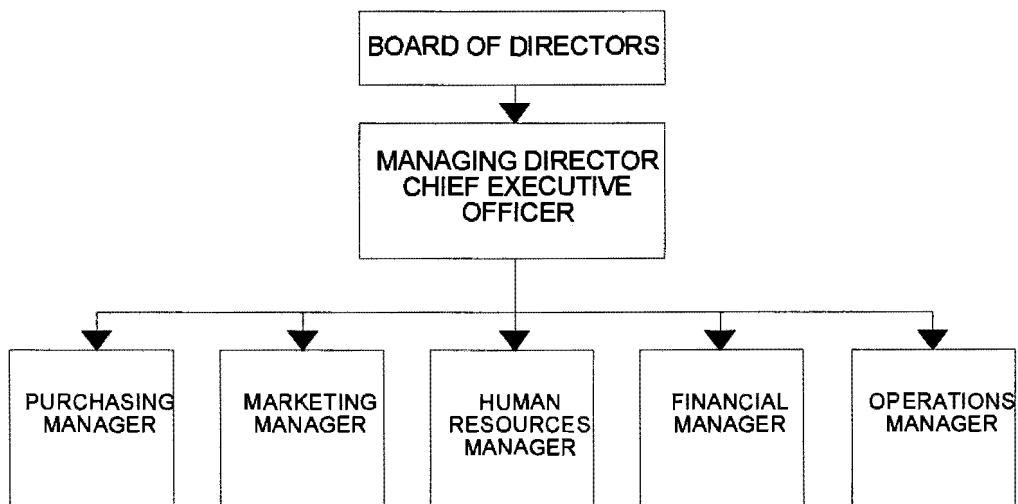
3.3.3.1 Organising

The task of organising means that management have to develop mechanisms to put the plan or strategy into effect. It is necessary to determine what activities will be carried out, what resources will be employed, and which persons will perform the various activities.

Organising therefore entails grouping together activities necessary to attain common objectives, as well as allocating each group of activities to a person with the necessary authority to supervise those responsible for performing the activities. This involves the distribution of tasks among employees, the allocation of resources to persons and departments, and giving the necessary authority to certain persons to ensure that the tasks are in fact carried out. Above all, there must be communication, cooperation and coordination between the persons and departments performing the tasks in order to eliminate or reduce uncertainty in the behaviour of individual employees (Smit & Cronje 1992:176). Setting up a framework in accordance with which the work is to be done to accomplish the objectives, is therefore an indispensable step in the black grocery store retailer's

management process. Hence his organisational structure should be a specification of the work to be done and the connections between the various posts and tasks. A typical functional organisational structure is depicted in exhibit 3.3. below.

EXHIBIT 3.3 FUNCTIONAL ORGANISATIONAL STRUCTURE

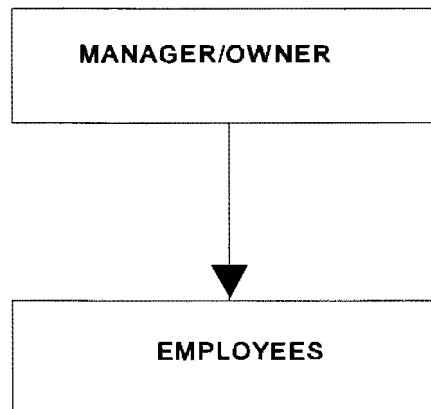


Source: Adapted from Marx and Van der Walt (1993:12)

The functional organisational structure in exhibit 3.3 is a basic structure in which the activities belonging to each management function are grouped together. A one-person retailing business would, however, not be organised according to this concept: all decision making is retained by one person and therefore the structure of the organisation would be much more simple. The black grocery store retailer's organisational structure would also be much simpler, as depicted in exhibit 3.4 below.

EXHIBIT 3.4

SIMPLE ORGANISATIONAL STRUCTURE



Source: Lucas (1989:595)

3.3.3.2 *Leadership*

The element of leadership sets the organisation in motion, and a major responsibility of managers at all organisational levels is to direct and inspire the work of the people working on the project (Smit & Cronje 1992:332-333). Leadership thus involves influencing individuals and groups, inducing them to work willingly for the attainment of the organisation's predesigned goals. It includes such tasks as giving orders, handling and motivating people, managing conflict and communicating with subordinates. Leadership also means passing on information to subordinates, explaining the mission, objectives and plans of the organisation, consulting with staff and supervising their work, taking whatever steps are necessary to raise production, disciplining staff and handling conflict.

The black grocery store retailer's leadership task therefore gives direction to the activities so that the objectives of the organisation may be fulfilled as productively as possible. His task would include clear communication to all the store managers or employees about the organisation's objectives in terms of serving the customer, and of the types of products to be sold as well as their quality. In addition, each

store manager and employee should be well aware of the type of consumer the organisation plans to reach. His perception of these factors will be investigated in this study.

Once management has provided the necessary leadership to get the process going, it follows that a check must be made from time to time to ensure that the activities and resources continue to be directed and utilised in such a way that the goals of the organisation are in fact being reached as effectively as possible. This means control, the last step of the management process.

3.3.4 The control task

Control is the regulating task of management: it measures the achievement of the whole organisation; it makes performance tally with the plans; and it constitutes a valuable guide in the execution of strategies and plans (Cronje et al 1994:126). The control task of management will indicate whether there has been any departure from the plans, and will enable them to take steps to rectify and prevent errors.

Control basically consists of four interdependent steps (as mentioned in sec 2.2.2.7):

- **Setting performance standards.** Standards, in the form of objectives, are set during the planning phase. Control therefore begins right at the planning stage - hence the close link between planning and control.
- **Measuring actual performance.** The collection of information and reports on actual performance - that is, the practical measurement of the performance - is a continuous activity.
- **Evaluating the deviations.** Disparities between actual performance and the standards set are evaluated. All the variables that may be responsible for the deviations should be examined.

- **Taking corrective action.** The approach to corrective action is to take steps to attain performance standards or to improve them and to ensure that deviations do not recur.

Control is a continuous process, and it is intimately linked with planning, organising and leadership (Cronje et al 1994:126). It is an integral component of the management cycle: on the one hand, it is the final step, in so far as it evaluates effort, while on the other, the knowledge, experience, information and data acquired in the process of controlling form the input for the next cycle of planning and strategy development. Control complements planning, because, apart from revealing deviations, it also indicates whether plans should be revised because of environmental and other changes.

Cronje et al (1994:129-130) point out that the focal points of control are:

- The control of physical resources includes such factors as inventory control, quality control and equipment control.
- Control of human resources includes control over selecting and placing, training and personnel development, performance appraisal and remuneration levels.
- The control of information resources includes accurate market forecasting, adequate environmental scanning and economic forecasting.
- Control of financial resources includes cash flow and debtor control. Most of the control measures or techniques are also quantified as budgets, sales, production costs, market share, and so on.

Control tells the black grocery store retailer whether or not he is achieving his goals and if not, why not. In addition, proper control and measurement tell him where his organisation is failing and indicate the corrective measures that can be taken. In order to measure his achievements, he should rely on certain measurements and guides such as budgets, profitability measurements and consumer surveys which assess the organisation's ability to serve the needs of the consumer. This study will investigate what type of control the black grocery store retailer applies.

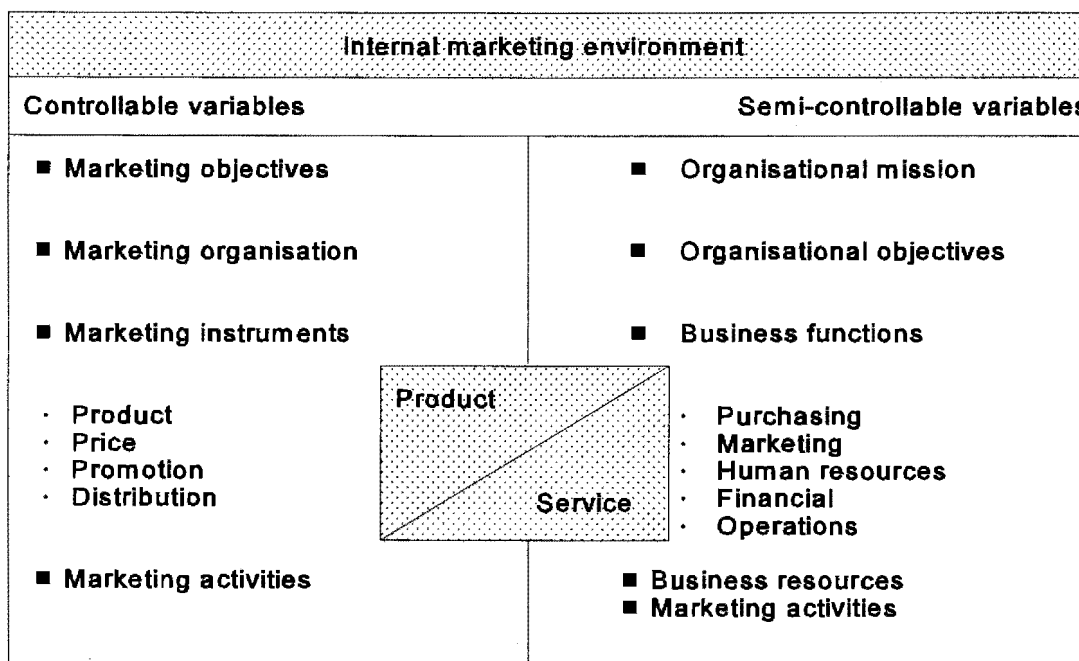
The typical management functions of the organisation, depicted in exhibit 3.3 (see sec 3.3.3.1), namely marketing, finance, operations, purchasing and human resources, form a synergistic whole to lead the organisation to its goal - the task for which top management is mainly responsible. The functional area that is relevant to this study is the marketing function. In order to determine the black grocery store retailer's perception of marketing, it is necessary to investigate his knowledge of the marketing function which constitutes part of the internal marketing environment.

3.3.5 The marketing function

3.3.5.1 General

The marketing function, one of the functional areas of the organisation, is part of the black retailer's internal marketing environment. The composition of the internal marketing environment is depicted in exhibit 3.5 below.

EXHIBIT 3.5 COMPOSITION OF THE INTERNAL MARKETING ENVIRONMENT



Source: Adapted from Lucas (1989:57)

As reflected in exhibit 3.5 the retailer deals in the internal marketing environment with semi-controllable and controllable variables. The semi-controllable variables are those activities in the retailing organisation belonging to top management, namely the organisational mission and objectives, the business functions and resources (see secs 3.3.2, 3.3.3 and 3.3.4 where planning, implementation and control were discussed).

Marketing management have a significant influence on these variables as they provide input in developing the overall strategies. The controllable variables are those activities belonging to and managed by marketing management and for which they largely accept responsibility, namely the marketing objectives, organisation, instruments and activities. Lucas (1989:58) says that although the marketer controls these variables, the influence of the semi-controllable variables on these must be considered on a continuous basis. These variables will now be dealt with.

3.3.5.2 Marketing objectives

The marketing objectives relate directly to the primary objective of the retailing organisation. In terms of the marketing concept, long-term maximisation of profitability within the constraints imposed by the environment is the primary objective of the organisation and therefore also that of marketing management. The marketing department is closely involved in the attainment of profit. By selling the products of the enterprise it generates income. It can contribute further to profit by attempting to reduce marketing costs. The black grocery store retailer should therefore, in striving towards maximising profitability, attempt to achieve the highest possible income at the lowest possible cost.

In addition to the primary objective, secondary objectives are usually set. These objectives contribute to the achievement of the primary objective either by effecting cost savings or by generating income. The secondary objectives usually revolve around consumer orientation (in terms of the marketing concept the marketing strategy must be based on consumer needs, demands and preferences otherwise the primary objective cannot be attained); survival and growth (growth is encouraged by timeous adaptation to the ever-changing environment which will be revealed by environmental scanning and realistic projections of sales); market

share (the highest possible market share relative to that of competitors ensures a high sales volume as well as lower unit costs in production and marketing, thereby contributing to profits). This study will investigate the black grocery store retailer's understanding of marketing objectives.

3.3.5.3 Marketing organisation

Marketing organisation (referred to in ch 2, sec 2.2.2.7), establishes the authority relationships between marketing personnel and specifies who is responsible for making certain decisions and performing particular activities. Pride and Ferrell (1997:554) point out that the organisation can be based on functions, products, regions or customer types and that the best approach depends on the number and diversity of the organisation's products, the characteristics and needs of the people in the target market, and many other factors. The black grocery store retailer should therefore divide the work into specific activities and delegate responsibility and authority for those activities to persons in various positions in the marketing section (if applicable) so that each employee is aware of how one job relates to others and how each person's actions contribute to the achievement of the marketing plans.

In addition to creating this organisational structure, marketing personnel have to be motivated and trained. For this purpose good communication is essential. A useful method of enhancing communication within the marketing department and throughout the organisation is internal marketing whereby personnel understand and recognise the values of the marketing system and their place in it (Pride & Ferrell 1997:556). The black grocery store retailer should design his marketing organisation in such a way that it satisfies the requirements of the marketing concept where all employees place the needs of customers first. He should have the leadership skills to motivate and train his marketing personnel to focus on good customer service. These factors will be investigated in this study.

3.3.5.4 Marketing instruments

The marketing instruments, namely product, price, promotion and distribution, are the responsibility of marketing management. These four instruments are combined

into a marketing plan or strategy with the target market as the focal point, and are used to satisfy the consumers' needs in order to accomplish the marketing and business objectives. Decisions on the marketing instruments are of particular importance to the black retailer since his customers' needs can only be satisfied if the right products are available, at the right place, at the right time and at the right price. The marketing instruments (retail marketing mix) are dealt with in chapter 4.

The internal environment (the organisation itself), and more particularly the marketing function's activities and strategies, are influenced by developments and forces in the marketplace which will be discussed next.

3.4 ANALYSIS OF THE MARKETPLACE

3.4.1 General

As mentioned in section 3.2, the marketplace consists of two facets, namely the market environment consisting of consumers, competitors, suppliers and intermediaries, while the other facet, the macro-environment, includes the macro-environmental influencing factors.

A market has two sides: a supply side and a demand side. On the demand side are all the possible consumers of the products or services the retailer offers, and on the supply side are all the retailers (competitors) offering more or less similar products on the market. In the market, competing retailers thus vie with one another to satisfy consumer demand. Manufacturers, wholesalers and retailers are the suppliers on the supply side of the market. The black grocery store retailer purchases his merchandise from the suppliers and then sells it to his customers. In order to satisfy customer needs, he has to investigate the needs of his customers, in other words, a customer analysis has to be performed. This study will, among other things, investigate whether he performs such an analysis.

3.4.2 Customer analysis

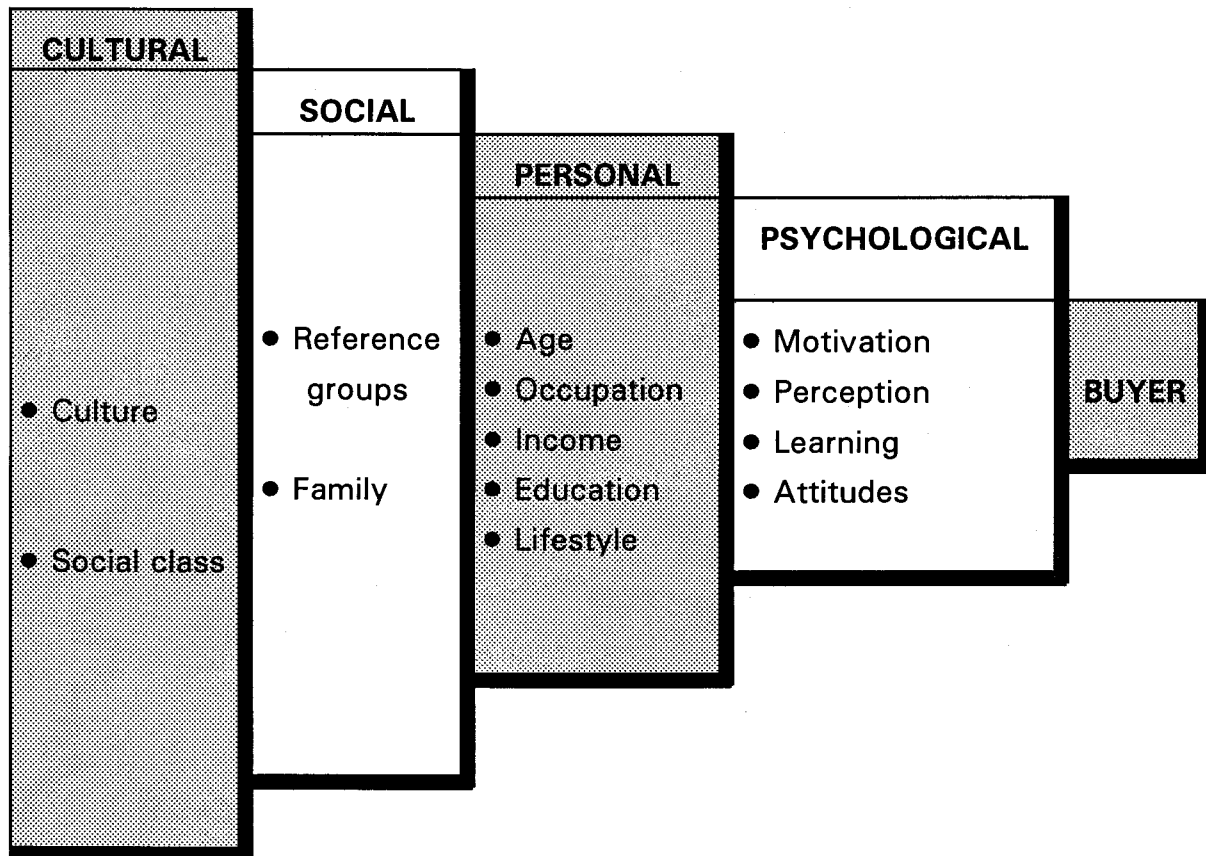
3.4.2.1 *General*

The marketing concept emphasises that profitable marketing begins with the discovery and understanding of consumer needs and then develops a marketing mix to satisfy these needs. Thus an understanding of consumers and their needs and purchasing behaviour is integral to successful marketing (Peter & Donnelly 1989:55). Consumers differ enormously in terms of their buying dynamics. They typically differ in terms of their age, income, educational levels and geographical location, but more fundamentally in terms of their personality, lifestyles and expectations. Despite these complexities, it is imperative that the black retailer understands the dynamics of consumer behaviour, since the cost and competitive implications of failing to do so are likely to be significant. Most black retailers operate in the townships with their own particular attitude toward black business. In the past, black consumers viewed most black businessmen with great suspicion as pointed out in chapter 1 (see sec 1.2.2).

According to Van der Reis and Mabaso (1995:39), black consumers' needs and aspirations are similar to those of whites. They place emphasis on quality, value for money, variety, prompt service, convenience shopping and price. However, the logistics of their shopping are different and are affected by such factors as transport, travelling distance, standing around in long queues and carrying parcels. In order to understand the behaviour dynamics of his customers, the black grocery store retailer thus needs to analyse their behaviour.

Exhibit 3.6 reflects the cultural, social, personal and psychological characteristics which influence consumer purchases and will be discussed in the next section.

EXHIBIT 3.6 FACTORS INFLUENCING BEHAVIOUR



Source: Adapted from Kotler (1994:174)

The retailer cannot control the factors shown in exhibit 3.6, and since these factors exert a strong influence on the consumer's purchase decision making they should be taken into account.

Consumers are probably the most uncontrollable of all the variables retailers have to contend with. Retailers serve consumers from varied walks of life who display different patterns of behaviour which are manifested in their purchasing behaviour. As the success of retailing is in customer contact, understanding customers' motivations, buying habits and lifestyles is a prerequisite for successful retailing (Rogers, Gamans & Grassi 1992:220). The black grocery store retailer's marketing planning should therefore be driven by his perception of how and why his customers behave as they do, and how they are likely to respond to the various elements of the marketing mix. Knowledge of his customers' behaviour patterns

would enable him to make available need-satisfying products in suitable packaging, at prices they are willing to pay, and in places they prefer to patronise.

The mix of cultural, social, personal and psychological factors which influences the behaviour of consumers is largely uncontrollable. These determinants of consumer behaviour are detailed in the next sections.

3.4.2.2 Cultural influences

The most fundamental influences on consumer behaviour which the marketer should consider are the consumer's set of cultural factors which include culture and social class.

■ **Culture.** Culture is a totally learned way of life that begins to be instilled in a person after birth. Individuals grow up learning a broad set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and a series of other key institutions. Culture functions as a standard of behaviour that guides individuals in their actions, thus its impact on purchasing behaviour is great (Beisel 1993:244). The black grocery store retailer must therefore operate within the broad cultural expectations that are present in the country and that are relevant to his particular target market.

According to Morris (1992:27-40), black people consider themselves first and foremost South African and then part of a tribe (if rural based). If urban based, they generally consider themselves more an inhabitant of a city or township. Traditional rural values hold more sway with older blacks than with the younger generation who have a tendency or desire towards the more general South African way of life. Holt (1994a:10) maintains that there is a strong pride in the community - *ubuntu* - thus communitism is a core trend. The strength of the community has grown out of the need for cooperation to survive and to provide support and sharing.

Van der Reis and Mabaso (1995:19-22) have found that since the black children of today are more educated than their parents, modern rather than conservative, independent-thinking and are moving away from their traditional culture, there is considerable conflict between the generations. A generation gap has developed

and is evidenced in the youth's dislike of the extended family living under one roof; young women's disapproval of circumcision rites for young men; the perceived "outdated" custom of slaughtering for ancestors; the modern custom of choosing their marriage partners themselves; the independence of women and some negative attitudes towards marriage and large families; the opposition of the young men to paying lobola; and the urban young men's ready adoption of modern Western values.

According to Enslin (1993:21-35) the South African black consumer market exists at various levels of sophistication and acculturation (the learning of new or foreign cultures) as illustrated by the process of urbanisation. The processes of urbanisation and acculturation result in the growth of a cosmopolitan urban community with the different black ethnic groups experiencing constant interaction with one another as well as Western cultures. This results in the development of subcultures as illustrated by the growth of dynamic township cultures, characterised by unique belief systems, dress codes and language patterns; they show subtle differences from similar subcultures in other townships. Morris (1990a:8) confirms this view, adding that the ongoing process of acculturation also ensures that lifestyles and trends are changing, a fact that needs to be monitored. Enslin (1993:24) points out that the level of perception of products as being "culture bound", for example maize meal, will diminish as the degree of urbanisation and acculturation increases. This opinion is based on the growth and increase of shared values and needs within the South African consumer market. The evolving nature of black consumers thus needs to be monitored by the black grocery store retailer.

Superstition is often a powerful determinant of buying behaviour in the black culture (Morris 1992:27-40). This is illustrated by the dancing teaspoons of the Teaspoon Tips advertisement. Though successful in the white market, the same advertisement on the predominantly black television channels (at the time) elicited responses such as "Why are the teaspoons dancing around? It must be witchcraft". However, it is often assumed that black people are superstitious of black cats. This assumption is made without any regard for the fact that Black Cat peanut butter is a market leader among black consumers. Black people are generally realists and see things at face value. They may have a different style of humour; instead of seeing the funny side of a joke, they may take it seriously.

The black grocery store retailer should therefore take the broad cultural expectations of his particular consumers into consideration. He would be wise not to assume that a product (or an advertisement) will be successful in the black consumer market if it is successful in the white consumer market.

As image is an important factor in relation to the black culture (Morris 1992:35), the black retailer has no hope of selling a range of products from a company with a negative social image, however good the products may be, as they will not receive black consumer support. He should also take the packaging preferences of his customers into consideration. Morris points out that there appears to be no norm with regard to packaging. It is in fact an area of contention as products packaged in dull and boring packaging have been successful, while other products in high quality materials with powerful photographic graphics have also sold very well. The black grocery store retailer should, however, consider the sizes of the packaging since Green (1994:7) has found that black consumers demand more bulk items than in the past (this factor will also be investigated in this study).

■ **Social class.** The influence of culture is subsequently affected by another set of variables, namely social class. Social class is determined by a series of variables such as occupation, income, education and values. According to Beisel (1993:245), the most important single implication of social class is the valid assumption that people at the same social level tend to exhibit similar behaviour, especially in the purchase of clothing, cars, leisure pursuits and media preferences.

Khoza (1989:93) refers to the emergent black middle class, on the one hand, and the familiar working class, on the other. These two groups occur in numerous forms. They occur in clusters along a continuum from minimal to ultra-sophistication. The groups are identifiable in terms of value systems, lifestyles and visible manifestations such as their manner of dress and the material artifacts they surround themselves with. The black middle class raises important marketing issues and it evidences a broad-based thrust in elitist thinking and an increased interest in elegance - more interest in certain kinds of high-end products associated with "high-life", more concerns with home decorating/improvement, and more concerns with appropriateness. They have become more focused on the home, helping to feed the do-it-yourself craze, as well as spurring investment in "home technology" items such as video cassette recorders.

In the black communities there thus appear to be distinctive social classes which are manifested in several ways (Morris 1992:29). A modern shebeen, for example, will have a separate drinking lounge where they will serve the more affluent black in an upmarket style - strictly men only, a select clientele. This may be upstairs and away from the noisy beer hall downstairs where the everyday masses drink. Matuna (1993:2) contends that the more sophisticated black consumer would buy clothing at upmarket stores while those who are less privileged and thus from a lower social class, would buy from a hawkker. Those consumers in a higher social class with real buying power also have high standards for professionalism and quality and have greater access to shops in white areas. Matuna further says that black consumers are also beginning to know their rights and are becoming less forbearing and less subservient, thus the discerning shopper will always look for the best buys in terms of quality and price.

According to Morris (1992:30), this social structure is also clearly reflected in the areas black people choose to live in. There are upmarket areas, middle-of-the road areas, and then the really poverty-sticken "shanty towns". Hostel dwellers, for example (Van der Reis & Mabaso 1995:9), are despised for being hostel dwellers by the broader community in which they reside, and are generally looked down on. They are less educated than the urbanised black people, often unemployed, and came to the city to look for a job so that they can support their families in the rural areas. They spend their leisure time watching or playing soccer, playing cards, drinking with friends, listening to the radio and watching television, and reading newspapers and old magazines.

The environment in which the black consumer lives has important implications for the black grocery store retailer (Morris 1992:31). It is not feasible to attempt to sell an electrical product to a consumer who does not have access to electricity, or a washing machine to someone without an adequate water supply. For example, a four-plate stove cannot be used in parts of Soweto where there is an inadequate electricity supply which means all four plates cannot be used at the same time. In this instance a three-plate stove is far more feasible.

According to Holt (1994a:10), status in the black community is about education, first and foremost, then about cars, homes and careers. Cambitzi (1991:115-16) found that black consumers are very conscious of their choice of products reflecting the "right" social class in which they would wish to be categorised by

their friends and peers, for example a television set. Also, black consumers do not use price, but are aware of the price indicator of quality for, for example electronic products and insurance. In this regard Van der Reis and Mabaso (1995:1-2) found that the types and brands of products bought by black consumers for status reasons vary considerably according to age, gender and level of urbanisation. The main status symbols to all groups are clothing and shoes (Italian and French fashion to the young urbanites), cars and alcoholic drinks (especially beer and brandy to the men). Hostel dwellers (lower class) regard television sets, hi-fi systems, refrigerators, certain foods and brands of cigarettes as status products, while the urban young people regard certain perfumes, sunglasses, soft drinks, hairstyles, cellphones, certain music, foods, stores and household appliances as giving status. Older urbanised men and women regard certain brands of sunglasses as bestowing status. An interesting observation about the cola drinks is that the "in" drink is the "new generation" drink (Pepsi Cola), and apart from the new larger size, the cheaper price and the taste, its popularity is attributed to the fact that it showed solidarity during the apartheid era by disinvesting. (In 1997, however, Pepsi was withdrawn from the market owing to distribution problems and lack of capital.)

According to Matuna (1993:2), differences in social class are also reflected by the types of shops at which black consumers purchase certain products, especially clothing. Consumers at a more sophisticated level and thus a higher social class, buy clothing with value for money in mind. In Diepkloof Zone 6, for example, there is a shop catering for the Pantsulas (mostly people in jobs like messengers or clerks); the prices are extremely high and black consumers who buy there are usually concerned with image. The less-privileged black consumer buys from the spaza shop because of his lack of access to the malls, his low income and consumption. The consumers with real buying power have high standards for professionalism and quality and have greater access to white areas (or even live in white areas). Low income groups would buy from hawkers, vendors and spazas.

Levy (1990:53) says that in the black middle class, designer labels are a way to let everyone know you have made it, to the extent that in township schools, girls cut out Pierre Cardin labels and stitch them onto gymslips for designer chic. Counterbalancing the increasing numbers of the black middle class, is, however, the mass market whose main characteristics are lack of sophistication, numeracy

problems and illiteracy.

The implications of social class for the black grocery store retailer are that people buy products that communicate their status in society and that he should position his store and its products in such a way that they reinforce the messages suited to particular individuals and groups. His customers could belong to different social classes, based on their occupation, income and education. Customers in the lower class would therefore need more basic products and are more sensitive to price, while those in the higher social classes would need quality products which are more expensive. By establishing the social class of his customers, he would be able to stock his store accordingly. His understanding of these factors will be investigated in this study.

Against this background of cultural influences, the retailer needs to turn to an examination of the influence that social factors exert on purchasing behaviour.

3.4.2.3 Social influences

The family and reference groups are the social factors which exert a strong influence on an individual's buying behaviour.

■ **The family.** In practically all communities, the family is probably the chief external determinant which influences individual consumer behaviour (Walters & Bergiel 1989:204-205). The family plays an important role in the shaping and functioning of consumer behaviour. It acts as a socialising agent to teach children necessary buying and consuming behaviour; it is an economic unit that generates income which is applied to purchase need satisfiers; and it is a consumption unit that uses the goods and services acquired.

All family members have a role in family purchasing; yet, depending on the product being purchased, each member will play different roles on different occasions (Beisel 1993:247). A family member may be an initiator (who makes the first suggestion to buy a specific product or brand); an influencer (who has a large influence on the final buying decision); a decider (who makes the final decision and determines how much, how, where and when to buy); a buyer (who does the actual buying); and the consumer (who physically uses the product or brand). In

some cases, the problem recogniser is also the decider, buyer and sole consumer, for example, a woman who buys cosmetics for her own use. In many cases, however, more than one member of the family plays a role in the process. This study will investigate whether the black grocery store retailer knows who the real buyer is so that his store can meet his or her expectations.

According to Holt (1994a:10), there are more than two million black households headed by women. Human and Jooste (1991:12-15) accordingly found that the black woman plays a prominent and important part in the buying decision - she is thus the true buyer of products. Although the relatives of the black women are important in influencing her buying decision, she in turn, influences all others' purchasing decisions. She is the main one responsible for purchases of food, clothing, footwear and pharmaceutical and medical products, while the black man purchases liquor and tobacco, and transport and fuel. Black children are not important influencing factors of the purchasing decision. Morris (1992:28-29), however, notes that although the housewife or mother actually makes most of the purchasing decisions, the father is essentially the dominant figure in the black household and makes the decisions in the family's best interests in the most cost-effective manner. For example, if she knows that the man of the house does not like or enjoy a particular product, then she will not bring that product into the home. So although she makes the decisions, it is generally to please or satisfy the husband. According to Human and Jooste (1991:12), joint decision making by the husband and wife, characteristic of the white household, is not a common occurrence in the black household. Lucas (1989:136) found in research on role differentiation in urban black families that the younger the respondents, the higher their level of education and the degree of Westernisation, then the greater the possibility of joint decision making by husband and wife on how to spend the housekeeping money.

Children and adolescents generally play a significant role as influencers by initiating the purchase of certain types of products. Children under 12 are most influential in purchases of breakfast cereal, snack foods, candy soft drinks, games and toys, clothing, records and toothpaste. The author doubts whether this is applicable to black South African children and adolescents. According to Morris (1992:29), black children play an important role in the home and are cared for with love and respect. Discipline is strict and children know their place in the home. Green (1994:7) points out that when both parents work, the daughter of a household al-

most invariably does the shopping; the trend is for children of 14 to 22 years of age to become household shoppers. This study will investigate who the actual shopper is in the communities served by the black grocery store retailer.

Family structure deserves a great deal of attention from retailers because, as it changes, so must retail strategies change. A retail mix for a two-parent family can fail dismally in a community made up of many single-parent households, or with many families in which children have two sets of parents (a mother and a step-father, and a father and a stepmother). The size of the family is therefore an important consideration for the black retailer. In many cases his customers are part of single-parent households or an extended family, that is, the children and their spouses (and sometimes their in-laws as well) and the grandparents all live under one roof. Such households would prefer bulk buying. (This study will, among other things, investigate whether black consumers engage in bulk buying or not.)

Khoza (1989:94) says that the extended family was the norm in African life; however, these extended families are diminishing and becoming more of an exception, particularly in the urban areas. Extended family relationships are now confined to events such as marriages, deaths and funerals, and aspects of life such as paying reverence to ancestors. Otherwise, the nuclear family is considered to stand a greater chance of a better quality of life and economic prosperity. There appears, Khoza says, to be a growing concern with "me and my family", that is the nuclear family, and a kind of pugilistic assertiveness that is expressed in people's personal lives and the material things they surround themselves with. The youth in particular, according to Van der Reis and Mabaso (1995:2), dislike the extended family living under one roof, because of parental authority, perceived unfair treatment of daughters-in-law and child sex abuse. The extended family system is therefore diminishing in favour of the nuclear family. However, the spirit of *ubuntu* lives on - if relatives have nowhere to stay they will be accommodated. In addition, young urban men and women prefer smaller families and one wife, while the older men still tend to favour larger families and more than one wife.

In view of the relevancy of the family on the buying patterns of the black consumer, this study will investigate whether the black grocery store retailer takes the family structure of his consumers into account in his strategy formulation.

■ **Reference group.** The other social factor that influences the behaviour of the individual consumer, is the reference group. According to Walters and Bergiel (1989:230), a reference group is any group against which a person can evaluate his behaviour patterns. In all reference groups there are distinctive norms of behaviour, and members are expected to conform to these norms lest sanctions be applied against them. One may or may not become a member of a group to identify with it; however, the more involved one is with the group, the more likely it is that one's purchasing behaviour will correlate with that of other members. The consumer draws upon the group's frame of reference or value system to guide his decision making in the marketplace. Van der Walt et al (1996:108) indicate a strong relationship between reference group influence and the choice of luxury products but a rather weak relationship in the case of necessities; however, if the necessity is highly visible such as in the case of detergents, the relationship is stronger.

On the need for group identify, Van der Reis and Mabaso (1995:2) found that the need for group support and belonging was felt by the great majority of the young black people; only a small percentage of young people are individualists. The young people mostly wish to belong to church and choir groups, sports and youth clubs, stokvels and burial societies.

Van der Reis and Mabaso (1995:3) further found that the main influences on black consumer behaviour patterns are family members, peer group pressure, media, advertising, and in particular, role models. Role models are usually successful people admired for their professional skills, material possessions, recognition overseas, personality and interaction with the community. The older urban men identify with role models such as politicians (notably Nelson Mandela and Cyril Ramaphosa); successful people such as the black lawyer, Dikgang Moseneke; Jomo Sono, the footballer, who has shown that he is "capable of other things besides football"; rich businessmen such as supermarket owners because of the "way they handle things, own either a 'dolphin' (BMW) or a 'one-wiper' (Mercedes-Benz)". The younger urban women admire the fashions and lifestyles of role models such as famous entertainers who have made it overseas such as Yvonne Chaka Chaka and Brenda Fassie; superstars such as Janet Jackson and Denzel Washington; TV presenters such as Khanyisile Dlomo; and beauty queens such as Basetsane, the former Miss South Africa; and radio presenter Mamiki Molapo who is "married to a doctor and lives in Bryanston, but still talks to ordinary people like

us". The younger urban women thus seem to be more concerned about the personality of the role model and less materialistically inclined than younger men.

The black retailer could use the influence of such role models to build sales. He could advertise items that are endorsed by admired and prominent personalities. For example, Lucky Dube, South Africa's most popular artist, who sells up to 400 000 albums on release, was sponsored by Kentucky Fried Chicken (*Marketing Mix* 1991:35). For the mass market, music is their first love, next to sport, and marketers are assured of the support of local radio stations and extra media coverage when going the music sponsorships route.

The black grocery store retailer's customers may also identify with such groups as the national soccer team or the church to guide their purchases. Community leadership, organised labour, church groups and stokvels are all movements with opinion-making forces among black people and can be used to influence customers.

The consumer's behaviour is also influenced by personal characteristics which include age, income, occupation and education and lifestyle (Wilson, Gilligan & Pearson 1992:107).

3.4.2.4 Personal influences

■ **Age.** Consumers buy different products and services over their lifetime and their taste in certain products such as clothes, furniture and recreation, are age related. The black retailer should therefore take note of his customers' age and circumstances and their effect on consumption behaviour. He should in particular take note of the implications of the growing youth market.

In 1995, 48,7 percent of the black population was under 20 years of age and black people represented 76,3 percent of the total population of South Africa (Bureau of Market Research 1995a). This indicates that the youth market will, with time and as the economy improves, emerge as the major market segment in the country, although the older market enjoys the greater spending power. The youth population is predominantly urban based, that is, in the major townships. Although the older segment utilises the urban areas as an employment base, they still

commute to the rural areas over the weekends and holidays.

Van der Reis (1994:5) points out that trends in values have a profound influence on all aspects of the current marketing environment. The black grocery store retailer thus needs to investigate trends in the motivating forces underlying young blacks' purchasing of products and services. Moreover, Van der Reis identified changing consumer values and behaviour patterns as the most critical issues which need to be understood for successful marketing in the new South Africa.

Van der Reis and Mabaso (1995:3) found that young black people aspire to be educated, successful and prosperous in a professional career or in their own business. They dream of living in a beautiful home with their nuclear family, in a leafy suburb with all the trappings of wealth around them. The urban young people desire to travel and take part in adventurous and out-door activities. However, there are many frustrations blocking the realisation of their dreams, most notably lack of education, jobs, money and opportunities, and many are fearful of the situation in the new South Africa.

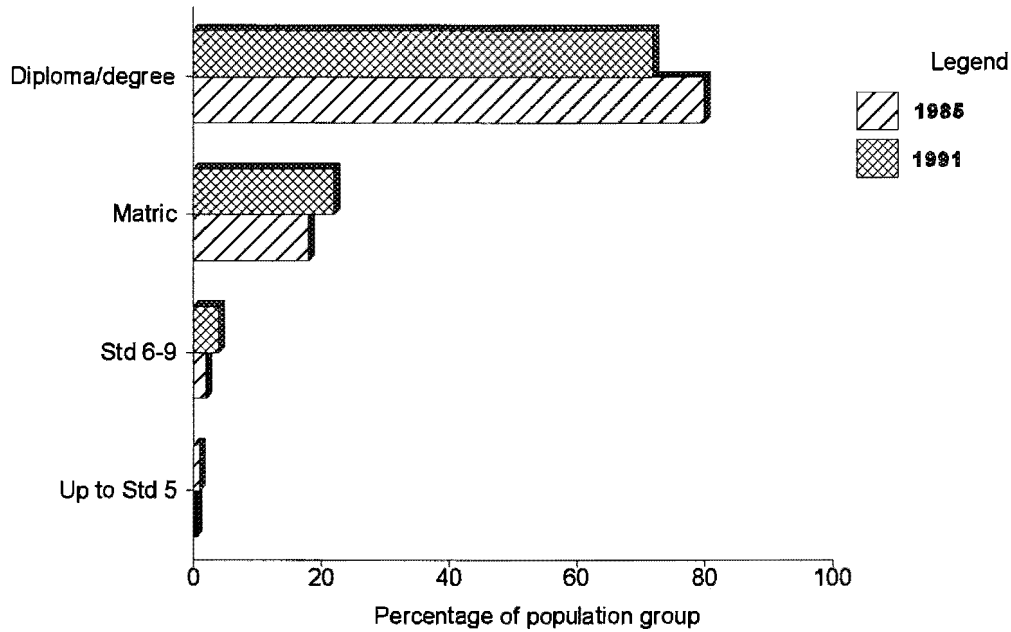
If the majority of his customers are of an older age, or if many young people frequent his store, he should make provision for their preferences. For example, young black consumers are sensitive to the presence of flies in and around the food sold in stores, and to the dust and dirt on the food bought from street sellers and other stores, as well as to poor service (Van der Reis & Mabaso 1995:40). The black retailer's perception of cleanliness in his store as well as good service will be investigated in this study.

■ **Income, occupation and education.** A person's consumption pattern is influenced by his income which, in turn, is influenced by his occupation. Occupation, in turn, is largely determined by education. These factors largely determine the consumer's purchase decisions (Kotler & Armstrong 1996:150-154).

Considering the education of black consumers, it is evident that the majority of black people still have only a primary school education, as reflected in exhibit 3.7 below.

EXHIBIT 3.7

**EDUCATIONAL LEVEL OF THE BLACK POPULATION GROUP:
1985-1991**



Source: Based on Van der Reis (1994:58)

From exhibit 3.7 it can be seen that only about 20 percent of the black population have had some high school education. As education is linked to remuneration, it follows that the more affluent black people will have completed some form of education; will have more self-esteem; and be more aware of the social, economic and political environment (Morris 1992:20). They would perceive themselves as having more choice and selection and will therefore demand quality of service and products. If the black retailer caters to these consumers, he will have to consider keeping a wider selection of products of good quality.

Morris (1992:46) points out that many of the housewives in Soweto or the other major townships are only first or second urban generation, and the level of illiteracy is still high. Products with long, difficult-to-read brandnames can thus fail. If the housewife cannot read or understand the name, she may not purchase the product. This is particularly true for medicinal products. Thus, if the black grocery store retailer operates in this type of environment, he will have to stock easy-to-

pronounce products like Surf, Cobra, Colgate and Coke which, according to Morris, are now practically generic (a factor that will be investigated in this study). He points out that there is no word for toothpaste in any indigenous language - it is in fact known as Colgate.

The high level of illiteracy and lack of sophistication suffice as major factors in the satisfaction of needs through advertising (Enslin 1993:25). The unsophisticated black consumer thus needs advertising that communicates product information and benefits clearly and concisely.

Since occupation influences consumption patterns, the black grocery store retailer needs to try to identify the occupational groups that have above-average interest in his products. Blue-collar workers who can be regarded as relatively poor customers would normally buy basic necessities and products such as work clothes and lunch boxes, while those in more sophisticated positions and thus more affluent customers would probably buy more luxuries and higher quality products.

With regard to income levels, the Bureau of Market Research (1994:207) found that black people in metropolitan areas have an average annual income of R11 682 (whites earn R71 598), while those in small towns earn R10 785 (whites earn R63 844). In addition, the average income of black men is twice that of black women, stressing the plight of rural households with a female head.

Between 1980 and 1985 black consumer spending increased by 15 percent (Jooste & Human 1992:31). The buying power and spending of black consumers are expected to double within the next 15 years (while those of white consumers will increase by only 20 percent). The black population group is responsible for 52 percent of the total consumer spending. Thus, according to Mathebula (1984:2), the black consumer market with its accelerating purchasing power and wants is the market of the future in South Africa, yet it is the most neglected segment of the market. Even though it is low income, the total spending of the segment is enormous and offers the innovative black retailer an exciting challenge.

To reinforce this, the black grocery store retailer should note that black consumers spend about 40 percent of their income on food. He should also take note of the figures showing black spending as a proportion of the total buying of some everyday fast-moving consumer goods (Morris 1992:21): chicken 70,4 percent;

cold drinks 73,3 percent; instant coffee 65,4 percent; washing powder 65,6 percent; red meat 66,7 percent; condensed milk 62,4 percent; sugar 65 percent; and beer 70,8 percent.

The black grocery store retailer should always keep in mind that in the massive, urban townships, the informal sector is a very active, accelerating market segment. Shebeens, shack shops, spaza shops, street hawkers - some licensed, some unlicensed - generate incredible volumes of product on a national scale. The Bureau of Market Research (1995b:29) found that in 1994, of the R15 867,9 million spent on goods generally sold by retailers, 72 percent was purchased from the formal sector and 28 percent from the informal sector. It was noted, for example, that over half of the purchases of alcoholic beverages (60%) were made at shebeens.

■ **Lifestyle.** A person's lifestyle is his pattern of living in the world as expressed in his activities, interest, likes and dislikes and especially the way in which he lives and spends his money (Lucas 1989:128). In a want-driven, affluent society, it is becoming increasingly necessary to understand the different lifestyles of consumers, because mass marketing techniques do not work as they did when most consumers had the same basic needs (Rogers et al 1992:231). In non-affluent societies, however, consumers tend to be more tuned in to basic necessities.

It is therefore up to the black retailer to determine whether his customers are, for example, concerned with traditional values revolving around home and family, whether they are health conscious, whether they are interested in sporting activities, or whether they are interested only in the basic necessities of life. These factors will be investigated in this study.

It is often assumed that black consumers aspire towards a white lifestyle (Enslin 1993:23). The black consumer does aspire to higher living standards, that is, sophistication, and adopts certain Western values in the process; however, he values his identity highly so the black culture seems to develop as a Westernised culture with a proud African identity. Sales House illustrates this best in their "Men of Africa" advertising campaign: "Never challenge my courage or question my strength. Never under-estimate me or doubt my pride. Because I am ... a man of Africa". This study will investigate, among other things, whether the black

grocery store retailer's customers are interested in traditional values or in Western values.

According to Morris (1992:23-24), black township lifestyles in South Africa are greatly influenced by factors such as long travelling distances to work; working long hours and returning home late; many homes without electricity and home comforts; and a high crime rate. Lifestyles are centred mainly around social activities. Sport and music are particularly enjoyed, although they differ slightly in respect of culture and tribe, gross income, male and female and rural and urban. In order to associate the correct lifestyle pattern with his store, the black retailer must therefore analyse his community in order to cater to their particular lifestyle. Consumer lifestyle is an important point to be considered in market segmentation (see sec 3.5 which deals with market segmentation).

According to Van der Reis and Mabaso (1995:5), the youth market will in time and as the economy improves, emerge as the major market segment in the country. The black retailer thus needs to stay informed of the aspirations and values of the rapidly-changing black youth sector of the market as these trends largely determine the purchasing of products and services. Van der Reis and Mabaso (1995:1-3) found that the pattern of interests and activities of the black youth market becomes more diversified with increasing age, maturity and urbanisation. Younger urban men are mainly involved in playing and watching sport, going to the cinema, listening to music, drinking in shebeens and attending "street bashes". Young urban women tend to be restricted to home and school work by their parents, but enjoy socialising with friends. Older urban men take part in a variety of sports and are interested in dangerous physical pursuits (like sky-diving) and socialising with friends. Individual hobbies such as photography begin to emerge. Older urban women join their men in the social drinking places and "street bashes" and enjoy movies and television. Hostel dwellers have a narrow range of leisure time activities, owing primarily to limited free time and lack of education and funds. Mostly they watch or play soccer, play cards, drink with friends, go to church and listen to the radio.

Horne (1995:29) maintains that image is all important among black youth; whatever they do, they have to make a statement; even in the way they dress and the way they talk. Their sports heroes are very important to them and they look up to them as role models. The community plays an important role in the lives of

black teenagers. This can be used successfully when marketing a product to them: group entertainment combined with a promotion is entertaining and encourages participation while educating at the same time. Horne further adds that there is no magazine catering specifically to this niche. Black youth are avid readers of *The Sowetan* and imported magazines like *GQ*. Cinema is another good medium to use - black teenagers take their girlfriends out of the townships to cinemas in white shopping centres. Horne refers to the launch of Pepsi, a prime example of marketing of a product to the black youth market. Not only was the logo "The choice of a new generation" very apt and identifiable, but it created a brand image and culture among this market that was the envy of less successful marketers. Pepsi held "street bashes" as a marketing tool; at one of them there were about 15 000 youngsters - it involved the whole community. (It should be noted that Pepsi has been withdrawn from the market because of financial problems.) The black grocery store retailer should thus get to know this highly intelligent, observant and critical market and remember that the black youth need to feel good about the product.

Levy (1990:53) maintains that marketers do not know what makes black consumers tick. The fact that those who attempted to try to understand and plug into local lifestyle realities - like Sales House with its aspirational Sales House Club - were amply rewarded in terms of sales, should provide enough reason for understanding black lifestyles.

In addition to the group, social and personal influences dealt with above, a consumer's buying choices are also influenced by four major psychological factors which are inherent in human behaviour, namely motivation, perception, learning and attitudes.

3.4.2.5 Psychological influences

■ **Motivation.** Motivation, the driving force within individuals that impels them to action, provides the foundation for the consumer's behaviour (Brink & Machado 1989:43). Thus motives are feelings that make a person act in a certain way since they make people aware of their needs and give them reason to act according to these needs.

Brink (1985:21-23) refers to Maslow's popular theory that seeks to categorise and explain human motivation. Maslow sought to explain why people are driven by particular needs at particular times. He says that human needs arrange themselves in hierarchies of prepotency - that is, the appearance of one need usually rests on the prior satisfaction of another, more prepotent need. In their order of importance, these needs are the physiological needs, safety needs, social needs, esteem needs and self-actualisation needs. A person will try to satisfy the most important needs first. When a person succeeds in satisfying an important need, it will ease being a current motivator, and the person will try to satisfy the next-most-important need. Maslow's theory helps the marketer to understand how various products fit into the plans, goals and lives of potential consumers.

The black grocery store retailer should determine the overriding motives underlying his customers' decision making. Of particular importance to his business would be the patronage motives of his customers - that is, the reasons certain stores are preferred to others. These patronage motives may be convenient location (eg the local spazas), ample parking, a wide variety of merchandise offered, low prices, high quality products, friendly sales personnel, facilities to meet friends (a restaurant) or good after-sales service. If some of these patronage motives of his customers indicate that these factors are important to them, he would have to consider offering them. For example, Van der Reis and Mabaso (1995:35) found that black consumers are becoming increasingly aware that they can do something to improve the quality of the products they purchase. Thus if they find the quality of a product unsatisfactory, they take it back. In order to ensure their patronage, the black retailer should keep this in mind. Also, consumers regard the South African Bureau of Standards as acting in the interests of the community - hence the black retailer should, if possible, keep appliances with the SABS mark of approval. These are some of the points that will be investigated in this study.

A motivated person is ready to act, but how he actually acts is influenced by his perception of the situation. Two people in the same motivated state and objective situation may act quite differently because they perceive the situation differently.

■ **Perception.** Perception involves the particular interpretation of a person of objects or ideas that are observed via his senses such as seeing, hearing and feeling (Van der Walt et al 1996:80). These sensory stimuli cause certain

sensations which influence a consumer to purchase or not to purchase. Subjective factors always play a role in perception, thus consumers act and react on the basis of their perceptions, not on the basis of objective reality. According to Morris (1992:43), in the black market, for example, the product Eskamel, an anti-acne cream which, when applied to the skin, dries like a clay substance, was successful mainly because it was perceived as resembling a clay still used in rural areas by the "wise women" - the black people could relate to the product and compare it to previously used and tested traditional methods. Point of entry was traditional, yet still relevant, which is why the product was successful.

The subjective interpretation of two similar advertisements created for the meat market, aimed at black and white consumers respectively, illustrates the subjectivity of perception (Morris 1992:44-45). Both advertisements showed a white and black woman respectively working in the kitchen preparing their families' meals. Although both advertisements were successful, the perceptions were different. The black consumers liked it because meat is part of their diet, but more importantly, it showed the black woman caring for her family. The white consumers saw the woman in the kitchen as being superorganised, with the ease of operation and time-saving advantages being stressed - hence the same advertisement and the same concept, but different perceptions and still a success.

Consumers make decisions and take actions based on what they perceive to be reality. Hence it is important that the marketer understands the whole notion of perception so that he can more readily determine what influences consumers to buy (Brink & Machado 1989:28). The black retailer should realise, for example, that the exterior of the building, the layout of the store and displays are factors that build store image in the eyes of his customers. His store will probably be perceived as keeping good quality products if appliances have the SABS mark of approval (Van der Reis & Mabaso 1995:39-40). Further, black consumers tend to perceive price as directly related to quality while no-name brands are classified as imitations and not perceived as the "real thing".

Perceptions are greatly influenced by past experience and by attitudes derived from the cultural and social forces by which an individual has been influenced. For example, a woman who shops for the first time in a store and who finds that its employees are extremely unfriendly and rude will probably avoid the store in the future because of her newly formed perception of it. Here, experience with the

store moulded her perception of the store.

According to Pride and Ferrell (1997:139), it is obvious that the way in which and what consumers perceive, strongly affect their behaviour towards products, prices, package designs, salespeople, stores, advertisements and manufacturers. With good reason, then marketers often concern themselves with how consumers perceive their organisations and products. If, for example, the black retailer's store is perceived as keeping poor quality products, he will have to work hard to change this perception. This is a point that will be investigated in this study.

Consumers also protect themselves against information overload by ignoring or distorting the meaning of the many, often conflicting stimuli to which they are exposed. The black grocery store retailer could therefore place overhead signs in certain strategic places to enable customers to locate items as easily as possible. He should also pay attention to shelf position and the amount of shelf space as these factors influence which products attract attention. He could use point-of-purchase displays to attract attention to sale items.

Any facet of a person's behaviour, for example, motivation, perception and attitudes, are either directly or indirectly determined and influenced by the ability of the consumer to learn.

■ **Learning.** From a marketing perspective, consumer learning is the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future-related behaviour (Brink & Machado 1989:76). If an individual's actions bring out rewarding or satisfying results, he may behave the same way in a subsequent, similar situation. However, when behaviour leads to unsatisfying outcomes, a person is likely to behave differently in future situations. If a consumer is therefore satisfied with a specific brand and likes it, he is more likely to buy the same brand the next time and will continue to purchase it until it no longer provides satisfaction. When the effects of the behaviour are no longer satisfying, he will switch to a different brand or stop eating it (or visiting the store).

The implications of consumer learning to the black grocery store retailer are that he must ensure that the consumer learns that his particular store provides the required need satisfaction; then the consumer will return to the store and hopefully become store loyal. Through his sales personnel and advertisements, he should

provide information before consumer purchasing to influence what they learn and to create a more favourable attitude towards the store and its products. According to Van der Reis and Mabaso (1995:39), demonstrations in the store, for example, could facilitate learning about a product and enhance consumer knowledge where the customer can actually experience the product, as black consumers appreciate product samples to enable them to test and compare products with ones currently used. His perception of such demonstrations will also be investigated in this study.

Through learning, consumers acquire attitudes which influence their buying behaviour.

■ **Attitudes.** An attitude refers to a relatively inflexible tendency to perceive and act in some consistently favourable or unfavourable manner towards a given object or idea (Pride & Ferrell 1997:141-142). A consumer develops attitudes towards products, services, stores and advertising messages. The marketer tries to reinforce positive attitudes held by consumers, and to change neutral attitudes to positive attitudes. Negative attitudes are usually inflexible and cannot easily be changed. The black grocery store retailer should create a positive image towards his store and its products.

In the past (as indicated in ch 1), black consumers had a negative attitude towards black business. Matuna (1993:2-3), in response to the indication by the African National Congress (ANC) that it would encourage black consumers to "buy black", points out that there was a time when black township retailers were not well-liked by their people (black consumers) as they were seen as exploiters, and many were abusive to customers. In the mid-1980s (as mentioned in ch 1) many black retailers in the townships were the victims of mass action and many had their shops burnt. Matuna (1993) maintains that the attitudes of black consumers have changed, mostly because the retailers have competition from the spazas and hawkers. Thus buying black is therefore not as unpleasant as it once was. In fact, the less sophisticated and thus less privileged consumer is already buying black because of his lack of access to the shopping malls, his low income and limited consumption, and because he is unable to shop in traditionally white areas because of transport and budget limitations. Matuna (1993) further says that, in spite of the growing opportunity to buy black in the townships, prices are higher in the township stores than in the supermarkets that tend to be owned by whites; yet,

the discerning shopper will still look for the best buys in terms of quality and price.

According to Van der Reis and Mabaso (1995:40), young black consumers have a negative attitude to the emergence of imitations which they say are bought only because of their cheaper price when "real" quality goods are unaffordable. Also, if they cannot afford to buy quality clothing, they look for a name which is fashionable.

Van der Reis and Mabaso (1995:37-38) also found that for various reasons, the younger and urban black consumers have favourable attitudes towards advertising. For example, they feel it informs people about available products, especially new ones, it explains how to use a particular product, and it gives details on special offers in the stores. Older black consumers, however, have a more negative attitude towards advertising as they often do not comprehend the message in some advertisements, especially those showing unfamiliar situations (eg a homesick student overseas, micro-organisms gobble dirt), and because they feel it adversely affects children, encouraging them to smoke and drink.

The positive attitude of consumers towards the SABS mark of approval should encourage the black grocery store retailer to stock appliances with this mark as, according to Van der Reis and Mabaso (1995:39), many black consumers feel that kettles and irons do not last long before they trip the mains.

Consumer attitudes towards the black retailer's store and its products greatly influence the success or failure of the retailer's marketing strategy. When consumers have strong negative attitudes about one or more aspects of the organisation's marketing practices, they may not only stop using its products but may also implore other people to do the same. In order to create a positive attitude for his store and products the black retailer must give the consumer sufficient information about the products he keeps and the need satisfaction they will provide, and he must satisfy his customers better than his competitors do. Thus he must not only take the needs of his customers into account but also the strategies of his competitors in order to give his business the strongest possible competitive advantage.

When the black grocery store retailer has analysed his customers he is in a better position to develop a marketing strategy. However, before a marketing strategy

can be developed, it is necessary to consider his organisation's position relative to competitors. Moreover, the marketing concept emphasises that he should deliver satisfaction more effectively and efficiently than competitors. Competitor analysis, the next component of the marketplace, will be dealt with in the next section.

3.4.3 Competitor analysis

3.4.3.1 The importance of competitor analysis

Competitors represent a major determinant of the retailer's success and any failure to take detailed account of their strengths, weaknesses and strategies is likely to lead not only to a less than optimal performance, but also to an unnecessarily greater exposure to aggressive and unexpected competitive moves (Wilson et al 1992:79-81). The black grocery store retailer should therefore constantly keep an eye on the actions and activities of his competitors when developing a strategy for the market.

Aaker (1995:70-72) emphasises that an understanding of competitors and their activities can provide several benefits. *First*, an understanding of the current strategy strengths and weaknesses of a competitor can suggest opportunities and threats that will merit a response. *Second*, insights into future competitive strategy may allow the prediction of emerging threats and opportunities. *Third*, a decision about strategic alternatives might easily hinge on the ability to forecast the likely reaction of key competitors. *Finally*, competitor analysis may result in the identification of some strategic questions, questions that will be worth monitoring closely over time.

Competitor analysis should therefore be a central element of the black grocery store retailer's planning process, with detailed attention being paid to each competitor's activities. One of the factors to be investigated in this study is whether he performs such an analysis.

Van der Walt et al (1996:544) maintain that in order to be competitive, to survive and to grow in the market, an organisation must have competitive advantages over competitors and this advantage must be sustainable over a certain period. A sustainable competitive advantage is the ability to deliver superior value to the

market for a protracted period of time. Sustainable competitive advantages are necessary to outperform the competition, for example economies of scale which provide the organisation with an unbeatable cost advantage.

Retailers compete with one another on the basis of their individual retail strategy - an overall plan to gain competitive advantage through the use of a distinctive retail format to capture the patronage of one or more target markets (Lewison 1994:41-42). The black grocery store retailer's competitive advantage would thus involve the development of a superior or unique capability to deliver need satisfaction to a select group of consumers in order to gain a favourable and preferred position within the marketplace. His competitive advantage can be realised by creating a retail format that is tailored to specific needs of a carefully delineated segment of the total market. The black grocery store retailer's merchandise selection can also enable him to develop a distinctive competitive advantage over his competitors. This is achieved by, for example, speciality store retailing and the department store. He can also use time and place convenience as his distinctive competitive advantage.

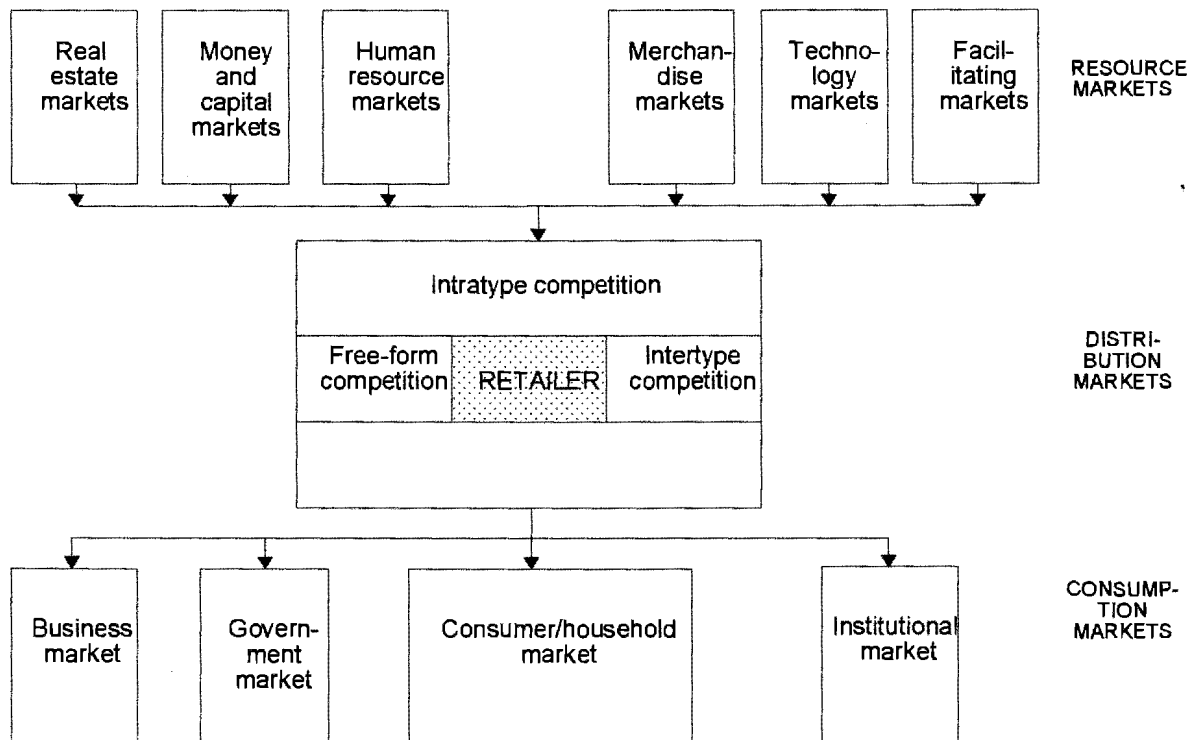
A retailer has to become an effective competitor to ensure success in the marketplace. No retailer can design a strategy that will totally insulate him from the competitive actions of others. For example, merchandising innovations can easily be copied. Furthermore, the relatively low entry barriers in retailing mean that the successful retailer can count on being copied by others when it unveils a profitable strategy. For example, it was relatively easy for Nando's Chickenland to copy the Kentucky Fried Chicken concept by selling almost identical chicken portions. If the black grocery store retailer therefore wants to become successful, he should develop the talent for designing and implementing innovative competitive strategies.

Owing to the unique nature of competition in retailing, the next section will deal in more detail with those aspects of competition relating to retailing in particular.

3.4.3.2 *Retail competition*

The retailer competes with other retailers at three distinctly different market levels as depicted in exhibit 3.8 below.

EXHIBIT 3.8 THREE LEVELS OF RETAIL COMPETITION



Source: Based on Davidson, Sweeny & Stampfl (1988:20), and Strydom (1991:79)

As shown in exhibit 3.8, retailers compete with each other in consumption markets, resource markets and distribution markets. Thus the total competitive environment of retailing may be regarded as a geometric pattern of interrelationships that require complex, interdependent decision making if the organisation is to prosper. These three levels of retail competition will now be dealt with.

■ **Consumption market competition.** Four different types of expenditures can be identified in the consumption market. The *first* market that can be identified is the personal consumer and household market. A retail store is an establishment that derives over 50 percent of its total volume from sales to ultimate consumers whose motive of purchase is for personal or family use. Consequently, the primary consumption market focus for the retailing industry is on personal/consumer/family unit expenditures. This market is currently undergoing major structural changes in the post-apartheid era in South Africa. The black retailer should therefore take

into account changes in income structure, educational levels of his customers, and future changes occurring in values, attitudes, and lifestyles of his customers (these factors were dealt with in sec 3.4.2).

The *second* market that can be identified is the institutional market which has not shown much development in South Africa (Strydom 1991:91). Expenditures by institutions such as hospitals, schools and universities account for a large portion of the total expenditures for food. The black grocery store retailer should therefore realise that from a competitive standpoint, a meal served in a school cafeteria is lost sales volume to his store. He could, for example, make special efforts to compete effectively for government subsidised schemes by delivering groceries to school hostels or cafeterias.

The *third* market is the business market which is making rapid progress in South Africa. An example of this market is a business that offers certain fringe benefits to its employees by negotiating with stores to supply clothing and furniture to them at reasonable prices. The black grocery store retailer could endeavour to attract such contracts with businesses.

The *last* market identified is the government market which constitutes a substantial portion of retail sales. Examples of the influence of the government market are the purchasing of food items by the Department of Defence, via the State Tender Board, which buys food for the entire defence force, and school feeding schemes by the Department of Education.

The retailer also competes for access in resource markets (the factors of production).

■ **Resource market competition.** As the name indicates, competition occurs owing to the resources, that is, the factors of production available to the retail trade. The availability of the resources which present potential competition between retailers are: location, money and capital market, labour market, merchandise market and the facilitating market.

When it comes to location, the retailer attempting to acquire a site for a store must compete for prime sites not only with other retail stores, but also with various other businesses. Most retailers wish to acquire premises where the best

purchasing power can be found. In previous years the black retailer was not able to exercise a choice in this regard as certain premises were simply allocated to him, as noted in chapter 1.

There is also competition in the money and capital market. The retailer who needs additional capital must compete not only with other retailers but also with private individuals and other businesses for funds. In the past, capital was regarded as the panacea of the black retailers problems.

The need for skilled and experienced personnel puts the retailer into competition with many other types of potential employers in the labour market. The labour market in South Africa is characterised by strikes, and it is also difficult to obtain skilled personnel.

There is also intense competition in the merchandise market. The retailer has to ensure that his particular assortment of merchandise satisfies his customers. In acquiring merchandise he not only competes with other retail stores but also, for example, with cafés and retail institutions at the places where black consumers work.

In the facilitating market the retailer has to compete for the favour of the local and government institutions and to comply with the regulations and laws specified by the government.

■ **Distribution market competition.** The competition experienced by the retailer in the distribution market largely determines the nature of the competition in the resource market and the consumption market (Davidson et al 1988:24-25). In the distribution market, the retailer *first* competes with other retail stores of essentially the same type of business format (eg two supermarkets, two furniture stores, or two department stores compete for the same customer base). This type of competition is viewed as the traditional form of competition in the retail trade on horizontal level and is referred to as intratype competition. The black retailer should therefore ascertain what other similar retailers sell the same merchandise assortments in the same area and compete for the same households. Intratype competition is closely related to the movement towards scrambled (highly diverse) merchandising - that is, carrying any merchandise line that can be sold profitably (Lusch et al 1993:131) - and as the retailers expanded their merchandise lines to

carry wider and wider assortments of different types of products, they found themselves in competition with a wider variety of different types of other retail stores. Conversely, stores that did not add new lines also found themselves in a new competitive arena with those stores that did broaden their merchandise assortments. As this process continues, increasingly more retail stores find that their major competition comes not from those stores with which they compete directly on an intratype basis, but from a variety of other types of retail stores that they had never previously considered as competitors. This study will investigate how the black grocery store retailer perceives these types of competitors.

The *second* type of distribution market in which the retailer competes is characterised by intertype competition, that is, two or more retailers using different types of business formats to sell the same type of merchandise (Lewison 1994:42). This type of competition occurs widely in South Africa, for example, where supermarkets compete among others with department stores, discount stores, cafés and the informal sector to sell their products. The nearby corner café and the superette are therefore a serious competitor for the black grocery store retailer as they also stock basic grocery items. He also competes with the small-scale convenience supermarkets (called C-stores) at BP and Shell service stations which started appearing in South Africa five years ago. They stock a range of products from basics such as bread and milk, to canned foods, toiletries and household detergents, cigarettes, chocolates, cold drinks and crisps and toys (Holt 1994b:20). The BP stores are predominantly sited in the Gauteng area and are open 24 hours a day. Engen has the largest such operation with 45 convenience stores around the country, including the black township areas. These convenience stores offer a clean environment, safe parking, fresh food and various consumables 24 hours a day. The oil companies provide them on franchise to dealers as an added profit incentive. The dealer pays rent or can develop the store himself.

Cohen (1997:73) maintains that the convenience stores such as Quick, Express, Star and Select Shops, are hurting the spaza shops and the corner cafés most. BP is also aggressively pushing Express stores in townships and has already opened some in Soweto, Tembisa, KwaThema and Vosloorus. Cohen notes that Pick 'n Pay's response to these stores was to establish the Seven Eleven Store of which there are already 11 in Gauteng, while a further 50 countrywide have been planned before the end of 1997. This study will investigate whether the black grocery store retailer perceives these stores as competitors.

A *third* form of distribution competition is vertical competition which Lewison (1994:42) refers to as the competition between a retailer and a wholesaler or producer that is attempting to make retail sales to the retailer's customers. Many manufacturers sell their products directly to consumers through their own outlets located in factory outlet centres. If the black retailer, for example, stocks and sells a product line that the manufacturer was also offering through a mail-order service, the black retailer and manufacturer would be engaged in vertical competition.

The *fourth* type of competition in distribution markets is free-form competition. It implies that many large retailers have transformed themselves from narrowly structured, single-type organisations into broadly structured, multiple-type retailing conglomerates. The unique characteristic of the free-form retailing corporation is its willingness to move aggressively away from its traditional mode of operation and local markets into new types of retail stores, new geographic locations, and new types of vertical system alignments. In South Africa, for example, Woolworths, Truworths, Topics and Top Centre formed such a conglomerate (Strydom 1991:89). The tendency towards forming conglomerates can lead to intense competition and an oversupply of retail facilities.

The last type of competition, vertical system competition (Van der Walt et al 1996:293), comes about when vertically integrated and horizontally coordinated organisations compete as a unit with similarly structured organisations. Enterprises at each level in the system function in such a manner that marketing functions are carried out in the most advantageous level or position. Vertical system competition takes various forms in South Africa, of which the Spar Voluntary Wholesale Group is an example of putting independent retailers in a position to compete with the major chains. Some of the main benefits are a central distribution system that ensures weekly delivery from one source, access to bulk buying, reduced back door congestion, volume discounts, improved cash flow, store layout advice and retail consultant service. The researcher is of the opinion that this type of operation could be considered by the black retailer, not only because it reduces risk, but also because he would be selling the Spar housebrand which ensures consistent quality, and advertising expenses would be reduced as these are performed by the Spar Guild (*Spar Guild information brochure*).

Another form of vertical system competition that could also be considered by the black retailer, is franchising. Through franchising the right is granted to a business

to market products or services in accordance with certain prescriptions to other intermediaries or final consumers (Van der Walt et al 1996:250-252). Franchising would thus provide the black grocery store retailer with an opportunity to enjoy the advantages of an own business at relatively low risk. Some of the earliest franchises were said to be relatively inexpensive ones such as shoe repairing, key cutting, dry-cleaning, followed by more expensive ones, such as "big name" fast food and restaurant franchises (*Enterprise 1991:48*). In 1996 the number of franchise systems in South Africa had increased by over 28 percent compared to those that were operational in 1995 (Gordon 1996:15).

The black business community has in fact already accepted this method of establishing its own enterprises (Van der Reis 1994:104). The franchisor supports the franchisees constructively and assists them in achieving success. Small enterprises in the informal sector such as hawkers and spazas in the black townships gain much valuable experience, enabling them to later successfully enter into franchise agreements in the formal sector. Spar, for example, has started its Supa Dupa shops in the wealthier black townships and provides training to store personnel and supports the owners in the financing and layout of stores (*Finansies & Tegniek 1994:27*). Inventory is delivered to the shops from the central warehouse - thus the owner merely has to ensure that the products are sold. If the Supa Dupa shops comply with Spar requirements, application can be made for a Spar franchise. Another example is the global food chain McDonalds that specifically targets black entrepreneurs as franchisors.

The emergence of a franchised Phone Spaza Chain has also been noted (Van der Reis 1994:104). These are public telephone and spaza shops run out of seven-metre shipping containers. The franchisor buys the containers, installs telephone lines and shelves and then places them where people need telephones. In addition to a small franchise royalty, the franchisor makes a commission on the products they sell, such as bread and milk, and also sells advertising space on the sides of the containers. More than 100 franchises have already been established in this way and more are about to open.

As franchising grows, so too, however, does the inevitable call for regulations to protect the franchisors already in business from new competitors. It has been said that, while the ANC continues to threaten affirmative action legislation if businesses do not start training, employing and lending to more blacks, the rapidly

growing franchising trend may in fact be the surest route to black empowerment (Siejas 1994:85). An ownership profile compiled in 1995 showed that franchised establishments were 91 percent white owned, five percent black owned, three percent Indian owned, one percent coloured owned, while 14 percent of franchised establishments were owned by woman of all races (*Marketplace* 1995:15).

Another variable in the market environment is intermediaries who play a vital role in bridging the gap between the marketer and the consumer.

3.4.4 Intermediaries

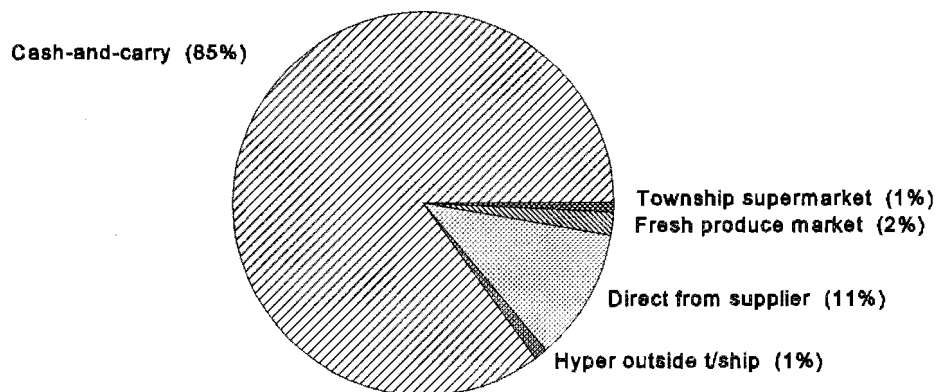
Besides consumers and competitors in the market environment, intermediaries also play a vital role in bridging the gap between the marketer and the consumer. By bridging this gap, place, time and ownership utility are created. Intermediaries are wholesalers and retailers, commercial agents and brokers and, in the Third World, also spaza stores (Van der Walt et al 1996:50). In addition, there are financial intermediaries such as banks and insurers who, from a financial angle, are also involved in the transfer of products and services. Decisions about intermediaries mean the formation of long-term alliances which may have certain implications for the marketer's marketing strategy. Thus, for example the power of large retailers may have specific implications for price and advertising decisions, while product diversification is dependent on the capacity of intermediaries.

The marketer's decision making about intermediaries is complicated by the dynamic and ever-changing nature of intermediaries. Examples of the trend in this regard are extended shopping hours, increasing advertising by shopping centres themselves, the growing importance of the black retailer in black residential areas and the increase in the number of franchises and spaza stores (Van der Walt et al 1996:51).

The black retailer occupies a position between the consumption level and the wholesale level of the marketing channel of distribution. He purchases, receives and stores products from producers and wholesalers to provide his customers with convenient locations for buying products. The purchasing function falls outside the scope of this study. It will, however, be investigated from what sources the black grocery store retailer obtains his merchandise.

Exhibit 3.9 indicates that in 1991 the vast majority of township retailers (85%) bought their stock from cash-and-carry wholesalers while only 11 percent bought direct from suppliers.

EXHIBIT 3.9 OUTLETS WHERE TOWNSHIP RETAILERS BUY THEIR STOCK



Source: Van der Reis (1994:103)

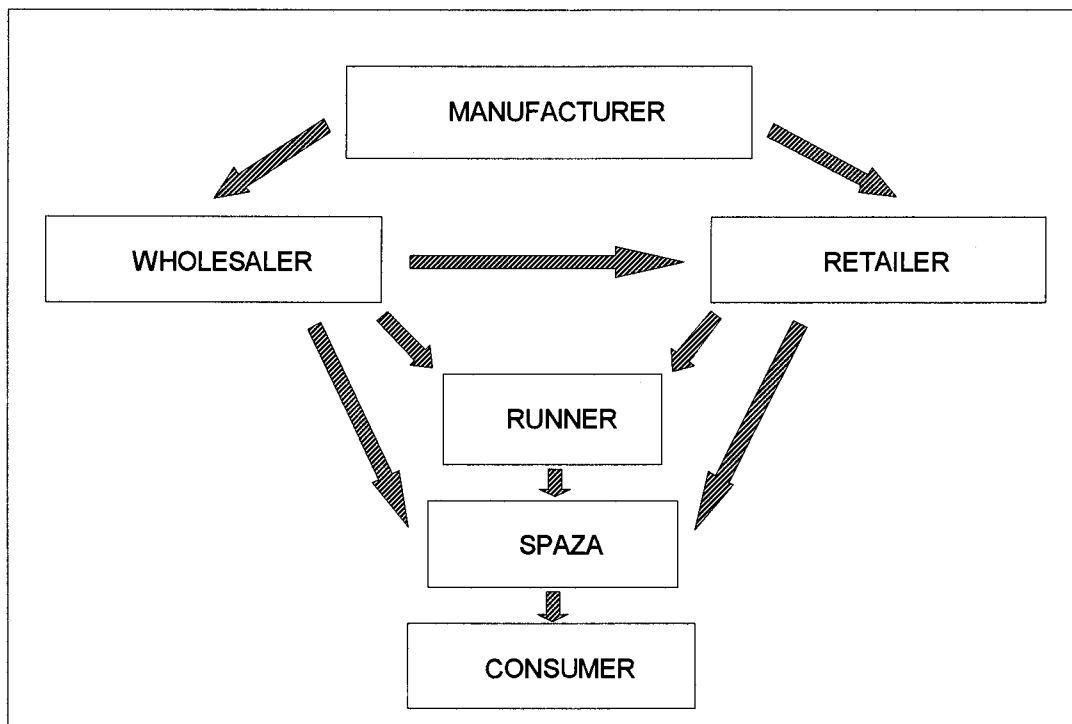
Van der Reis (1994:103) defines the cash-and-carry market as consisting of anyone who buys for resale at a retail level, and those who buy goods with a view to converting them for sale - such as caterers and restaurateurs. This market has become far less conventional than it was ten years ago, largely because the sheer expense of owning large trucks has made the delivery of large numbers of small orders uneconomical, unrest and crime in the townships has made securing large shipments an impossibility, and the lifting of influx control resulted in large numbers of people moving from rural to urban areas.

Van der Walt et al (1996:245) point out that cash-and-carry wholesalers such as Metro, Makro, Trador, Price Club, Jumbo and Shield market products such as

groceries direct to spaza retailers in suburbs such as Soweto, Mamelodi and Khayelitsha. The retailers in these areas stock mainly groceries and convenience products such as milk, cigarettes and cold drinks. The spaza retailing shops in the black townships thus developed as an important link in the distribution of convenience products. Though the fast growth in spaza numbers can also be attributed to deregulation and unemployment, spaza shops ensure their existence by efficiently meeting the needs of their customers. Despite the very small floor space on which these shops operate, their higher prices, and the limited product variety offered, the spaza shops satisfy the needs of their customers. The mobility of the typical spaza shop customer is low, working hours and travelling times are long, and storage capacity at their dwelling places is limited. The spaza shops which are situated within walking distance and which sell well-known trustworthy brand names in small quantities, satisfy the needs of the customers exceptionally well. The spazas can thus be classified as convenience stores, similar to the cafés in the traditionally white areas.

The distribution chain between wholesaler and spaza shop, depicted in exhibit 3.10, was characterised by the use of runners as key players (Van der Reis 1994:103).

EXHIBIT 3.10 THE SPAZA DISTRIBUTION CHAIN



Source: Van der Reis (1994:103)

The spaza owner obtains his merchandise from either the wholesaler or retailer, via a runner. In the past, spaza stores were hidden away in back rooms, garages and squatter camps, and were difficult to locate. The quickest and most efficient way of distributing to them was via a runner. A runner is a taxi owner who transports products for the spaza shop. Some of these runners get involved in the distribution channel in that they buy in bulk from the cash-and-carry wholesaler, store the products, and then sell them to the spaza shop. It is likely that small truck owners will replace the runner in the future, particularly when stability returns to the townships.

Cash-and-carry wholesalers use various methods of maintaining customer loyalty (Van der Reis 1994:104), for example, the use of a special logo (eg Metro's "Lucky 7" chain) for members to promote their stores, and the use of direct mail promotional pamphlets carrying relevant news items, such as price increases or the appointment of a new manager.

A trend in the Third World retail sector, observed at the start of this decade (*Enterprise* 1991:47-48), is that low income consumers are increasingly buying from local informal retailers. Some of the reasons advanced for the growth of the informal sector in the townships are the inability of the formal sector to create sufficient jobs for the fast-growing labour force, who then have to earn a living as best they can; the tendency of consumers to buy closer to home, buying small quantities several times a week, either because they lack refrigeration, lack the resources to go to the towns, or cannot easily carry large quantities of goods on public transport; the growth in fast-food consumption and purchasing of prepared foods; and political pressure to purchase from black-owned stores.

Exhibit 3.11 shows the distribution of township expenditure between the various types of retailer in 1990. Nearly half was spent in supermarkets and just over a fifth in spaza shops or with hawkers.

EXHIBIT 3.11 EXPENDITURE WITHIN TOWNSHIPS BY TYPE OF RETAILER

Type of retailer	Expenditure	
	R billions	%
Supermarkets	2,4	48,0
Countershops	1,5	30,0
Spaza shops/hawkers	1,1	22,0
Total	5,0	100,0

Source: Enterprise (1991:47)

It was estimated that there were in excess of 200 000 licensed hawkers trading in the metropolitan areas in South Africa, 8 000 of them in Johannesburg. Spaza shops were said to number more than 6 000 in the country as a whole, 1 000 of them in Soweto, in which area 1 000 formal retailers were also said to trade. (It was mentioned in ch 1, sec 1.2.3.1, that the figures compiled by the Department of Trade and Industry's Ntsika in 1997, however, reveal that the informal sector is smaller than previously estimated.) Van der Reis (1994:99) maintains that hawkers are extending both their range of products and their area of influence, moving from downtown central business districts to the suburbs. Successful hawking tends to evolve to the spaza shop option, which in turn is becoming increasingly sophisticated.

After discovering that many hawkers and spaza shop owners did their purchases at Metro (often going to the extent of borrowing or even "hiring" Metro cards), the company decided to open an outlet catering purely for the informal sector (Levy 1990:53). Smaller, cheaper packs were offered, more tills were made available and access was made easier. The experiment was so successful that Metro decided to set up additional facilities such as a training centre, a legal aid desk and banking facilities as well as opening more stores catering for the informal sector. Metro has moved with the times and opted for positive rather than confrontational links, and joint problem solving - they made the changing environment work for them.

Van der Reis (1994:55) refers to the emergence of sales agents, especially black women, operating in black suburbs, which have provided a new dimension to

retailing. Women's clubs have also been established to buy goods in bulk for members.

Van der Reis (1994:3-4) points out that real total retail sales declined in South Africa during the first part of this decade. This downtrend in retail trade sales is primarily due to the long-term decline in food turnover. Clothing has remained fairly constant, while furniture and appliances have shown real growth since 1989. However, there has also been a marked increase in the number of small urban grocers in the first years of this decade sharing a cake that is shrinking in real terms. Reasons for the increase in the number of small urban grocers are increasing urbanisation, rising unemployment, and the relaxation of laws relating to store ownership, resulting in sales to the informal sector not recorded in official census figures.

Van der Reis (1994:105-106) refers to a few general trends in buying patterns noted by retailers, namely that people are shopping more frequently, with less dependence on the monthly shopping trip; there is declining customer loyalty, customers shop where they believe bargains are to be had; and consumers hunting from shop to shop for the best bargains ("cherry-picking") has increased, primarily because of the effects of the deteriorating economy. When times are tough, people shop around more. Another trend is the rise of black consumerism and the National Black Consumer Union, whose aim is to educate black consumers on their right in the free-market system.

The national retailing chains are not established in the black residential areas where the greatest growth in consumer spending power is occurring (*Financial Mail* 1991:30-34). They have been stymied by lack of access and infrastructure, uncertainty, violence, crime, aggression, the attitudes of suspicions of residents, and the political and social dynamics in these areas. It was felt that the entry of "white" business would deal the black retailers a "crushing blow". The most successful development to date has been the establishment of cash-and-carry outlets close to black townships which supply the small black traders in the areas. The retailers' predicament is to choose a moment that is not so soon that it is politically unacceptable, but not so late that they have lost any competitive advantage (*Financial Mail* 1991:34). The choice at present is between cash-and-carry operations or joint ventures such as franchising and partnerships.

Holt and Horne (1995:8) maintain that a person wishing to open a retail outlet in the townships faces huge disadvantages such as lack of education, low standards, poor credit track records, unsuitable premises, unsuitable staff structures and no success planning. However, there are advantages. Markets are concentrated, convenient for shoppers, and have better credibility than potential opponents in white areas. Needs in the townships are the same as those in white areas, for business education, stock, deliveries, advisory services, image and high standards. In 1995 the traditional white market was worth R12 billion; the black market worth R25,2 billion. Holt and Horne (1995) recommend franchising as the main answer to the problems of setting up a retail operation for the black market; once you have recognised and defined your market, franchising offers mutual benefits.

Van der Reis (1994:20-21) has predicted that if the turmoil in black areas subsides, there will be black retail chains developing to promote shopping close to home. She has also predicted that every garage will become a Portuguese café - it is safer and easier, and there is sufficient parking on the forecourt. She also maintains that there will be many more small shops in the townships, as well as growth in the informal sector, in particular a proliferation of street hawkers. People like to buy from them because they can select the quality they want in individual items, which are not prepacked. She also predicts that there will be increasing franchising and partnerships with black traders.

3.4.5 Suppliers

An enterprise is not concerned only with marketing its product but also requires inputs from the market environment. These inputs are primarily material, equipment, energy, capital and labour, which are provided by suppliers. From a marketing perspective the purchase of products for resale is a critical input on the part of suppliers (Van der Walt et al 1996:51). When it is realised that about sixty cents (percent) in every rand paid out by the organisation is spent on purchases from suppliers, the importance thereof as a variable in the market environment becomes clear.

In the case of materials, all organisations depend on regular supplies, whether they are in manufacturing, trading or contracting. As in the case of raw materials, there are suppliers of capital, an input upon which the enterprise is dependent for its

survival. Banks, building societies and shareholders are such suppliers. Small organisations, such as the black retailer, often find it extremely difficult to attract the necessary capital.

By taking into account all the variables in the market environment, the black grocery store retailer should consider all the weaknesses and strengths of his own organisation as well as the opportunities and threats which may exist in the market. The black retailer can control the strengths and weaknesses such as competent staff, excellent shop locations and agreements with suppliers. A threat in the market environment demands that early plans should be made to eliminate its impact or alleviate it. Higher interest rates are usually a threat to a retailer who sells furniture or motorcars, because these items are generally sold on credit. An opportunity is attractive for the retailer as a result of the profitability it affords because of some competitive advantage which he possesses. Large turnover, for example, enables chain groups to offer lower prices, making it very difficult for the small retailer to compete on price with large chain groups.

An organisation, its customers, competitors, suppliers and intermediaries all operate in a larger macro-environment of forces and megatrends that shape opportunities and pose threats to the organisation. The influence of the macro-environment, the second facet of the marketplace, on an organisation's decision-making will now be detailed.

3.4.6 The macro-environment

3.4.6.1 *General*

The forces in the macro-environment represent the uncontrollable factors with which the marketer does not deal directly but which directly or indirectly influence both his organisation and his market environment (Lucas 1989:62). These forces include the social, economic, political, technological and international variables.

Van der Reis (1994:11) has identified three scenarios for success in the new South Africa, based on the political, economic and social factors at work in South Africa at present: "Utopian growth", "Status quo stagnation" and "The slide to anarchy". They produce three alternatives:

- **Utopian growth.** High economic growth, with rising per capita incomes and high discretionary spending
- **Status quo stagnation.** Volatile economic growth, with marked disparities in per capita income and discretionary spending power
- **The slide to anarchy.** Economic decline, with a decline in real per capita incomes which are insufficient to meet consumer needs.

Van der Reis stresses that the prerequisites for success in marketing in the new South Africa include: monitoring environmental trends, identifying shifting market segments, undertaking a strategic planning exercise; and adopting a people-centred philosophy and integrating short-term and long-term marketing approaches into a cost-effective whole.

The influence of the variables in the macro-environment (social, economic, political, technological and international) will now be detailed.

3.4.6.2 Social environment

Churchill and Peter (1995:46) describe the social variable of the macro-environment in terms of who the potential or existing customers of an organisation are and what values they hold. It affects the organisation indirectly through people as consumers and employees, thus presenting the organisation with new opportunities and challenges.

People are the products of the community: as members of a particular community they accept and assimilate its language, values, faith, expectations, laws and customs. This culture thus influences the individual's way of life, and as culture changes over time, a community's values, expectations and lifestyle change. The South African culture is not homogeneous - there are subcultures based on ethnic groups, religion and geographical location and different population groups. This pluralistic population composition and geographical expansion consequently comprise various subcultures that are subject to change, for example, the narrowing of the gap in the standards of living of black consumers and white

consumers and a rise in literacy among black people (Lucas 1989:73). The black grocery store retailer therefore operates in a specific community with a specific culture which influences the lifestyle and resulting purchases of products.

Van der Reis (1994:43) quotes Sadie who has predicted that the South African population growth would follow the pattern indicated in exhibit 3.12.

EXHIBIT 3.12 POPULATION OF SOUTH AFRICA: 1991 - 2011

Population group		1991	1996	2001	2006	2011
Asians	No	986 600	1 054 400	1 119 200	1 173 200	1 213 800
	%	2,6	2,5	2,4	2,4	2,3
Blacks	No	28 396 700	31 964 700	35 750 000	39 497 300	42 998 900
	%	75,3	76,5	77,7	78,8	79,8
Coloureds	No	3 285 600	3 529 100	3 756 700	3 954 400	4 112 700
	%	8,7	8,4	8,2	7,9	7,6
Whites	No	5 068 300	5 242 200	5 383 400	5 480 200	5 528 800
	%	13,4	12,6	11,7	10,9	10,3
Total	No	37 737 200	41 790 400	46 009 300	50 105 100	53 854 200
	%	100,0	100,0	100,0	100,0	100,0

Source: Van der Reis (1994:43)

According to Sadie (Van der Reis 1994), indications are that the proportion of black people in the total population will increase steadily, while that of the other three population groups will decline. By 1996 the total population will be approximately 42 million, rising to 46 million by the end of the decade. The census conducted by the Central Statistical Service (CSS) in 1996, however, shows that there were only 37,9 million people in South Africa in October 1996 (*Pretoria News* 1997:5). The accuracy of the census has been questioned by the Bureau of Market Research which maintains that the 1996 preliminary population census results are not suitable for use in the business world. The final figures will only be published in April 1998.

Van der Walt et al (1996:62) point out that demographic change, that is, change

in the growth and composition of populations, causes changes in people's way of life. In this regard, Western societies are characterised by falling population growth rates and shrinking families, with the emphasis on smaller consumer units. There are growing numbers of one-person households, and consequently a growing demand for services. There is a growing population of ageing and more affluent people and families over the age of 65 who create special marketing opportunities. And there are increasing numbers of one-parent families, with definite implications for the market and for the social responsibilities of the enterprise.

In contrast, however, South Africa which has developing communities, is characterised by high population growth rates, of which the largest percentage are under the age of 18, declining standards of living with a waning demand for basic consumer goods and no demand for services. Exhibit 3.13 below represents the growth rate of the South African population to the year 2011. (As mentioned earlier these figures may be too high, although the Bureau of Market Research maintains that they are more accurate.)

EXHIBIT 3.13 ANNUAL POPULATION INCREASES AND GROWTH RATES OF THE SOUTH AFRICAN POPULATION

Population group		1991-1996	1996-2001	2001-2006	2006-2011
Asians		13 600	13 000	10 800	8 100
	%	1,34	1,20	0,95	0,68
Blacks		713 600	757 100	749 500	700 300
	%	2,40	2,26	2,01	1,71
Coloureds		48 700	45 500	39 500	31 700
	%	1,44	1,26	1,03	0,79
Whites		34 800	28 200	19 400	9 700
	%	0,68	0,53	0,36	0,18
Total		810 700	843 800	819 200	749 800
	%	2,06	1,94	1,72	1,45

Source: Bureau of Market Research (1993:5)

Exhibit 3.13 shows an expected declining growth rate for all groups. The expectation is that the population is going to increase to about 54 million by the

year 2011, whereafter the growth rate of black consumers will decline from 2,40 percent per annum to 1,71 percent per annum. The whites group whose growth rate is 0,68 percent per annum, will reach an almost zero growth rate in the year 2011. At present, about 41 percent of the black population are younger than 14 years of age. According to Sadie (1993:23) the black population is experiencing the secondary stage of ageing in which the decline in the relative numbers of children is not matched by a corresponding increase in the elderly. Instead, the economically active component is boosted, lowering the dependency ratio from 80 in 1991 to 58 by 2001. Throughout this period, however, the black age structure will continue to reflect a much more youthful population than that of the other three groups. Van der Reis (1994:2) points out that a continual decrease in the average age of the population is taking place, which provides the scenario of a South African population which is overwhelmingly black and youthful, and also largely urbanised.

South Africa is also characterised by a growing urbanisation of the disadvantaged, and concomitant unemployment (Cooke 1990:65). To all intents and purposes, the white, coloured and Asian sections of the population can be regarded as urbanised. The greatest growth in urbanisation is among the black population group. In 1985 approximately 11,1 million of the total 24 million black population lived in urban areas (Crotty 1993:10). This had increased to 15,2 by 1992 and it is predicted that by the year 2000, over 70 percent of South Africa's population will be urbanised. One of the results of this growing urbanisation was the advent of the spaza store, an informal shop run from a private home, selling basic commodities in the smallest units, for example, a bread or half a loaf of bread, cold drinks, milk, eggs and washing powder. These spaza stores therefore compete with the formal black retailer as they have become an important source of purchase for township residents. A study by Cooke (1990:58) revealed that about 40 percent of township residents shop at the spaza stores while 41 percent buy from general dealers.

According to Khoza (1989:92), urbanisation in South Africa is proceeding at a high rate, and will eventually make possible the transformation of an agricultural state into an industrial one. The migrant labour system provides an active bridge between urban and rural blacks. Migrant workers regularly visit family in the country, thereby bringing about *shuttle urbanisation* and, in the process, urban trends, fashions and fads are transmitted. But, Khoza adds, black urbanisation is also two-way in another sense. Rustic folk come to the cities, attracted by the

allure and the good life and the bright lights - the prospects of a better life. At the same time industrialisation is moving into rural areas, urbanising these in the process. Babalegi near Hammanskraal north of Pretoria and Isithebe in Natal are cases in point.

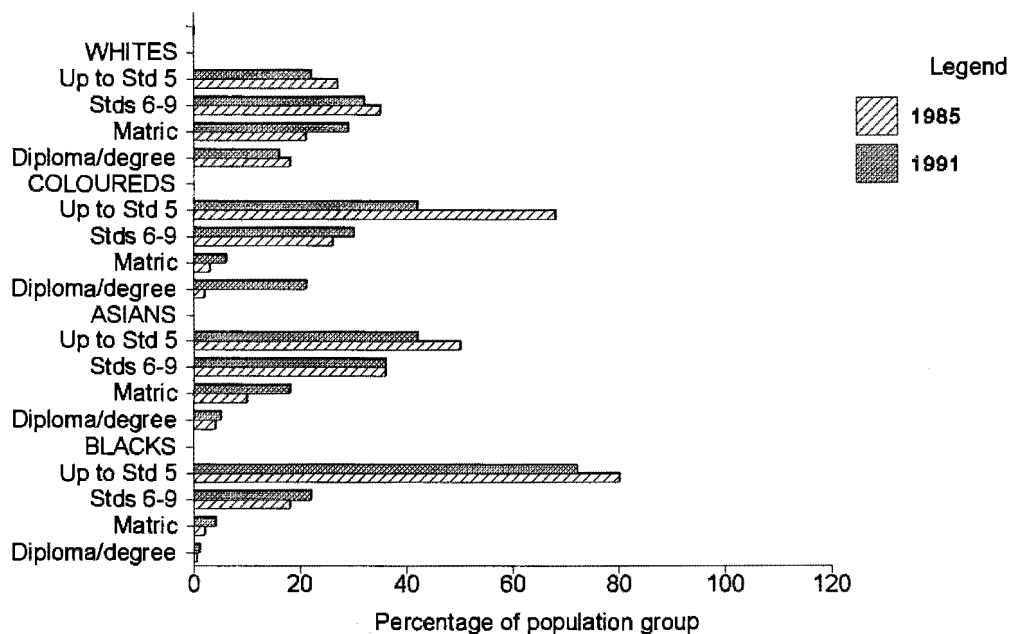
With regard to educational levels and employment situation of the South African population, Van der Reis (1994:2-3) found the following among the economically active population:

- Nearly half the black population and more than a third of the coloureds have only a primary school education.
- The largest proportion of whites, coloured and Asians have some high-school education.
- While 13,4 percent of whites have some postschool qualification, less than five percent of the other groups do.

A comparison of the 1991 with the 1985 census reveals that there has been some improvement in educational levels as reflected in exhibit 3.14.

EXHIBIT 3.14

EDUCATIONAL LEVELS BY POPULATION GROUP: 1985-1991



Source: Van der Reis (1994:58)

The improvement in educational levels has been most marked among coloureds, the percentage with only primary school education having dropped from 68,9 percent in 1985 to 42,6 percent in 1991. The number of those with diplomas and degrees rose from 2,1 percent in 1985 to 20,5 percent in 1991. The majority of black people still have only a primary school education. However, it has been noted (Van der Reis 1994:60) that there has been a rapid increase in black student numbers at technical colleges and technikons. For example, black students formed 31,1 percent of the enrolment at technical colleges in 1993 compared with 20,1 percent in 1990.

As far as employment is concerned, the Bureau of Market Research (1994:60) has predicted that South Africa's labour force will soar to 23,1 million by the year 2011, up by 9,5 million from 13,6 million in 1991. The black labour force is expected to expand by a massive 426 000 a year (3,3%) between 1991 and 2011. The corresponding increase in the white labour force is expected to be only 14 200

(0,6%) a year, coloured 27 500 (1,7%) a year and Asians 8 300 (1,8%) a year. These changes in the labour market have serious consequences in terms of the supply of entrepreneurs. At present the black labour force supplies only four out of every 100 entrepreneurs in the formal sector, but it is predicted that by 2011 it will supply 90 out of every 100 new entrants to the labour market. Whites currently supply 85 out of every 100 entrepreneurs, but their share in labour force increments will be only three out of every 100. In other words, the white labour force will only be able to supply four entrepreneurs for every increment of 1 000 in the black labour force. Unless education and training in South Africa start producing large numbers of entrepreneurs in the near future, unemployment will assume unprecedented proportions in the long term once public labour-intensive projects are completed. Van der Reis (1994:62) notes that the official unemployment rate in South Africa was estimated at 29,0 percent in 1993, compared with 18,5 percent in 1991. Only 8,4 percent of the white population group was unemployed compared with 37,1 percent of the black population group.

Another social variable with special implications for retailing is the changing role of women in Western societies (Van der Walt et al 1996:63-64). The female labour force in South Africa is expanding at a much faster rate than the male labour force, mainly because of the more frequent entry than previously of married women to the labour market. In South Africa the percentage of white women who were members of the labour force increased from 23 percent in 1960 to 37 percent in 1987; and the number of white women who occupied managerial posts increased from 6,7 percent in 1969 to about 14 percent in the 1980s. The role of black and coloured women has shown a similar and even more radical change. According to Khoza (1989:93), the Women's Liberation Movement has thrust many black women into full-time occupations. This has serious implications for marketing. Because both husband and wife work, time has become a more precious commodity and items that save time are rising in value, for example quick-to-prepare food and quick-to-use household cleaners. Childbearing and rearing practices are also undergoing fundamental transformations. Black career women will no longer spend two years breastfeeding their babies. In a sense, Khoza (1989) says, it is viewed as demeaning for women to stay at home, even for the few months after their babies are born. Baby food formulae with combinations of ingredients that approximate "mother's milk" thus come into their own. These trends also put new pressure on management for equal opportunities for women in management and to provide day-care for the children of working mothers. The

demand for convenience products affects management in particular. The black grocery store retailer should therefore take into account that these changes in the lifestyles of women and families give rise to new shopping patterns such as shopping times shifting to weekends and evenings as a result of the time factor, and to favouring shopping centres catering for practically all their needs.

Many of the social variables referred to above such as population, urbanisation, education and employment jointly and severally affect trends in income and expenditure patterns (dealt with in more detail in sec 3.4.6.3 below) which are viewed as being the most crucial issues impinging on retail decision making. Van der Reis (1994:3) points out that income levels vary a great deal from one province to the next. The estimated 1994 figure for personal disposable income per capita (personal income minus direct tax) in Gauteng, R16 570, is roughly eight times higher than the figure for Northern Transvaal - R2 112. Next to Gauteng, only the Western Cape has a disposable income per capita figure (R12 387) that is significantly higher than the national average (R7 320). By far the lowest income per capita figures are those of the Northern Transvaal (R2 112) and the Eastern Cape (R3 616). In 1990 whites' share of total personal income was 54 percent, compared with 33 percent for blacks, 9 percent for coloureds and 4 percent for Asians. The share of the black population group is likely to increase dramatically in the immediate future. The bulk of total household expenditure (53%) is still, however, attributable to the white population segment, with blacks accounting for 35 percent, coloureds 8 percent and Asians 4 percent. Black households dominate a number of product markets, however, such as fuel (92%), dry-cleaning and laundry (79%), alcoholic beverages (58%), washing materials (57%), clothing (56%), cigarettes and tobacco (55%) and food (51%). Electrification will have a marked effect on television ownership and the use of household appliances, notably irons, kettles and stoves. Refrigerators will change food-buying habits and the use of electric stoves will create more disposable income and leisure time. Higher incomes will increase home-ownership, car-ownership and the associated business sectors.

A further trend that has to be considered in the social environment is consumerism, the social force that protects the consumer by exerting legal, moral, economic and even political pressure on management (Van der Walt et al 1996:65). This movement is a natural consequence of a better educated public that resists such things as misleading advertisements, unsafe products, profiteering and other

objectional practices, and presses for the rights of the consumer. The black grocery store retailer should realise that societies characterised by a lack of education and a low disposable income (which are often found in the townships) are the worst affected by exploitation. Thus, for example, he should refrain from practices such as increasing prices while lowering the quality of products offered. Van der Reis and Mabaso (1995:39) found that black people are becoming increasingly aware of the consumer's rights, such as being able to choose between goods and services, obtaining satisfaction and value for money, both in the purchase of goods and in customer service, and having some protection from "shoddy" manufacturers.

One final aspect of the social environment is the pressure a society exerts on the marketer to be socially responsible. Environmentally conscious marketing, also known as "green marketing", is almost wholly due to pressure from consumers (Woodruffe 1995:9). This means that the enterprise should try not to manufacture or distribute anything detrimental to the environment, and should help to maintain a healthy environment on earth and in the atmosphere. Retailers and producers of fast-moving consumer goods were the first to respond to these demands. Supermarkets now stock a whole range of "environmentally friendly" products ranging from pump action sprays for anything from hairspray to air fresheners, toilet tissue made from recycled paper, detergents and washing powders without harmful chemicals and recyclable packaging for many items. McDonalds, the fast-food outlet, for example, has changed its styrofoam containers to cardboard. In South Africa, for example, Pick 'n Pay maintains that ensuring a more efficient use of natural resources is in the long-term interests of business (Segal 1992:52). Enviro-bins are set up to collect plastic for recycling; enviro-centres are located in all stores as part of the environmental education programme; organic waste is collected daily by local farmers and waste disposal firms; and the group is spending millions on replacing all coolants in its fridges with a low-ozone depletion gas. The group also accommodates the disabled by providing wider exits as well as special toilets and parking facilities, and baby-care rooms and seating for the elderly are also made available in all hypers and some supermarkets.

The black grocery store retailer should therefore continually consider the results of his decisions and actions. He should refrain from misleading advertisements, dangerous products, pollution of the environment, and exploitation.

3.4.6.3 *Economic environment*

The economic environment is influenced by technology, politics and the social and international environments, while at the same time the economy asserts some influence on these variables. These cross-influences cause ongoing change in the economic growth rate, levels of employment, consumer income, the inflation rate and the general state of the economy, which is indicated by either prosperity or adversity (Van der Walt et al 1996:57). Ultimately these economic forces will therefore have implications for the black retailer, since economic conditions play a major role in influencing consumer buying decisions.

The economic wellbeing of a community is measured by the range and number of products and services produced. Expressed in financial terms, this standard is equivalent to the gross national product (GNP) - that is, the total value of finished products and services produced within the borders of a country during a given period. During the 30 years after the Second World War, the average real growth of the South African GNP was about 4,7 percent per annum, after which, from 1970 to 1983, it declined to an average annual rate of 2,8 percent, and thereafter even to negative levels (Cronje et al 1994:57-58). Sanctions and political instability in the late 1980s caused the rate to worsen to a negative figure: in 1992 it stood at -1,5 percent. During the same period the average annual population growth rate was 2,9 percent, with the result that the GNP per capita declined. The economic growth rate directly affects the income of the end users of goods and services. The higher the growth rate, the higher the standard of living of the population is, but the prodigious growth rate of the South African population dilutes the incomes of consumers. This, together with poor or negative economic growth, causes the pauperisation of consumers.

The present-day economic conditions and changes in the economy therefore impact on the success of the black grocery store retailer's marketing strategies. Three of the most trying times for the marketer and the retailer in particular are during periods of inflation, recession and stagflation as these affect the demand for products and services in the market (Beisel 1993:234).

During inflation, a period during which there is an excessively high rise in general price levels, changes in consumer spending are influenced by the relationship between the rate of inflation and the rate of increases in wages: consumer

spending may decrease if income does not increase at the same rate of inflation. The inflation rate in South Africa declined considerably over the last 10 years. In 1986 it was 18,5 percent, in 1991 15,3 percent, in 1993 9,7 percent and in 1996 7,4 percent (Central Statistical Service 1997). In times of recession, a period of increasing unemployment, decreasing purchases, and a decline in profit, production and sales, personal expenditures may abruptly decrease substantially and total retail sales may drop along with profitability. Stagflation refers to a period during which unemployment rises and the inflation rate remains high or continues to rise (Beisel 1993:234).

Khoza (1989:93) contends that with the ravages of inflation and many items making excessive demands on the family budget, cost effectiveness is now emerging as a new, almost sacred criterion to be applied to almost every aspect of black national and personal life. Inflation has caused people to evolve a new economic logic. The new, overarching element in decision making among black consumers is cost effectiveness - when cost can be defined as expenditure of money, time, energy, and so on. Consumers, particularly the more enlightened, are re-examining how much time, money and effort they expend on the many activities they engage in and purchases they make in the course of a given year. The black grocery store retailer thus has to compete for consumer attention and custom against this background.

The structural changes in the income of consumers are of great importance to the black retailer since they give rise to changed spending patterns in products and services such as food and clothing. In exhibit 3.15 the personal disposable income, according to population group, in Gauteng is indicated and compared with the total disposable income of South Africa.

**EXHIBIT 3.15 PERSONAL DISPOSABLE INCOME ACCORDING TO POPULATION GROUP IN GAUTENG VS SOUTH AFRICA:
1985, 1990 AND 1994**

**CURRENT PRICES
R MILLION**

Province	Asians			Blacks			Coloureds			Whites			Total		
	1985	1990	1994	1985	1990	1994	1985	1990	1994	1985	1990	1994	1985	1990	1994
Total South Africa	2 982,4	7 027,8	11 845,5	26 283,9	65 680,3	114 003,4	6 637,7	15 497,5	26 352,4	46 167,8	96 079,5	143 908,0	82 071,8	184 285,1	296 109,3
Gauteng	527,7	1 428,8	2 752,7	8 888,0	21 921,3	40 383,2	781,0	1 834,4	3 723,4	19 657,6	41 723,9	66 221,3	29 854,3	66 908,4	113 080,6

Source: Bureau of Market Research (1996:15) as adapted

Exhibit 3.15 shows that in 1994 the total personal disposable income for the RSA amounted to R296,1 billion. Of this sum, whites commanded R143,9 billion (or 48,6%), followed by blacks with a R114,0 billion (38%), coloureds with R26,4 billion (8,9%) and Asians with R11,8 billion (4,0%). Gauteng is by far the most important province in terms of total personal disposable income with a figure of R113,1 billion (38,2% of the total in 1994). Gauteng is also the most important in terms of the income of whites (Gauteng whites command 46% of the total) and of blacks (35,4% of the total). In addition, the Bureau of Market Research (1996:11) also found that the Johannesburg-Randburg region is the most important in terms of the share of total income of the white and black population groups (15,9% and 11,4% respectively of their total personal income). An analysis of individual districts (Bureau of Market Research 1996:17) indicated that Johannesburg was top of the list with R29,2 million, followed by Pretoria with 5,1 percent of the total.

Exhibit 3.16 shows the differences in average household incomes between the population groups, and between metropolitan areas and small towns.

EXHIBIT 3.16 AVERAGE ANNUAL HOUSEHOLD INCOME ACCORDING TO POPULATION GROUP

Population group		Average income (R)
Whites:	metropolitan	71 598
	small towns	63 844
Blacks:	metropolitan	11 682
	small towns	10 785
Asians:	metropolitan	26 916
Coloureds:	small towns	22 642

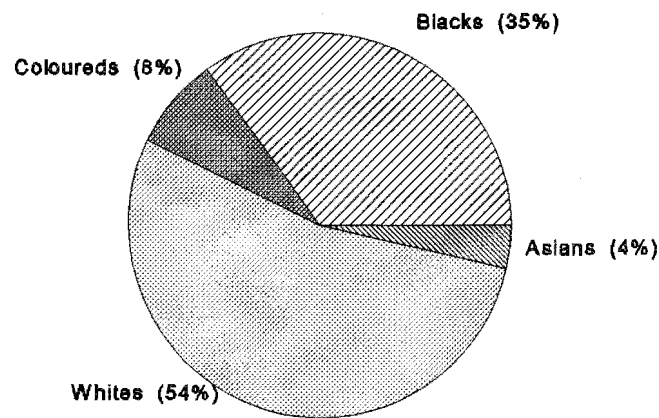
Source: Ligthelm (1993:25)

From exhibit 3.16 it is evident that in the metropolitan areas, the average annual white household income is twice that of Asians, more than three times that of coloured and more than six times that of blacks. The average household incomes in the metropolitan areas are also higher than those in small towns - 12 percent higher in the case of white households and eight percent higher for black families.

According to the *Financial Mail* (1997:22), the number of black families owning houses, cars and M-Net decoders has soared. Between 1995 and 1996, 12 percent more black consumers entered the A living standards bracket, bringing their total to 3,8 million and within striking distance of the four million whites enjoying similar lifestyles. It further suggested that black consumers are overtaking their white counterparts. White consumers are also falling into lower groups rather than upgrading their lifestyles. However, only an estimated 4,2 percent of black people earn more than R4 000 per month, indicating that affluent black people are still a tiny minority.

The structural changes in the income of different consumer groups are therefore very important to the black grocery store retailer as they result in changed spending patterns in the purchase of products and services such as food, clothing, housing and insurance.

According to Martins (1993:15) household expenditure in South Africa has risen from R19,2 billion to R2 741 billion in the past 18 years, representing an increase of 15,9 percent a year. If one takes into account the decline in the value of the rand (allowing for inflation), the increase is only 1,8 percent a year. Martins (1993) comments that the percentage increase was the highest among black households (3,2%). In the case of whites, their household expenditure in real terms rose by one percent between 1975 and 1993, while their population increased by the same percentage. Real expenditure per person did not therefore increase among whites. The bulk of total household expenditure is thus still attributable to the white section of the population, as illustrated in exhibit 3.17.

EXHIBIT 3.17**HOUSEHOLD EXPENDITURE IN SOUTH AFRICA BY POPULATION GROUP**

Source: Martins (1993:15)

As indicated in exhibit 3.17, white households contributed 54 percent of total household expenditure in 1993, compared with black households' share of 35 percent. Martins observes, however, that black households have a major share of the market for many individual products and services. For example, in 1993, black households were the source of 92,5 percent of the total expenditure (R1 049 million) on fuel and light, 84,3 percent of the R4,7 billion spent on support of relatives, and 79,5 percent of the R911 million spent on dry-cleaning and laundry. In addition, expenditure by black people represented over half of the total expenditure on alcoholic beverages (58,8%), washing materials, plastic bags, insecticides and disinfectants (56,8%), clothing, footwear and accessories (55,7%), cigarettes and tobacco (55,5%) and food (50,6%).

Although the economic growth rate has a significant effect on the black retailer's business, it is mainly the correct gauging of the upward and downward swing of the economy that has an appreciable effect on his marketing strategy. If he

expects a recession he can benefit by timeously reducing stocks because it will be difficult to sell and become liquid to avert the high cost of interest, or put off indefinitely any idea of expansion. In an upswing in the economy it is good strategy to have sufficient stock and to consider expansion. In 1991, for example, it was found (Stewart 1991:27-28) that because of large-scale personnel lay-offs and retrenchments, persistent and unconscionably high interest rates, food, beverage and clothing sales were in decline, and some of the major retail chains had to reduce stocks by means of aggressive discounting and advertising and merchandising. Even Woolworths and Edgars offered selected items of stock at discount sale prices three weeks before Christmas. The small black grocery store retailer has, however, no hope of competing against this type of aggressive discounting.

The South African economy is adversely affected by violence. Schlemmer (1993:22-26) points out that there is a clear relationship between unrest and the economy. Violence has become South Africa's most critical issue and the major factor discouraging investment and tourism in South Africa and eroding the economy. Schlemmer (1993) has identified the reasons for social conflict and resulting violence as including the wide income inequalities visibly associated with race; a high degree of politicisation and ideological mobilisation; a weakened family system among the poor with consequent breakdown of discipline, weak role models for children and a virtually autonomous youth "streetcorner" culture in many poorer township areas; and the economic recession. This general increase in violent crime, along with car and especially truck hijacking, have become big factors in business confidence, severely affecting potential foreign investment (*Business Times* 1996:1).

However, Van der Reis (1994:37) has predicted that economic prospects for South Africa look favourable in the medium term. She quoted The Bureau for Economic Research which expects fixed investment to play a major role in economic growth, not only as a result of housing schemes, but also because of increased investment in export-oriented businesses. The increased investment will create additional job opportunities which, in turn, will increase consumer demand.

Van der Reis (1994:53) also refers to The Urban Foundation which has stressed the need to manage expansion in urban areas and the relationship between urban and rural development. Its approach is in line with current thinking that

urbanisation is not only inevitable but desirable as an engine for economic growth and an accelerator of the trend towards declining birth rates. It is also vital for a successful rural development policy because rural and homeland areas are overpopulated.

3.4.6.4 Political environment

Marketing decisions are strongly affected by the course of politics, especially the political pressures exerted by the ruling administration and its institutions. As a component of the macro-environment, government affects the organisation in a regulatory capacity. By promulgating and enforcing legislation, it creates order by means of political measures, steering agricultural and economic policy in a particular direction. According to Lucas (1989:76), the government is influenced by the attitude of society while it also exerts influence on society directly by means of legislation as well as the provision of consumer services. The government influences society indirectly via its influence on the economy and technology. The black grocery store retailer thus needs to have a basic knowledge of the laws and regulations which must be adhered to in order to develop an effective marketing strategy and to perform his social responsibility. The restrictive measures of the past which inhibited the development of the black entrepreneur were dealt with in chapter 1. These measures have since been repealed.

The policy of the South African government is based on the maintenance of the benefits of the free-market system derived from free enterprise, private ownership, freedom of vocation, a proper respect for the market mechanism and public condemnation of inequality, while the democratisation of the economy and public service may effect change (Van der Walt et al 1996:67). The government intervenes in the local market on a large scale by means of the annual budget, taxation, import control, promotion of exports, import tariffs to protect certain goods and services, the marketing of agricultural products, health regulations, as well as incentives to encourage development in a specific direction. The government of national unity has committed itself to assisting disadvantaged groups such as black entrepreneurs.

The black grocery store retailer therefore has to investigate the government's many and often complex activities, legislation and measures, as well as political currents,

so that he can timeously recognise their effect on the profitable survival of his business.

The government also influences the market both internally and externally: internally through government investment and externally through its political policy, which may determine the acceptability or otherwise of South African goods on international markets.

The business community feels (*Sunday Times* 1996:24) that the South African government should proceed rapidly with the privatisation of nonessential state enterprises, sell off as much state property as possible and set a timetable for the privatisation of the remaining suitable assets. It should negotiate an IMF standby loan and then begin a systematic relaxation of exchange control.

The government's attitude to marketing will affect the business environment in the coming years in various ways (Van der Reis 1994:32-34):

- **Advertising.** There are clear signs that the government is sceptical about the value of advertising and feels that too much money is wasted on advertising.
- **Transformation of the broadcast medium.** Radio is seen as the most important medium because of its ability to reach the less literate and those without electrification in rural areas.
- **Democratisation of ownership of media.** The government is encouraging black ownership of media. Legislation is expected to dilute the overconcentration of power in the four main media companies in order to vest more power into black hands. In this regard, in 1996, Anglo American signed away control of Johnnic to the National Empowerment Consortium, with Cyril Ramaphosa as the chairman of Johnnic (*Sunday Times* 1996:5).
- **The language issue.** Because of the high illiteracy rates and power of radio to reach virtually all citizens, the government has recommended the continued existence of all the black language radio stations.
- **Restrictions on advertising of tobacco and alcohol.** In terms of the government's health-care plan there is likely to be strict regulation of tobacco and

alcohol advertising and sponsorships. Strict tobacco legislation was subsequently introduced, antagonising the tobacco companies.

- **Intervention of distribution.** The Reconstruction and Development Programme (RDP) states that the biased location of distribution outlets, a distorted relationship between property investment and shopping malls, and excessive concentration of ownership, particularly in the link with large conglomerates and in racial composition, must be addressed in order to achieve more geographically balanced and accessible distribution, lowered costs of distribution, and greater participation by black people in the distribution chain.
- **Intervention in food prices.** According to the RDP, the government plans to enhance the efficiency of marketing so that farmers receive good prices while consumers pay as little as possible. To that end, the government should curb the powers of marketing boards and monopolies, and review the effect of tariffs.
- **Affirmative action.** Pressure would be exerted on companies to implement affirmative action programmes.

The views on the strategic issues facing business in the new South Africa from a socio-political perspective, of executives of the top 100 industrial companies listed on the Johannesburg Stock Exchange, obtained by the Bureau of Market Research (1994), include: affirmative action and black empowerment; education, training and the development of human resources; a correct balance between profitability and social investment in the RDP; creating employment; improving productivity, global competitiveness and export development; and acceptance of the informal sector.

3.4.6.5 Technological environment

The technological environment is responsible for the rate of innovation and change, and according to Van der Walt et al (1996:54), affects all the other environmental variables. The economic growth rate is influenced by the number of new inventions. Social change, in which the appearance of a new product (such as television) brings about a revolution in people's way of life, is also partly the result of technology. These variables, in turn, influence technology, and so the process

of innovation and change is repeated.

In the technological environment innovation and change occur as a result of technological innovation, the process which enlarges the capabilities of humankind. People, on the other hand, also create technology by means of research and development.

The marketer has a threefold involvement in the process of technological innovation and change. *First*, he promotes technological innovation when he identifies new consumer needs and when he influences technology in such a way that it leads to the satisfaction of those consumer needs. *Secondly*, he distributes technological innovation throughout society, that is, marketing tracks down new inventions and then develops and commercialises them. *Thirdly*, the marketer is involved in scanning technological progress and the opportunities and threats that it poses for the enterprise.

The computer, for example, has been the driving force behind the growing importance of direct marketing, extensive data bases enabling it to become focused and individual (Van der Reis 1994:7). The decreasing cost of computer technology is making it ever-more affordable to advertisers. The introduction of direct response television (telemarketing) with the advent of toll-free numbers, permits immediate response.

The retailer's technological environment incorporates the various improvements in the technical processes that increase the productivity and efficiency of machines and that eliminate or reduce manual operations (Lewison 1994:124). Thus the black retailer could, for example, use computer technology in managing inventory. A good system would not only let him know when it is time to reorder merchandise, but also inform him about the amount of the order. He could also consider the use of scanning equipment for greater accuracy, better service and more efficient stock control. There are already 1 715 retail stores in South Africa using scanning equipment. Pick 'n Pay, for example, is the only chain which price-scans all its goods (Segal 1992:50-52). Scanning reduces its check-out time by 20 percent, cuts shrinkage by about 40 percent and provides immediate stock and sales information. Pick 'n Pay has also implemented the Electronic Data Exchange (EDI) which sends orders and receives invoices directly from suppliers.

This sophisticated type of information technology has major advantages for retailers (Van der Reis 1994:94-95): it drastically reduces shrinkage which has mainly been attributed to employees and customers; it provides invaluable marketing information on customers which enables retailers to respond quickly and effectively to changes in consumer buying patterns; it can readily link information from regional branches and distribution centres to head office; it leads to better stock control and the ability to cut stockholding as stock levels can be related to the correct anticipation of changing purchasing patterns, and it improves customer service, notably the speed of service which is becoming increasingly important in an era when the prices of products in the major supermarket chains differ very little.

New technologies being developed include (Van der Reis 1994:95): electronic shelf-edge labels that are linked directly to the in-store computer so that prices can be changed automatically; wireless communications that will enable retailers to be more flexible in the layout of their stores; and SuperTag, the radio frequency identification system recently developed by the CSIR, which promises to allow users to "read" the entire contents of a truck in seconds without the need of running each item past a scanner, and even promises to read all the differently priced items in a supermarket trolley.

This study will investigate what type of technology the black grocery store retailer uses.

3.4.6.6 International environment

Technological innovation in the fields of transport and communication has brought the nations of the world closer in terms of distance and time (Lucas 1989:76). Organisations that operate internationally find themselves in a far more complex business environment because every country has its own unique environmental factors, with its own technology, culture, laws, politics, markets and competitiveness, different from those of other countries. Nations are also more dependent than ever before on each other's technologies, economies, politics and raw materials, so that the developments in these fields inevitably influence the decisions of management.

Lucas (1989:80) points out that the influences of international economic events and conditions on South African enterprises are numerous. International shortages pose threats as well as opportunities, and give rise to inflation and recession with implications for local enterprises and exporters. Although international politics may result in threats to local enterprises, it may also create opportunities for them to satisfy needs not fulfilled by overseas entrepreneurs.

According to Robertson (1996:22), the need for industry and business groups to become globally competitive is uppermost in the minds of leading executives following South Africa's acceptance into world markets. The desire to become globally competitive relates not only to cost and quality factors but also to "how we do business in competition with multinationals". In most instances, says Robertson (1996), multinational groups are entering into alliances with local companies rather than using their proven marketing expertise to take on local opposition. They are also looking at Southern Africa as a whole, while South African companies are more likely to focus on domestic markets, a focus which could cost them between 10 and 20 percent in sales volumes. The local industry, therefore, has to reassess its marketing tactics, distribution, packaging, technology and other strategies.

Foreign direct investment in South Africa was stable at R1,6 billion yearly during 1994 to 1996 (Kobokoane 1997b:1). Although South Africa was a recipient of only R1,6 billion of the R24,9 billion direct investment that flowed into Africa in 1996, it is expected to play a major role as a source of foreign direct investment into the continent. South African multinationals, particularly SA Breweries and Barlows, were seen leading outward flows into the continent.

It is doubtful whether the international environment has any direct significant effect on the retail trade in South Africa and thus on the black grocery store retailer. However, it is necessary to mention that certain international organisations have sponsored support programmes for the advancement of South African black retailers, in particular franchising agreements. Foreign governments have also initiated self-help schemes, school-feeding schemes and Aids programmes.

Once the marketer has considered the numerous forces in the marketing environment he will be in a position to decide to what section of the market his particular product or service should be aimed at. This process is known as market

segmentation and is dealt with in the next section.

3.5 MARKET SEGMENTATION

3.5.1 General

The marketing concept (dealt with in ch 2) stresses that the market offering must be focused on satisfying customer needs, demands and preferences. As it is too costly and unrealistic to satisfy individual customer needs, marketers generalise about the needs of the heterogenous market and focus on satisfying specific customer needs. By applying market segmentation they can thus concentrate on what they do best to remain competitive in the marketplace.

Lusch et al (1993:48) refer to market segmentation as the process of dividing a heterogenous group of consumers into smaller, more homogeneous groups. The smaller groups will be quite different from one another and respond differently to a market offering, but members within any given group will be quite similar. The way consumers respond to different market offerings will differ from one segment to the next. Usually one or more segments are identified and selected as the target market(s) for which different marketing strategies, tailored to each specific segment, are developed in order to provide a high degree of need satisfaction to segment members.

The South African market is not a single homogeneous entity but comprises different kinds or categories of consumers. Morris (1992:54) classifies the total population of South African into four major groups, loosely termed blacks, coloureds, Asians and Whites, each comprising several subcultural units. The black group does not constitute any one single homogeneous group, but comprises nine main ethnic units: the Zulus, Xhosas, Tswanas, North Sothos, South Sothos, Shangaans, Swazis, Vendas and the Ndebeles. Each unit has its own language, lifestyles and values. Khoza (1989:92) agrees with this view, adding that the black segment of the South African market, historically and traditionally viewed as a largely dispensable homogeneous mass of black consumers, is now thrusting its heterogeneity to the fore with the increasing crystallisation of segments in the black market.

Thus in South Africa we have a large black population which has, within itself, many different markets. The majority form the mass market, namely unskilled, barely-educated people who often lead a hand-to-mouth existence. This, according to Langschmidt (quoted by Levy 1990:52), is the fastest-growing group because of urbanisation, a high-school drop-out rate and the economic downturn. Also growing, although not as fast, is the black middle class: better educated (education and income have been shown to be closely linked) and more affluent.

Morris (1992:53-54) maintains that South African marketers have tended to segment markets into "black" and "white". Recently, however, they have begun to segment on the basis of socio-economic factors rather than racially or ethnically. However, Morris (1992) says that retail stores that have concentrated exclusively on the black market, have become well established and enjoy a high return, for example, retail groups like Sales House or Pep Stores for clothing, and Ellerines for furniture, have tailored their image and product to accommodate black consumer lifestyles.

Koenderman (1997:28) refers to the annual All Media and Product Survey (Amps), an exercise conducted primarily for the needs of marketers which links media consumption with economic status. South Africans, irrespective of race, are segmented into one of eight living standard measure (LSM) groups, ranging from LSM1 at the bottom to LSM8, using 20 variables such as education, occupation, community size and ownership of durables such as motorcars and television sets. Of the white, coloured and Indian populations, 88 percent are found in LSMs 6 to 8. Although only 22 percent of the black population is found in these categories, this is up from 18 percent two years ago. There is also an increase in the number of black people in LSM5. An indication that the black population is benefiting from the new ethos of the country is in the statistics for average household income, which show that it was the only group to increase its earnings in 1997 by more than the inflation rate, although not by much. Koenderman (1997) points out, however, that black households still have a long way to go: the average white household earns more than five times as much. Education standards are also rising, particularly for black people, but they remain the least educated of the race groups.

With regard to these LSM groups, Van der Walt et al (1996:116) point out that the people in the LSM1, for example, live in the rural areas; are 99,5 percent black and

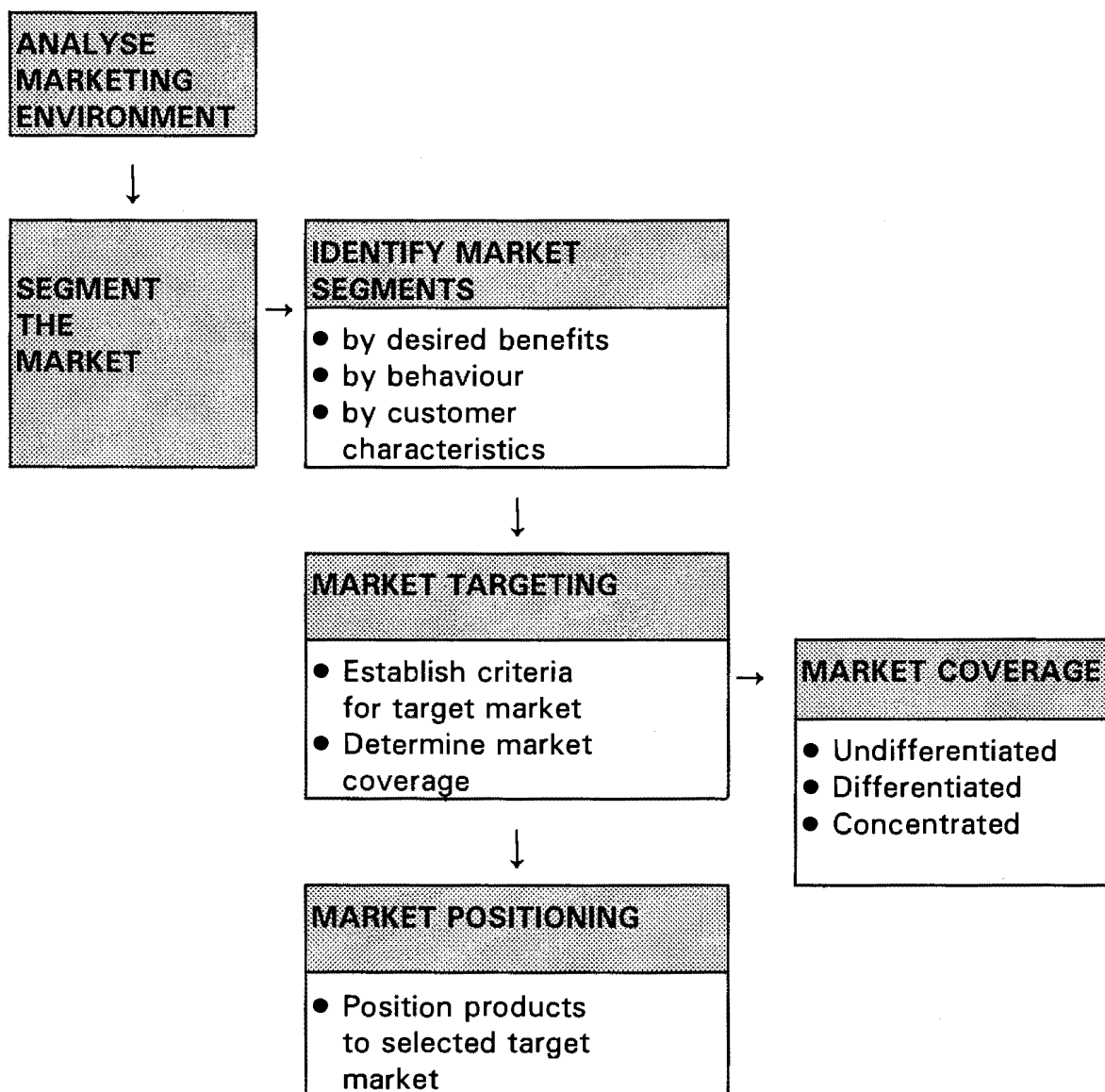
0,05 percent coloured; and buy mainly at informal outlets and Pep Stores, Sales House and Jet. In the LSM classification, "mindset" segmentation was also applied, for example:

- The *Rural* mindset comprises 28 percent of the population. Although almost 20 percent of this group are urban, their outlook is traditional and conservative. They are poorly educated and consequently have little grasp of economic realities. Poverty, hunger and drought are their immediate personal problems.
- The *Matchbox* mindset comprises 32 percent of the population. Most of the urban black community belong in this mindset. They believe in sharing and in equality, and are convinced that South Africa is rich enough to provide all its residents with the basic necessities of life. They want a united South Africa, and look forward to their involvement in decision making. Politically they are left of the centre.

It would therefore be unwise for the black grocery store retailer to aim his market offering to the total market because of differences in income, values, and consequently, different needs that can be satisfied in different ways. For example, he may find that respective segments (or LSM categories of people) vary in how responsive they are to lower prices, increased advertising, or higher levels of customer service. He will therefore have a better chance of success if he singles out those sections of the market in which he has a differential advantage. To identify differences and similarities, the black retailer needs precise information on the behaviour of his customers. He should also, as pointed out by Morris (1992:65), focus his segmentation on the basis of needs, attitudes and lifestyles when considering the black consumers. This study will investigate whether the black retailer aims at the total market or whether he recognises that he cannot be all things to all people, that is, whether he applies any market segmentation.

Exhibit 3.18 illustrates the activities to be performed in identifying and targeting market segments.

EXHIBIT 3.18 IDENTIFYING AND TARGETING MARKET SEGMENTS



Source: Own composition

According to Assael (1993:326-329) it is first necessary to analyse the marketing environment (dealt with in secs 3.3 and 3.4) before identifying market segments. During this analysis certain marketing opportunities are identified. Identifying market segments requires dividing the market on the basis of a given criterion associated with consumer needs. Segments can be identified by similarity in the benefits customers seek, by their behaviour, or by their characteristics. Targeting segments requires selecting one or more segments for the marketing effort. Criteria for targeting a segment might be its size, its growth potential, the presence

or absence of competitive offerings that are directed toward the segment, and the ease with which products can be advertised and distributed to the segment. Once criteria for targeting have been established, the marketer must develop a strategy to select target markets, that is, decide to target one or more segments. The next step in targeting is to establish market positioning.

In order to identify market segments, the steps in exhibit 3.18 will be used.

3.5.2 Identify market segments

According to Assael (1993:329-345) the three main approaches to identifying market segments are: benefit segmentation, behavioural segmentation and segmenting by consumer characteristics.

3.5.2.1 Benefit segmentation

Segmentation can be accomplished on the basis of benefits sought by the customer. Customers often seek low prices, high fashion, quality, luxury, convenience, and/or other benefits when shopping for products. When his customers are so specific about the benefits they seek, the black grocery store retailer can respond with products that will address these needs, thereby better satisfying their needs. He could, for example, decide to find out what customers expect to receive from his particular store. If he finds that they value low prices or variety, he can tailor his merchandise offering. As pointed out in section 3.4.2.4, younger black consumers seek specific benefits from stores; they are sensitive to the presence of flies in and around the food sold in stores, and to the dust and dirt on the food bought from stores. They are also sensitive to poor service in stores. The black grocery store retailer should thus take these needs into account, especially if many young people frequent his store. Thus if it can be determined that a particular benefit segment is large enough, segmentation by this method can be profitable for the black grocery store retailer.

3.5.2.2 Behavioural segmentation

In behavioural segmentation consumers are grouped according to their purchases. The most frequent form of behavioural segmentation is to segment according to the brands people buy in order to target actual purchasers and identify prospective purchasers. Considering that the individual disposable income in the black market is relatively low (Black Market Report 1990:8), black people generally do not experiment with brands. They are more likely to purchase brands that have credibility, ones they respect and know will be good for the family. Numerous studies (Morris 1990a:8) have shown that the less sophisticated consumer is more likely to be brand loyal. It is generally observed that the South African market, because of growth potential in marketing to the lower income and education groups, for instance, is becoming increasingly unsophisticated. However, Farquhar (1996:36) has noticed a recent trend of the black population changing loyalties, a phenomenon which has the Coca-Cola management in particular puzzled. Coca-Cola, with a market share of over 90 percent have found that with the re-entry of Pepsi Cola, many of the Coke faithful have switched to Pepsi which has spent little on advertising, and with a slogan "The new generation". In Soweto especially everybody was drinking Pepsi, and Pepsi was also moving into the surrounding black townships, and from reports the population in these areas is switching. This experience raises the question of black consumer brand loyalty, and the value of sponsorships. Marketers of Coke assumed that sponsorships build an emotional relationship between the brand and the consumer supporting the event, and that this will be translated into sales. Given the huge sums of money which Coke has spent over the years bonding with the black community, it would seem that what appeared to be a lasting relationship was just a casual affair. If black consumers are prepared to switch loyalties so apparently easily, this attitude has huge implications for marketing in this country and the whole concept of sponsorship.

Another basis for behavioural segmentation is to identify users of a product category rather than a brand - that is, identify, say, the characteristics of mealie meal users in general rather than Iwiza mealie meal users. In this way heavy product users can also be identified. If most of the black grocery store retailer's customers are heavy users of basic necessities such as mealie meal, milk and fish, this segment can be targeted profitably. His marketing strategy should then be tailored to appeal to heavy users.

3.5.2.3 Segmenting according to consumer characteristics

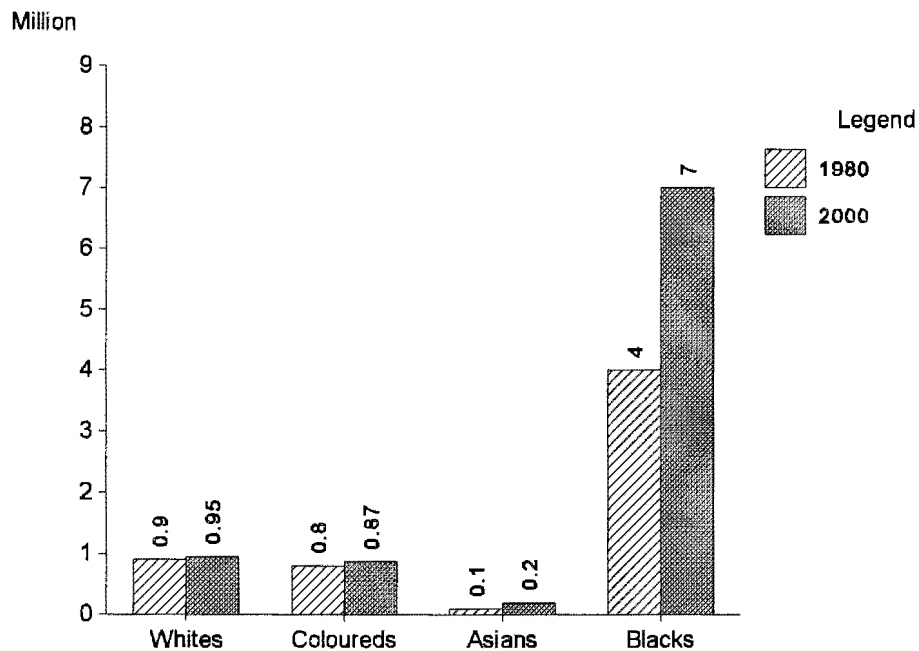
In this approach to market segmentation consumers are grouped according to their characteristics such as demographic, geographic and lifestyle. By grouping consumers on the basis of these characteristics, a marketing mix can be developed.

■ **Demographic segmentation.** In demographic segmentation consumers are grouped according to such variables as age, income, occupation, education, gender or ethnic group. This type of segmentation is the most common base for segmenting consumer markets for two reasons (Kotler & Armstrong 1996:239-240): first, consumer needs are often strongly associated with these variables, and second, the relative ease with which the approach can be applied.

As far as age is concerned (also dealt with in sec 3.4.2.4), Van der Reis and Mabaso (1995:5) point out that the market in South Africa is becoming increasingly young, urbanised and black, with 48,7 percent of the black population under 20 years of age in 1995. Exhibit 3.19 gives an indication of the likely growth in the youth market between 1980 and 2000, revealing the extent to which, in sheer numbers, the youth market will be increasingly black.

EXHIBIT 3.19

ESTIMATED GROWTH OF SOUTH AFRICAN YOUTH MARKET (15-24 YEARS OLD) BY POPULATION GROUP



Source: Van der Reis (1994:51)

The black grocery store retailer could thus find age a good segmentation variable and target the rapidly growing youth market, catering to their particular needs and preferences. He should also bear in mind that younger consumers demand different types of products than older people and have different expectations of his store.

Ethnic groups could be another useful segmentation variable. The black retailer who sells clothing, for example, can focus his efforts on certain ethnic groups.

Income, combined with occupation and education, can also be used as a segmentation variable. As pointed out in section 3.4.2.4, consumption is influenced by income which, in turn, is influenced by occupation, while the latter is largely determined by education. The high level of illiteracy (referred to in sec 3.4.2.4), and the fact that only about 20 percent of the black population have had some high school education, mean that the majority of the black consumers would be in

occupations where they earn relatively low salaries. If the black grocery store retailer thus uses income as a segmentation variable, he could target lower income groups who have different shopping habits than the higher, professional income groups. Well-educated consumers will probably have a more professional occupation, their income will be relatively higher and they will consequently have more sophisticated spending patterns. Given the fact that low-income consumers spend 40 percent of their income on food (Morris 1992:21), the innovative black retailer could target this segment profitably.

Gender can be used to segment a market on the basis of whether women or men make the most purchase decisions. It was mentioned in section 3.4.2.3 that black women are the true buyers of products, although they are influenced by their relatives, while husbands actually make the purchasing decisions. The black grocery store retailer could thus target black women successfully.

Referring to retailing in particular, Davidson et al (1988:98-100) contend that the household - that is, the basic spending unit for many items of shared use, and the income and life stage of the household - have an important bearing on demographic segmentation. The black grocery store retailer could thus establish whether there is a definite pattern in the households of his customers in respect of income and life stage. For example, the life stage of his customers could include mostly married, older people who look after grandchildren, with various unemployed members who are part of the household. The extended family is, however, frowned upon by the black youth, as pointed out earlier.

■ **Geographic segmentation.** With geographic segmentation the total market is divided into different geographical areas such as countries or regions. Variations such as the size of the city or town or population density may also be appropriate bases. The marketer can then decide to target only one or a limited number of geographical areas. If customers in different areas exhibit diverse needs, these differences can be addressed at local level. In a fairly small geographic area such as Johannesburg, marketers realise there are diverse markets, such as the central, southern, norther, western and eastern areas of Johannesburg that can be treated as separate market segments with diverse needs. Lucas (1989:167) points out that the geographical distribution of the population is important because regional differences exist in population density, cultural differences, topographical factors and climatic conditions. Even consumer characteristics such as level of education,

occupational structure, income and age distribution differ from region to region. Lucas adds that the depopulation of rural areas and the rapid urbanisation of population groups in South Africa, particularly black people, makes geographic segmentation an extremely important marketing aid because urbanisation has a significant influence on the demographical and psychographical characteristics of consumers.

Until the late 1980s population density was thought to be a good predictor of consumer behaviour needs in South Africa (Van der Walt et al 1996:115). With the advent of black taxi operators during the late 1980s and the early 1990s, this has become an increasingly poor predictor, since more and more rural black people travel to the major cities and metropolitan areas to do their shopping. Many smaller entrepreneurs, for example, confine their marketing and operations to only one or two segments of Johannesburg, for example, spaza businesses concentrate on the northern areas of Johannesburg such as Soweto.

Lusch et al (1993:50) maintain that all retailers must explicitly or implicitly focus on some geographic segment. This is especially true for black retailers. There are at present more market nichers than general dealers aiming at the mass market - except maybe for certain convenience products. When the black grocery store retailer thus makes a location decision, he is making a decision to cater to a geographic market. He should also recognise that each geographic market has its unique population composition, consisting of different proportions of age groups, ethnic groups, educational levels, and so on.

The black grocery store retailer needs to realise that it is important to understand the difference between rural and the urban areas as the lifestyles of urban and rural black consumers are radically different (Morris 1992:60-64). Rural folk are far more laid back and hung up on tribal customs, whereas the urbanites are city slickers, male biased (owing to the migrant factor), younger, money conscious, and far more political. The KwaZulu Research Group uses the following method of classifying urban and rural areas into categories (Morris 1992:64-65):

- **Formal urban.** A formal urban settlement is predominantly planned. The densely and less densely developed towns and townships are inhabited by people among whom urban-oriented activities and attitudes prevail. Agricultural activities are virtually nonexistent.

- **Dense informal.** The dense informal settlement is unplanned and spontaneous. The people who occupy the informal, mainly square-shaped single dwellings in these thickly settled areas, consider themselves to be urban. There is little open land or agricultural activity.
- **Transitional rural to urban.** This type of settlement cannot be classified as being entirely rural or urban. It lies in the transitional zone, and is regarded as semi-urban. Such settlements consist mainly of square-shaped buildings. They are of medium density, more dense than rural settlements and less dense than informal urban settlements. Activities are both rural, and urban-oriented, with agricultural activities being generally present but not dominant. Commuters, rather than migrants, often live in these areas.
- **Rural.** In rural settlements subsistence agricultural activities predominate and the settlement density is fairly low. Typical dwellings are the traditional, round homesteads of "Imizi", as well as some square dwellings. Land use is mixed or general, comprising residential, cultivated and grazing land, with small tracts of unused or virgin land.

Morris (1992:63) maintains that marketers need to proceed cautiously when segmenting the market because of the large geographical area of South Africa and the high tribal and rural/urban influence on the black consumer. In order to segment the market correctly, it is necessary to analyse individual major townships in a planned and comprehensive manner. A different set of ground rules can then be established for each of the major townships. Morris refers to companies like Suncrush Coca-Cola which have been doing this very successfully. This means that a separate marketing plan is required for each and every township because black consumers in Soweto differ from black consumers in, say, Mdantsane, near East London. There are differences in culture, language/vernacular, buying patterns, lifestyles, and so on. This is why the black grocery store retailer should look at his particular township needs independently, for example, those areas that have electricity can obviously enjoy a different range of products than those that do not have it. This is an important consideration if the black grocery store retailer supplies electrical products such as appliances.

- **Lifestyle segmentation.** Lifestyle segmentation groups consumers according to their attitudes, interests, and opinions (Assael 1993:341). Achievement

orientation, societal consciousness, health consciousness, and family orientation are examples of the characteristics associated with consumer needs and product preferences. Beisel (1993:257) points out that some retailers choose to segment their market on the basis of consumer lifestyles rather than demographics and that the most successful retailers will cater to unique lifestyle groups. (Black consumer lifestyles, and in particular the lifestyles of the emerging black youth were dealt with in sec 3.4.2.4.)

In order to determine consumer lifestyles in South Africa, the Sociomonitor Survey (quoted by van der Walt et al 1996:119-120) compiled psychographic profiles of the black and white population groups. The research uses personal values to separate urban black adults into the following three broad groups:

- The *Laggers* (30% of the defined population) are the least Westernised; they are poorer and older than the average and need to refer back to their cultural roots and infrastructure. Survival is the priority; they often indulge in escapist activities.
- The *Conservers* (37%) are an urbanised, stable group, with a more average spread of ages, incomes and education. Personal and social stability is important to them, as are family values and religion. They have firmly established community values, cutting across racial lines.
- The *Progressives* (33%) are younger and better educated on average, self-assertive and individualistic. They need new products, new fashions and new experiences, tending to discard cultural customs, family obligations and religious disciplines.

The black grocery store retailer could thus decide to target the *conservers* who would typically have different activities, values and lifestyles and tailor his merchandise assortment and store atmosphere to this group of consumers.

As a person's lifestyle is expressed in the products he purchases, the black grocery store retailer could target one or more of the psychographic segments profitably. It is, however, more difficult to execute lifestyle segmentation than, say, geographic or demographic segmentation, since, according to Cronje et al (1994:161), it is difficult to quantify personality traits.

Once the market has been segmented, the organisation is then faced with the decision about which segment(s) to serve, referred to as market targeting. After it has been decided what the target market will be, positioning has to be done. These two processes are dealt with next.

3.5.3 Market targeting

Before a specific market segment is selected as a target market it must first be evaluated according to certain important criteria (Van der Walt et al 1996:126). *First*, the segment should be measurable. The black retailer should thus determine how many people or households are in the defined segments and how much money they have to spend on his retailing offer. *Second*, the consumers in the segment must have similar needs as no single market offering will offer the benefits the segment wants if the group's needs are not similar. The black retailer should therefore be able to distinguish segments from each other without too much difficulty. *Third*, there must be further growth possibilities to warrant the development and implementation of a specific targeted programme. A segment that promises long-term profitability would attract competitors and can have a detrimental effect on future profits. Competition is usually keen in the larger segments as other retailers attempt to appeal to the broadest market possible, thus limiting potential sales for each individual retailer. A wiser strategy may be to zero in on smaller segments that offer a more promising sales potential. Thus, the black retailer should therefore not only consider short-term profitability but also the threat of present and potential competitors. *Lastly*, it must be possible to reach the market segment with the market offering and marketing strategy. The black grocery store retailer should therefore be sure that his marketing offer can be communicated to the consumers or households in the defined market segment, by store location, by personal contact, by print, or by broadcast media.

All the identified market segments have to be evaluated in terms of growth, profitability, competitors and the extent of the organisation's resources and capabilities. The organisation must then decide which and how many segments to serve.

Kotler and Armstrong (1996:250-254) suggest that the organisation can adopt one of three market-coverage strategies in this regard: undifferentiated marketing,

differentiated marketing or concentrated marketing. In the case of undifferentiated marketing the marketer ignores market segment differences and targets the whole market with one market offering. This approach offers cost economies but the market offering seldom satisfies all consumers in the total market. If the marketer opts for a differentiated strategy, he decides to target several market segments and designs separate market offerings for each. Thus by varying the marketing strategy, he strives to attain a larger volume of sales and stronger acceptance in each target market, but at a greater cost. The marketer can also apply concentrated marketing by selecting a single market segment and developing a unique marketing strategy for it, thereby concentrating his resources in the development of a sound market position in one particular target market.

The black grocery store retailer should choose one of these three strategies. If his resources are limited, concentrated marketing may be the best. When his competitors use segmentation, undifferentiated marketing could only result in failure. Conversely, when his competitors use undifferentiated marketing, he could gain by using differentiated or concentrated marketing. This study will investigate which approach is followed by the black grocery store retailer.

When the marketer has decided which segment(s) of the market will be served, he has to consider the competitive situation in the market carefully, to decide if he wishes to confront competitors directly or if he should rather seek and occupy a niche in the market. He must therefore decide what position(s), relative to competitors, the market offering should occupy in the chosen segment(s).

3.5.4 Market positioning

Kotler and Armstrong (1996:254) refer to market positioning as the way the product is perceived by consumers on important attributes, that is, the place, the product occupies in consumers' minds relative to competing products. It therefore involves a finer segmentation of the chosen target market and comprises further the choice of a position for the market offering so that the influence of competitors is minimised. Competitors' relative positions in the chosen market must first be analysed.

Store positioning is thus the process in which a store is differentiated from

competing stores in the mind of the consumer. The black grocery store retailer should thus use a positioning strategy to place his store in a special niche in consumers' minds. Beisel (1993:258) maintains that in retail positioning, the focus is on the perceived image the consumer has of the store. The black grocery store retailer can therefore manipulate variables such as store atmosphere, price, merchandise selection and advertising to seek a differential advantage over competitors. To survive, he must overcome sameness by establishing an identity in consumers' minds that his is the preferred store for shopping. He needs to bear in mind that he may put emphasis on certain aspects of the business to present a certain image, but ultimately positioning is done by the consumer. He can choose whether to obtain a niche outside the sphere of influence of competitors, or he can compete directly against competitors. Once he has identified the bases of competitor activities, for example, price level and quality, he could find gaps that are not being filled. This study will investigate whether the black grocery store retailer attempts to find a particular niche for his store.

According to Kotler and Armstrong (1996:312), a company can gain a competitive advantage if it can position itself as providing value, for example, by offering lower prices than competitors or by providing more benefits to justify higher prices. It therefore has to find an opportunity for differentiating its offer and gaining competitive advantage. The black grocery store retailer could therefore apply, say, personnel differentiation by hiring and training better people than competitors do. This would mean selecting customer-contact people carefully and training them well. They need to be courteous, friendly, respectful and considerate, should make an effort to understand customers, to communicate clearly with them and to respond quickly to customer requests and problems. The black grocery store retailer could also use store differentiation. Even when competing stores offer about the same products and accompanying services, buyers may perceive a difference, based on store images. If he stocks his stores and uses promotional means to fortify a specific image, he may realise a differential advantage. However, he should remember that a store cannot implant an image in his customers' minds by using only a few advertisements - this image must be supported by everything the store says and does. All of these factors will be investigated in this study.

3.6 RÉSUMÉ

In summary it can be said that the black grocery store retailer operates in an ever-changing marketing environment. In terms of the marketing concept he has to perform an analysis of the marketing environment in order to adjust to changes in the environment. In the internal environment, that is, the organisation itself, he is responsible for the tasks of management, namely planning, implementation and control, as normally he would also be the owner of the business. The black retailer's perception of the marketing function, one of the functional areas of the organisation, which is the focus of this study, will be manifested in his management of the controllable and semi-controllable variables. The semi-controllable variables include the organisational mission and objectives, the business functions and the business resources, and although the marketer has no control over these variables, he can influence them as a member of top management. The controllable variables, that is, the marketing objectives, organisation and marketing instruments, are the responsibility of marketing management.

In the marketplace, the black grocery store retailer, *firstly*, has to perform a customer analysis to understand the behaviour of his customers. This includes an understanding of his customers' cultural, social, personal and psychological characteristics. *Secondly*, a competitor analysis has to be performed in order to gain a competitive advantage. In the retail market the black retailer competes in the consumption market, the resource market and the distribution market. *Thirdly*, intermediaries have to be considered. The black retailer occupies a position between the consumption level and the wholesale level of the marketing channel of distribution and thus has to decide from which wholesalers he would buy in order to sell to the consumer. *Fourthly*, suppliers have to be considered which include sources of labour, capital, energy and equipment. *Finally*, the black retailer has to analyse and adjust to changes in the macro-environment in which the variables are uncontrollable. The variables in this environment are the social, economic, political, technological and international.

Once he has performed this analysis of the marketing environment, the black grocery store retailer will be in a position to segment the market in order to select a specific target market on which to focus his marketing strategy. Subsequently he has to position his store in the market. The next step is to make decisions on the particular marketing mix that will be used in the chosen target market. The marketing mix decisions will be dealt with in chapter 4.

CHAPTER 4

SELECTING THE RETAIL MARKETING MIX AND DEVELOPING THE RETAIL MARKETING STRATEGY FOR THE BLACK GROCERY STORE RETAILER

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SELECTING THE RETAIL MARKETING MIX AND DEVELOPING THE RETAIL MARKETING STRATEGY FOR THE BLACK GROCERY STORE RETAILER

4.1 INTRODUCTION

With the target market clearly defined, the black grocery store retailer's next task is to design a marketing mix that will fulfil the expectations of the target customers better than any competing retail store. To this end he should use the marketing mix (ie the four marketing instruments, namely product, price, distribution and marketing communication) in a specific combination and with the target market as the focal point, in order to develop an integrated marketing strategy. The essence of the marketing concept (dealt with in ch 2) should be reflected in all decisions taken about the product, price, distribution and the nature of marketing communication. One of the factors to be investigated in this study is the black grocery store retailer's use of the marketing mix.

Peter and Donnelly (1989:102-103) point out that the selection of the target market and designing the marketing mix go hand in hand, and thus many marketing mix decisions should have already been carefully considered. For example, if the target market selected is price sensitive, some consideration has already been given to price levels. Thus, many of the black retailer's marketing mix decisions should be made in conjunction with target market selection.

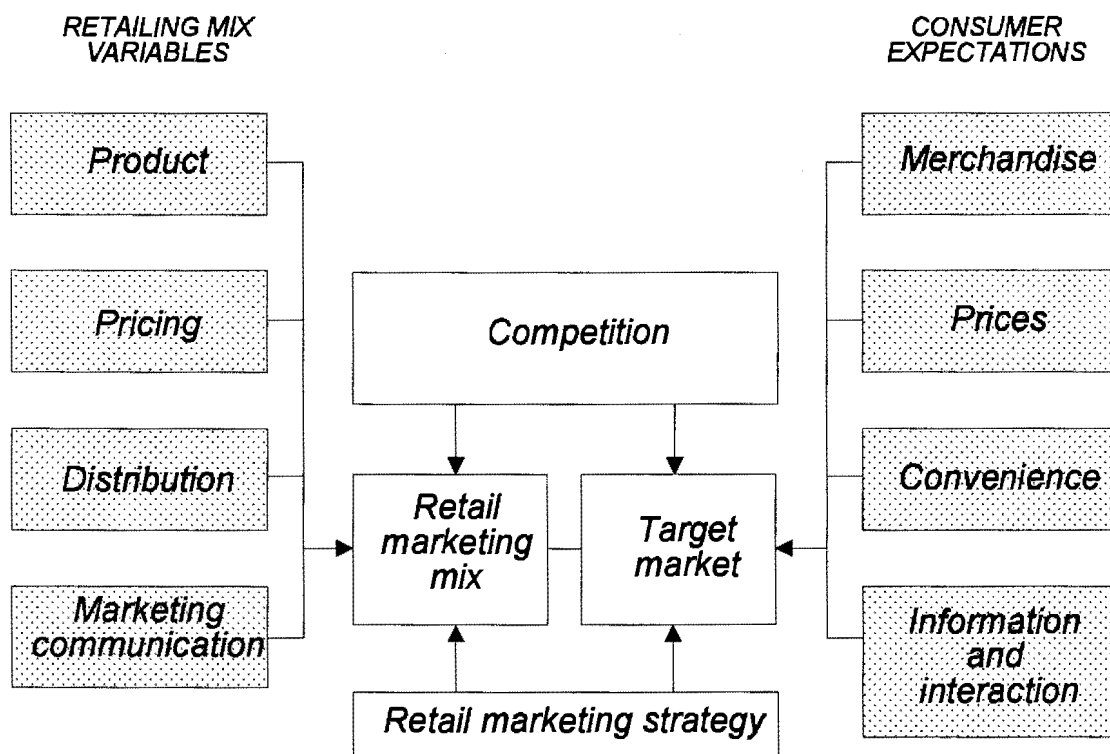
The retailer's marketing mix (also called the retailing mix) is essentially the same as that of the manufacturer; the concept of mixing the variables in competitively differential ways to meet specific goals is exactly the same (Davidson et al

1988:66). Manufacturers generally create small product lines within their own businesses to sell to intermediaries; retailers create large product lines from many resources to sell to consumers in local markets (the reassortment activity). The four marketing instruments are combined or mixed with varying emphasis by the retailer to best adapt the store to a changing environment while meeting customer needs and the profitability objectives of the store. This is in accordance with the marketing concept which specifies that consumer needs must be satisfied in order to accomplish the marketing and business objectives. Decisions about the four instruments are constantly modified as circumstances change, such as consumers' needs, demands and preferences. Thus, the black grocery store retailer's decisions about the four instruments should constantly be modified as circumstances change and consumers' needs change.

The marketing mix of the retailer is depicted in exhibit 4.1 below.

EXHIBIT 4.1

THE RETAILER'S MARKETING MIX



Source: Based on Davidson et al (1988:131)

Exhibit 4.1 summarises the relationship between the marketing mix of the retailer that may be used to meet consumer expectations in the store's target market in competition with other stores. The task of the retailer in developing an effective marketing strategy is to define a desired target market (dealt with in ch 3) and design a retailing mix that will appeal to the target consumers in such a way that it gives the store a strong differential advantage over its competitors. Consumers have a number of expectations that they anticipate management will meet, and these expectations may vary according to consumer segment. These expectations include convenience, store atmosphere, merchandise, prices, information and interaction. The retailing mix, on the other hand, represents those variables and characteristics of the retail store that the store can vary and manipulate to attract consumers. The specific combination of these variables that a store selects is its retailing marketing strategy. Elements of the marketing mix are somewhat interchangeable with one another, for example, consumers may be willing to forgo certain services if prices are accordingly low. However, product assortments must always be appropriate for the target market. It should also be remembered that consumer satisfaction is the key to long-term patronage behaviour. The black retailer's marketing strategy is thus one that should be carefully matched with the expectations of the store's target customers and thus appeals to this market segment more precisely and more strongly than any competing store, a consideration that will be investigated in this study.

Each of the retail mix variables is important as together they constitute the retailer's market offering. This chapter is devoted to the decisions about the retail mix variables (or marketing mix, or marketing instruments) namely product, price, distribution and marketing communication. Product decisions will be dealt with first.

4.2 PRODUCT DECISIONS

4.2.1 General

Since the retailer does not take part in the physical production process, but only satisfies the consumer's needs by having available the right product, at the right time, and at the right price, the retailer normally does not need to consider all the different product decisions which may be applicable to the manufacturer.

Therefore, because of the unique nature of the retailing product mix, all the aspects of the product mix from a marketing perspective do not apply to retailing. It should also be kept in mind that the black grocery store retailer in particular usually operates a relatively small business, offering a limited range of products and services.

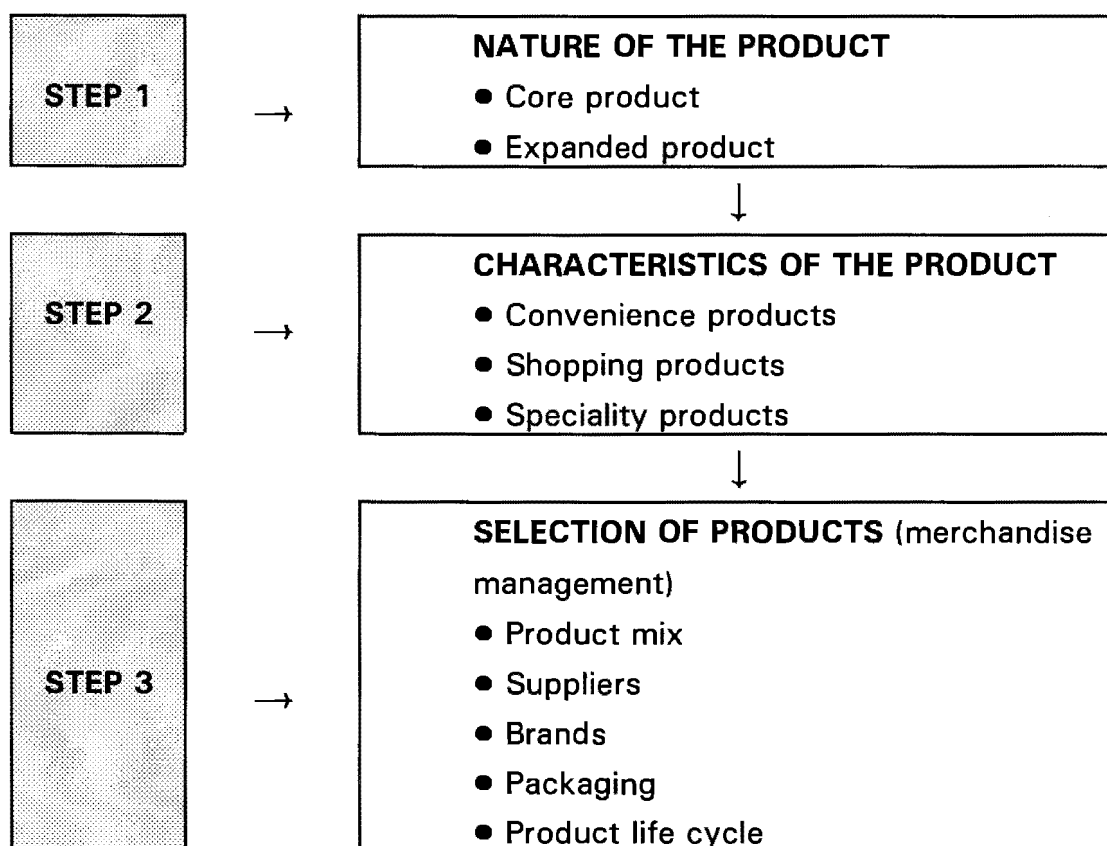
Product management (or merchandising management) by the retailer refers to adjusting the product offering of the store to demand conditions in those segments of the market to which an appeal is being made (Davidson et al 1988:150). Products play a central role in a retail organisation's existence and long-term prospects of survival. To ensure that their product offerings will match the needs of target customers, retailers should base their product decision on as much customer information as possible.

The black retailer should thus take cognisance of the particular behaviour of his customers when he designs his product offering (the consumer behaviour of black consumers was dealt with in ch 3, sec 3.4.2). The black consumer's perception and experience of product attributes, benefits and product life cycles may differ from those of other consumer markets, for example, as pointed out by Enslin (1993:25-26), shaving patterns differ in the white and black markets, and black men usually do not use after-shave lotions. In addition, black consumers in the middle-market sector have little or no previous experience of products they are now using (*Marketplace* 1994b:22). Their parents did not own a car or use a petrol station; they did not own television sets, video cassette recorders, cameras, or CD players; nor did they use financial institutions. This sector now owns and uses these products - they are the first-time users and purchasers of a product and need detailed information on the benefits and performance thereof. The needs and values of this sector can be related to what happened in the 1930s in the USA when mass economic empowerment was experienced. With regard to durable products, black consumers also have distinct behaviour patterns. Beute (1993:62-70) refers to the fact that developing communities acquire a stove, an iron, a kettle and a television set first, followed by a refrigerator and then a heater. It is also important to remember that, owing to refrigeration, black consumers purchase food increasingly in bulk at lower prices less frequently. Van der Reis (1994:21) has found that consumers are beginning to buy food in more hygienic stores, with the result that the informal section selling food, especially fresh produce such as meat, will gradually stop selling food. If, for example, the black grocery store retailer

caters to many black youth, it might be desirable to offer a wide choice of products and to keep small appliances with the SABS mark of quality (the youth are concerned about the declining quality of appliances in particular), in keeping with the findings of Van der Reis and Mabaso (1995:3) in this regard. One factor that will be investigated in this study is whether the black grocery store retailer takes his customers' needs and preferences into account in designing his product offering.

Retailers do not manufacture the products they sell; they must acquire those products from suppliers in order to make them available to the consumer. The retailer thus satisfies consumer needs by having available the right products, displaying them, and marketing them. The retailer does not need to consider all the different product decisions applicable to the manufacturer. The product decisions by the retailer, and thus the black grocery store retailer, are reflected in exhibit 4.2.

EXHIBIT 4.2 THE RETAILER'S PRODUCT DECISIONS



Source: Own composition

The retailer must *firstly* consider the nature of the product - in other words, the nature of the core and expanded product must be established. *Secondly*, the characteristics of the typical products to be offered, based on the buying habits of his particular customers, must be established. *Lastly*, the selection of products must be made, that is, decisions about the product mix, suppliers, brands, packaging and the product life cycle.

These elements are detailed in the next sections.

4.2.2 Nature of the product

The heart of any retailer's operation is the products that are offered for sale to the consumer. Van der Walt et al (1996:172) define a product from a marketing point of view as "a collection of need-satisfying utilities (perceptible and/or imperceptible) offered to a market (consumers) so that the market can pay attention to it, buy it or consume it". This includes physical objects, services, personalities, places, institutions and ideas.

A product thus consists of not only the physical aspects of an item but also the intangible aspects that the item represents, and these two broad characteristics act together to create consumer need satisfaction. Thus, when a customer purchases an item from a retailer, the customer expects to receive some tangible and intangible benefits from the product. The tangible aspects of these items and the benefits they provide are the retailer's *core product* (Lucas, Bush & Gresham 1994:450-451). As the retailer adds services (eg after-sales service, advice or installation) to the product, he develops his core products into *expanded products* which incorporate the services and ideas associated with the product. Van der Reis (1994:17) maintains that the level of after-sales service and support will determine any organisation's success in the future and she has predicted that there will be an increasing services orientation, and that efficient, courteous personnel will be paramount. The black grocery store retailer would therefore have to decide to what extent the core product should be expanded, for example, by offering credit, delivery, or whether cash and carry should be the rule. If his store is positioned as a low-price store, only essential services would be appropriate.

Another way to expand the core product is to offer exclusive merchandise whenever possible, even though exclusive merchandise does not generate repeat sales and customer loyalty (Lucas et al 1994:453). Van der Reis and Mabaso (1995:14) found that black consumers buy certain products for status-enhancing reasons, depending on the age, gender and level of urbanisation of the consumers. The types of product regarded by most black consumers as conferring status are clothing, shoes, cars and alcoholic drinks, especially the "new generation drink", Pepsi Cola. This could encourage the black grocery store retailer to stock some of these products in order to expand the core product.

4.2.3 Characteristics of products

4.2.3.1 *General*

Products differ with regard to their particular characteristics, production and marketing methods, and the purpose for which they are used (Van der Walt et al 1996:182). The characteristics of the typical products sold by the retailer largely determine the retailer's marketing tasks. In this regard the retailer must take into account the buying habits of the consumer who will be the prime purchaser of the store's offering, as products can be classified on the basis of consumer buying behaviour as follows (Beisel 1993:115-116; Van der Walt et al 1996:186-189):

4.2.3.2 *Convenience products*

If the product is one that the consumer often needs and for which he will readily accept substitutions, is relatively low in value, and can be purchased without too much effort or deliberation, it is classified as a convenience product. Consumers seldom spend much effort searching for these products and will not travel long distances to purchase them. Generally these are low-priced products such as groceries, tobacco, toothpaste and newspapers, sold on a self-service basis which requires effective packaging, shelf space and point-of-purchase advertising. Convenience products can be further subdivided (Van der Walt et al 1996:186-187) into staple products (those products bought on a regular basis such as sugar, bread, vegetables, fruit, soft drinks); impulse products (those products bought without much preplanning and effort as the decision to buy is often taken at the

point of sale); emergency products (those products bought immediately when the need arises).

For most black grocery store retailers, especially spaza owners, staple products probably constitute the major portion of the merchandise inventory. According to Morris (1992:89), only urban townships have electricity; homes are overcrowded; total household incomes are relatively low; tastes are therefore bland and simple - the cheaper meat cuts, basic starches, fruit and vegetables and various other base foods, constitute the major diet. Seasonings and taste additives are therefore important. The black grocery store retailer should also bear in mind that, as impulse products are often bought on the spur of the moment, these products (eg chips and chocolates) should be placed or displayed in the right places, for example at the point of payment. He may also keep some emergency products such as medicine and bicycle repair kits since these types of products are often placed in stores to avoid losing a sale when a customer needs them urgently. Morris (1992:89) points out that in the townships doctors are few and far between and over-the-counter drugs are in high demand. These points will be further investigated in this study.

4.2.3.3 Shopping products

A shopping product is one for which consumers will compare quality, price, colour, and style in several stores before making the decision to purchase. Usually unit value is higher for shopping products than for convenience products and they are purchased less often. Brand is usually not important to the consumer. Shopping products usually include shoes, clothes, jewellery and major appliances, and brand is usually not important to the consumer. However, certain brands of sunglasses, soft drinks (especially Pepsi Cola), certain music, foods and household appliances are seen by certain black consumers (especially the urban youth) as bestowing status (Van der Reis 1994:2). If his customers fall in this group, the black grocery store retailer would be wise to consider stocking some of these shopping products.

4.2.3.4 *Speciality products*

When a customer insists on a specific brand and is willing to exert considerable time and effort to find it, then the product is considered a speciality product. Unlike most convenience and shopping products, the customer will accept no substitutes for the product. The customer usually has complete knowledge of the item, for example, photographic equipment, before walking into the store that carries it. The researcher doubts whether there are any speciality stores catering to these needs in the townships. As the black retailer becomes more sophisticated, and black consumer needs reach a higher level, more speciality stores will probably emerge. In this regard the black grocery store retailer should also take note of the comment (*Financial Mail* 1991:6-10) that ultimately the stage will be reached when all consumers, irrespective of race, will shop in black-owned stores in their residential areas, and the prime considerations for all consumers will be price, quality and service.

With the nature and characteristics of his product offering established, the retailer has to make various important decisions about the selection of products which will now be dealt with.

4.2.4 Decisions in the selection of products

4.2.4.1 *Product mix decisions*

The product (or merchandise) mix represents the full range or mixture of products the retailer offers to consumers (Lewison 1994:393). The merchandise mix, more specifically, represents appropriate combinations of products to meet customers' specific needs. These appropriate combinations refer to product lines, product items and product units.

- **Product line.** According to Lewison (1994:394-395), a product *line* is a group of related products in which the relationship is important to the consumer. The products in a product line satisfy similar needs, are packed and advertised in the same way, often carry the same brand name, and fall more or less within the same price class, for example, Colgate/Palmolive shampoo for dry, normal, oily, damaged and delicate hair.

- **Product item.** A product *item* refers to a specific product within a product line that is unique and clearly distinguishable from other products within and outside the product line.
- **Product unit.** Product *units* describe the total number of a particular product item that a retailer has in stock. For example, 100 six-packs (product units) of Coca-Cola Classic in the 340ml can (product item) in the soft drink section (product line).

The retailer has to decide how many product lines (width of the product mix) and product items per product line (depth of the product mix) he will offer for sale. There are three types of relationship between width and depth of the product mix (Beisel 1993:304-307). In the *first* instance, a narrow and deep assortment is found where only a small selection is offered, but this is stocked in depth by retailers (usually speciality stores) who try to appeal to a select group of consumers by offering only one or a few product lines with an excellent selection within each line. This strategy helps the retailer to develop a distinct store image and a loyal customer following (Lewison 1994:424). It increases the likelihood of a high level of repeat shopping and leads to greater specialisation in the buying and selling of a limited line of products. It also has the benefit of economies of scale in ordering large quantities of the same product, for example, two styles of jeans, but in all sizes and colours. *Secondly*, a broad and shallow assortment is found where the retailer offers a wide selection of different product lines, but limits the assortment of brands, styles and sizes within each line, for example, casual, smart, sports and children's clothing, but only a few designs and colours of each. He thus stocks "a little of everything". A broad and shallow product mix offers the advantages of appealing to a broad market, satisfying the consumer in terms of product availability if not product selection, promoting one-stop shopping, and permitting reasonable control over inventories (Lewison 1994:424). The disadvantages of this product mix are lost sales and customer disappointment with the lack of selection within the product lines, low inventory turnover rate on slow-moving product lines, weak store image, and limited store loyalty. The traditional black grocery store retailer's product assortment would probably fall in this category as he usually offers many product lines (such as mealie meal, sugar, milk, fish) but limits the assortment of brands. *Thirdly*, a combination assortment of the first two is found where a specified number of product lines varying in depth are

offered, for example, clothing for babies, toddlers and young children, in different colours and designs.

The ideal product mix must satisfy the consumers as well as lead to the realisation of the retailer's objectives. The black grocery store retailer's product mix would thus in the final analysis be determined by the needs of his customers. The greater the selection, the more possible it may be for his customers to satisfy individual preferences. However, if his customers are interested only in purchasing basic necessities, and if his financial resources are limited, the width and depth could be limited.

When planning the product mix, the retailer should always strive for stock balance, a condition that is desired at every level, from the total store down to each department and each product category. This means including in the assortment a wide enough variety of products that will attract customers, yet at the same time investing in adequate inventory of the most wanted products to support demand and not overinvesting in slower-moving and marginal stock (Beisel 1993:308). More sophisticated retailers use complicated methods (eg basic stock lists and model stock lists) for choosing the width and depth of the merchandise assortment. The black retailer who is less sophisticated would probably use informal means of choosing these. He has, however, quite a few limitations or constraints when making these decisions. The width of the product mix will depend on, for example, on the amount of shelf space and available funds. All the product items should also contribute in some way to the achievement of profitability, but some products can "carry" a higher profit margin than others. Since the image of the store depends a great deal on the type of merchandise it sells, the desired image also determines the products that must be purchased. The black grocery store retailer could thus differentiate his store from those of competitors by means of the product mix and the accompanying store image (eg being a convenience store).

A workable balance must also be found between the product mix target customers seek and the retailer's financial resources (Lucas et al 1994:484-485). If the customers do not find the products they want, the store will lose their patronage. Maintaining an overabundance of merchandise that fails to turn over on the sales floor is an equally serious threat to the store's cash flow and ultimate survival.

In order to design the ideal product mix, it is important to take into consideration the needs of the intended target market as well as general product trends in the marketplace. A number of internal and external information sources are available to aid the retailer in this regard (Beisel 1993:312-314). Internal sources of information include sales records, salespeople, customer inquiries and returns and adjustments. Past sales experience is probably the most valuable source of information for the black retailer for gauging the needs of customers since, for most products, the attitudes and preferences of customers are not normally subject to abrupt changes. If he has found, for example, that a two-litre bottle of paraffin is the best seller in the store from month to month, he should ensure that it is always in stock in sufficient quantities. Past sales also indicate what sizes, colours and styles are preferred. Customers will often ask for items that are not in the store. Such enquiries should be treated as valuable market information that can be used in making purchase decisions. The black grocery store retailer could make want slips available to customers to fill in.

External sources of information include other stores, trade publications, vendors, consumer panels and surveys, catalogues and trade shows. The black retailer could use successful competitors' product offerings as a source of information, looking at prices, styles in stock, number of units on the shelf, or other such information. This study will investigate what sources of information the black grocery store retailer consults.

4.2.4.2 *Supplier considerations*

In planning the variety of product lines to be included in the product (merchandise) mix, the retailer should examine the conditions under which each product line will be procurable. Two such conditions are the availability of supply and the reliability of the supplier (Lewison 1994:415). Before making a decision to stock a product, the retailer should study the product's availability of supply. Ideally, for the retailer to make a positive decision on a product candidate, the product line should be available from normal channels, with sufficient alternative sources, and under terms and conditions consistent with the product line's sales and profit potential. The reliability of the supplier should also be evaluated. The ease of getting the product line into the store at the right time, in the right quantities, and in good condition is a necessary consideration. The purchasing function falls outside the

scope of this study. It will, however, be investigated from what sources the black grocery store retailer procures his stock. It was mentioned in chapter 3 (see sec 3.4.4) that 85 percent of township retailer's buy their stock at cash-and-carry wholesalers such as Metro and Makro, while 11 percent buy direct from suppliers.

4.2.4.3 Competitive considerations

According to Lewison (1994:413) the retailer must consider competitive conditions under which a product line is available before he can decide which product lines to include or exclude from the merchandise mix. Two aspects of competitive conditions are type and degree of competition. Type of competition refers to whether the product is available to direct or indirect competitors. A direct or intratype competitor is one whose merchandising programme is about the same as another retailer's. An indirect or intertype competitor, is one whose merchandising programme is noticeably different from that of a retailer of similar products (intratype and intertype competition were dealt with in ch 3, sec 3.4.3).

A product that is available to direct competitors has no distinctive advantage to any retailer. In some cases, however, it might help a retailer to establish that the store's image is on a par with that of its competitors, and under such conditions the retailer would want to promote comparison shopping. Adopting a product that is available to indirect competitors might either help or hurt the store's image. If upscale, indirect competitors stock the product, the retailer's image can be enhanced; but if downscale, indirect competitors stock the product, the retailer's image could be damaged.

4.2.4.4 Branding decisions

Consumers view a brand as an important part of the product; and branding can add value to the product. Walters and Bergiel (1989:148) refer to a brand as a name, design or symbol (or combination of these) that identifies the products of a seller, and differentiates them from those of competitors; it thus includes virtually all means of identification except packaging and product shape. The brand name is a word, letter, a group of words or letter that can be spoken. The brand makes it possible for consumers to identify a specific product that will help them solve their

problem and aid them in shopping as a well-designed brand is immediately recognisable on the retailer's shelf.

Branding decisions are those product decisions which specifically deal with the identification and distinction of product items and product lines in the product mix by making use of a registered trade mark and/or a trade name. The black grocery store retailer would not be involved in actual branding decisions. His main concern is to stock those brands which his customers desire, to understand how they perceive different brands, and whether they are brand loyal. He should take note of the comment by Van der Reis (1994:27) that consumers will increasingly purchase through the informal shop structure and will want sophisticated marketing of the top brands and efficient distribution to these local shops. One factor that will be investigated in this study is how the black grocery store retailer selects the brands he keeps in his store.

Brand names have important advantages for consumers (Van der Walt et al 1996:221-222): they facilitate the identification of products at the point of purchase; they assure consumers of a uniform quality standard which can always be relied on; they offer a measure of protection to consumers because they usually identify the manufacturer or supplier; they expedite the purchasing transaction because consumers are familiar with brand names; and they can serve as a warning against repeat purchases if the first purchase and use of a product proved disappointing. According to Levy (1990:53), the black retailer should bear in mind that brand names are of particular importance for those consumers who are illiterate in English and Afrikaans. For example, Colgate is perceived by many not as brand name, but as the generic name for toothpaste, both here and in another Third World country, the Philippines.

A brand name also assists the retailer in various ways. It often forms the cornerstone of the advertising and merchandising decisions. The product image is structured around the brand name and to many consumers the brand name can become more important than the name of the manufacturer. Products which are marketed on a self-service basis in particular rely heavily on brand appeal. Products, and particularly the brand names, have to be presold through advertising so that the consumer will recognise and select them from among all the competing products on the shelves in the store. A new product item may also, for example,

be added with relative ease to a known product line compared with one without a brand name.

The selection or creation of product brands to be included within the retailer's merchandise mix is an important consideration in building customer loyalty to both the store's products and the retailer. At present virtually no processed product is marketed without some form of identification or brand name. Convenience products such as salt, sugar and bread, have brand names and even perishable agricultural products, such as milk, eggs, oranges, apples, tomatoes and meat, are graded and are increasingly being marketed under some or other brand name. Thus, for the black retailer the use of brand names is a foregone conclusion and he has to decide which brands he will offer in his store.

According to Holt (1994a:10), there is an enormous amount of pride by black people in maintaining a home, be it ever so humble. Cleanliness is paramount, thus products like Handy Andy are displayed with pride, while Jeyes fluid and Jik are used to wash walls, and to disinfect and deodorise, and products that are household names are remembered as being used by grannies and aunts.

Van der Reis (1994:11) found that about 60 percent of South Africa's top brands lost market share between 1992 and 1993. Reasons for this brand decay include: an uncertain economy; competition from multinational brands; increasing brand parity and proliferation; the growth of private labels; increasing informal sector retailing; and the decline in consumer brand loyalty. She argues that changing levels of sophistication and the attitudes of the urbanised youth market will largely determine trends in brand loyalty in the future. Van der Reis (1994:222-223) further points out that during the sanctions and disinvestment years, some international companies abandoned or actively destroyed brand values built up over decades. Now, however, the "threat" of the return of international brands looms. Some South African companies did not invest in their brands during the sanctions years, making them very vulnerable to superbrands now. For every new superbrand entering South Africa, another brand will be forced off the shelf to give it space. It has also been found that, despite earlier consumer beliefs that foreign products were better than local ones, today's South Africans are not highly aware of many foreign brands. In addition, local consumers are said to be "inward looking", which could benefit local brands - hence overseas companies re-entering South Africa will have to invest in considerable advertising in order to re-establish

their brands in this country. As the most industrialised country in sub-Saharan Africa, South Africa is seen by multinationals as the springboard into Africa.

Oosthuizen (1991:3) comments that real differences between brands are also diminishing rapidly because of sophisticated technology. A notable trend since the 1980s is that consumers worldwide are becoming increasingly doubtful that there are any intrinsic differences between brands. Consumers thus see no reason to prefer one brand to another in the same category - one of the reasons for the growth of house brands/retailer brands such as the blue label of Pick 'n Pay. As brand associations lose their importance, product groups become commodities, with consumers selecting their purchases almost indiscriminately between them. Marketers usually react to this situation in one of two ways: by diverting the budget into special promotions and other short-term marketing approaches (which further erode brands); or by using conventional advertising to create a differentiated brand image based on consumer needs, thus building the brand in the long term. This does not necessarily imply, says Oosthuizen (1991), that brands have no value. On the contrary, it could mean that several brands are perceived as being equally good value. What happens in this case tends to be brand-switching by consumers rather than the disintegration of brand loyalty.

Morris (1992:46) points out that black consumers have a high level of pride and will not want to appear stupid by asking what a particular brand name means or how it reads; hence the success of easy-to-pronounce brand names such as Surf, Cobra, Colgate and Coke, which are now practically generic. This study will investigate whether the black retailer is aware of the importance of easy-to-pronounce brand names if his consumers are not literate.

The large retailer has to decide whether he would stock national (manufacturer) brands or whether he will develop his own private (dealer) brands.

■ **National (manufacturer) brands.** National (or manufacturer) brands are product lines that are produced, owned, controlled and distributed by manufacturers who supply the retailer with their branded or labelled merchandise, for example, Kellogg and General Electric (Lewison 1994:402). Manufacturer brands are referred to as national brands because many of them have countrywide recognition created through national advertising programmes and national distribution systems. The national status of these manufacturer brands creates the image of better and more

consistent quality; to consumers they represent a "sure thing" with little or no purchase risk. Manufacturer brand names like Omo, Surf and Colgate are almost becoming generic items because every retailer in the marketplace is carrying these popular brands. The result of this "me-too" approach is that many retailers' merchandise mixes have a sameness, a redundancy that does not contribute to any effort at gaining a competitive advantage.

According to Lucas et al (1994:455), for retailers, the major attraction of national brands is the amount of money manufacturers spend to develop consumer awareness of and preferences for these items through advertising. In many instances, shoppers are presold; they walk into the store knowing what they want and the sales assistant merely has to point out the location of the merchandise. This study will investigate whether, as perceived by the black retailer, his consumers prefer well-known national brands.

Van der Reis (1994:226) maintains that the changing structure of the retail sector and the increasing role of the small informal trader will have far-reaching effects on brands. Spaza shops and small stores cannot afford to stock a wide range of brands. They buy only national brand leaders, those having strong brand loyalty and constantly asked for by customers, and those which have become generics over the years. These rapidly moving brands, says Oosthuizen (1991:4), are the brands perceived as "no-risk purchases" by their customers. Small rural and urban grocers, for example, carry an average of four items per product class, compared with 49 in hypermarkets and 41 in supermarkets. Van der Reis (1994:226) adds that urbanisation clearly increases brand awareness and knowledge and widens consumer choice. "Crowing-out" will occur at all retail levels. In up-market stores there will be space only for the brand leader and its closest rival, the private brand and any foreign brands which might arrive. In the middle segment of the retail market the pressure should be less, as this will be the major middle-class growth sector. At the lower end of the market, the cash-and-carry wholesalers are also finding that poor economic circumstances encourage the purchase of discounted private brands, which will be dealt with in the next section.

■ **Private (dealer or house) brands.** Private brands are product lines that are owned, controlled, merchandised and sold through the retailer's own (usually the large retailer) outlets, for example Pot O'Gold of the OK Bazaars and the no-name brands of Pick 'n Pay and Spar (Van der Walt et al 1996:226). Retailers acquire

private-label merchandise by contracting with manufacturers to produce products specifically for their private brands or labels. Consumers often consider private brands as somewhat lower-quality, lower-status and lower-price merchandise, and many retailers directly or indirectly promote this perceptual difference between private and national brands. The First World market segment is far more likely to buy private brands and no-name brands than the Third World segment (Oosthuizen 1991:6).

Private brands offer the retailer some distinct advantages (Lucas et al 1994:455). The first is exclusivity; shoppers will not find identical merchandise in other stores. Exclusivity helps build customer loyalty and reduce price comparisons. Private labels also give the retailer greater control over the product's composition and quality. Given retailers' close contact with customers, they are frequently the first to identify changes in customer preferences. Because private labels do not bear the heavy advertising associated with national brands, they offer retailers another advantage: lower prices at comparable or even higher profit margins. Private labels tend to thrive in a recession, as consumers reduce expenditure and seek value for money (Van der Reis 1994:227). In an economic upturn, on the other hand, consumers are said to return to buying their former preferred brands, even at premium prices. This study will investigate black consumer perception of the quality of private brands, as perceived by the retailer.

The areas where the private brands prosper most are in the so-called "generic" (or no-name brand) areas where little value is added, where products can easily be copied and where there is no differentiation (Sampson 1994:21). The no-name brand means that products are literally stripped of brand names and are identified only by their generic name or the name of the product type, for example, a can labelled "green beans". No-name brands are, however, still linked to a specific retailer. Van der Walt et al (1996:225-226) maintain that no-name brands are mainly directed at price-conscious, cautious and judicious consumers who are sometimes inclined to accept a lower quality with the accompanying risks. However, although the price is right, consumers often become frustrated with the inferior quality of the merchandise. Generic products are normally available in relatively few packaging sizes. They mostly have simple blue-and-white, black-and-white or red-and-white packaging with labels indicating only the generic name of the product, such as rice, washing power, salted meat and peanut butter. Langschmidt (1994a:5) found that black consumers perceive no-name brands to

be of lower quality. Morris (1990b:8) confirms this view, adding that, because individual disposable income in the black market is relatively low, black people are more likely to purchase brands that have credibility, ones they respect and know will be good for the family - they generally do not experiment.

Private brands have increasingly been challenging national brands in South Africa. Brown (1993:4-7) reports that private brands and no-name brands are growing at the expense of branded products, in some grocery categories to the extent of a 90 percent share of sales. One of the reasons for this dramatic switch lay in the producers of branded products forgetting the principle that price should be paid for value received. Brown (1993) suggests that the equilibrium between price and value should be restored. Adding value to a brand requires fitting consumers' needs and wants, and not manufacturing needs. As a result, marketing through the 1990s would require much greater understanding of the customer. The growth in own private brands is, however, seen as an issue primarily relevant at the top end of the market. It has been pointed out (Klein 1993:5) that in South Africa private brands have achieved a relatively limited penetration of the market, 8,1 percent. This is very low compared with 35 percent in Britain, 24 percent in Germany and 18 percent in the USA.

Van der Reis (1994:21) has predicted that larger retailers will go more into private labels, which is the way trade has developed overseas. They could stock something like 50 percent private labels in the future, with the remaining 50 percent divided between no-name and national brands. This growth in private labels will occur particularly among products which do not have clearly differentiated markets. However, she said, larger retailers will have to build up consumer confidence in the quality of private labels. Holding (1995:13) says that the 8,1 percent of private label volume in the local stores signals comfortable room for growth, with Pick 'n Pay leading the way with its "Choice" private brand. The wholesale giant Metro has also expanded its private brands to cover all possible sectors of the market (*Marketplace* 1994a:20). The brand, "Family Favorite", first consisted of only tinned fruit and vegetables, but now includes all kinds of groceries, perishable and nonperishable. The objective is to give their customers (independent retailers) products that are as good in quality terms as the brand leaders, but much less expensive. Holding (1995:13) is of the opinion that brand leaders such as Kellogg's, Nestlé and Coca-Cola will continue to do well because their equity is in most instances protected. What will disappear, he says, is the

increasing number of brands in the middle of the market that are undersupported and not clearly positioned and do not have a distinctive benefit.

According to Van der Reis (1994:96), the growth of private brands, and building the brand qualities inherent in their corporate names, has given retailers some leverage over suppliers. Discerning supermarket buyers are said to know that a private brand is often indistinguishable from its heavily branded counterpart. Private brands across the whole quality spectrum are also expected to increase at the expense of manufacturers brands. Van der Reis (1994) maintains that there is also a greater need for psychographics rather than demographics in order to establish the feelings which brands evoke in consumers since feelings, rather than facts and product attributes, drive brands. In addition, consumers are prepared to pay a premium for trusted, quality brands.

A brand has the vitality for growth if it is seen as different - differentiated from other brands - and if it is relevant because it meets customer needs. But it needs stature to become a power brand, and stature is made up of esteem - personal regard, quality and popularity - and familiarity (*Marketplace* 1994c:25).

The mushrooming of small shops will mean that strong brands will become even stronger, while weaker brands will fight for survival (Oosthuizen 1991:6). Financial limitations on stocks carried will make it difficult to establish brands at the bottom end of the retail sector. Retailers may not want to risk potential failures tying up capital they could have spent on leading, low-risk brands. Heavy investment from manufacturers will be needed to establish untried brands.

According to Kotler and Armstrong (1996:284), powerful brand names have consumer franchise - they command strong consumer loyalty, the next point to be discussed.

■ **Brand loyalty.** Consumer purchases are either trial or repeat purchases; the former being a consumer's first purchase of a brand. If the consumer finds that a new brand in a product category that is familiar to him (eg groceries or cigarettes), is satisfactory or better than other brands, he will probably buy it again. Repeat purchases may result in brand loyalty if the consumer approves of the brand, and he consequently develops a positive attitude towards the product (Machado & Brink 1989:20).

Consumers display varying degrees of brand loyalty towards different brands, which is because of their personal preferences and their different perceptions of products. The different degrees of brand loyalty are termed brand recognition, preference and insistence (Machado & Brink 1989:28-30):

- **Brand recognition.** Consumers who merely recognise a brand are at the bottom of the loyalty scale. Although they remember hearing about or seeing a particular brand, it has no appeal for them, and they may even be ignorant of the nature of the relevant product.
- **Brand preference.** If the consumer clearly favours a particular brand when he is confronted with a choice, but will settle for a substitute rather than do without the product, he is exercising a brand preference. The purchases of many consumers are prompted by force of habit and by experience at this level of brand loyalty. Someone who prefers Coca-Cola may be prepared to drink Pepsi Cola if the former is not available.
- **Brand insistence.** At this level of brand loyalty the consumer rejects substitutes and will do anything in his power to obtain the desired brand; but absolute brand insistence is rare. The ideal of every marketer is to accomplish brand insistence for his products as this would give him a competitive advantage.

The acquaintance with and acceptance of a specific brand can differ considerably from consumer to consumer. The consumer may recognise a specific brand name, prefer it, or even insist on it.

Brand recognition is the first stage in brand loyalty and exists as soon as consumers have seen the brand or have heard about it, understand it and remember it (Van der Walt et al 1996:223). Brand recognition increases the probability of repetitive purchases should the consumer be satisfied with the first trial. Every marketer's goal should be to achieve, not only recognition for his brand but insistence on it by the consumer (Morris 1990b:8). To reach this end he needs to attach attributes of good quality, price and availability to his brand. Jooste and Human (1992:43) found that black consumers relate the quality of the product to the brand name. This study will investigate whether this view can be confirmed.

Numerous studies have shown that the less sophisticated consumer is more likely to be brand loyal (Morris 1992:98-99). It is generally observed that the South African market, owing to growth potential in marketing to the lower income and education groups, for instance, is becoming increasingly unsophisticated. In the rural areas especially, consumers have become loyal to strong brands, brands that are tried and trusted. Brands that work efficiently will build credibility and guarantee repeat purchasing.

Morris (1992:82) feels that one should also consider the black consumer's shopping habits: monthly shopping is done in the major supermarkets, where the consumer is offered a multiple-choice-selection of brands at very competitive prices. This is important to the consumer who does not have a high cash flow owing to low disposable income. For this reason she is perceived as being brand loyal. Again, what actually happens, is that because of her minimum available cash, she purchases the tried and trusted brands because she cannot afford to take a chance on new brands, which her family and, especially the man of the house, may not be happy with. In addition, according to Van der Reis (1994:227:228), illiteracy, poor education levels and lack of access to media have resulted in poor knowledge of brands in some areas. Marketers thus have difficulty establishing new brands in this segment. When brands are known to black consumers, there is a high degree of brand loyalty largely because there is limited choice in their local store; they are afraid of spending their small income unwisely; they perceive a strong brand as a guarantee of quality and consistency, for which they are prepared to pay a premium; in the past they were often sold cheap, inferior products by traders and therefore came to associate quality with expensive branded products; and brand symbols are easy to identify on the shelves without having to be able to read the name. It has been suggested, however, that black consumers may only appear to be more brand loyal than their white counterparts because of the limited product ranges available to them (*Financial Mail* 1993b:68).

Brand loyalty of the black market is found in some studies to be waning, and in others to be as strong as ever (Van der Reis 1994:17). Traditional black brand loyalty is being broken down by advertising which is essentially First World, by the growing importance of direct media, and by black people less slavishly following what affluent whites buy. For example, black consumers' rapid switching from Coca-Cola to Pepsi Cola recently raises the question of black consumer loyalty (Farquhar 1996:36). In-store couponing is also having a powerful impact on brand

switching. It was found that black shoppers showed an 87 percent brand switching purchase. Consumers are motivated by the coupon to brand-switch, or to purchase where there had been no intention to do so, as to reward themselves with the coupon discount, showing the potential for sales promotion in this market, an element to be investigated in this study.

Brand loyalty is also affected by the economic conditions. The recession in South Africa and the "downshifting" trend which it set in motion, have resulted in consumers spending less and being more selective and discriminating. Marketers are thus now confronted by more confident, more sceptical consumers who demand quality and value (Holding 1995:13). Consumers will remain with a brand once they find one which satisfies them, believing that new products are seldom worth trying. If the market becomes increasingly unsophisticated, as suggested by Van der Reis (1994:222), brands and brand value will increase in importance and it will become necessary for marketers to invest more heavily in brand-building. If, on the other hand, the market becomes increasingly sophisticated, consumers will to an ever-greater extent succumb to the belief that they are being manipulated by the artificial qualities which branding bestows on products. This will lead to an increased rejection of brands in favour of value for money (*Advertising Focus* 1992:54-57). This study will investigate the black consumer's brand loyalty as perceived by the black grocery store retailer.

In addition to the brand, the packaging also largely contributes towards the product image. Packaging will be dealt with next.

4.2.4.5 Packaging decisions

As with branding, the retailer is not involved in packaging as such. He has to decide what packaging to keep, for example, he has to determine what packaging sizes are preferred by his customers. The self-service system, the tremendous increase in products and the battle for shelf space have made particular demands on packaging (Van der Walt & Machado 1992:228).

The packaging of a product contributes to the product image. It attracts the consumer's attention in the shop and helps him to distinguish the product from competing products on the shelf since it displays the product prominently on the

shelf. It also protects, conserves and facilitates handling of the product and conveys a symbolic meaning to the consumer. It can also be useful for certain marketing considerations such as product differentiation, consumer convenience and promotion. Packaging plays an important role as a silent persuader in the marketing of consumer products and particularly convenience products which the consumer needs, but is not willing to spend much time and effort shopping for. It is in fact regarded in many cases as the marketer's last opportunity to communicate with the consumer with the intention of persuading him to purchase the product (Van der Walt & Machado 1992:226-227).

The consumer has certain expectations of packaging (Lucas 1989:240) such as the following:

- The packaging must give adequate information on the brand, instructions for use, composition of the product, warranties and other important information required by the consumer.
- The package must be convenient to use, handle and store. It must also be durable and easy to carry and open.
- The package must reflect the value of the product, for example, elaborate packaging is appropriate for prestige products such as jewellery and cosmetics, while simple or cheaper packaging is more appropriate for low-priced consumer items.

The retailer also has certain expectations of packaging, the main being that packages must facilitate the safe storage of products and they must be safely and effectively displayed on the shelves. Some bottles may be pleasant to look at but very easy to knock over, resulting in a mess in the store and a loss for the retailer.

The marketer regards packaging as an important merchandising tool. This is substantiated by research which has shown that many consumers are more loyal to package identity than they are to the particular brand name. Packaging, in the black consumer market is also very important in building brands and consumer loyalty. Morris (1992:99) suggests that in order to induce trial purchase, small packages should be launched initially. Only when the brand is very well established will the black consumer graduate to the larger economy packs. In

addition, with his limited available cash, the smaller pack obviously represents a popular purchase. It has been suggested (*Marketplace* 1996b:10) that the strength of the spaza store is its packaging - one egg, one slice of bread, one cup of rice. Its weakness is the distribution channel it is forced to use - from manufacturer to cash-and-carry outlet to runner to spaza, a long distribution channel that pushes up the price to the consumer. There are manufacturers who are packing for the spaza market, providing Glen tea or Glenryck pilchards or Selati sugar for consumers who buy today to use today, but they are the exceptions. There are only two distributors - Coca-Cola and Sasko - who deliver to spazas in Khayelitsha.

The design of the package is also an important factor in packaging. Thickett (1995:12) maintains that the best designs are not always those that win awards but those that fit in with the image of the brand and communicate clearly with the consumer. The use of strong colours and identifiers helps the consumer recognise the brand before he reads the pack. Unique shapes such as Toblerone chocolate and Toilet Duck are instantly recognisable. It is amazing how many major brands use red as the predominant colour. Packs in South Africa are also often difficult to open, for example toothbrush packs, Weetbix packs and almost all sachets. Micropacks for detergents have been a great innovation, saving on shelf space as well as on actual materials.

Packages that can promote sales at retail level are the following (Botha 1994:36-37):

- **Reusable packaging.** This is packaging that can be used for some other purpose after the contents have been consumed, such as glass jars or pottery jars and a set of sealable plastic containers. This can draw customers to the store since they may feel inclined to collect a set of these containers. Morris (1992:99) says that black consumers often enjoy packaging that offers secondary usage, for example buckets, sacks, jars. This point will be further investigated in this study.
- **Multiple packages.** This packaging refers to several products with a high consistency which are packed in one container, for example, deodorants, after-shave lotions, shaving cream and hairspray for men. Multiple packaging is especially useful to introduce a new product and to obtain brand recognition. Furthermore, it is often used as special offers. It can also have

certain cost benefits for the retailer, since handling costs and the costs involved in the marking of products should now be lower per product unit.

- **Kaleidoscopic packaging.** This term is used to identify packaging decisions according to which certain aspects of the packaging are changed continually. Examples are a series of pictures of personalities printed on the inside of soft drink bottle caps, and a series of different animal species on the packages of cereals. The basic idea behind this packaging is to create a demand for the product via the demand for the packaging.

Morris (1992:99) stresses that creative design of the packaging is particularly important in the black consumer market. The marketer, he says, should create vitality and credibility, and be educational if necessary. Consumers are entitled to know how to use the product correctly and what benefits they can gain from using the product.

Packaging decisions such as the type of packaging to be used, concern only the manufacturer of the specific product. The design of the package is, however, important for the retailer as far as handling, storage and display are concerned. It is important for the black grocery store retailer to stock package sizes desired by the consumer, in keeping with the comment of Van der Reis (1994:21) that black consumers prefer smaller packs because of limited cash; but, she adds, as consumers become more sophisticated, they will demand larger pack sizes. However, according to Morris (1992:99), black consumers will graduate to large economy packs only when the brand is very well established. The black grocery store retailer should thus analyse sales trends according to package size, a consideration that will be investigated in the research undertaken for this study.

The retailer should keep packaging which does not contribute unnecessarily to environmental pollution and the wastage of valuable resources. Using returnable packages and reusable packaging material can assist in solving the problem of waste, litter and pollution. Lucas et al (1994:294-295) say that with the emergence of the "green movement" - consumers' growing awareness of the health and future of the environment - retailers are showing increasing concern for the extent to which their suppliers may harm the environment in the manufacturing process. Products that are produced in a manner that minimises their negative effects on the environment are termed environmentally friendly, such as

merchandise made from organic or recycled materials, thus offering environmentally safe and biodegradable products. It is debatable whether black consumers will be prepared to pay more for products that are less harmful to the environment, or if they will accept a lower-quality product if it is friendlier to the environment. The black grocery store retailer could educate his customers to become environmentally friendly by, among other things, pointing out the benefits of these products to the environment, and providing a bin for recycling glass.

Van der Reis (1994:8) has predicted that in the new South Africa product and package design will replace much direct advertising to low-income consumers because of its ability to enhance instant shelf recognition and to lead to discrimination between brands by these consumers.

The retailer should also consider the product life cycle when he selects the product mix for the store.

4.2.4.6 Product life cycle

Products are developed, introduced to the market for the first time and are eventually withdrawn from the market (Lucas 1989:273). They pass through several stages in their lifetime, each identified by its sales performance characteristics. During the product life cycle (PLC), that is, from the first introduction until the eventual withdrawal, the product progresses through different phases and different competitive market environments which time and again require changes in the marketer's marketing strategy. Knowing which stage a product is in helps the retailer to judge both its existing and future sales potential. The four stages of the product life cycle are introduction, growth, maturity and decline.

- **Introductory products.** The typical supermarket must review and evaluate many new product items each year. In the introductory stage, products are characterised by low sales and losses, high risk and high costs (Lewison 1994:405). Many products never make it out of the introductory stage, thus increasing the retailer's risk. For many retailers, new products are essential to their avant-garde image, and the necessary merchandising skill is to select only introductory products that are truly innovative. Some

retailers do not wait for new products to come to them - they actively search for new additions to their merchandise mix. Less sophisticated consumers, that is, the majority of the main market in South Africa, do not easily accept new products and do not necessarily associate change with improvement (*Marketplace* 1995:13-15). For example, South African Breweries learned this the hard way when they changed the Castle label a few years ago. Research showed that black consumers were convinced that the taste had also changed.

- **Growth products.** Products in the growth stage are characterised by accelerating sales, highest profit levels of any stage in the PLC, limited competitors in the market, and lower relative costs and risk. Almost without exception, the most desirable products for retailers are those in the growth stage (Lewison 1994:406). To satisfy the growing number of customers, retailers usually stock an extensive variety of growth products.
- **Mature products.** In the maturity stage, sales increase at a slower rate and finally begin to level off. This stage is characterised by a highly competitive market, falling prices and margins, more intensive advertising and lower profits. Most retailers include or continue to include mature products in their merchandise mix because consumers expect them.
- **Declining products.** This stage is characterised by rapidly declining sales and profits (or losses) and little, if any, manufacturer support in promotion. As a rule, retailers do not include products that are in the decline stage of the PLC in their merchandise mix. Those who continue to stock declining products should only do so in limited quantities and only if demand is sufficient to yield a reasonable profit.

It is believed (*Marketplace* 1994b:22) that lack of economic stimulation will result in base products at the bottom end of the economic spectrum continuing with their present life cycle. However, it is doubtful whether the present unsophisticated black retailer will have enough knowledge of the market and the product life cycle to gauge the stage of the product life cycle.

The second element of the marketing mix, namely pricing of products will be dealt with next.

4.3 PRICING DECISIONS

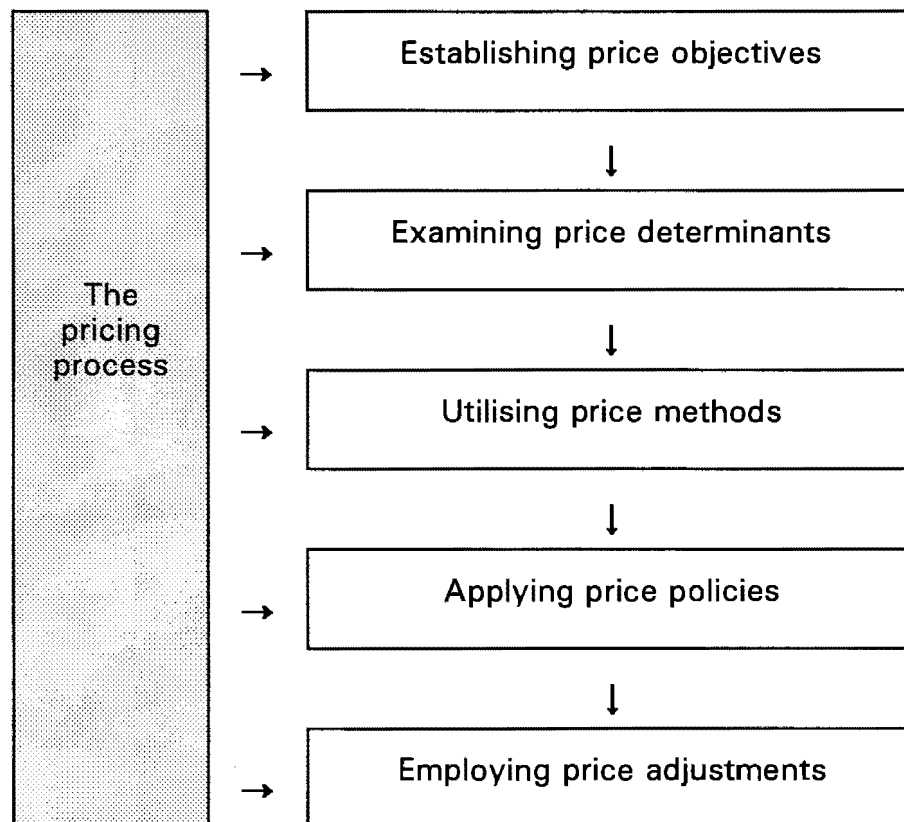
4.3.1 General

Price is the only element of the marketing mix that produces revenue since all other elements represent costs; it is the value that the consumer puts on the utility he receives from products and services. The price of a product plays two major roles in marketing (Van der Walt et al 1996:422). *Firstly*, price influences how much of a product consumers purchase. Consumers generally look for a price that reflects the benefits (or value) they think they will receive from the product, thus they consider the price of the product relative to that of competitive offerings. *Secondly*, price influences whether selling the product will be profitable for the organisation, and whether enough money will be raised to enable the organisation to carry out its task.

The price of a product is thus viewed by the consumer and the organisation from different perspectives. To the consumer, price represents the amount of money he pays for a product and thus for the need satisfaction he receives. The price will be viewed as acceptable if he perceives the value that he receives as equal to or more than the amount of money paid for the product. The value (or utility) of a product is the power that a product has to be exchanged for another product; and price is the equivalent of value stated in money (Beisel 1993:427). A certain product may have the power to command a high price because it has a great ability to satisfy psychological needs - thus the value of the product is high. The value is thus determined by the consumer. To the organisation, on the other hand, price is important because it relates directly to the organisation's income and profitability because profits represent the total income (price x items sold) less the total costs. Price is thus of extreme importance to the black retailer. This study will investigate the black grocery store retailer's perception of price.

Various factors have to be considered when determining a price, hence a logical and systematic process of pricing is required. A step-by-step procedure is illustrated in exhibit 4.3 below.

EXHIBIT 4.3 THE PRICING PROCESS



Source: Lewison (1994:493)

Effective pricing is the result of a process, depicted in exhibit 4.3, in which price strategies and tactics are carefully planned and implemented. Setting and adjusting retail prices is a dynamic and continuous process that requires constant attention (Lewison 1994:492). Each of the steps of the pricing process will be dealt with in the following sections.

From a retailing perspective Lewison (1994:491) defines price as "the monetary expression placed on the value of an actual or proposed exchange between a retailer and a customer". The right price is the amount of money that the consumer is willing and able to pay and the retailer is willing to accept in an exchange for merchandise or services. The right price allows the retailer to make a fair profit while providing the consumer with value satisfaction.

From the consumer's viewpoint, price can act as a forceful attraction or as an absolute repellent in the consumer's store selection process. It can also serve as either an incentive or a deterrent in the decision to buy. Some consumers consider price to be the most important criterion in selecting stores and products; others are far less sensitive to price. Morris (1992:90-91) refers to the contradictory opinions among marketers about black consumers' attitudes to price. Some say black consumers are prepared to pay for quality, while others say black people cannot afford quality and are more concerned with utilitarian matters. Morris (1992) says that the urban elites are seen as more discerning about quality and are less conspicuous in their consumption patterns. They will spend money on education for their children, whereas the more modern affluent black people might buy flashy cars. Both see price as a secondary consideration. On the other hand, black consumers in the C and D income groups are far more conscious of price. Thus, price means different things to different segments of the black consumer market. This study will investigate how black consumers view the relationship between quality and price, as perceived by the retailer.

The author has noticed a lack of research in the field of pricing by the black retailer as well as black consumers' expectations of price (other than that they are sensitive to price). One of the few people who has conducted research in this field, namely Van der Reis (1994:19), maintains that black retailers will have to become price competitive; they suffer at present from the problem of low turnover and high margins. This study will investigate how the black grocery store retailer determines his selling prices, and whether he takes into account his customers' perception of price.

The first step in effective pricing is to establish pricing objectives which are employed as guidelines for pricing decisions.

4.3.2 Price objectives

Beisel (1993:428-429) maintains that the most fundamental pricing objective for the retailer is survival. Total revenues must cover total expenses and the cost of merchandise. To survive in business, a retailer should have at least one specific pricing objective from which a pricing strategy can be developed. Beisel puts

forward four pricing objectives that the aggressive retailer may pursue, namely profit maximisation, target return on investment and market share.

■ **Profit maximisation.** Profit maximisation as a pricing objective means that an optimal point must be identified where, according to economic theory, marginal cost and marginal revenue meet. Unfortunately, even the most experienced retailer can never be sure of where that point is, as there are too many variables to consider and innumerable alternatives for each variable. The only way to reach this optimal point is to be perfect in every facet of the business, which includes buying the optimal assortment of merchandise at the optimal time; utilising the optimal promotional mix; and determining how to sweep, mop and buff the store floor in the most optimally cost-efficient manner. According to Lewison (1994:495), in practice, a profit maximisation objective is at the expense of wholesalers, manufacturers and consumers; and such activities will lead to poor relationships, thereby jeopardising the retailer's source of supply and damaging the retailer's customer image. The author therefore doubts whether the black retailer would be in a position to apply the profit maximisation objective.

■ **Target return on investment (ROI) or total sales (ROS).** Here the retailer hopes to achieve a specific profit as a percentage on the investment made. Target returns are usually expressed as a certain percentage return on either capital investment or net sales. ROI is a ratio of profits to capital investments (facilities, fixtures, equipment, inventory, etc), and is determined by dividing total assets into net operating profit. ROI is a measure of how efficiently a retailer uses investment to generate profits. Many small retailers (Beisel 1993:429) use a target return on total sales objective (ROS) by simply choosing a percentage profit desired on total sales. Their mark-up then includes this desired profit percentage. To achieve this targeted return, retailers set prices by using mark-up percentages large enough to cover all appropriate operating expenses (wages, rent, utilities, professional services, etc) plus the desired profit per unit needed to generate the targeted percentage return on net sales. By setting reasonable and profitable return targets, the retailer is able to set prices that are consistent with both strong financial performance goals and high customer satisfaction (Lewison 1994:495).

■ **Market share.** Retailers use market share objectives to increase or maintain their share of the total market (Lewison 1994:493-494). Market share is a measure of the retailer's sales position relative to all competitors in the same trading area; it

represents the percentage share of a trading area's total sales captured by a single retailer. If market share growth is the principal objective in setting prices, the retailer must realise that any increase in percentage share in the market must come at the expense of one or more of its competitors. As a pricing objective, market growth may be a preferred goal for a new and expanding product market rather than for an older, more mature one, because many competitors in the former situation are more interested in increasing their sales as opposed to their market share. In mature and stable markets, however, market share maintenance is generally the more accepted pricing objective. Price-cutting activities in mature markets will force competitors to meet the new price, which thereby lowers profit margins for all concerned.

The black grocery store retailer, for example, may be located in a trade area where the projected annual retail grocery sales equals R9 million. By setting a market share objective of 20 percent, he will strive to reach a sales level of R1,8 million.

The next step in the pricing process is to consider retail pricing determinants.

4.3.3 Retail pricing determinants

The retailer faces several external factors in trying to establish a selling price that will both sell the merchandise and offer a profitable return. The various external factors that need to be considered are demand, customers, competitors, cost, product and legal considerations.

4.3.3.1 Demand considerations

Demand influences on pricing decisions primarily concern the nature of the target market and the expected reactions of consumers to a given price or change in price (Peter & Donnelly 1989:191-194; Lewison 1994:496-501). Some consumers' buying behaviour closely reflects the law of demand, that is, consumers will buy more products at lower prices than at higher prices. The retailer must consider the effects of different price levels on consumer demand which is called price elasticity of demand (a measure of the effect a price change has on consumer demand). Elastic demand is a condition in which a change in price strongly influences

consumer demand. Inelastic demand occurs when a change in price has little or no influence on consumer demand - thus the consumers are relatively insensitive to the change in price.

Sometimes a change in the price of a product item will change the demand for not only that item but also a different item. This cross-elasticity of demand occurs when a change in the price of one product results in a change in demand for another. The demand for a complementary product may decrease as a result of increased prices and reduced demand for the product it complements. The retailer can exploit complementary relationships by using price promotions on one item to stimulate sales of complementary products with higher profit margins. A different result may, however, occur between substitute products. In this situation, cross-elasticity of demand might produce an increased demand for tea as the price of coffee rises. Although it would be virtually impossible formally to determine the price elasticity of demand for each merchandise line carried, the black grocery store retailer should develop a feel for which products are highly sensitive to changes in price. This also happened with maize meal when yellow maize was introduced, resulting in less demand as consumers switched to bread. In this case no price increase occurred but the product changed in colour.

4.3.3.2 Customer considerations

The customer's feelings and beliefs about prices must be taken into consideration when developing pricing strategies. Often customer perceptions of prices are more important than the realities of the pricing situation as they are inclined to act on their perceptions regardless of whether they are correct or incorrect, logical or illogical, practical or impractical (Lewison 1994:497). Thus the customers' feelings and beliefs about prices must be taken into consideration when developing pricing strategies, as well as their lifestyle (lifestyle was dealt with in ch 3, sec 3.4.2.4). If they believe that the lowest price is the best value or the highest price represents the best quality, then their selective perception mechanisms will reinforce their belief system (the consumer's perception was dealt with in ch 3, sec 3.4.2.5). It was found in one study (*Marketplace* 1995:15) that black consumers regard quality as more important than price; only 16 percent of a sample of 1 500 black housewives indicated that they buy the cheapest, not the best quality. Within ethical parameters, the black grocery store retailer thus needs to consider adjusting

his pricing practices to take advantage of his target customers' beliefs and feelings concerning pricing structures (psychological prices are dealt with in sec 4.3.5.1 below).

Van der Reis (1994:105) refers to a trend that customers shop where they believe bargains are to be had, while "cherry-picking" (consumers hunting from shop to shop for the best bargains) has increased, primarily because of the effects of the deteriorating economy. Jooste and Human (1992:46-47) found that black consumers use price as a measure of quality; prices influence the purchasing pattern and quantity of black consumers; black consumers are price sensitive; black consumers compare prices between products/brands; and black consumers compare prices of stores. This study will investigate whether the black grocery store retailer's customers regard a high price as an indication of quality, whether his customers compare prices of products, and whether "specials" result in higher store traffic.

The black retailer must take the ability and willingness of the consumer to pay a certain price into consideration. It is important to be aware of the buying power of the target market at which he is aiming. For example, an area that consists primarily of low-income people could not be expected to support a variety of high-priced stores. He should ascertain whether they tend to use price as an indicator of a quality product. His customers may even buy with price as their first priority, given the fact that the average monthly income of the black population groups was only R1 137 in 1995 (the average for the white groups was R7 108) (AMPS 1996:30).

4.3.3.3 Competitive considerations

The retailer needs to consider competitors' pricing actions in setting prices. A retailer's prices that are out of line with those of other retailers are going to inhibit consumer purchasing; consumers seem to have a sense of a fair price for a product. Although prices need not equal those of competitors, the retailer should provide consumers with a price difference they can accept and justify on the basis of differences in quality and uniqueness of products, types and levels of service, number and convenience of locations, layout and atmospherics of stores, as well as form and frequency of store promotions. The marketer has a choice of two

basic strategies (Lucas 1989:480): he may follow the price leader by determining prices which do not deviate much from those of the leader; or he may take the initiative in determining prices and in this way become the price leader.

The freedom the retailer enjoys in setting prices depends on estimates of his competitive position. If he judges his competitive position as strong because of a distinctive retail mix, highly loyal consumers, or a unique store image, he has greater freedom in price-setting decisions. He should also bear in mind that the competitor's price is more important for some product items than for others. *First*, the retailer must closely consider products that consumers purchase frequently and that the supplier distributes intensively because consumers can easily make price comparisons. *Second*, for products with high unit value the retailer needs to consider competitors' prices. He can set prices for these kinds of products below, with or above those of competitors, depending on the type of price image desired (Lewison 1994:498-499). This study will examine whether the black grocery store retailer compares his prices to competitors' prices, and whether he sets his prices below, with or above those of competitors.

In considering competitors' prices, the black grocery store retailer should keep in mind that his competitors include not only other retailers, but also informal traders and hawkers who may offer lower prices. Intratype and intertype competition were dealt with in chapter 3, section 3.4.3.2.

4.3.3.4 Cost considerations

The retailer's costs may be an important element in his pricing strategy. Not only the cost of the merchandise but also the costs incurred in getting the merchandise into the store and preparing it for sale should be included. The cost of merchandise therefore serves as a starting point for price-setting decisions. The retail selling price of a product is set at a level high enough to cover not only the cost of the merchandise but also the fixed and variable expenses associated with merchandising the product plus an additional profit margin.

The black retailer is probably not in a position to buy merchandise in large quantities and thus take advantage of liberal discounts and allowances. However, if he has a franchise operation of Pick 'n Pay or Spar, he could benefit by large

quantity discounts. He thus needs to place emphasis on personal service and other variables to compensate for the higher prices that must be placed on the merchandise.

4.3.3.5 Product considerations

The retailer's price-setting decisions are also determined by the characteristics of the products. Different types of products can command different prices at different times and in different locations. Product perishability holds certain risks with the result that retailers often require higher initial prices to cover mark-downs that become necessary as the product loses its marketability or to move them before a low in marketability occurs. Product quality, whether perceived or real, needs attention. Depending on the price/quality image the black retailer wishes to project, several pricing strategies based on product quality are possible. Another characteristic is product uniqueness which can be exploited to realise a premium price. Consumers who seek something different tend to be insensitive to price and are therefore willing to pay higher prices for products that exhibit originality.

4.3.3.6 Legal considerations

Price-setting decisions are subject to numerous legal constraints. Lucas (1989:481) points out that in South Africa the forming of monopolies and resale price maintenance are discouraged directly by law, while competitive or reasonable prices are encouraged. Various forms of price control also exist, for example a minimum deposit, the term of credit and some products are excluded from VAT.

A policy of setting low prices might well produce high sales volumes but inadequate profit margins. High prices usually allow for excellent profit margins; however, the products must be sold before those profits can be realised. According to Lewison (1994:501), knowing when a price is too high or too low is an art that comes with the experience of being in the business. Nevertheless, he says, certain price-setting methods blend the art of experience with the science of retail mathematics.

4.3.4 Pricing methods

Lewison (1994:501-507) distinguishes between mark-up pricing, competitive pricing and vendor pricing as pricing methods most suitable at retail level and thus for the black retailer.

4.3.4.1 Mark-up pricing

The retail selling price is usually calculated by adding a mark-up to the cost of the product (Beisel 1993:438-439), that is,

$$\text{Cost} + \text{Mark-up} = \text{Retail price}$$

In order to be able to calculate the retail price, it is necessary to determine the cost of the product and to decide on the mark-up percentage to add to the cost. Determining the cost of the product is thus the basis for the calculation of the retail price. The cost of the product includes the supplier's price less any discount (such as cash or quantity discounts), plus transportation costs. The mark-up percentage must then be determined. The mark-up is the difference between the retail price and the cost of the product. The mark-up must make adequate provision for covering the retailer's overheads and also provide an adequate profit. The target rate of return is reflected in the mark-up percentage, for example, 25 percent on cost. Most retailers who do not have professional training will consider mark-up as a percentage of cost based on the following formula:

$$\text{Mark-up percentage on cost} = \frac{\text{Mark-up amount (R)} \times 10}{\text{Cost (R)}}$$

The progressive retailer, however, prefers to express mark-up as a percentage of retail price. This allows the retailer to relate mark-up to store operations. As a percentage of retail, the formula would be

$$\text{Mark-up percentage on retail price} = \frac{\text{Mark-up amount (R)} \times 100}{\text{Retail selling price}}$$

4.3.4.2 Competitive pricing

Competitive pricing means closely matching the prices of competing retailers (Lucas et al 1994:530-531). It is a judgmental price-setting method in which the retailer uses competitive prices as reference points for price-setting decisions. The basic decision rules are to price below, at, or above competitors' price levels. To price below competition, the black retailer must not only secure merchandise at a lower cost but also keep operating expenses as low as possible. Pricing with competition implies that the marketer has elected to de-emphasise the price factor as a major merchandising tool and instead decided to compete on a location, product, service and promotion basis. The retailer who chooses pricing above competition has to include several consumer benefits (also called added values) such as many free services, higher-quality products, exclusive products, personalised sales attention, a plush shopping atmosphere, a prestige image, superconvenient locations and longer store hours.

The black grocery store retailer cannot ignore competitors' prices. He need not follow competitors' pricing, but he must be able to justify higher prices to the customers in his target market. If his products are distinctive, that is, offer customers value that cannot be duplicated elsewhere, he has more latitude in charging higher prices than a retailer of run-of-the-mill products. If his store is superior in some way - location, layout, cleanliness, customer service, friendliness of personnel, and so on - he is better able to charge higher prices than a retailer whose store lacks such qualities. Moreover, an analysis of the price sensitivity of his target customers is critical to successful retail price setting. This study will investigate which strategy he follows.

4.3.4.3 Vendor pricing

In vendor pricing the manufacturer or wholesaler suggests the retail price (Lewison 1994:506-507). Vendors supply the retailer with a price list, printing the price on the package, or affixing a price tag to the merchandise. While they are not legally required to use the suggested retail price, many retailers think it represents a fair estimate of the going market price for certain products. As guidelines for retailers, the vendor's suggested price is not appropriate when it fails to provide a sufficient margin to cover costs, store operating expenses and an adequate profit, and when

it does not stimulate sufficient sales or if it fails to provide the customers with the value they deserve. This study will investigate whether the black grocery store retailer uses vendor pricing.

Once the retailer has established the basic price, certain adjustments are usually made by applying a number of price-setting policies, based on various consumer differences, to stimulate sales at retail level.

4.3.5 Applying price policies

The retailer can adjust the basic retail price on the basis of his understanding of his customers' price behaviour. The price policies which can be applied are the following:

4.3.5.1 Psychologically correct prices

Psychological pricing policies rely on consumers' perceptual sensitivity to certain price points (Evans, Moutinho & Van Raaij 1996:285-286). Consumers appear to be more sensitive to prices ending with an odd number of just under a round number (also called odd-even pricing). Odd-even pricing is used by retailers in the belief that an item priced at R3,99 is seen by the consumer as less expensive than an item provided at R4,00. It is felt that the consumer would associate a R3,99 price with R3,00 rather than R4,00. Most consumers also perceive odd prices as being lower than even prices. Further, increasing odd prices is less noticeable to consumers than increasing even prices.

Consumers find products that are priced in multiples, such as five for R1,90, preferable to single-item prices. Multiple pricing conveys an image of economy to the consumer. Obtaining a product at five for R1,90 implies a small saving over five single units purchased at 40 cents each. Consumers are likely to buy in multiples as long as it is a frequently purchased product and the consumer recognises a clear saving. But if multiple pricing becomes too complicated, consumers are likely to reject multiple purchases.

Certain higher prices are regarded as more correct than prices which are lower (eg some consumers may feel that R83,39 is cheaper than R76,97). The black retailer who is in close contact with consumers can perceive their response and is in a good position in this regard.

In general, consumers perceive price as an indicator of product or store image, independent of the objective information provided by price (Evans et al 1996:284). When consumers do not have sufficient information about product quality, they frequently use price as a good proxy for quality. A strong relationship is found between price and quality, especially when price differences between alternatives are substantial. However, price becomes less significant as an indicator of quality as more product information is supplied. Evans et al (1996:284) have found that consumers will use price as a surrogate for quality when they have strong beliefs that quality differences exist between product alternative, and they have little experience or information on the product. Thus, a consumer who believes that there are significant quality differences between brands and has little knowledge and experience of or information on the product will tend to use high price as an indicator of high quality. Further, if the price information is linked to a well-known brand, a price-quality association is even more likely. Prestige prices are targeted at the so-called "upper end" of the market - consumers who are willing to pay higher prices for premium products because they view them as status symbols or smart investments (Van der Walt et al 1996:448).

Another psychological pricing policy involves the consumer's expectations of a standard price level. Consumers develop a standard price for most products, which they regard as a fair price. The standard price serves as a basis for judging other prices. There is a range around the standard price that is not likely to produce a change in quantity consumed or a switch in brands. But outside this range, significant changes may occur, producing greater price elasticity. For example, a consumer may expect to pay R1,50 for a one-litre container of fresh fruit juice. A variation of 20 cents either way would not be noticed. But more than a 20 cents increase in price may cause the consumer to look for another brand, and more than a 20 cents decrease may cause the consumer to purchase two containers. A 20-cent change is therefore the point where some price sensitivity comes into play (Evans et al 1996:284).

The consumer's price expectations also refer to an acceptable price range across brands in a product category. An acceptable range of prices is determined by an upper limit above which the product or service would be judged too expensive and a lower limit below which the quality of the product would be suspect (Evans et al 1996:286).

The black grocery store retailer's perception of psychological pricing will be investigated in this study.

4.3.5.2 Unit pricing

Unit pricing is common for grocery products and involves a shelf tag that indicates the price per unit (kg or litre) for a specific product. This information is designed to help shoppers make more informed purchases in comparing various brands and package sizes. Displaying unit price information in a table format in the store often leads to switching to lower-priced brands, for example private labels. It is doubtful whether the black retailer would practise unit pricing in his store given the fact that most stores are counter-service operations.

4.3.5.3 Leader pricing

Stores, particularly grocery stores and discount stores, often reduce price substantially on certain key items to build traffic. These items are frequently purchased and widely distributed products for which prices can be readily compared. The theory is that the leader price will act as a cue to suggest that overall prices are low. Although leader merchandise contributes very little profit on a per-unit basis, its indirect contribution to total profit can be substantial if the retailer makes anticipated additional sales on high-profit items. According to Lewison (1994:512), to be effective, leader merchandise should include well-known, widely used items priced low enough to attract most income groups and be easily recognised as a bargain.

The black grocery store retailer could use, in weekly advertised specials (eg outside his store), meat, dairy and bakery products as leader merchandise, hoping that the

consumer can be traded up to more expensive merchandise. This study will investigate whether he offers "specials" at all.

The retailer often has to adjust the price to adapt to changing external and internal environmental conditions. He may have to adjust prices either upward or downward.

4.3.6 Retail price adjustments

4.3.6.1 Discount adjustments

Discounts are reductions in the original retail price and represent price reductions granted to store employees as special fringe benefits and to special customers in recognition of their special circumstances. Customer discounts are granted to special customer segments for a number of reasons. Regardless of the reason for granting discount, each discount given represents a downward adjustment in price and as such has a direct impact on profit margins. The black grocery store retailer could, for example, consider granting a special discount to customers over the age of 65. This study will investigate whether he allows any discount.

4.3.6.2 Mark-on adjustments

A mark-on adjustment is an upward price adjustment taken after, and in addition to, the original retail selling price (Davidson et al 1988:431). Upward adjustments are needed to cover increases in wholesale prices and operating expenses as well as to correct consumers' quality perceptions of merchandise. When consumers believe the quality of a product is questionable because of its low price, retailers can sometimes correct this misconception by increasing the price, thereby taking advantage of the perceived price-quality relationship. Prices for a given item are changed upward when it has an unanticipated heavy demand. This is especially true when an item becomes a fad and is temporarily in very short supply.

4.3.6.3 *Mark-down adjustments*

A mark-down is a downward adjustment in the original selling price of a merchandise item. A mark-down represents the difference between what the product was originally valued at and what it actually sells for. Direct mark-downs are designed to draw consumers into the store. It is hoped they will purchase not only reduced merchandise but also regularly priced merchandise. Indirect mark-downs in the form of coupons allow the customer to purchase a specific merchandise at a reduced price. Damaged or dirty products usually require price reductions to compensate the purchaser for the reduction in value. Fashion merchandise may also require a price reduction.

The mark-down can be expressed as a percentage of the old retail price (Beisel 1993:442), as follows:

$$\text{Mark-down percentage} = \frac{\text{Mark-down amount} \times 100}{\text{Original selling price}}$$

The black grocery store retailer, for example, could mark down merchandise if he has overestimated the demand for certain products, when he holds special sales events such as back-to-school or Christmas sales, or for dated merchandise, or odds and ends owing to their odd sizes, or if products are damaged. This is a function of the type of product being stocked by the retailer, for example food such as ordinary groceries will not as a rule be discounted. This price will, however, be further researched.

4.4 DISTRIBUTION DECISIONS

4.4.1 General

In accordance with the marketing concept, the marketer needs to deliver the products required by the consumers in the right place and at the right time in order to achieve consumer satisfaction. At the same time the profitability tenet of the marketing concept must also be satisfied by ensuring that this occurs in the most efficient and effective way. Distribution thus provides form, time, place and possession utilities for consumers (Evans et al 1996:289). Form utility means that

channels convert raw materials into finished products in forms the consumer seeks to purchase. Time utility means that channels make products available when the consumer wants to purchase them. Place utility means that products are made available at places where the consumer wants to purchase them. Possession utility means that channels facilitate the transfer of ownership of products to the consumer.

Distribution decisions centre around two broad activities, namely the transaction flow and the physical flow of products (Theron & Strydom 1996:40-41). *Firstly*, the transaction flow refers to the best channel(s) to be used to move the product to the consumer, and in this process buying and selling take place. The distribution channel consists of all those persons or enterprises, from the producer to the ultimate consumer, who take title or ownership of products or who are directly involved with the transfer of title and who perform one or more marketing activities. The distribution channel is thus simply a pipeline through which the products flow from the producer to the consumer - the producer places the products into the pipeline, and with the help of various intermediaries, the product flows to the consumer at the other end of the pipeline (Van der Walt et al 1996:241). *Secondly*, the physical flow refers to the physical flow of products from the producer to the ultimate consumer and includes the performance of activities such as transport, storage and inventory holding to ensure this flow.

Distribution decisions cannot be made in isolation as they are affected by the specific target market and the other elements of the marketing mix (Van der Walt et al 1996:241-242). *Firstly*, different target markets require different distribution systems, for example, for an industrial product the distribution channel would be fairly short (from the factory to the contractor), but for a consumer product the channel would be much longer (from the manufacturer to the wholesaler, to perhaps three different types of retailers like supermarkets, discount stores and cafés). Likewise, the target market will affect the method of physical distribution (rail or air transport) as well as the location of warehouses. *Secondly*, distribution is influenced by the product, for example, a convenience product would require a longer channel and often more than one channel, and poor distribution may cause the failure of a product, while the quality and image of a product require suitable outlets. *Thirdly*, distribution works in synergy with promotion as it is important to coordinate the two instruments in order to avoid out-of-stock situations or excessive inventory holding in the distribution channel. It must also be established

whether the wholesaler or the retailer will promote the product. *Lastly*, the price of products and the distribution channel are interdependent.

The general price level of a product will determine which distribution channel must be used. Distribution also entails cost, and the more efficient the channel and physical distribution are, the higher the profit will be for the various members in the channel and the more favourable the competitive position for the enterprise will be, as lower prices may then be quoted. Furthermore, according to Lucas (1989:318), the point of contact with the ultimate consumer is the retailer. The retailer's location, the appearance and atmosphere within the store, the product assortment, sales personnel and advertising will influence the consumer's supporting behaviour (these factors will be addressed in the next sections).

The main distribution decisions that have to be taken are depicted in exhibit 4.4.

EXHIBIT 4.4 DISTRIBUTION DECISIONS

TRANSACTION FLOW	
●	Distribution channel
●	Intermediaries
●	Cooperation in channel

PHYSICAL FLOW	
●	Transport
●	Storage
●	Inventory
●	Location

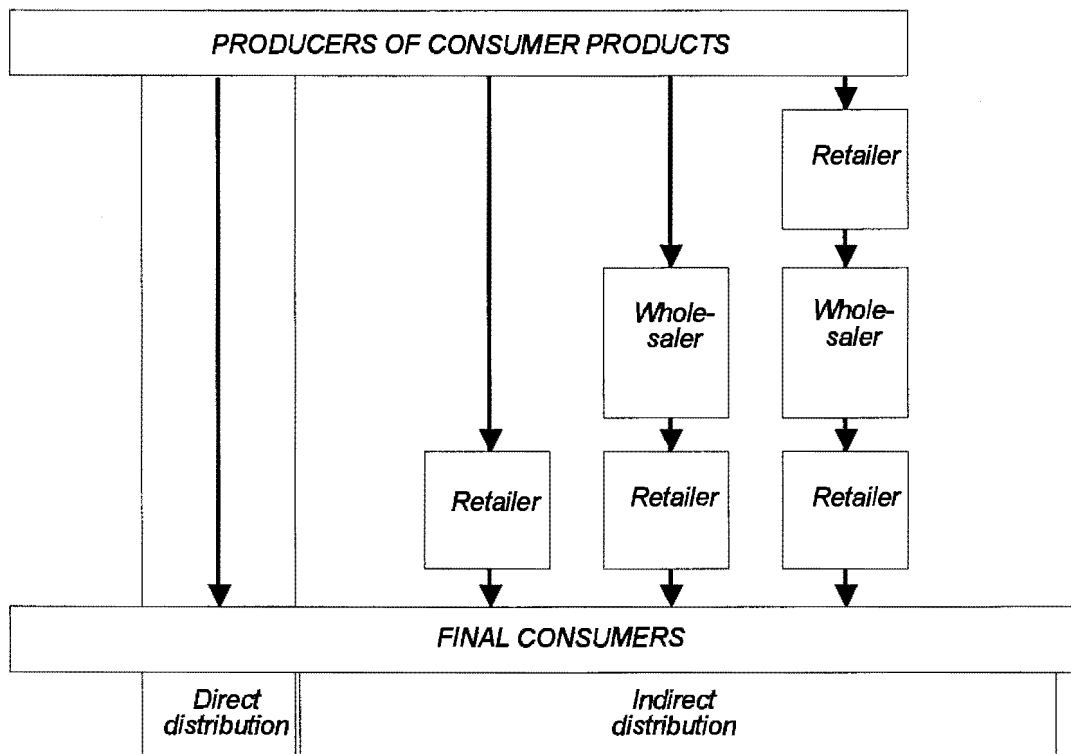
Source: Own composition

The transaction flow will be dealt with first, followed by the physical flow.

4.4.2 The transaction flow

As mentioned above, the transaction flow refers to the best channel(s) to be used to move the product to the consumer. The typical distribution channels for consumer products, which can be followed from the producer to the final consumer are depicted in exhibit 4.5.

EXHIBIT 4.5 TYPICAL DISTRIBUTION CHANNELS FOR CONSUMER PRODUCTS



Source: Adapted from Van der Walt et al (1996:243)

The manufacturer can sell directly to the final consumer (first channel), or to large retailers such as OK Bazaars (second channel), or to a wholesaler first who sells to a retailer (third channel). In the fourth channel an agent is added to the channel. The third channel is universally used in South Africa (Theron & Strydom 1996:47). Small businesses such as the Spar Group, buy their groceries from WG Brown, a wholesaler who provides them with most of their products. Other examples include the independent retailers like the café on the corner, the rural retailer and

the spaza shop which buy from cash-and-carry wholesalers such as Makro and Metro.

The intermediaries in the channel perform various functions. They create place utility by transporting the products, time utility by storing products in warehouses, and possession utility by buying, selling and financing products. They also accumulate products and stock different assortments to cater to the specific tastes of the consumers, and they reduce the number of transactions by intermediaries as they buy from the various producers and then supply the ultimate consumer.

These intermediaries are either wholesalers or retailers. The different types of wholesalers are full-service and limited-function wholesalers (Van der Walt et al 1996:244-245). Full-service wholesalers deal in specialised or diversified product ranges and offer a wide range of services to retailers, such as repackaging, rearranging, delivery, financing and inventory holding. Limited-function wholesalers, on the other hand, offer only a limited number of services to retailers, for example, cash-and-carry wholesalers provide no delivery or financing; retailers come to the premises of these wholesalers to fetch their requirements themselves and pay for them in cash. The wholesalers Metro, Trade Centre and Makro, for example, largely supply spaza shops in the townships (see ch 3, sec 3.4.4 where intermediaries are discussed). Physical distribution of products to spaza shops is accomplished by using a "runner" who is a taxi owner who transports products for the spaza shop. Some of these "runners" get involved in the distribution channel in that they buy in bulk from the cash-and-carry wholesaler, store the products, and then sell them to the spaza shop. This study will investigate, among other things, how the black grocery store retailer gets the products in his store from the wholesaler, that is, the physical distribution of the products.

The different types of retailers (Marx & Van der Walt 1993:273) are general dealers (found particularly in rural towns, selling a wide and diversified range of products); departmental stores (such as OK Bazaars, arranged in definite departments); speciality stores which have a few product lines but a wide variety in the lines carried (such as Sterns for jewellery); chain stores which are similar types of shops operating from various places (Woolworths); supermarkets selling mainly food-related products on a self-service basis (Pick 'n Pay); discount houses characterised by relatively low fixed costs and relatively low prices (Dion); hypermarkets characterised by a large building, a wide product range, low prices,

spacious parking facilities and a large geographical target market (Pick 'n Pay hypermarkets); spaza stores, small shops in disadvantaged areas, catering to the basic needs of consumers in the townships; convenience stores selling basic necessities over extended shopping hours (C-stores at filling stations, cafés and superettes). The black grocery store retailer in the township could be classified as a convenience store selling basic necessities.

Cooperation in the distribution channel between the intermediaries is of great importance. It is also important to eliminate conflict in the channel. According to Theron and Strydom (1996:62), in the past, the manufacturer was strong enough to be the channel leader as he had the capital, knowledge and infrastructure. He decided on the distribution structure and the channel member that he wanted; he had a well-known brand name and was the one providing the guarantee to the product. Today, however, the situation has changed. Intermediaries such as Pick 'n Pay are perceived to be the channel leaders. They decide which products to stock, they have the reputation and financial strength to decide which brands to stock and how the manufacturers should kowtow to the retailers. According to Crotty (1993:12), the major food manufacturers are concerned about concentration of power among retailers; and similarly, retailers are concerned about concentrations of power among manufacturers. Crotty maintains that a bit more cooperation on this front could certainly remove inefficiencies and costs from the system. However, branding is regarded as the manufacturers' last ground of defence against the enormous power of retailers (*Financial Mail* 1991:14). Owing to sanctions, disinvestment and takeovers, the number of manufacturers in any given product category has shrunk to two or at most three, while the growth of private brands has given retailers some leverage over suppliers (the Pick 'n Pay no-name brand now accounts for 13 percent of the chain's grocery sales).

4.4.3 Physical flow of products

Physical distribution, the second aspect of distribution, is concerned with the physical flow of products from the producer to the consumer and the activities arising therefrom. These activities form part of materials management or logistics management (Van der Walt et al 1996:275) and include, *firstly*, selecting warehouses. This entails determining where warehouses should be situated so that they can fulfil the objective of delivering the needed products within a

specified time limit. *Secondly*, the most suitable mode of transport such as air, road, rail, pipelines and water has to be selected. *Thirdly*, the optimal level of inventory holding has to be selected. The cost of carrying inventory must be balanced with the space necessary for carrying the inventory. This must further be balanced with the risk of an out-of-stock situation which could result in a cost of forfeited sales and long-term buyer relationship problems. The merchandise logistics system comprises three processes that are essential to the retailer's quest for securing the right products in the right quantities at the right time at the right price: the buying process, the ordering process and the handling process (Lewison 1994:449-482). This falls outside the scope of this study. However, as mentioned earlier, this study will determine from what source the black grocery store retailer gets his merchandise.

The formal sector in the townships has a negative attitude of the informal sector, complaining about soaring fixed overheads of which it believes the informal sector has none, because operators in this sector set up mobile stalls anywhere, and therefore do not pay rent, licence fees, and so on (Morris 1992:73). The formal sector feels that this is grossly unfair, especially since it is losing business to informal outlets. Morris suggests that the marketer's strategy is to isolate the larger formal outlets within each of the major townships, and give each client a list of the surrounding informal outlets. These formal outlets then become mini-wholesalers and distributors. Thus, the prime objective for these mini-wholesalers is to act as distributors of products to surrounding informal outlets. It is then up to the marketer to give these elected mini-wholesalers adequate, permanent discount on their purchases so they can maintain or increase their profits in spite of the increased costs of bigger stockholdings and warehousing, and of delivery to the surrounding informal outlets. This method, Morris (1992) says, works and works well, for example Suncrush Coca-Cola pioneered the development and have since achieved record growth sales. Morris (1992:74) adds that high price has always been a major problem in the townships, mainly because retailers (formal and informal) often have to travel long distances to purchase stocks from the wholesalers, or pay runners (ie entrepreneurs who own transport, a small bakkie) and move goods at a negotiated fee. These transportation costs are then built into the retail selling price, which puts the products at a price disadvantage against the major white city stores like Checkers and OK Bazaars.

Apart from the above distributions decisions, the retailer's most important distribution decisions revolve around location.

4.4.4 Location decisions

4.4.4.1 Importance of store location

Retailers must choose their locations carefully for various reasons (Berman & Evans 1995:264-265; Levy & Weitz 1996:131). *First*, location is typically the most important consideration in a customer's store choice as he usually chooses the store closest to where he lives or works, and it dictates the limited geographic trading area from which the retailer must draw customers to his store. *Second*, location decisions can be used by retailers to develop a sustainable competitive advantage as excellent locations have a strategic advantage competitors cannot easily copy. *Third*, store location usually requires a sizable financial investment and a long-term commitment by the retailer, hence most retailers conclude long-term lease agreements for the lease of the shop premises. *Fourth*, store location is the least flexible element of the retailer's marketing strategy as it is relatively difficult and expensive to change the location. Many loyal customers and employees may be lost. *Fifth*, store location influences the specific elements of a retailing mix such as product assortment, prices and promotion. Selecting a good location enhances the chances of success because it allows greater flexibility in developing the product, price and promotion mixes.

Most major retail outlets in South Africa are in areas convenient for white shoppers (Crotty 1993:11). The historical reason is the Group Areas Act which prevented white businessmen from establishing ventures in the townships. After abolition of the Act, however, township violence and instability militated against development of township shopping centres. So, while retailers and wholesalers compete keenly to cut a few cents off basic items, by the time a product gets through a complex chain of distributors, the end consumer in the township could be paying 100c-200c above the original retail/wholesale price. The high risk of doing business in the townships is in line with the high mark-ups charged. According to Crotty (1993:11-12), a major proportion of wholesaler business is with independent traders in the townships. Increased pressure is likely to see more sophisticated shopping facilities being established in the townships. The large retailers are

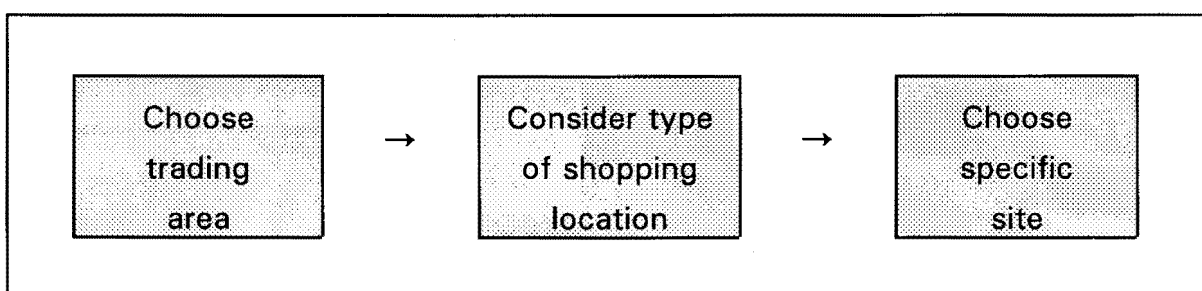
selecting store locations to increase black market exposure. Pick 'n Pay recently opened in downtown Johannesburg to service the rapidly growing black population in the inner city, and another store in West Street is ideally placed to access black commuters.

Green (1994:7) found that informal sector trading is now conducted in the towns close to the rural settlement; before it was confined to the rural taxi rank. The local store also stocks more bulk items than in the past. More use is being made of buses, because passengers are now allowed to board with more than one parcel, and possibly because of competition on the route. Shopping is also done increasingly at local stores, or in nearby towns.

4.4.4.2 *Store location decisions*

According to Beisel (1993:105), the basic steps in the store location decision are to choose the trading area, consider the type of shopping location and choose the specific site. These basic steps, reflected in exhibit 4.6 below, will now be discussed.

EXHIBIT 4.6 BASIC STEPS IN THE STORE LOCATION DECISION



Source: Based on Beisel (1993:105)

■ **Choose trading area.** The trading area for a potential retail store location needs to be analysed to find out if the market is large enough to support the business. The trading area is the geographical region in which the bulk of the store's customers live. The size and shape of the proposed area must be analysed to determine the boundaries within which the customer population falls. One way of

performing trading-area analysis is by checking the registration numbers of the motorcars in the area. A more complex method of defining the trading area of a location (Beisel 1993:95) is by using the "Law of Retail Gravitation". This law is based on two variables, namely population and distance. The nearer a large number of consumers are to the retailer, the greater the retailer's drawing power, and the better business will be. It makes sense to expect a store nearer to the market to do better than a store far away.

The population within the trading area must also be studied. Population size and density are the major factors affecting retailing success (Diamond & Pintel 1996:132-133). Factors such as the predominant age of the population, differences in sex and marital status, the educational levels, the income level of the population, their purchasing power, and the buying needs of the population (these were dealt with in ch 3, sec 3.4.2). If the black retailer's consumers are mainly concerned about purchasing convenience products, that is, basic necessities, his store should cater to these needs.

Of primary concern to the retailer are the number, types and quality of competitors within a proposed trading area. If an area is oversaturated for a particular type of store, it may be unwise to consider the area a good prospect for a new retail operation. The "index of retail saturation (IRS)" method is often used to determine the sales per square metre for a particular product line in a specific trading area (Beisel 1993:111):

$$IRS = \frac{(\text{Number of consumers for a product line}) \times (\text{Retail expenditure per consumer for a product line})}{\text{Total square metres of selling space for a product line}}$$

The most important aspect of a store is that it should be highly accessible to the target market (Van der Walt et al 1996:299). Consumers from the target market must be able to visit the store without making any special effort. The black retailer's consumers who mostly buy basic necessities should be within walking distance of the store, as most of them do not possess transport.

■ **Consider type of shopping location.** Many types of shopping locations are available for retail stores - each with its own strengths and weaknesses. The retailer can choose between the central business district (CBD), secondary business districts, neighbourhood shopping street or shopping complexes (Van der Walt & Strydom 1994:92-93).

Store locations in the CBD used to be in great demand but in recent years retail sales in the CBD have declined for various reasons: the higher rates and taxes for prime property in the CBD (resulting in higher selling prices for consumer products); old, inconvenient and unattractive buildings; lack of parking facilities; higher incidence of crime; the tendency of less affluent people to set up residence in old buildings in the CBD; the shopping environment is less attractive than that of a suburban shopping complex where everything is "under one roof". Efforts to revitalise the CBD have been made in all large cities in South Africa. In Durban, for example, the Old Railway Building has been renovated and changed into an attractive shopping complex with an old-fashioned atmosphere well suited for many little speciality stores which are very attractive to holidaymakers, while in Pretoria the Sammy Marks Square might provide a boost to its CBD. According to Muller (1996b:65), most black consumers from traditionally black areas such as Soweto and Alexandra still prefer to do their shopping in the Johannesburg CBD, especially for durable products such as shoes, clothes and furniture. The Carlton Centre in Johannesburg, for example, has become a black centre with a declining white patronage. According to Morris (1992:82), black consumers do their monthly shopping at the major supermarkets in the city centres, but the day-to-day and weekly shopping are conducted within the townships at the local general dealer outlets in both the rural and urban areas.

Secondary business districts, away from the city core, house smaller retailers, offices, banks, cinemas, and so on. Parking is easier and rents are lower than in the CBD. Sunnyside in Pretoria is a good example of such a mixed business district.

Institutions still feel uncomfortable when they are asked about their plans to serve the huge black market. Their answer so far has been to build centres on the periphery of the townships, notably Highgate and Southgate around Soweto. It is estimated that 50 percent of Soweto's purchases are done outside Soweto - but that still leaves 50 percent inside (*Financial Mail* 1991:33).

Neighbourhood shopping streets traditionally exist in virtually all suburbs in a city. Usually a variety of convenience type retail outlets are found in such a street, like a corner café, a hairdresser, dry-cleaner, bank, small supermarket, a garage and a steakhouse. This is the typical neighbourhood shopping area and most customers live nearby. Rents are much lower, parking is easier and the assortment offered is limited. Shopping streets offer opportunities for new retailers. Old houses are renovated to serve as "antique" furniture stores, craft markets or quaint restaurants. These outlets can become well known and attract customers from afar. This is the situation at present in the traditionally "white" suburbs of South Africa.

Shopping complexes (or centres) are very popular in big cities in South Africa. Usually the shopping complexes reflect the economic status of the neighbourhood - thus in upper-class neighbourhoods stores will present a more exclusive image. The decor in the complex and the stores, and the product assortment reflect the exclusive image. The complex usually has a logo, corporate colours and a marketing manager. Rents are usually very high and product prices therefore also up-market. The developers carefully select the mix of stores to ensure customer satisfaction. A good supermarket often serves to anchor an adequate customer flow. Moreover, if the supermarket is of the discount type, it may attract customers from afar - customers who perhaps cannot afford to purchase the exclusive products at the other speciality stores.

Flea markets generally operate from shopping complexes, mainly on Saturdays and Sundays. In the greater Johannesburg, for example, there are almost 40 such flea markets (Van der Walt & Strydom 1994:94). Some flea market products are unavailable elsewhere or otherwise are priced on average lower than the mainline retailers. Flea markets offer trading opportunities to art and craft hobbyists, to budding entrepreneurs who have only little capital available and who often also hold other employment, and to many unemployed people.

Shopping centres in the traditional black areas do not cater to the particular needs and purchasing patterns of black consumers (Muller 1996b:65). Few developers have discovered the correct recipe for successful retail operations in black residential areas. Black consumers are price sensitive in the case of grocery purchases. There is a perception among black consumers that products in the townships are more expensive than those sold in the business centres (CBD) or

large shopping centres outside the townships. It has been suggested that developers should initially concentrate on small convenience centres with food as the main component, and then gradually expand to larger centres as black consumers' faith in shopping centres grows. It was found in a survey among the residents of Soweto that 31 percent still buy grocery purchases in the Johannesburg CBD and the rest in nearby shopping centres such as Southgate (24%) and Highgate (12%).

■ **Choosing a specific site.** A retail site is the actual physical location from which a retail business operates (Lewison 1994:356). A retailer's site is one of the principal tools for obtaining and maintaining a competitive advantage through spatial monopoly. The factors to be considered in choosing a specific site are interception, accessibility, visibility, pedestrian traffic, parking facilities and compatibility.

The principle of interception covers a site's positional qualities that determine its ability to "intercept" consumers as they travel from one place to another. Some stores, for example, are not crunched into a megamall, but are on a main street in a suburb so that customers can easily stop on the way home from work.

The accessibility of a site is the ease with which a customer may get into and out of it (Levy & Weitz 1996:143). Various aspects of accessibility should be considered. Transportation facilities must be available so that the customer can reach the area without much difficulty. The black retailer has to keep in mind that his customers may find transport a problem. The development of spaza stores in the townships demonstrates that convenience is still an important consideration, especially for the less privileged. The success of a spaza can be ascribed to its location near to its customers (Van der Walt & Strydom 1994:99), an aspect of the black grocery store retailer that will be investigated. The population within this area can then be studied. The black retailer would probably decide on a trading area near the place where he lives. However, if he decides to locate in a shopping complex, real estate agencies, city planners, the chambers of commerce and municipalities are sources of information to assist him in selecting a profitable location for a retail store or a shopping complex.

Visibility, that is, the customers' ability to see the store, should also receive attention. There should be no impediments to a direct and undisturbed view of the

store. Good visibility from the road is often particularly important. This study will investigate whether the black grocery store retailer regards visibility as important.

Probably the most important measure of a location's and site's value is pedestrian traffic, that is, the number and type of people passing by (Berman & Evans 1995:313) Because everyone passing a location or site is not necessarily a good prospect for all types of stores, many retailers employ selective counting procedures, such as counting only males and females carrying shopping bags. Otherwise, pedestrian traffic totals may include too many nonshoppers. This study will investigate whether the black grocery store retailer values pedestrian traffic.

The availability of parking facilities is a fundamental concern for every retailer and could pose a problem, especially in "downtown" locations. The availability of adequate free or low-cost parking is important.

A store should further be compatible with neighbouring stores from the viewpoint of the consumer - in other words, certain stores go well with other stores because they have customer interchange (or common customers), while some stores do not belong in certain retail neighbourhoods. For example, a shoe store, a jewellery store and a hair salon are highly compatible with one another. Supermarkets are very compatible with pharmacies, variety stores and bakeries. Retailers dealing in shopping products are often clustered together to increase their individual attraction - this makes shopping easier for the consumer because he can compare products and shop around (Van der Walt et al 1996:187).

■ **Plan the store.** Once a final selection of a site has been made, attention must centre around how to use exterior and interior of the store most efficiently (Diamond & Pintel 1996:142). It is important for the retailer to plan what he wants the consumer to see and feel as the consumer's image of the store is how he sees and feels about the store. The visible and tangible nature of a store makes it a key factor in the retailer's image-creating efforts. The retailer can project a certain store image to the consumer by manipulating the exterior and interior of the store.

With regard to the exterior layout and design it is important that the store's exterior structure and surrounding parts be carefully designed to attract the consumers' attention. The exterior of the store should reflect its interior character, conveying a message to consumers about the nature of the merchandise inside the

store. The *first* important point is that the store should have an identifying sign that tells the consumer the name of the store and, if needed, the nature of the business. It was noted in chapter 1 that the exterior of the black retailer's store is usually unattractive. *Secondly*, display windows can be used to attract customers into the store, especially when there is a high volume of pedestrian traffic and the merchandise mix of the retailer is composed of shopping products. Merchandise on display in the windows has to be selected and positioned carefully to create the desired effect as many consumers enter a store only after they have peered into its windows. The black youth market (Stacey-Mkhasibe 1994:22) regard exciting window displays, the general style of the store, and the dress of the staff as features that attract them to a store. *Thirdly*, the store entrance is important as customers should have easy access to the store. The entrance should be inviting enough to induce the customer to step inside - thus it should be wide enough to enter with ease. These aspects of the exterior of the black retailer's store will be further investigated.

Various aspects of the interior of the store have to be considered. The atmosphere within the store is determined by the colour of the walls and ceiling, the use of tiles or carpets on the floor and lighting. Merchandise fixtures can also help to project the store's image, but more important, they must help to properly stock, display, and finally sell merchandise (Diamond & Pintel 1996:145). Here an important consideration is whether the store is a service or a self-service operation. The self-service store employs fixtures that facilitate browsing by the customer. Counters accessible on all sides, racks not separated from the customer by the narrow counters behind which sales clerks stand in service stores, and merchandise cases free of glass doors are examples of fixtures found in self-service units. The author doubts whether the black grocery store retailer pays much attention to these factors. His store is usually not self-service - hence sales take place over the counter.

If the retailer relies on self-service and self-selection selling, the merchandise is presented to the consumer in the form of selection displays in order to expose the complete assortment of merchandise to the consumer. Point-of purchase displays stimulate immediate purchase behaviour and include items such as counter displays, window displays, shelf extenders, floor-stand displays, end-of-aisle stands, banners, shelf talkers, clocks and video screens.

An important aspect of the consumer's image of the store is customer service, implicit in the marketing concept which demands maximum consumer satisfaction. The competitive success of the retailer is largely driven by customer perceptions of the quality of the services provided by his organisation (Lewison 1994:531). The level of service provided by the retailer includes such features as delivery and installation, alteration and repairs, wrapping and packaging, returns, credit, lay-by, parking, information, complaint resolution and store hours. The question is, how all these service features are performed - that is, the friendliness, politeness, willingness, trustworthiness, dependability, reliability, security and approachability of the service. Salespeople are usually the first people in the store to interact with customers on a face-to-face basis - thus they have a tremendous influence on how consumers perceive a store and play a significant role in enhancing or detracting from the consumer's total favourable impressions of the store (this point will be dealt with fully in sec 4.5).

Beisel (1993:501-507) emphasises that customer service is expected by consumers, and competitive pressures make it a requirement for doing business. A customer service is an activity that supplements or facilitates store sales. A store that intends to appeal to budget-minded consumers will probably offer fewer services than will a high-fashion boutique with customers who demand a high level of service. Retailers offer a service to gain a competitive advantage over rival stores. Benefits are derived from merchandise wrapping: it is more convenient for the customer to carry wrapped purchases in order to transport them home, and for reasons of safety. If the name of the store is printed on the package, the wrapping serves as a promotional device wherever the customer carries it after leaving the store. Many retailers also offer gift-wrapping services. Customer complaints should not be regarded as a personal insult - instead the retailer should listen patiently and attempt to understand the customer's viewpoint. It is important to handle complaints correctly to maintain goodwill. The retailer can turn a dissatisfied customer into a satisfied one by making adjustments in a prompt, fair and friendly manner. Otherwise the unhappy customer is apt to spread word-of-mouth communication to friends and relatives about the bad experience with the store. The retailer can ill afford to lose the sales revenue that will result from such negative communication. Factors relating to the interior of the black retailer's store will be further investigated.

4.5 MARKETING COMMUNICATION DECISIONS

4.5.1 General

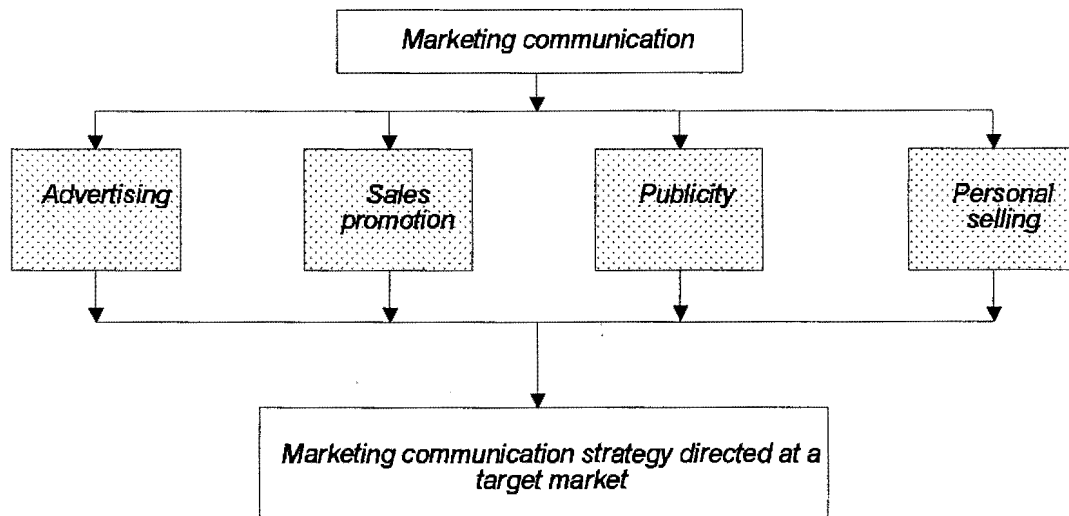
Marketing communication is the transmission of a message from a sender (or source) to a receiver (Churchill & Peter 1995:539). The source encodes the message, converting it into a group of symbols that represent images or concepts. Through a medium of transmission (such as the radio, print) the source sends the message to the receiver, the person or group for whom the message is intended. The receiver then decodes the message, converting the symbols to the images or concepts contained in the message. If the receiver does not or cannot decode the message to mean what the source intended, there is noise. Noise can take the form of physical sound or it can be the receiver's misunderstanding of the sender's language, a printing error, or a distraction such as a customer's dislike of a salesperson's mannerisms or dress. Feedback is the receiver's response to the message. In marketing communication, feedback takes two main forms: the potential customer either accepts the product or rejects it. It may also take a more subtle form in change of attitude, either towards a specific product or towards a general category of products.

Retailers use marketing communication to communicate their offers to their target markets. The communication informs customers about the stores as well as the merchandise and services offered. Before consumers will buy a particular product or visit a particular store, they must be aware of the existence of the product or store. They may also want information about prices they must pay, the terms of sale they can expect, services available, store hours and whether a particular product or store is suited to their needs. The retailer communicates this relevant information to his customers in order to persuade them to buy his products and visit his store.

Retailers communicate with customers through four vehicles, namely advertising, sales promotion, personal selling and publicity (Levy & Weitz 1996:219). These four elements are depicted in exhibit 4.7.

EXHIBIT 4.7

THE MARKETING COMMUNICATION ELEMENTS



Source: Adapted from Van der Walt et al (1996:325)

The four elements of marketing communication shown in exhibit 4.7 are combined to form the marketing communication strategy. This means that the marketing communication message must be integrated and focused on a target market as a whole. There must be synergy between the four elements and they must complement and support each other.

Each one of the marketing communication elements will be dealt with in the next sections.

4.5.2 Advertising

4.5.2.1 *The nature of advertising*

Advertising is a paid form of nonpersonal communication with customers, using nonpersonal mass media such as newspapers, TV, radio and direct mail (Levy &

Weitz 1996:220). The three basic purposes of advertising are to inform, persuade and remind target audiences of the market offering. Retail advertising is used to develop and reinforce a retailer's image, inform customers about merchandise and prices, and announce a sale.

Advertising is perceived by a large number of people simultaneously with a single message because of the mass media used. Although it is itself a mass form of communication (and therefore impersonal), the ultimate effects of advertising are often magnified by personal communication among consumers by means of the two-step flow of communication (Lewison 1994:578). The *first* step in the process is the communication flow from the media to the opinion leader whose attitude, opinion, preferences and actions affect others. The *second* step is word-of-mouth communication from opinion leaders to others (followers). This communication may occur through personal conversations (a "fashionable" woman tells her friends where she bought her new coat) or through nonverbal personal communications (the friends notice the label in her coat). It is therefore necessary to identify the opinion leaders by observation or to create opinion leaders by supplying them with free merchandise and information, work through influential persons in the community, or create advertising that depicts people having conversations about one's store or products. Word-of-mouth communication is important in the black communities and can make or break a product (Morris 1992:38). For example, a rumour spreads through the whole of Soweto in less than a day (*Marketplace* 1995:15). Van der Reis (1994:22) also found that word of mouth is perceived as the most effective sales technique since many older black people view advertising as a luxury. The black retailer should attempt to encourage favourable word-of-mouth communication so that customers will tell their friends about his store and its merchandise. Unfavourable word-of-mouth communication can seriously affect the performance of his store as research indicates (Levy & Weitz 1996:221) that people who have an unsatisfactory experience with retail service tell nine other people, on average, about their experience.

When advertising to the diverse South African black consumer markets, the marketer must be familiar with the values, needs and aspirations of the potential consumer (Enslin 1993:25). Advertising to the black consumer market will only have the power to persuade if the consumer can identify and associate with the advertising message. It is thus essential that the marketer is familiar with the intrinsic needs, values and aspirations of the consumer, as moulded by his cultural

context, to develop a culture sensitive, receiver-oriented, creative perspective in the design of the advertising message. The cultural context of the consumer must guide the development of advertising as it influences every aspect of the planning of a campaign for the black market.

Van der Reis and Mabaso (1995:37-38) found that older black people view advertising with suspicion. However, the black youth take a broader view of advertising which they regard as necessary because it informs people about available products, especially new ones; provides information on what is happening in foreign countries and new international trends and products; tells people where a particular product is made, which is important when choosing a product; gives details on special offers in the stores; is entertaining; and broadens consumers' horizons.

Important aspects of advertising in the main black market are music, personalities, language, sport and the type of message (*Marketplace* 1995:15). Music is an integral part of the black culture. Coca-Cola has latched onto this by featuring Mango Groove, a music groups of wide appeal, while Kentucky Fried Chicken uses the pop star, Lucky Dube. As personalities carry much weight in the black market, endorsements by famous people add credibility to advertisements and often lead to positive word of mouth. It is also important to bear in mind the black person's language. This goes much further than addressing someone in his own language. It involves recognising and showing respect and appreciation for each other's cultures, beliefs and dreams. Advertisements featuring topics such as music, sport, personalities and education achieve significantly higher noting and liking scores. Simple verbal messages and pictures are also more effective in this main market since European humour, double meanings, play on words, and nuances are very often lost on a black audience. Pictures overcome language difficulties and lead to clearer understanding of the message.

Advertising can serve a variety of purposes, hence marketers have come to assign specific terms to advertisements with certain broad categories of objectives. Knowing the basic types of advertising can help the retailer recognise the options available and select the form of advertising that will most likely help meet communication objectives. This study will investigate, among other things, the black grocery store retailer's views on advertising.

Lewison (1994:579-580) distinguishes between product advertising, institutional advertising and cooperative advertising.

4.5.2.2 *Forms of advertising*

- **Product advertising** attempts to lead members of the target market to buy the advertiser's products or services. Customers are urged to come to the store and buy. This indirect form of advertising helps to create and maintain the store's reputation through its products and includes announcements of sales and special promotions.
- **Institutional advertising** sells the store generally as an enjoyable place to shop. Through institutional advertising, the store helps establish its image as a leader in fashion, prices, wide merchandise selection, superior service, quality, or whatever image the store chooses to cultivate.
- **Cooperative advertising.** In the case of cooperative advertising manufacturers pay for part of the retailer's advertising, but the manufacturer also dictates some conditions for the advertising. Some manufacturers also make direct-mail advertising of their products available to retailers to distribute to their customers, either free or at a nominal fee.

Large stores generally have their own advertising departments while small retailers who are either unable to afford their own advertising departments or find it unnecessary because of the limited amount of advertising they do, make other arrangements to satisfy their needs, for example advertising agencies, wholesalers and manufacturers (Diamond & Pintel 1996:244).

4.5.2.3 *Advertising media*

The media used for retail advertising are newspapers, magazines, radio, TV, outdoor advertising and direct mail (Beisel 1993:472-475).

- **Newspapers.** The major form for projecting advertising messages for most retailers is the newspaper. Basically a local communication device, the newspaper

permits retailers to reach their target consumers at a fairly reasonable cost and with a fairly reasonable required lead time. The local nature of newspapers fits the retailer's desire for geographic coverage, prestige and immediacy. Daily newspapers have the unique ability to give him the opportunity to advertise immediate events such as one-day sales.

The Sowetan has the widest readership of the major daily newspapers, while the *Sunday Times* dominates the weekend newspapers in the country (Van der Reis 1994:147). The black youth are avid readers of the *Sowetan* and *GQ* (Horne 1995:29).

■ **Magazines.** Magazines are infrequently used by retailers as an advertising medium, mainly because a store's trading area is generally much smaller than the market reached by the magazine and the store thus spends a considerable amount to reach people who are unable to become customers. Magazines do, however, offer a high degree of prestige, audience selectivity, the use of colour and impact. Magazines also require a considerable period of time between the publication date and the date advertising materials must be available.

The choice of magazines read by black people includes *True Love, Pace, Bona, People, You, Cosmopolitan, Thandi, Drum and Jive*, while a rural African editorial slant is a no-no (Stacey-Mkhasibe 1994:22). The black youth prefer magazines such as *Big Blue* and *Top 40*.

■ **Radio advertising.** Radio advertising is often effective for local businesses as messages can be targeted to a specific segment of the market. Among its advantages are low cost and high degree of geographic and audience selectivity (Lewison 1994:595). The retailer should stick with a simple message, make it easy to remember and repeat the message frequently. The use of a "jingle" is usually recommended. Radio (and outdoor) has the widest reach.

In South Africa, radio is seen as the most important medium because of its ability to reach the less literate and those without electrification in rural areas (Van der Reis 1994:32). Community radio stations are starting to make an impact on a cross-section of the South African population (*Marketplace* 1996a:10). For example, Soweto Community Radio and Buwa Community Radio, which share the same frequency - 12 hours on, 12 hours off - have collectively come out with the

highest audience of all the 74 community stations, with 168 000 seven-day listeners. Stacey-Mkhasibe (1994:22) found that more than 70 percent of the black youth listen to the radio regularly, usually between three and six in the afternoon and that Radio Metro is the top station with Radio Bob second. They listen for music, the DJs, advice and information, and talk shows and the news.

■ **Television advertising.** The production costs and broadcast time for national TV advertising are expensive. Television is, however, the most versatile of all media since it appeals to both the sense and sight and the sense of sound, and products can be demonstrated.

Rural Television (RTV) uses videos which are shown at cafés and stores in villages and at roadsides in Rural South Africa (*Marketing Mix* 1991:32). The videos feature music shows, soccer matches and other programmes. The sponsors tour with roadshows in the region to support the RTV function. When the concept of RTV was launched, Lever Brothers was one of the companies that became involved from the start and have extended their involvement into the Omo Choir Challenge, an exclusive marketing tool, using RTV/roadshows with ethnic radio and television.

Cinema is also a good medium to reach the black youth. Black teenagers are taking their girlfriends out of the townships to movies in white shopping centres (Stacey-Mkhasibe 1994:22).

■ **Outdoor advertising.** A form of paid advertising that relies on quick and brief messages is outdoor advertising, commonly known as billboards. Billboards are usually placed on major thoroughfares where traffic is heavy and mass exposure is ensured. The black grocery store retailer could use outdoor advertising media extensively, especially posters, bulletins and spectaculars as they provide impact, coverage, frequency, geographic selectivity and a long life for a relatively low circulation cost per thousand. The signs are owned or leased by local authorities that install the advertisers' messages and are responsible for maintaining the signs and the surrounding areas. A recent development has been the "travelling (or mobile) billboard" which can be hired and placed in different strategic places.

Outdoor advertising has an important role to play in communicating with the bulk of the South African population, many of whom are functionally illiterate and live in rural areas (Van der Reis 1994:7). Outdoor advertising now includes more than

40 different types of media ranging from video walls at airports to high-tech electronic billboards in metropolitan areas, and to store fascias and popstands in remote rural villages. Black South African townships are in fact synonymous with outdoor advertising, and billboards are an integral part of black people's life (Rogerson 1994:31). Outdoor advertising (and radio) has the widest reach in the black market. It has shown a 44,8 percent growth in advertising expenditure; this growth has been credited to continued interest in the black market (*Marketing Mix* 1991:38). The lesser utilised bus shelters such as those located directly outside school in the major townships offer advertising opportunities.

Roadshows - that is, franchised travelling variety concerts that take place at rural outlets (and attended by an average of 3 000 people at each show) - are used by Group Africa (Holt 1994c:21). They focus on face-to-face communication in urban, transitional and rural areas in order to reach hundreds of retailers and wholesalers in addition to millions of consumers. Their services include RTV (referred to earlier), mobile kitchens for sampling and food demonstrations and mobile promotion units demonstrating products other than food and beverages. Ladies' clubs are also run in rural areas and members gather to listen to product talks and watch RTV.

■ **Transit advertising.** Transit advertising is used by retailers in areas with mass-transit systems (Berman & Evans 1995:585). Advertisements are placed on buses and taxis. These advertisements have the advantages of a captive audience, a mass market, a high level of repetitiveness and a geographically defined market. Retailers can also advertise on their delivery trucks.

In 1991, according to the *Marketing Mix* (1991:31), the black urban transport industry comprised 27 percent buses, 30 percent taxis, 24 percent trains, eight percent pedestrian and 10 percent other. This mass transport thus offered marketers in South Africa a viable medium through which they could market their products. For example, Star Music pioneered the concept of Taxi Tapes which offers advertisers access to black people who commute by taxi, by way of a music tape which plays nonstop music interspersed with advertising messages. Taxinet, for example, also uses a ploy to reach the market, namely a Taxinet smart card which allows taxi drivers to buy certain goods at reduced prices for selling to customers for profit.

■ **Direct mail.** With direct mail advertising the retailer can reach an audience targeted as most likely to be interested in a particular product or service. He creates an advertisement and distributes it directly to consumers through either the mail or the personal distribution of circulars. It may include pictures, letters, records, pencils, coins, premiums, samples and other gifts he may choose to include. While direct mail can be very effective because it can personalise the message, it is also costly. Many consumers also ignore direct-mail advertising and treat it as junk mail (Levy & Weitz 1996:232).

In South Africa, annual spending on leaflet printing and distribution was estimated to be R110 million (*Marketing Mix* 1991:32). It is believed that the unusual circumstances of the South African consumer provide direct mail advertising with significant growth potential, bridging the gap between First and Third World-oriented consumers. The robo-drops, for example, have become popular, with pamphlets being handed out at traffic lights. This is particularly suited to the needs of small businesses.

■ **In-store advertising.** In-store advertising is based on the behavioural buying practices of consumers - over 60 percent of final purchase decisions are made in the store (Lewison 1994:598). It therefore makes good sense to deliver a promotional message at the last minute when customers are at the point of purchase and are face-to-face with product and service decisions. Examples of in-store advertising are colour advertisements on shopping carts, aisle, shelf and checkout lane signs, electronic communication and window banners.

According to Van der Reis (1994:168), in-store media offer an ideal opportunity for a marketer to link in-store promotion to an advertisement, thus triggering a decision at point of purchase. In-store Music and Advertising, for example, is a company which specialises in providing retail outlets with prerecorded tapes featuring background music containing the store's own promotional and advertising messages. Specific messages have, for example, been created for retailers such as Checkers, Truworths and Sales House. Van der Reis (1994:8) has further predicted that, as a result of illiteracy and low media access, point of sale will increase in importance, especially in markets for new brands and products, thus the black retailer should pay particular attention to point-of-sale marketing. The black grocery store retailer's perception of the different advertising media will be investigated in this study.

The next element of the marketing communication mix dealt with is sales promotion.

4.5.3 Sales promotion

4.5.3.1 The nature of sales promotion

Sales promotion is an important element in every retailer's promotional mix. Sales promotion is any promotional activity other than advertising, personal selling and publicity that is intended to stimulate customer purchases (Beisel 1993:489-515). The objectives of sales promotion are generating immediate sales, increasing store traffic, informing customers about new products, informing customers about major store happenings, creating a favourable store image and nurturing customer loyalty and goodwill.

4.5.3.2 Sales promotion methods

The sales promotion methods most commonly used by retailers are: special sales, merchandise demonstrations, premiums, coupons and displays (Levy & Weitz 1996:235-236). In the South African context certain black/ethnic marketing activities can also be used.

■ **Special sales.** Retailers often have special sales to promote store traffic and reduce their inventory of older merchandise. These sales promotions can be advertised or simply announced through signs in the store. Retailers also often use special sales to sell merchandise that is still in inventory at the end of the season. Van der Reis and Mabaso (1995:37) found that the black youth are keen on details on special offers in the stores. The black grocery store retailer can thus attract them by advertising special sales, a practice to be investigated in this study.

■ **Merchandise demonstrations.** In-store demonstrations are often used to build excitement in the store and generate interest in the merchandise being demonstrated. In supermarkets, demonstrations might involve tasting food, while in department stores, fashion shows and cooking demonstrations draw customers to the store and encourage impulse purchases. Sampling gets the customer

involved in the product through hands-on experience and can quickly lead to a customer purchase decision. Samples of, say, sausages or sauces, can be handed out to customers. The strengths of this type of marketing are numerous (Wood 1994:15): it is relatively low cost; you talk to your consumers when they are in the right frame of mind; the time from sight of message to purchasing products is short, therefore so is the effort; you have the opportunity for your potential customers to explore your products with all their senses - touch, taste, smell, sight and hearing.

The key to effectively communicating in the context of the South African market will, to a large extent, be based on a more personal approach, which also includes an educational element (*Marketing Mix* 1991:34). In the urban context, there are forms of demonstration and lecture-type activities which, although not new (major FMCG companies have for many years made use of demonstrations to sample products and educate the market), offer a way of personally communicating with the consumer. These demonstrations, often supported with sampling exercises, are carried out in environments conducive to captive audiences, such as schools, clinics, women's clubs, urban halls and stokvels. This study will investigate the black grocery store retailer's views on demonstrations in his store.

- **A premium.** A premium is an item that is sold at a reduced price or is given free when the customer purchases another item at its regular price, to encourage customers to make a purchase. Premiums are often used to promote cosmetics and perfumes. Premiums will also be investigated in this study.

- **Coupons.** A sales incentive that is highly popular among consumers is the coupon, a document that entitles the holder to a certain amount of cents off on the purchase of a specific products. Coupons may be manufacturer instigated or retailer instigated. If the retailer creates the coupon, then he absorbs the redemption function and costs. This practice is not so common in South Africa, and the black grocery store retailer's perception thereof will be further investigated.

- **Displays.** The two main types of displays that the retailer can use are window displays and interior displays. The displays found in the store windows should reflect the atmosphere and the quality of merchandise that will be found inside. The display may emphasise the store's low prices, or its quality of merchandise,

or its new seasonal items, and should be changed frequently to stimulate customer interest in the store.

With regard to interior displays, it is important to remember that in self-service stores, an interior display performs much of the selling task that at one time belonged to salespeople, they serve to inform customers and in many cases, presell products. An open display allows the customer to pick up and examine or try on the merchandise, and it includes hang racks, counter-top displays, shelf displays, centre-aisle displays and table-top displays. Point-of-purchase display is an important part of interior displays. It is an open display frequently supplied by the manufacturer and usually located near or at the point of sale. Point-of-purchase displays serve to differentiate products from competitive offerings and increase impulse buying. These elements will be investigated in this study.

■ **Black/ethnic marketing activities.** Morris (1992:102) suggests various marketing activities which can be implemented within the rural and urban black/ethnic townships.

- Utilise stokvel movements to increase promotional potential.
- Get into extensive school sampling.
- Support community project activities such as clean-up campaigns and adopt a school.
- Implement extensive, outdoor signwriting for the brands on all the outlets in the townships. Concentrate on shop windows, roof-tops, fascias and walls.
- Sponsor sporting programmes and music festivals.
- Ensure extensive distribution of product point-of-sale material, optimally positioned in all outlet types.
- Utilise the RTV (rural television) road shows.

4.5.4 Personal selling

4.5.4.1 The nature of personal selling

Personal selling involves oral communication with one or more prospective consumers for the purpose of making sales (Berman & Evans 1995:588). The objectives of personal selling include persuading customers to make purchases; stimulating sales of impulse items or products related to consumers' basic purchases; providing adequate levels of customer service; and improving and maintaining customer satisfaction. In contrast to the impersonal nature of other elements of mass marketing communication (ie advertising, sales promotion and publicity), personal selling is characterised by personal communication in a face-to-face situation. It is thus the only element of the marketing communication mix where interpersonal, two-way communication is possible (Van der Walt et al 1996:386).

The retailer's salespeople are usually the first people in the store to interact with customers on a face-to-face basis; thus they have tremendous influence on how consumers perceive a store, and play a significant role in enhancing or detracting from the consumer's total favourable impressions of the retailer (Lewison 1994:553). They are the vital last link in the total retailing effort, since on the sales floor customers make the final decision to buy or not to buy. It is generally recognised that the amount spent on personal selling exceeds the amount spent on advertising or any other element of marketing communication (Van der Walt et al 1996:389). Personal selling is thus one of the most important methods used by the black grocery store retailer to promote his range of products. Usually there is a limited number of salespersonnel working in his store. Most of the time the black retailer has to perform the personal selling function himself.

4.5.4.2 Types of personal selling

Most types of retail personal selling can be categorised as either order taking or order getting. An order-taking salesperson is involved in routine clerical and sales functions, such as setting up displays, placing inventory on the shelves, answering simple questions and ringing up sales. This type of selling most often occurs in stores that have a strong mix of self-service with some personnel on the floor. An

order-getting salesperson is actively involved in informing and persuading customers, and in closing sales. This is the true "sales" employee. Order getters usually sell higher-priced or complex items, such as real estate, appliances and consumer electronics and they are much more skilled and better paid than order takers.

4.5.4.3 Characteristics of an effective salesperson

The image of the store is directly affected by the impression the salesperson makes on the prospective customer. The following characteristics and skills are instrumental in determining the selling success of salespersons (Beisel 1993:529-545):

- **Knowledge.** To be an effective salesperson, one must have knowledge of the product and also believe that it is the best on the market. In most retail selling situations, however, it is difficult for the salesperson to have thorough knowledge of or belief in every item sold in the store. Yet some product knowledge in the retail setting can often make the difference between a sale and a no-sale. The black retailer who sells a product with a warranty, for example, should have a copy of written warranties required to be readily available to consumers. While knowledge of the merchandise is important, it is also necessary for sales personnel to have a working knowledge of the store's layout and exactly where customers can find specific products.

- **People orientation.** An effective salesperson not only likes people but has an honest and sincere desire to be of service to them. The salesperson should have a strong drive to sense, serve and satisfy the needs of people. When hiring and training salespeople, the black retailer should thus place emphasis on the quality of the salesperson-customer relationship rather than the quantity of such relationships.

- **Social intelligence.** This is the ability to say or do the right thing in a social situation that facilitates the social intercourse between the parties present (Beisel 1993:231). An integral aspect of social intelligence is politeness and tact, thus avoiding those words and statements that might disturb or offend others.

- **Personal appearance.** Shoppers prefer being served by a salesperson who is neat, clean and appropriately dressed. Good grooming not only gives the customer a good initial impression of the salesperson but also reflects positively on the image of the whole store.

The black retailer's perception of these characteristics of salespeople will be investigated.

4.5.4.4 *The retail selling process*

The selling process in the retail store environment is different from most other types of selling because the customer usually comes to the salesperson rather than the salesperson going to the customer (Beisel 1993:533-544). Various elements in the retail selling process will be dealt with below.

- **Prospecting.** Prospecting is the identification of potential customers. In the retail store it should be assumed that everyone in the store is a prospect. The salesperson should learn to spot good prospects. Good prospects generally display more intense interest in the merchandise than poor prospects who are "just browsing" (Lewison 1994:559).

- **Pre-approaching.** The pre-approach in the sales situation is the preparation that a salesperson makes prior to meeting with the prospective customer. The best pre-approach for the retail salesperson is complete knowledge of the store, its service and its merchandise. It is also helpful to understand the type of customer who normally shops there.

- **Approach.** There are two major facets of the approach element in the retail sales process: the greeting and the determination of needs. The salesperson should greet the customer cheerfully and courteously, and with a sincere wish to be of service.

- **Presentation.** Once the salesperson has greeted the customer and has established the general need of the customer, then comes the task of helping the customer choose the right merchandise. When presenting merchandise to the customer, it is important that benefits be stressed.

■ **Demonstration.** Salespeople should not only handle the product themselves while making a presentation but should also allow the customer to handle it. Customers are more apt to consider favourably purchasing an item if they have experienced it beforehand. Obviously not all products can be experienced before use, especially convenience products.

■ **Handling objections.** A customer may object to price, features of the product, timing of the purchase or the store itself. The experienced salesperson will anticipate that objections will arise and will formulate pat answers to them. One way of countering objections is by using the "boomerang" method in which the salesperson converts a reason for not buying into a reason for buying.

■ **Suggestion selling.** Suggestion selling is a particularly useful retail sales technique (Beisel 1993:542). The use of suggestion, when tactfully done, can increase sales by up to 10 percent. While much suggestion selling takes place after the customer has made a buying decision, it is not necessary to wait until this point is reached. The black retailer can suggest that the customer purchase a larger size or more than one unit of a product. The benefit to the customer can be either in the form of monetary savings or in the convenience of not having to make as many buying trips to the store.

■ **Closing.** A customer may be presold on an item (especially a convenience product) because of advertising or because of prior experience with the product, thus the decision to buy was made prior to entering the store. At the other end of the spectrum, a customer may decide to buy only after an extensive creative effort on the part of the salesperson (eg in the case of shopping or speciality products such as microwave ovens or clothing).

■ **Follow-up.** In many retail situations, follow-up is not feasible. Yet, the salesperson who is able to look after the customer's needs *after* the sale can reap the rewards of repeat sales.

The last element of marketing communication, namely publicity, will be dealt with next.

4.5.5 Publicity

Publicity is any nonpersonal communication transmitted through mass media where the time or space provided by the media is not paid for and where there is no identified commercial sponsor (Berman & Evans 1995:587). For the retailer, the objectives of publicity are to generate awareness, improve store image, help the community and develop community members' goodwill towards the business. Retailers generate publicity through events held within the store (eg a famous person promoting a product in the store), or by sponsorship of entertainment, educational or community-service activities. Retailers frequently sponsor fund-raising benefit concerts or fashion shows for charitable organisations. Large stores usually employ a public relations person who is charged with the responsibility of preparing press releases about the store's activities that might attract media, and therefore customer interest.

The basic distinction between advertising and publicity is the nonpaid nature of the latter (Diamond & Pintel 1996:273). Because of this difference, publicity messages are not as controllable by a retailer - yet, to consumers, publicity is often deemed more credible and important than advertisements. Good publicity can greatly enhance the image of the store - however, bad publicity can cause real damage.

A store can obtain publicity through various types of methods (Van der Walt et al 1996:380-381). Press releases, for example, usually consist of statements of facts that the retailer would like to see published by the new media. Press releases are used to announce special events, new store openings and changes in strategy. Sponsorships are also a popular means of gaining publicity, for example, sport sponsorships for soccer and cricket in South Africa. Letters can also be written to the editor of a newspaper or magazine in which a business states its point of view about a particular issue, imparts information or rectifies a misunderstanding. An article in which a particular matter is discussed in detail can also be used to obtain publicity. This type of article is usually written for a specific newspaper or magazine. The black grocery store retailer's perception of the various aspects of publicity will be further investigated.

4.6 RÉSUMÉ

When the black grocery store retailer has selected his target market, the next task is to design a marketing mix which entails decisions about the four marketing instruments, namely product, price, distribution and marketing communication. During this process he should keep the particular preferences of his target consumers in mind.

With regard to product decisions, the nature of the product, characteristics of the product and the selection of products must be considered. The selection of products embraces important decisions about the product mix, suppliers, competitors, branding, packaging and the product life cycle.

In pricing, the black grocery store retailer has to consider the pricing process which consists of establishing price objectives, examining price determinants, utilising price methods, applying price policies and employing price adjustments.

Distribution decisions centre around the transaction flow and the physical flow of products. The black retailer's main decisions would focus on store location. This includes choosing the trading area, considering the type of shopping location and choosing the specific site. An important consideration is planning the store. This includes paying attention to the interior, exterior, window displays, type of service and customer service.

The black retailer's marketing communication decisions entail finding the correct combination between advertising, sales promotion, personal selling and publicity. Important aspects of the retailer's advertising are word-of-mouth communication about his store and its products, outdoor advertising which plays an important role in communicating the bulk of the black population, and in-store advertising. Sales promotion can also be used in various ways, namely special sales, merchandise demonstrations, premiums, coupons, displays and black/ethnic marketing activities. Personal selling is of great importance to the black retailer's store. The characteristics of an effective salesperson include knowledge of the product, a people orientation, social intelligence and personal appearance. The salespeople must know how to approach prospective customers in the store. The black retailer could also use publicity to generate awareness of his store and improve his store image.

When the four marketing instruments have been combined to focus on his particular target consumers, the black grocery store retailer has developed an integrated marketing strategy.

The next chapter will detail the research methodology for the empirical part of the study.

CHAPTER 5

RESEARCH METHODOLOGY

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

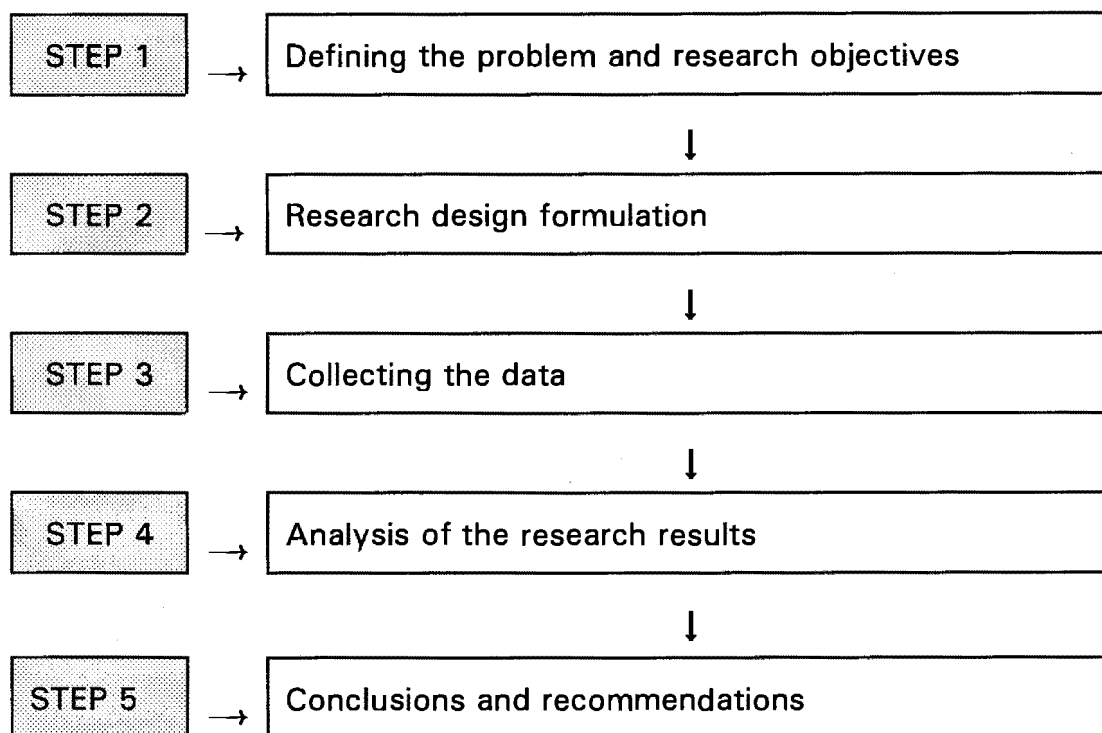
Marketing research is usually undertaken to discover facts which may be used to describe and evaluate actions. To attain this overall objective it is essential that the facts revealed by the research should be accurate and have a precision that is measurable in statistical terms, in line with the definition of Kinneer and Taylor (1996:6) that "marketing research is the systematic and objective approach to the development and provision of information for the marketing management decision-making process". This definition implies explicitly that the research project should be well organised and planned, and that it should be unbiased and unemotional in performing its responsibilities. The hallmark of marketing research is thus the objective gathering, analysis and interpretation of data.

This chapter focuses on the fundamental concepts of the research methodology used in investigating the marketing perception of retailers belonging to black business associations in Gauteng.

5.2 THE MARKETING RESEARCH PROCESS

According to Kotler and Armstrong (1996:116), the marketing research process consists of four steps as illustrated in exhibit 5.1.

EXHIBIT 5.1 THE MARKETING RESEARCH PROCESS



Source: Based on Kotler and Armstrong (1996:116)

The first step in the marketing research process (in exhibit 5.1), namely defining the problem and research objectives, was executed in chapter 1. *Firstly*, the definition of the problem (see ch 1, sec 1.3) stated that the black grocery store retailer's knowledge and perception of marketing as a business function is inadequate owing to the discriminatory laws and other measures of the past such as lack of education and business exposure and experience. The black grocery store retailer thus lacks the necessary marketing knowledge and skills to operate and manage a business successfully. *Secondly*, the research objectives (see ch 1, sec 1.4) stated that the black grocery store retailer's present perception of marketing as a management function of the enterprise, as well as what he should know about marketing, would be investigated. The research objective relating to what the black retailer should know about marketing, that is, the ideal situation, has already been satisfied in the secondary research dealt with in chapters 1 to 4 of this study. The research objective relating to the black retailer's present

perception of marketing as a business function, however, still needs to be investigated and this will be the focus of the empirical research to be undertaken.

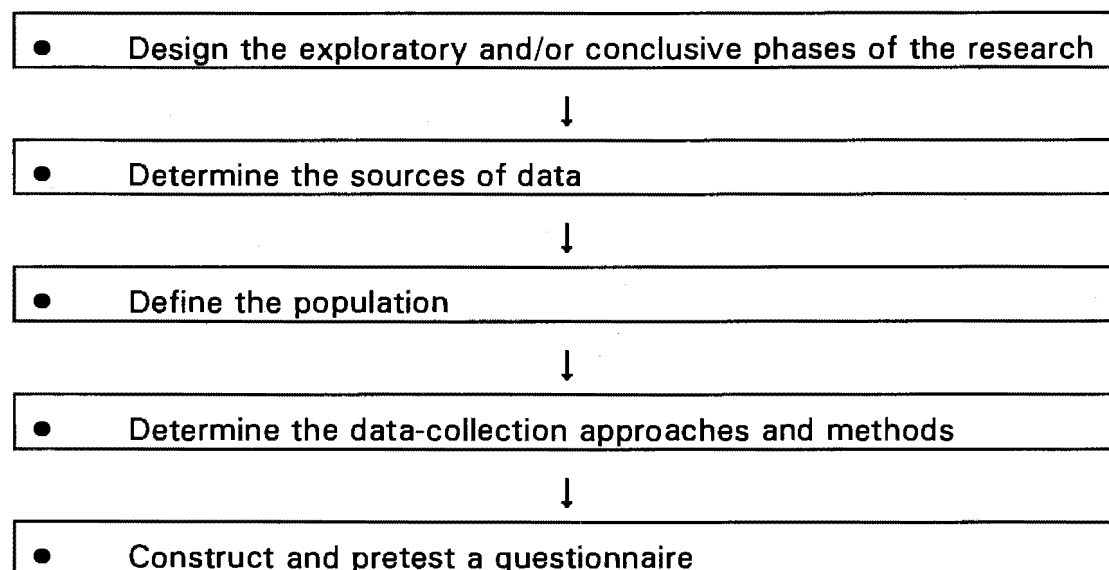
The second step in the marketing research process, namely formulating the research design for collecting the data, and the third step, namely, collecting the data, will be detailed in this chapter. The fourth step, namely analysing the research results, will be covered in chapter 6, while the last step, conclusions and recommendations will be dealt with in chapter 7.

5.3 RESEARCH DESIGN FORMULATION

5.3.1 General

Malhotra (1993:91) refers to the research design as a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the information needed to structure or solve marketing research problems and lays the foundation for conducting the project. A research design involves the following components as reflected in exhibit 5.2 below.

EXHIBIT 5.2 COMPONENTS OF A RESEARCH DESIGN



Source: Based on Van der Walt et al (1996:148-151) and Malhotra (1993:91)

The components of the research design in exhibit 5.2 will now be dealt with.

5.3.2 Design the exploratory and/or conclusive phases of the research

Research designs may be broadly classified as exploratory or conclusive (Dillon, Madden & Firtle 1993:32-33; Malhotra 1993:91-103; Kinnear & Taylor 1996:139).

5.3.2.1 *Exploratory research designs*

The primary objective of exploratory research is to provide insights into, and an understanding of, the problem confronting the researcher. Exploratory research is appropriate in situations of problem identification and definition. Once the problem has been clearly defined, exploratory research can be useful in identifying alternative courses of action. Exploratory research designs include secondary data sources, literature reviews, observation, interviews with experts and group interviews with knowledgeable persons. In this study a literature review was undertaken in chapters 1 to 4 which covered two-thirds of the thesis.

5.3.2.2 *Conclusive research designs*

Conclusive research provides information which helps the marketer evaluate and select a course of action. It can be subclassified into causal research and descriptive research.

■ **Causal research.** Causal research is used to obtain evidence of cause-and-effect relationships. Marketing managers continually make decisions based on assumed causal relationships. These assumptions may not be justifiable, and the validity of the causal relationships should be examined via formal research. Causal research is appropriate for understanding which variables are the cause of what is being predicted, and for understanding the nature of the functional relationship between the causal factors and the effect to be predicted.

The research for this thesis did not focus on causal research. With more specific

research and additional primary sources available, this type of research can be conducted. At present the primary resource base is too limited to undertake causal research in the field of black retailing.

■ **Descriptive research.** The major objective of descriptive research is to describe something - usually market characteristics or functions. Descriptive research may, for example, be conducted to describe the characteristics of relevant groups such as consumers, organisations or market areas, or to determine the perceptions of certain phenomena. Descriptive research assumes that the researcher has much prior knowledge about the problem situation, thus the information needed is clearly defined. Effective descriptive research is marked by a clear statement of the problem, specific research objectives and detailed research design. Since the purpose is to provide information on specific questions or hypotheses, the research must be designed to ensure accuracy of the findings - that is, a design that minimises systematic error and maximises the reliability of the evidence collected.

Descriptive research typically makes use of the survey research design which is useful in describing the characteristics of consumers and determining the frequency of marketing phenomena. In this study descriptive research was chosen for designing the empirical research in investigating the marketing perception of grocery store retailers belonging to black business associations in Gauteng.

5.3.3 Determine sources of data

There are two general types of marketing data, namely secondary and primary data (Kinnear & Taylor 1996:143). Secondary data are already published data collected for purposes other than the specific research needs at hand, while primary data are collected specifically for the research needs at hand.

Secondary data can be located relatively quickly and inexpensively from libraries, industry associations, chambers of industry and commerce, government bodies, marketing research organisations, universities, bulletins and journals. Secondary data can help to identify the problem, better define the problem, develop an approach to the problem, formulate an appropriate research design, answer certain research questions and test some hypotheses, and interpret primary data more

insightfully. Malhotra (1993:118) emphasises that the examination of available secondary data is a prerequisite for the collection of primary data. In this study an extensive examination of secondary data was conducted, in chapters 1 to 4, for the literature background to the study. Secondary data sources were consulted on the disadvantaged position of the black retailer (ch 1), the marketing management process and the marketing concept (ch 2), the marketing environment and the selection of a target market (ch 3), and the retail marketing mix (ch 4). It was noted that there was a lack of research in South Africa on the marketing practices of black retailers and the behaviour of black consumers.

Primary data may be qualitative or quantitative in nature (Kinneer & Taylor 1996:143). Qualitative research provides insights into and understanding of the problem setting, while quantitative research seeks to quantify the data and typically, applies some form of statistical analysis. Malhotra (1993:159) points out that it is not always possible to use fully structured or formal methods to obtain information from respondents. People may be unwilling or unable to answer certain questions. The values, emotional drives and motivations residing at the subconscious level are disguised from the outer world by rationalisation and other ego defences. In such cases, Malhotra (1996) says, the desired information can be best obtained through qualitative research. In this study qualitative research was chosen to investigate the marketing perception of grocery store retailers belonging to black business associations in Gauteng. Under the apartheid regime black people were always reluctant to complete questionnaires and to answer questions because of harassment by the authorities.

Kinneer and Taylor (1996:139) point out that the most common source of marketing data is communication with respondents. When the information needs of a study require data about respondents' attitudes, perceptions and knowledge, asking questions is essential. The respondents may be consumers, wholesalers, retailers or any knowledgeable person who can provide data useful to the research project. In this study the black grocery store retailers were approached to provide answers to questions in order to infer their perception of marketing as a business function.

5.3.4 Define the population

The objective of most marketing research projects is to obtain information about the characteristics or parameters of a population. Malhotra (1993:350) defines a population as "the aggregate of all the elements that share some common set of characteristics, and that comprise the universe for the purpose of the marketing research problem". The population parameters are typically numbers, such as the proportion of consumers who are loyal to a particular brand of toothpaste. The population for this study is all grocery store retailers, based in the Gauteng province of South Africa, belonging to black business associations.

Information about population parameters may be obtained by taking a census or a sample. A census involves a complete enumeration of the elements of a population. The population parameters can be calculated directly in a straightforward way after the census has been enumerated. A sample, on the other hand, is a subgroup of the population selected for participation in the study. Sample characteristics, called statistics, are then used to make inferences about the population parameters.

Budget and time limits are obvious constraints favouring the use of a sample (Dillon et al 1993:214-215). A census is unrealistic if the population is large, as it is for most consumer products. If the cost of sampling errors is high, a census, which eliminates such errors, is desirable. High cost of nonsampling errors, on the other hand, would favour sampling. A census can greatly increase nonsampling error to the point that these errors exceed the sampling errors of a sample. Because of the relatively small population, it was decided to use a census for investigating the marketing perception of grocery store retailers belonging to black business association in Gauteng (see exhibit 5.3 below).

The target population is the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made (Malhotra 1993:352). The target population for this study is all grocery store retailers belonging to the National African Federation of Commerce and Industry (Nafcoc). Nafcoc was found to be the only black business association with a membership list containing retailers relevant to this study. The mailing list of the Foundation for African and Consumer Services (Fabcos), the only other significant

black business association, contained no retailers relevant to this study. The only other significant list of all business activities in Soweto had been compiled but not yet been published by Eskom (Witbank). However, the list made no provision for different categories of retailers such as grocery store retailers. It was therefore decided to use the mailing list of Nafcoc which, however, could increase nonsampling error owing to the fact that it might not be up to date or complete. It should be pointed out that black business is still in the early stages of black empowerment and some of the black business associations (except Nafcoc which was founded in the 1960s) are still in their infancy. The Black Business Council (referred to in ch 1, sec 1.2.2.3), was only established in 1997.

The membership of Nafcoc in each township/area in Gauteng and the number of those that could be used for this study are reflected in exhibit 5.3.

EXHIBIT 5.3 NAFCOC RETAILERS IN GAUTENG USED FOR THE SURVEY

TOWNSHIP/AREA	NAFCOC MEMBERSHIP	NUMBER OF GROCERY STORE RETAILERS
Tembisa	30	12
Daveyton & Wattville	87	36
Alexandra	63	10
Thokoza	29	13
Mamelodi	44	22
Katlehong	36	15
Soweto	173	82
Other	40	30
T o t a l	502	220

5.3.5 Determine the data-collection approaches and methods

The major methods employed in descriptive research designs are observation and survey (Malhotra 1993:185). The observation method involves recording the behavioural patterns of people, objects and events in a systematic manner to obtain information about the phenomenon of interest. The observer does not question or communicate with the people being observed. Information may be recorded as the events occur or from records of past events. The disadvantages of this method are the cost of waiting for the phenomenon to occur and the difficulty of measuring the phenomenon in a natural setting.

The survey approach (Van der Walt et al 1996:152) involves the collection of problem-specific data from selected individuals (respondents) by way of direct or indirect questioning. Respondents are asked a variety of questions about their behaviour, intentions, attitudes, awareness, motivations and demographic and lifestyle characteristics. These questions may be asked verbally, in writing or by telephone, and the responses may be obtained in any of these forms. Typically the questioning is structured which refers to the degree of standardisation imposed on the data-collection process. In structured data collection, a formal questionnaire is prepared and the questions are asked in a prearranged order - thus the process is also direct.

The survey method has several advantages (Malhotra 1993:189). *First*, the questionnaire is simple to administer. *Second*, the data obtained are reliable because the responses are limited to the alternatives stated. The use of fixed-response questions reduces the variability in the results that may be caused by differences in interviewers. *Finally*, coding, analysis and interpretation of data are relatively simple. Disadvantages are that respondents may be unable or unwilling to provide the desired information. However, Malhotra (1993) says, the survey approach is by far the most common method of primary data collection.

The data for the empirical investigation for this study were collected by means of the survey method which, according to Malhotra (1993:95), reveals the characteristics of descriptive research. Descriptive research is used to describe the characteristics of groups, to estimate the percentage of units in a specified population exhibiting a certain behaviour, to determine perception and to describe

relationships between variables. Thus this was chosen for collecting data on the marketing perception of retailers belonging to black business associations.

The four communication approaches available for obtaining data from respondents are the telephone interview, the mail interview and the personal interview (Van der Walt et al 1996:153-154). In the telephone interview, an interviewer asks one or more respondents questions over the telephone. The telephone interview is efficient and economical, and compared to the personal interview, reduces the potential for bias. The basic limitation of the telephone interview relates to the limited amount of data that can be obtained. It was not possible to use the telephone interview for this study since the black grocery store retailers, especially the less sophisticated ones, do not all have access to telephones; and there is a backlog in supplying telephones.

In the mail interview, a questionnaire is mailed to the respondent, and the completed questionnaire is returned by mail to the researcher. Mail interviews are flexible in their application and relatively low in cost, but the major disadvantage relates to the problem of nonresponse error. In this study it was decided not to use the mail interview since the postal addresses of the Nafcoc list were incomplete and past experience had shown that black people are reluctant to complete forms of any kind. In addition, the township areas still lack the necessary infrastructure such as mail boxes.

In the personal interview, the interviewer asks questions of one or more respondents in a face-to-face situation. The interviewer's task is to contact the respondent, ask the questions and record the responses. The questions must be asked in a clear manner and recorded accurately. Face-to-face interviews may cause respondents to bias their responses because of a desire to please or impress the interviewer. It is also an expensive method involving extensive planning and control. However, the personal interview method renders the best response. In this study the personal interview method was used to secure a satisfactory response from the black grocery store retailers. Experienced interviewers of the Bureau of Market Research were used to eliminate any bias.

5.3.6 Construct and pretest a questionnaire

5.3.6.1 General

A questionnaire is a formalised schedule for collecting data from respondents. Martins, Loubser and Van Wyk (1996:216-233) emphasise that all questionnaires are designed to achieve three related goals, namely:

- To maximise the relevance and accuracy of the data collected.
- To maximise the participation and cooperation of target respondents.
- To facilitate the collection and analysis of the data.

According to Dillon et al (1993:302-303), by the time the researcher arrives at the questionnaire design stage of a study, the marketing problem has been expressed in a set of appropriate research questions. These questions must now be translated into the language of the respondent and then arranged in a questionnaire in a valid, logical fashion that will produce meaningful results.

The questionnaire used in this study appears in appendix A. The procedure followed in constructing this questionnaire will now be dealt with.

5.3.6.2 Question content and phrasing

The heart of the questionnaire consists of the questions - the link between the data and the information needs of the study. It is thus critical, say Kinnear and Taylor (1996:365), that the researcher and the respondent assign the same meaning to the questions asked, otherwise serious measurement error will be present in the research results.

Kinnear and Taylor (1996:365-370) maintain that it is important to keep the wording of the questions simple, clear and concise, to fit in with the vocabulary level of the respondents. Martins et al (1996:216-219) say that in surveys conducted among all levels of the South African population, the questions should

be worded in such a way that even the less sophisticated and less educated understand them. Therefore, according to Malhotra (1993:319), it is important to have a clear idea of the target population. The characteristics of the respondent groups have a profound influence on the wording of the questions, since questions appropriate for university students may not be appropriate for black grocery store retailers as understanding is related to respondents' socio-economic characteristics. With regard to the wording of the questions included in the questionnaire for this study, consultations were held with members of the Bureau of Market Research, Unisa as they have conducted numerous studies in the traditionally black areas in South Africa.

In designing the wording of a question, it is necessary to avoid leading and biasing questions (Kinnear & Taylor 1996:367; Martins et al (1996:217). Leading questions suggest or imply certain answers as a cue is given in the question about what the answer should be and often reflect the researcher's viewpoint on the question's answer. A biasing question includes words or phrases that are emotionally coloured and that suggest a feeling of approval or disapproval, for example, "Do you agree or disagree with the Dental Association's position that advertising presweetened cereal to children is ...?" The mere suggestion that an attitude is associated with a prestigious organisation can seriously bias the respondent's reply. These principles were adhered to in constructing the questionnaire for this study.

5.3.6.3 Question sequence

The sequencing of questions can influence the nature of the respondents' answers and be the cause of serious error in the survey findings. Martins et al (1996:219-220) and Kinnear and Taylor (1996:370) concur that it is advisable as far as possible to use the funnel approach by going from the general to the particular, since a change of subject may disturb the logical flow of the interview unless there are links between subjects.

The first questions should therefore be simple and interesting, their main intention being to put the respondent at ease and motivate him to react to the succeeding questions without suspicion. Sensitive questions on embarrassing subjects should

be positioned as near to the end of the questionnaire as possible. After rapport has been established through familiarity with the interviewer and the questioning process, the respondent is less apt to object to more demanding questions, as well as to personal questions about income, age or other sensitive issues. Sensitive questions about the respondent's age, qualifications and income were positioned at the end of this questionnaire.

5.3.6.4 Question format

The questions must be arranged in a format that yields meaningful results in a cost-efficient and timely manner (Dillon et al 1993:309). Zikmund (1994:397-401) classified the two basic question types which can be used in a questionnaire into open-ended questions (unstructured questions) and structured questions (fixed-alternative questions).

■ **Open-ended questions.** Open-ended questions are unstructured questions that respondents answer in their own words. They are also referred to as free-response or free-answer questions. Malhotra (1993:325) asserts that open-ended questions are good as first questions on a topic and respondents are free to express any views. A major disadvantage of unstructured questions is that the coding of responses is costly and time consuming. Only two open-ended questions were used in the questionnaire for this study, namely number 5 (referring to the number of employees of the respondent), and number 49 (referring to the age of the respondent).

■ **Structured questions.** According to Malhotra (1993:326-328), structured questions specify the set of response alternatives and the response format, and may be multiple-choice, dichotomous, checklists, a scale or frequency determination.

● **Multiple-choice questions.** In multiple-choice questions, the researcher provides a choice of answers, and respondents are asked to select one or more of the options given. Malhotra (1993:327) stresses that the response options should include the set of all possible choices. The general guideline is to list all options that may be of importance and include an option labelled

"Other (please specify) -----". Respondents should be able to identify one option unless the researcher specifically allows two or more choices. Zikmund (1994:400) points out that a major problem in developing multiple-choice options is the framing of the response options. There should be no overlap among categories while each option should be mutually exclusive - that is, only one dimension of an issue should be related to that option. Malhorta (1993:327) maintains that multiple-choice questions overcome many of the disadvantages of open-ended questions, since interviewer bias is reduced and these questions are administered quickly. Also, coding and processing of data are much less costly and time consuming. The questionnaire used in this study contained 21 multiple-choice questions as indicated in exhibit 5.4.

- **Dichotomous questions.** These questions have only two response alternatives, namely yes or no, agree or disagree, male or female (Kinnear & Taylor 1996:364-365). Often, the two alternatives of interest are supplemented by a neutral alternative such as "no comment", "do not know", "both", or "none". A dichotomous question is also used to include a neutral-response alternative. If it is not included, respondents are forced to choose between "yes" and "no" even if they feel indifferent. In the questionnaire for this study four dichotomous questions were asked with only two response alternatives, while five dichotomous questions supplemented by a neutral alternative were asked (see exhibit 5.4).
- **Checklists.** A checklist question allows the respondent to provide multiple answers to a single question (Zikmund 1994:400). The respondent indicates past experience, preference and the like, merely by checking off items. In many cases the choices are adjectives that describe a particular object. In this study two checklist questions were asked, namely questions 27 and 41.
- **Scaled questions.** Likert, according to Martins et al (1996:228), developed a verbal scale which requires a respondent to indicate a degree of agreement or disagreement with each of a series of statements related to the attitude object, for example:

Fully agree	Agree	Disagree	Totally disagree
-------------	-------	----------	------------------

or

Very important	Important	Less important	Totally unimportant
----------------	-----------	----------------	---------------------

The sum of these statements reveals the attitude or perception of a given subject or institution. The statements must be closely connected with the subject and approximately half of them should be positive and half negative. In the questionnaire for this study, 16 of the questions were scaled (see exhibit 5.4).

- **Frequency-determination questions.** According to Zikmund (1994:400), the frequency-determination question is a determinant-choice question that asks for an answer about the general frequency of occurrence. Questions 13 and 52 in the questionnaire for this study were the only questions using this technique.

The format of the questions used in the questionnaire for this study is summarised in exhibit 5.4.

EXHIBIT 5.4 QUESTION FORMAT

TYPE OF QUESTION	QUESTIONS IN QUESTIONNAIRE
<ul style="list-style-type: none"> ■ OPEN-ENDED QUESTIONS 	Questions 5, 49
<ul style="list-style-type: none"> ■ STRUCTURED QUESTIONS 	
<ul style="list-style-type: none"> ● Multiple-choice questions 	Questions 1, 2, 3, 4, 10, 11, 12, 17, 18, 19, 20, 23, 24, 28, 29, 37, 38, 39, 40, 50, 51
<ul style="list-style-type: none"> ● Dichotomous questions 	Questions 6, 22, 31, 32, 33, 34, 36, 43, 48
<ul style="list-style-type: none"> ● Checklists 	Questions 27, 41
<ul style="list-style-type: none"> ● Scaled questions 	Questions 7, 8, 9, 14, 15, 16, 21, 25, 26, 30, 35, 42, 44, 45, 46, 47
<ul style="list-style-type: none"> ● Frequency-determination questions 	Questions 13, 52

5.3.6.5 Physical characteristics of the questionnaire

The format, spacing and positioning of questions can have a significant effect on the results, especially in the case of self-administered questionnaires (Malhotra 1993:335-337). It is a good practice to divide a questionnaire into the parts needed for questions pertaining to the basic information. The questions in the questionnaire for this study were divided into the following parts:

- **General.** Questions 1 to 6 covered elements such as the respondent's position in the business, the township and his opinion on business associations.

- **The marketing management process and the marketing concept.** Question 7 referred to the organisational mission and objective, organising and control while question 8 referred to the marketing concept.
- **The marketing environment and target market selection.** Questions 9 to 26 tested the knowledge and perception of customers, competitors, intermediaries, knowledge and perception of the macro-environment, and various aspects of market segmentation.
- **The marketing mix.** Questions 27 to 34 referred to various aspects of product decisions; questions 35 to 40 to aspects of pricing decisions; questions 41 and 42 to aspects of distribution decisions; and questions 43 to 47 to aspects of marketing communication decisions.
- **Other.** Questions 48 to 52 were personal and more sensitive questions referring to the gender, age, education and income of the respondents.

Martins et al (1996:230-231) maintain that the appearance and layout of the questionnaire are of particular concern where the questionnaire is completed by the respondent. In this study, however, the questionnaires were completed by the interviewers. The questionnaire should also allow sufficient space for recording the information required. It should present a neat appearance.

In telephone and personal interview questionnaires it is customary to use as many computer codes as possible in order to save processing time, but in questionnaires for self-completion by the respondent computer codes should be inserted in such a way that there is no possibility of confusing the respondent. The questionnaires for this study were printed in booklet form and the coding for each question was inserted.

Kinnear and Taylor (1996:371-373) stress that it is important for the name of the organisation sponsoring the survey and the project name to appear clearly on the first page. The name of the Bureau of Market Research was used on the cover page of the questionnaire for this study since it is well known, prestigious and renowned for its unbiased research.

In personal and telephone interviews, the questionnaires should be numbered serially to facilitate control of the questionnaires in field operations and during data processing, a practice adhered to in the questionnaires for this study.

The questionnaires should preferably be precoded. In precoding the codes to enter in the computer are printed on the questionnaire. Typically, the code identifies the line number and the column numbers in which a particular response will be entered (Malhotra 1993:336). The questionnaires for this study were precoded.

When printed questionnaires run to several pages, they should take the form of a booklet rather than a number of sheets or papers clipped together. Booklets are easier for the interviewer and the respondents to handle and do not come apart with use as do clipped and stapled papers. They allow the use of double-page format for questions and look more professional (Malhotra 1993:338).

Each question should be reproduced on a single page. A researcher should avoid splitting a question, including its response categories. Split questions can mislead the interviewer or the respondent into thinking that the question has ended at the end of a page. This will result in answers based on incomplete questions.

Malhotra (1993:339) advises that directions or instructions for individual questions should be placed as close as possible to the questions. The instructions for ticking off answers for this questionnaire were given in brackets immediately below the question. All the above principles were adhered to in constructing the questionnaire for this study.

5.3.6.6 Pretesting the questionnaire

Pretesting the questionnaire is essential if the researcher is to be satisfied that the questionnaire designed will perform its various functions in the interview situation (Martins et al 1996:232). Pretesting refers to the testing of the questionnaire on a small sample of respondents to identify and eliminate potential problems; it helps reveal errors while they can still be corrected easily. Zikmund (1994:416) maintains that the questionnaire is usually tried out on a group selected on a convenience basis and similar in make-up to the one that will ultimately be

sampled. Martins et al (1996:232) emphasise that great care must be taken that all strata of the target population are represented in terms of intellectual ability, training, knowledge of the subject and attitude to it.

The questionnaire for this study was tested by three experienced interviewers who conducted six interviews. They were able to observe the respondent's reaction and point out problems in the interview. Minor adjustments were subsequently made to the questionnaire, and it was coded and then printed.

After the questionnaires had been tested, the next step of the marketing research process, namely the collection of the data was executed for this study.

5.4 COLLECTING THE DATA

5.4.1 General

Kinnear and Taylor (1996:503) point out that the use of interviewers in a face-to-face setting presents special problems relating to their selection, training and supervision. They emphasise that sufficient time and money must be assigned to this very expensive and complicated aspect of the fieldwork.

5.4.2 Selection of interviewers

In the selection of interviewers for this study, established interviewers of the Bureau of Market Research were employed who have done regular research in traditionally disadvantaged areas. These interviewers were all Unisa students and have been found to be very reliable fieldworkers. Interviewers were selected to conduct the fieldwork in each of the relevant townships in the Gauteng province, namely Soweto, Mamelodi, Daveyton, Wattville, Katlehong, Thokoza, Alexandra and Tembisa. One of the interviewers acted as the supervisor to control the fieldwork.

5.4.3 Training interviewers

Once the interviewers had been selected, they were trained. According to Malhotra (1993:433), training ensures that all interviewers administer the questionnaire in the same manner so that the data can be collected uniformly. The training should cover making the initial contact, asking the questions, probing, recording the answers and terminating the interview. The Bureau of Market Research assisted in training the interviewers in one central location. In making the initial contact, interviewers were told to speak to the store owner, manager or the person in charge of the store upon entering the store, to identify themselves and explain what they were doing, hand the respondent the letter of introduction or read it aloud if necessary. Then the front page had to be completed. All the questions had to be asked. Responses had to be recorded following the instructions below each question - for example, tick more than one item if necessary. Interviewers were warned against influencing the respondents when asking the questions.

The Nafcoc membership list contained 220 members who operate grocery stores. Each interviewer was given a list containing the name of respondent, name of the store, address and telephone number of each respondent. The interviewing process subsequently commenced on 1 May 1997 and the target completion date was set at 20 June 1997.

5.4.4 Interviewing process

During the process there was constant monitoring to determine whether the interviewer was adhering to the predetermined interviewing procedure. Respondents were telephoned in each area to check whether the interview had in fact taken place, and completed interviews were inspected for completeness and accuracy. The interviewers were only paid for completed questionnaires, a practice that motivated them to locate as many respondents as possible and to persuade them to take part in the survey.

All questionnaires were edited. This is the process of checking and adjusting the data for omissions, legibility and consistency and readying them for coding (assign-

ment of categories or classifying symbols to previously edited data) and storage, and when necessary referred back to interviewers for missing information.

A total of 216 questionnaires were received by 20 June, thus only four interviews had not been conducted. The average rate of response was thus 98,2 percent.

The next step of the marketing research process, namely analysing the research results, will be dealt with in chapter 6.

5.5 RÉSUMÉ

In this chapter the research methodology used to investigate the marketing perception of retailers belonging to black business associations in Gauteng was detailed. The marketing research investigation was dealt with according to the steps of the marketing research process, namely defining the problem and research objectives, research design formulation, collecting the data, and analysing the data, and interpreting and reporting the findings. The first two steps, namely defining the problem and research objectives, were detailed in chapter 1. This chapter focused on the next two steps, namely research design formulation and collecting the data. Research design formulation comprises designing the exploratory and/or conclusive phases of the research, determining the sources of data, defining the population, determining the data-collection approaches and methods, and constructing and pretesting a questionnaire. Collecting the data dealt with the selection and training of interviewers as well as the actual interviewing process which included the monitoring of interviewers, and the checking and coding of questionnaires.

When the fieldwork is complete, the researcher moves on to analysing the research results which constitutes the next step of the marketing research process to be dealt with in chapter 6.

CHAPTER 6

ANALYSIS OF THE RESEARCH RESULTS

CHAPTER 6

ANALYSIS OF THE RESEARCH RESULTS

6.1 INTRODUCTION

The research methodology used to investigate the marketing perception of grocery store retailers belonging to black business associations in Gauteng was detailed in the previous chapter. The data were collected by means of the personal interview approach with the aid of a structured questionnaire, administered to 220 black grocery store retailers in Gauteng. Of the 220 possible interviews, 216 were conducted successfully and used for this study. The data were subsequently captured and analysed by means of the statistical software program SAS (Statistical Analysis System). Various statistical analyses were conducted on the data in order to facilitate a discussion of the research results. Cross-tabulations were also used to determine the effect of certain dependent variables on certain independent variables.

In this chapter the next step of the marketing research process, namely the analysis of the research results, is presented. (The last step, ie conclusions and recommendations, will be presented in ch 7.) Basic descriptive statistics such as frequencies and means are indicated for each separate section of the questionnaire which appears in full in annexure B. The responses to each question varied mostly between 212 and 216. The research results will now be analysed according to the following different sections in terms of which the questionnaire was structured:

- Profile of the respondents
- Perceptions of the value of business associations
- The marketing management process and the marketing concept
- The external marketing environment and target market selection
- The retail marketing mix
- Determinants of income

6.2 PROFILE OF RESPONDENTS

The responses to questions 1 to 5 and 48 to 51 of the questionnaire describe the demographic characteristics of the respondents. Exhibit 6.1 below reflects the responses to question 1 of the questionnaire dealing with the respondent's position in the grocery store (see annexure B for precise frequencies to all the questions contained in the questionnaire).

EXHIBIT 6.1 **RESPONDENT'S POSITION IN GROCERY STORE**

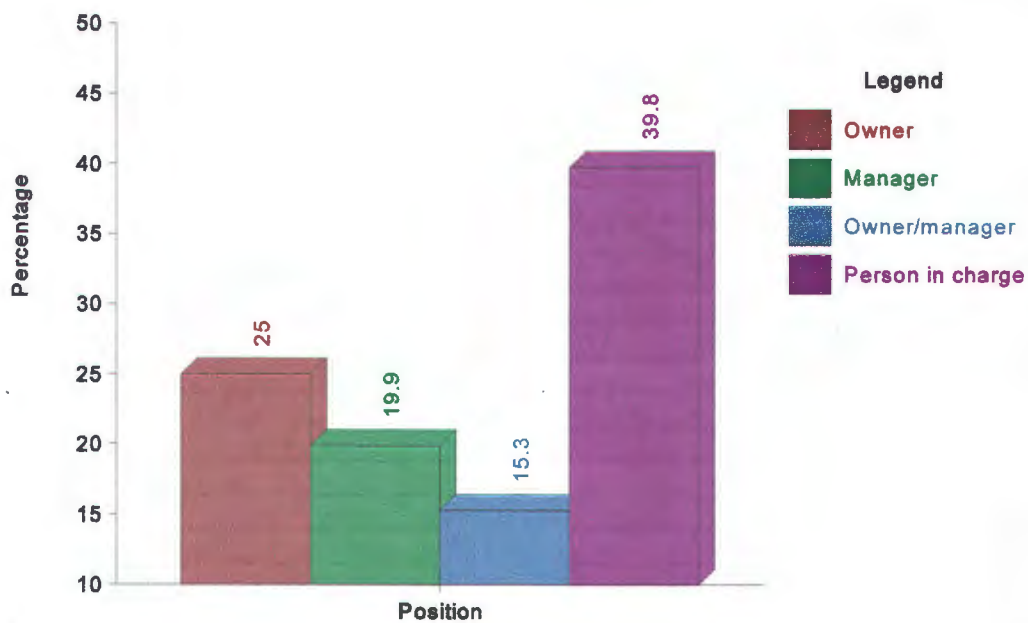


Exhibit 6.1 shows that of the 216 respondents interviewed, 25 percent indicated that they were the owner, 19,9 percent the manager, and 15,3 percent the owner/manager, while 39,8 percent were the person in charge of the store. About 60 percent of the respondents were thus either the owner or manager of the store, while the remaining 39,8, percent were the person in charge of the store. The period of time this position had been held by the respondent (question 2) is reflected in exhibit 6.2 below.

EXHIBIT 6.2

PERIOD OF TIME POSITION HELD

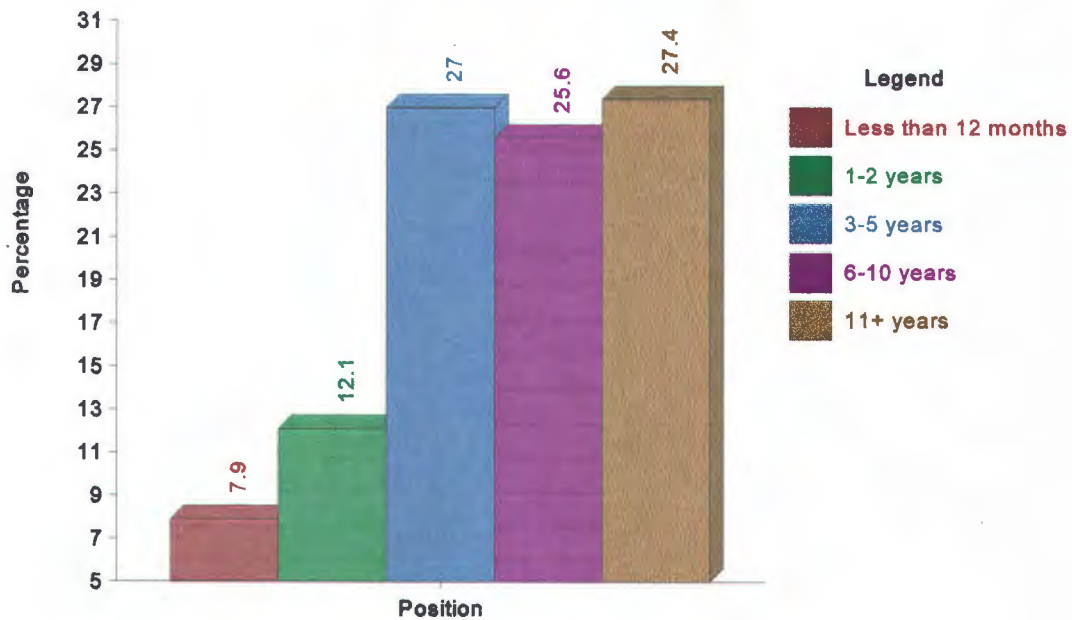
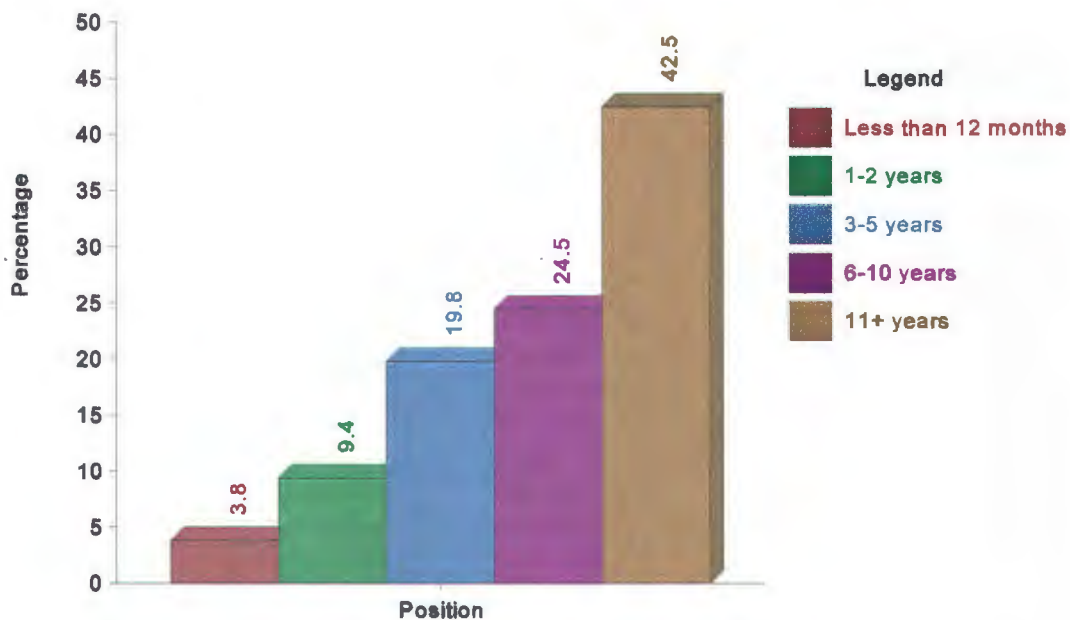


Exhibit 6.2 reveals that 53 percent (25,6% + 27,4%) of the respondents reported that they had held this position for six years or longer, 27 percent between three and five years, while only a small percentage (7,9%) had been in the position less than one year.

Exhibit 6.3 below shows that 67 percent (24,5% + 42,5%) of the respondents indicated that the business had been operating (question 3) for more than six years, 19,8 percent between three and five years, with a small percentage (3,8%) less than one year.

EXHIBIT 6.3

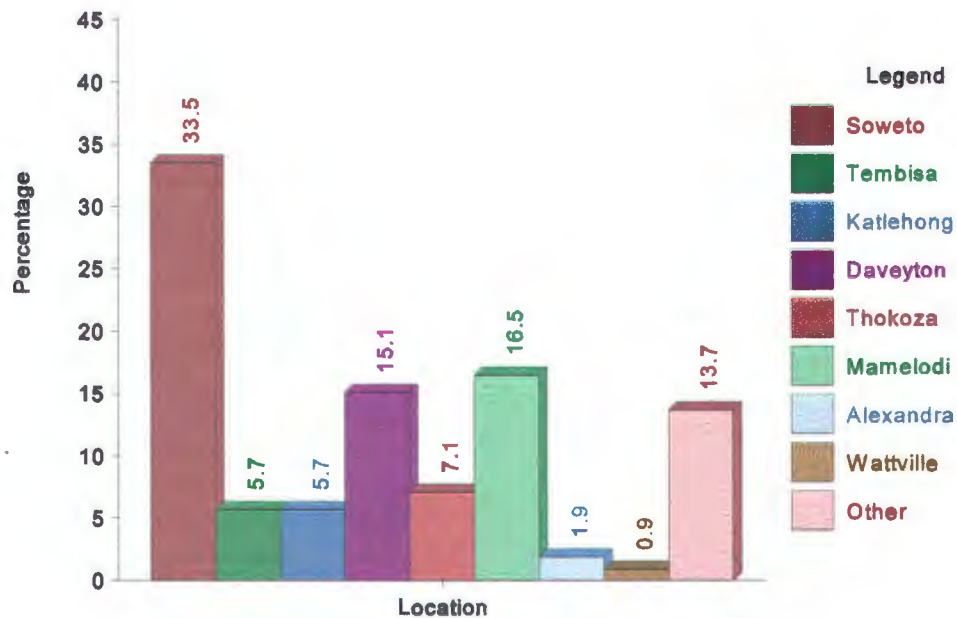
PERIOD OF TIME GROCERY STORE IN OPERATION



The location of these grocery stores (question 4) is reflected in exhibit 6.4 below.

EXHIBIT 6.4

LOCATION OF GROCERY STORES



From exhibit 6.4 it is evident that most of the grocery stores were situated in Soweto (33,5%), followed by Mamelodi (16,5%) and Daveyton (15,1%).

The personnel size of the grocery stores (question 5) is illustrated in the next exhibit (the breakdown of the frequencies appears in annexure B).

EXHIBIT 6.5 PERSONNEL SIZE

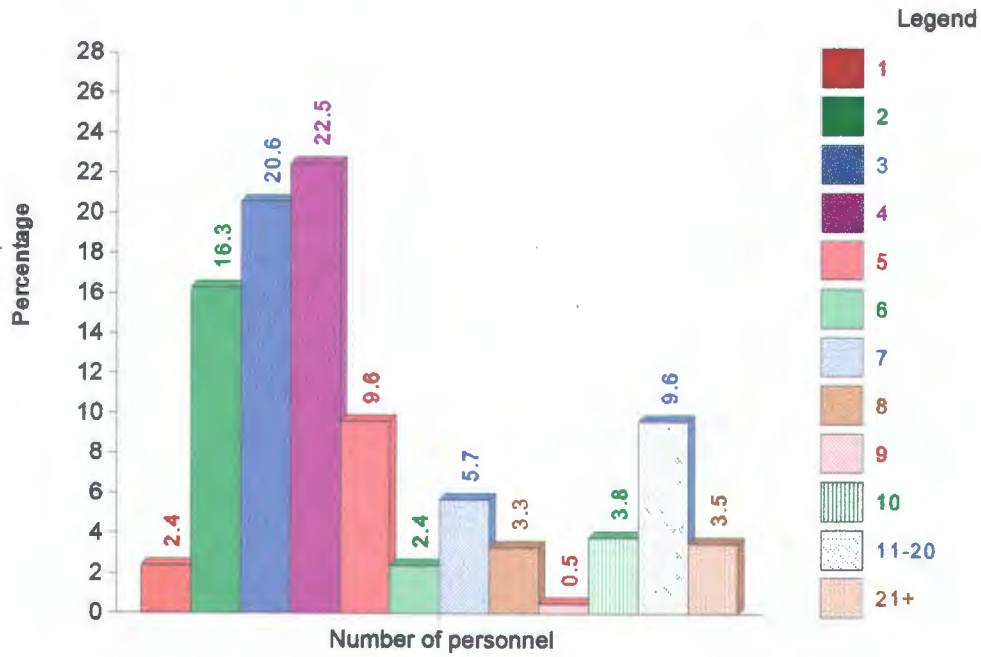
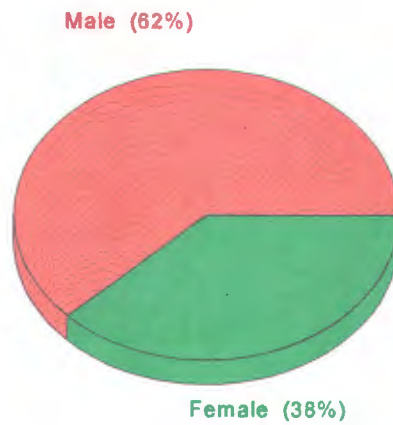


Exhibit 6.5 clearly emphasises that most grocery stores have only a small personnel (five or less). Only 3,5 percent of the grocery stores employ more than 21 people.

With regard to the gender of the respondents (question 48), the majority (62%) were male as reflected in exhibit 6.6.

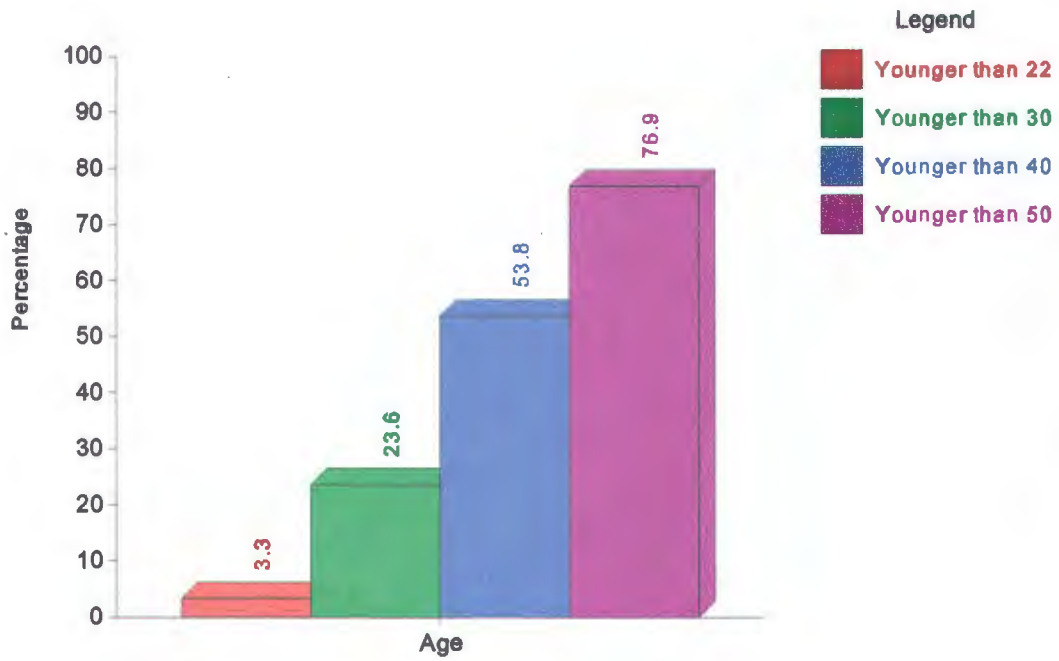
EXHIBIT 6.6

GENDER OF RESPONDENTS



The mean age of the respondents (question 49) was 39,9 years (the frequency breakdown of the responses appears in annexure B). Of the 209 respondents, 3,3 percent were younger than 22, 23,6 percent younger than 30, 53,8 percent younger than 40, while 76,9 percent were younger than 50, as illustrated in exhibit 6.7.

EXHIBIT 6.7 AGE OF RESPONDENTS



The highest qualification (question 50) of the respondents is presented in exhibit 6.8.

EXHIBIT 6.8 HIGHEST QUALIFICATION OF RESPONDENTS

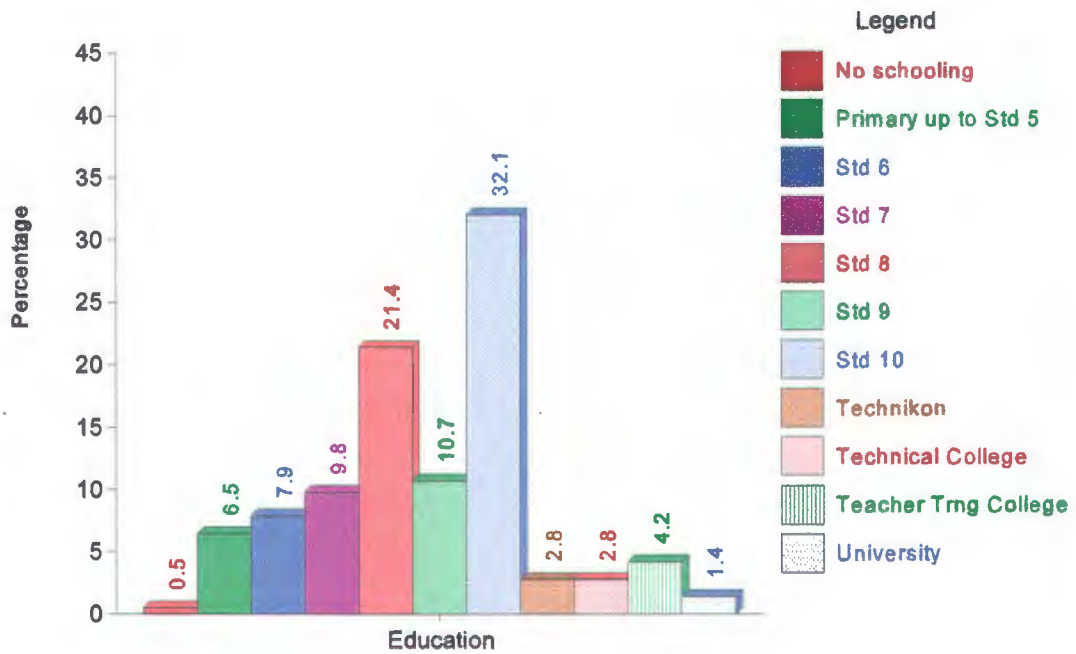
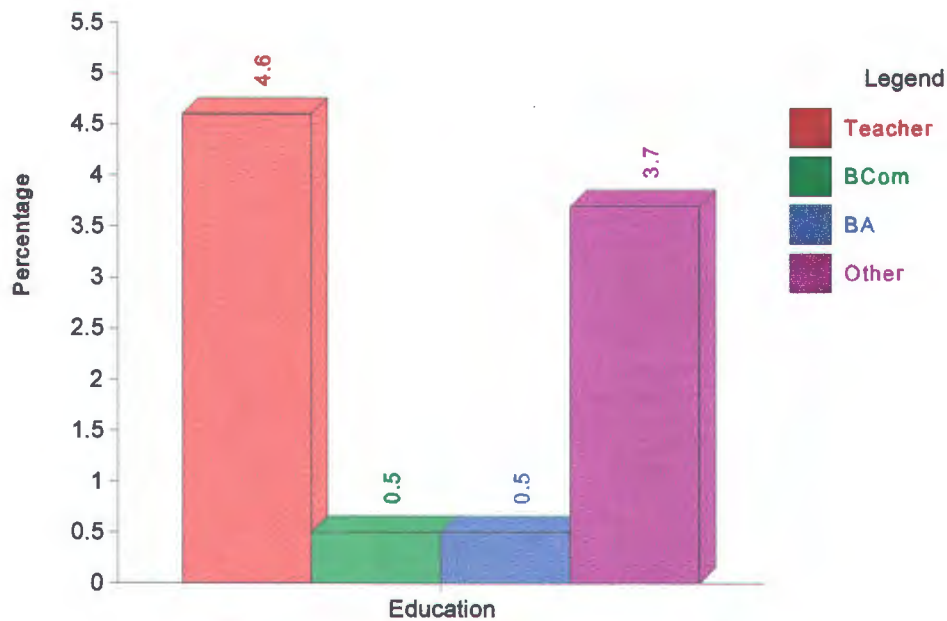


Exhibit 6.8 shows that only 32,1 percent of the respondents had completed standard 10, 21,4 percent had only a standard 8 and 7,9 percent only standard 6. Only 11,2 percent in total had a tertiary education. The next exhibit (exhibit 6.9) shows that of those with a tertiary education (question 51), 4,6 percent had qualified as teachers, while 0,5 percent had obtained a BCom or a BA degree.

EXHIBIT 6.9 TYPE OF TERTIARY EDUCATION



6.3 PERCEPTIONS OF THE VALUE OF BUSINESS ASSOCIATIONS

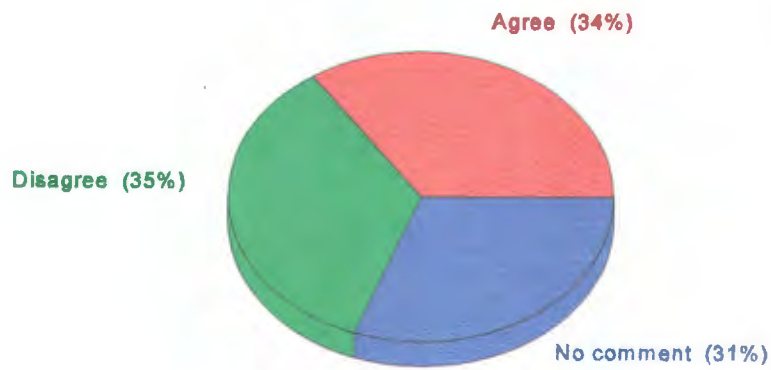
The purpose of question 6 was to determine the respondents' perceptions of business associations. The frequency breakdown of the responses to this question is as follows:

Question 6: To what extent do you agree or disagree with the following statements regarding business associations?

	Statement	Agree		Dis-agree		No comment	
		F	%	F	%	F	%
6.1	A business association (eg Nafcoc) is of great help to a grocery store business.	101	46,8	23	10,6	92	42,6
6.2	It is expensive to be a member of a business association.	32	14,9	95	44,2	88	40,9
6.3	A business association interferes too much in a business.	29	13,4	102	47,2	85	39,4
6.4	I do not really know how a business association can help me in my grocery store business.	74	34,4	75	34,9	66	30,7
6.5	Business associations should do more to help grocery store owners in their business activities.	144	67,0	18	8,4	53	24,6

From the responses to this question it is apparent that a large percentage of respondents chose not to comment on business associations. From the answers to questions 6.1, 6.2 and 6.3 it is clear that 46,8 percent of the respondents agree that a business association is of assistance to them, that it is not expensive to belong to one (44,2%), and that it does not interfere in the grocery store business (47,2%). However, about half (34%) of the respondents who chose to comment, agree that they do not know how a business association can assist them (question 6.4), as shown in exhibit 6.10.

EXHIBIT 6.10 UNSURE HOW BUSINESS ASSOCIATION CAN ASSIST GROCERY STORES



More than two-thirds (67%) of the respondents are also of the opinion that a business association should do more to help them in the business activities of their grocery store (question 6.5), as illustrated in exhibit 6.11.

EXHIBIT 6.11

BUSINESS ASSOCIATIONS SHOULD DO MORE TO HELP GROCERY STORE OWNERS



6.4 THE MARKETING MANAGEMENT PROCESS AND THE MARKETING CONCEPT

6.4.1 Internal environment

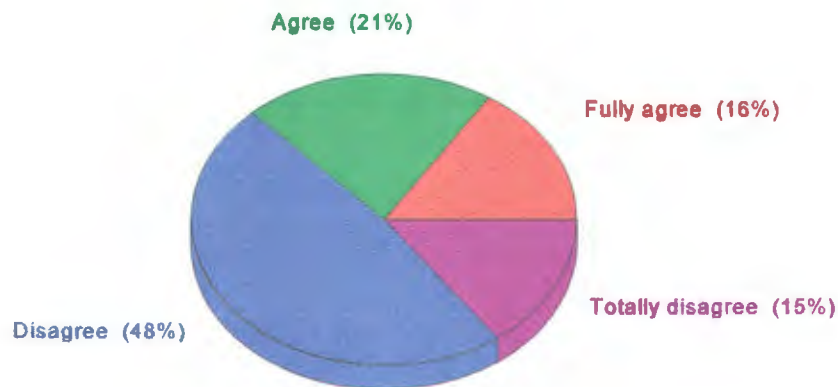
Questions 7 and 8 of the questionnaire dealt with the internal environment. Question 7 was used to test the respondents' perception of aspects of the internal environment, namely the organisational mission and objectives, as well as organising and control. The frequency breakdown of the responses to the question is given below.

Question 7: To what extent do you agree or disagree with the following statements?

Statement	Fully agree		Agree		Dis-agree		Totally disagree	
	F	%	F	%	F	%	F	%
7.1 A written-down purpose (mission) of any business is necessary.	119	55,1	81	37,5	16	7,4	0	0
7.2 Objectives specifying how much profit should be made are important.	106	49,1	99	45,8	11	5,1	0	0
7.3 If a business has several employees, it is important to have a structure specifying who has authority over whom.	114	52,8	89	41,2	10	4,6	3	1,4
7.4 It is not the job of the owner/manager/person in charge of the store to train employees in all tasks.	34	15,9	45	21,0	103	48,1	32	15,0
7.5 The owner/manager/person in charge of a store should ensure that employees are motivated to do their best.	116	53,7	96	44,4	3	1,4	1	0,5
7.6 It is important to regularly check whether actual sales or profit correspond to planned sales or profit.	117	54,2	90	41,7	7	3,2	2	0,9
7.7 It is necessary to set specific objectives for marketing, eg what sales should be per week.	87	40,5	101	47,0	20	9,3	7	3,2

The respondents' answers indicate that in total (*fully agree* + *agree* responses) the vast majority (more than 90%) agree with the importance of the organisational mission (question 7.1) and organisational objectives (question 7.2), organisational structure (question 7.3), that employees should be motivated (question 7.5), and that control is necessary (question 7.6). More than 80 percent in total also agree that marketing objectives are necessary (question 7.7). The various responses to the training of employees (question 7.4) are illustrated in exhibit 6.12.

EXHIBIT 6.12 TRAINING OF EMPLOYEES



As illustrated in exhibit 6.12, a relatively small majority (48% + 15% = 63%) of the respondents appear to be of the opinion that it is the responsibility of the owner/manager/person in charge of the store to train employees in all tasks.

6.4.2 The marketing concept

The purpose of question 8 was to ascertain the respondents' knowledge and understanding of the marketing concept. The frequency breakdown of the answers to this question appears below.

Question 8: To what extent do you agree or disagree with the following statements?

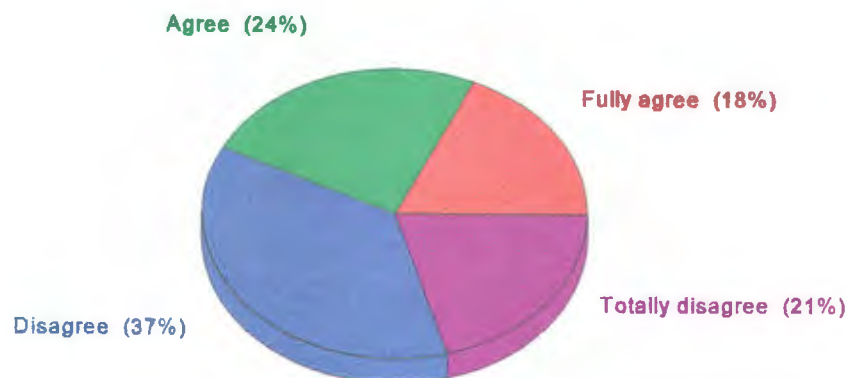
	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
8.1	It is the customer's responsibility to tell the retailer what products he should stock in his store.	45	20,8	85	39,4	74	34,3	12	5,5
8.2	A retailer will sell more products and thus make more profit if he keeps fewer brands.	22	10,2	58	26,9	101	46,8	35	16,1
8.3	It is the responsibility of the retailer to find out what products his customers want.	112	51,9	97	44,9	7	3,2	0	0
8.4	Good service to customers is important as long as it does not cost any money.	64	29,9	118	55,1	29	13,6	3	1,4
8.5	All employees in the store must strive to keep the customers satisfied and happy.	135	62,5	78	36,1	3	1,4	0	0
8.6	All employees should be informed of new products in the store.	103	47,7	109	50,5	4	1,8	0	0
8.7	A retailer will make more profit if he attempts to satisfy his customers' needs better than his competitors.	122	56,5	87	40,3	6	2,8	1	0,4
8.8	It is not the retailer's responsibility to provide employment opportunities for the members of his community.	13	6,1	57	26,8	117	54,9	26	12,2
8.9	Becoming involved in sponsorships (eg providing scholarships for education) is a waste of money.	11	5,1	29	13,5	117	54,4	58	27,0
8.10	It is the municipality's/ government's responsibility, not the retailer's responsibility, to look after all the needs of the community.	39	18,2	52	24,3	79	36,9	44	20,6

With regard to the consumer orientation tenet of the marketing concept (questions 8.1, 8.2, 8.3, and 8.4), most of the respondents agree (*fully agree + agree* responses) that good service is important (question 8.4; 85%); that the customer should tell the retailer what products to stock (question 8.1 ; 60,2%); and that he should determine what products the customers need (question 8.3; 96,8%). However, a relatively large percentage of the respondents (37,1%) maintain that they would sell more and thus make more profit if fewer brands were kept (question 8.2).

With regard to the integrated marketing principle (questions 8.5 and 8.6), more than 90 percent of the respondents in total accept that all employees play a role in ensuring good customer service. The vast majority of the respondents (96,8% in total) also accept that profitability is a function of customer satisfaction (question 8.7).

Most of the respondents agree with the importance of the social responsibility tenet of the marketing concept by providing employment opportunities (question 8.8) and becoming involved in sponsorships (question 8.9). The respondents' views on whether the retailer should look after the needs of the community (question 8.10), appear in exhibit 6.13.

EXHIBIT 6.13 THE RETAILER'S RESPONSIBILITY CONCERNING THE NEEDS OF THE COMMUNITY



From exhibit 6.13 it is evident that a large percentage (18% + 24% = 42%) of the respondents are of the opinion that it is not the responsibility of the retailer to look after the needs of the community.

6.5 EXTERNAL MARKETING ENVIRONMENT AND TARGET MARKET SELECTION

6.5.1 Customer analysis

Questions 9 to 20 of the questionnaire refer to aspects of the market environment; questions 21 to 24 to the macro-environment; and questions 25 and 26 to target market selection.

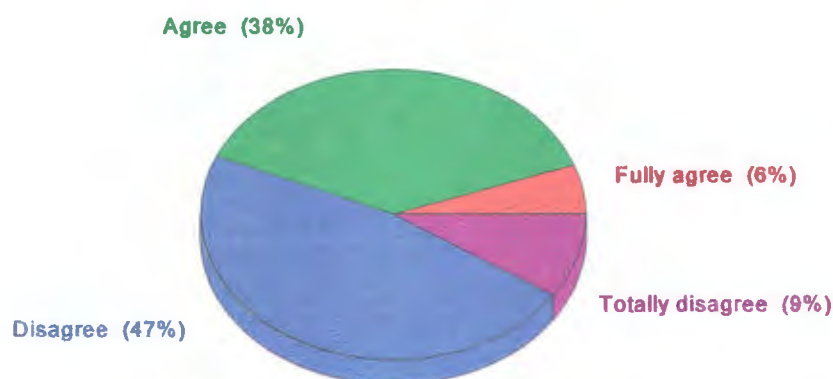
Questions 9 to 15 of the questionnaire were intended to gain the respondents' perception of customer analysis. Question 9 deals with aspects of the respondents' customers such as culture and certain buying patterns. The frequency breakdown of the responses is given below.

Question 9: To what extent do you agree or disagree, with regard to **your** customers, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Total-ly dis-agree	
		F	%	F	%	F	%	F	%
9.1	The cultural background of my customers is not important in the products they buy.	6	2,8	37	17,3	128	59,8	43	20,1
9.2	My customers buy certain brands of cigarettes as status symbols.	20	9,3	127	59,3	55	25,7	12	5,7
9.3	The infrastructure of an area (eg transport and electricity) does not play a role in the products which my customers buy.	23	10,6	38	17,6	94	43,5	61	28,3
9.4	My customers buy only basic necessities such as milk, mealie meal and fish at my store.	21	9,7	39	18,1	119	55,1	37	17,1
9.5	My customers do not buy less if the prices of products increase.	12	5,6	81	37,9	101	47,2	20	9,3
9.6	My customers are not concerned about the quality of products.	13	6,1	26	12,2	109	50,9	66	30,8
9.7	When my customers are not well educated it is important to keep well-known brand names.	55	25,6	114	53,0	41	19,1	5	2,3
9.8	Once a customer buys from me he will keep on buying from me.	57	27,0	84	39,8	54	25,6	16	7,6

The reactions to this question indicate that more than 70 percent (in total) of the respondents agree that the cultural background of their customers (question 9.1) and the infrastructure of the area (question 9.3) are important factors in the products they buy. More than 60 percent of the respondents agree, although not very strongly, that their customers buy certain products as status symbols (question 9.2), while more than 70 percent maintain that their customers do not buy only basic necessities (question 9.4), and 81,7 percent say that their customers are concerned about quality products (question 9.6). A large majority (78,6% in total) also accept that it is important to keep well-known brand names if their customers are not well educated (question 9.7). They are, however, divided on the question whether their customers buy less if the prices of products increase (question 9.5), with 44 percent (38% + 6%) in favour and 56 percent (47% + 9%) not in favour of this view, as reflected in the next exhibit.

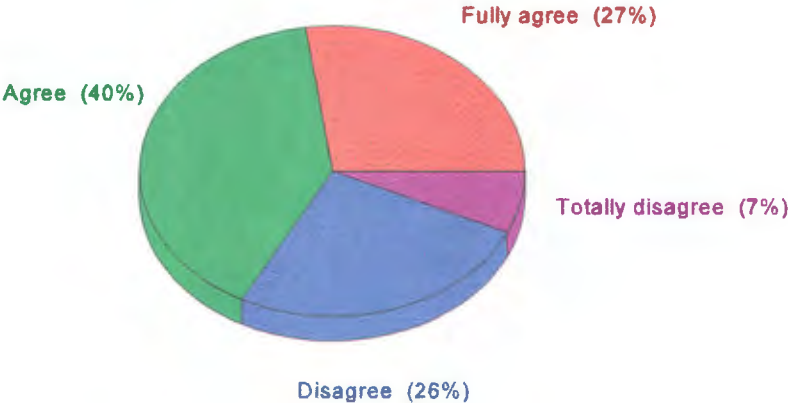
EXHIBIT 6.14 AMOUNT BOUGHT WHEN PRICES INCREASE



The majority of respondents (27% + 40% = 67%) also maintain that a customer will continue buying from them after the first visit to the store (question 9.8), as reflected in the next exhibit.

EXHIBIT 6.15

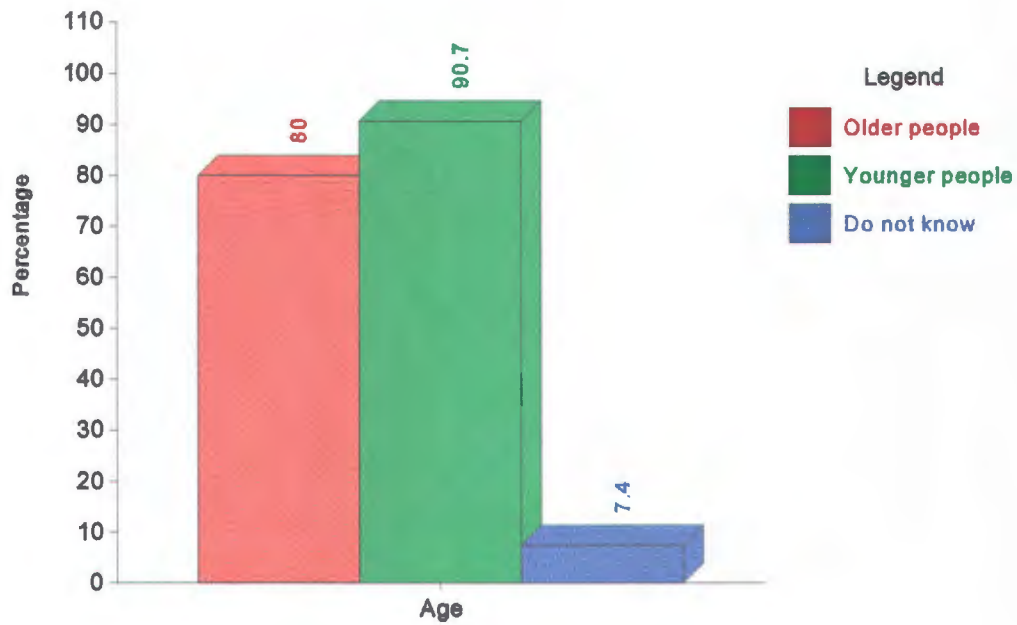
PERCEPTION OF CUSTOMER RETENTION



Questions 10, 11 and 12 (multiple-response questions) sought to gain information on the profile of the respondents' customers, namely their age structure, family composition, and which family member is perceived as the main buyer. The age structure of the respondents' customers (question 10) is perceived as slightly more youthful (90,7%) than older (80%), as reflected in exhibit 6.16.

EXHIBIT 6.16

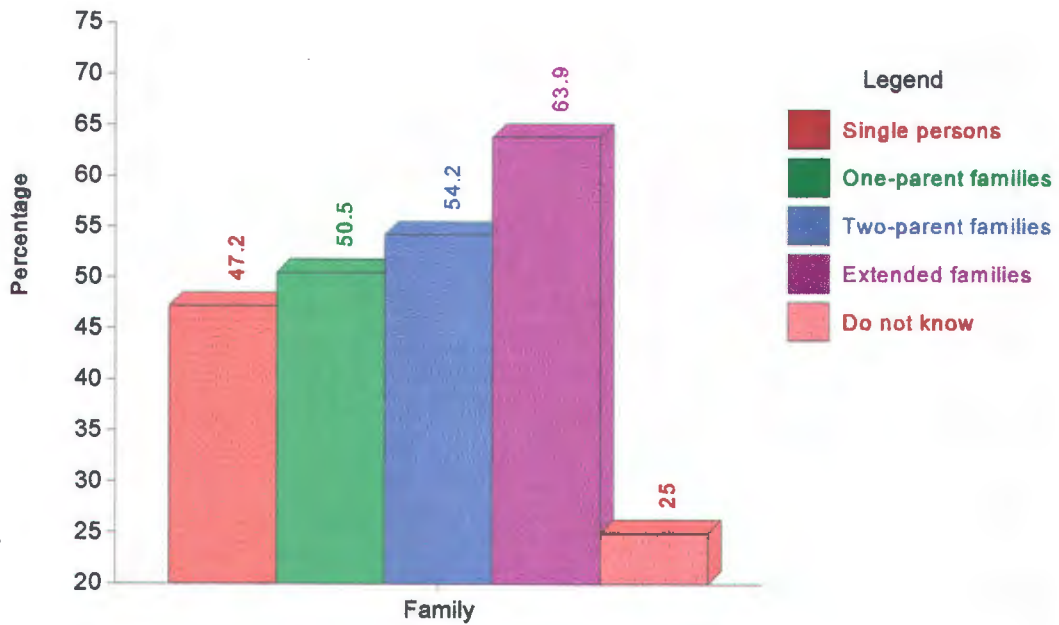
AGE STRUCTURE OF CUSTOMERS



With regard to the customers' family composition (multiple-response question 11), the respondents indicated that the extended family is the most prevalent (63,9%), followed by two-parent families (54,2%), one-parent families (50,5%) and single persons (47,2%), as illustrated by the next exhibit.

EXHIBIT 6.17

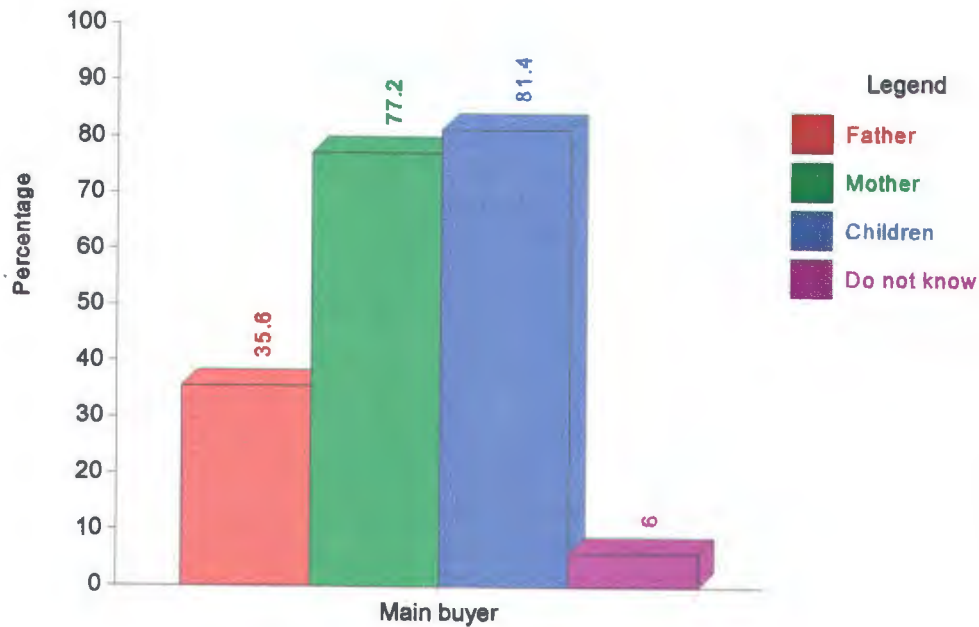
FAMILY COMPOSITION OF CUSTOMERS



The next exhibit reflects the respondents' perception of the family member who mainly does the purchases for the family (multiple-response question 12) at their stores.

EXHIBIT 6.18

THE FAMILY'S MAIN BUYER



From exhibit 6.18 it is clear that most respondents (81,4%) perceive the children as the main buyers, followed by the mother (77,2%) and the father (35,6%).

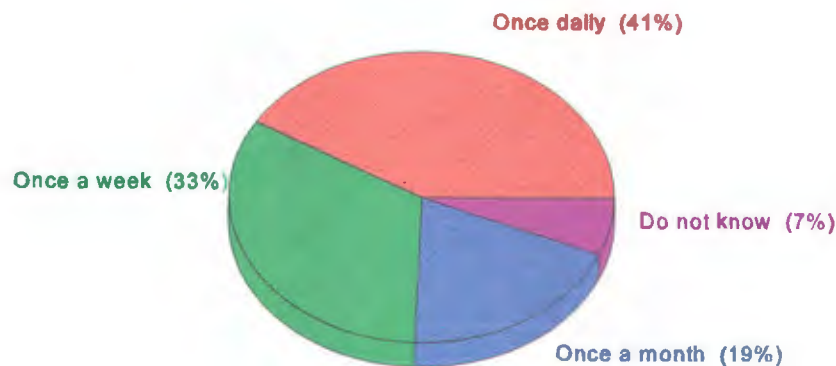
Question 13 of the questionnaire sought to gain information on the frequency of purchase of certain products. The frequency breakdown of the responses to this question is provided below.

Question 13: How often do the same customers buy the following products from your store?

Product	Once daily		Once a week		Once a month		Do not know	
	F	%	F	%	F	%	F	%
Sugar	118	55,1	69	32,2	8	3,8	19	8,9
Maize meal	89	41,4	71	33,0	41	19,1	14	6,5
Cold drinks	187	87,0	11	5,1	3	1,4	14	6,5
Condensed milk	47	22,0	95	44,4	52	24,3	20	9,3
Washing powder	58	27,2	105	49,3	36	16,9	14	6,6
Instant coffee	36	17,0	68	32,1	86	40,6	22	10,3
Cigarettes	195	90,7	7	3,3	1	0,5	12	5,5

From the responses to the question, it appears that certain products, namely sugar, maize meal, cold drinks and cigarettes are bought predominantly on a daily basis, condensed milk and washing powder on a weekly basis, while instant coffee is bought monthly. The particular responses to maize meal are highlighted in exhibit 6.19.

EXHIBIT 6.19 FREQUENCY OF MAIZE MEAL PURCHASES



From exhibit 6.19 it is evident that most maize meal purchases occur on a daily basis, while a small percentage (19%) buy on a monthly basis.

Aspects of the lifestyle of the customers were investigated in question 14. The frequency breakdown of the responses to this question appears below.

Question 14: To what extent do you agree or disagree, with regard to **your** customers, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
14.1	My customers are concerned about their health and buy products to promote good health.	92	42,8	97	45,1	24	11,2	2	0,9
14.2	My customers are interested only in traditional values and not any Western ideas.	12	5,6	51	23,6	115	53,2	38	17,6

It is clear that the majority of the respondents (*fully agree* + *agree* responses) are of the opinion that their customers are concerned about their health (question 14.1; 87,9%), and that they are interested in Western ideas (*disagree* + *totally disagree* responses; 70,8%).

Question 15 investigated the consumers' perceptions of certain aspects of grocery stores. The frequency breakdown of the responses to the question is given below.

Question 15: To what extent do you agree or disagree, with regard to grocery stores in general, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
15.1	Consumers are only interested in the quality of the products in a store.	45	20,8	97	44,9	65	30,1	9	4,2
15.2	Consumers are not interested whether sales personnel are friendly and helpful, as long as the prices are low.	12	5,6	12	5,6	117	54,2	75	34,6
15.3	Consumers will not think a store is better if it is neat and tidy.	10	4,6	38	17,7	88	40,7	80	37,0

The respondents' perception of whether consumers in general are interested only in the quality of products in a store (question 15.1) is reflected in the next exhibit.

EXHIBIT 6.20

CONSUMER PERCEPTION OF QUALITY OF PRODUCTS IN STORES

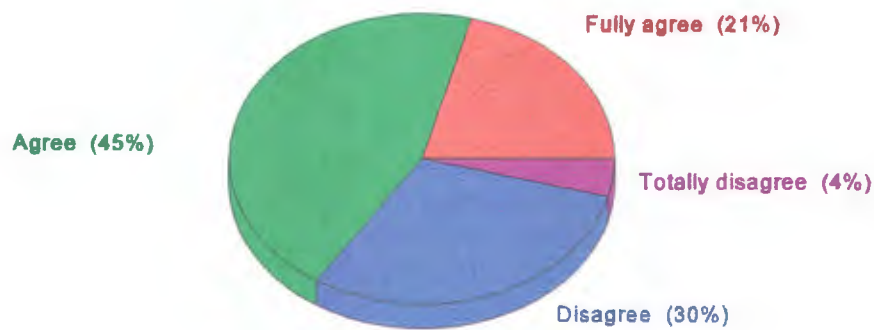


Exhibit 6.20 shows that the respondents tend to think that consumers in general are keenly interested in the quality of the products in a store (question 15.1), since those who *fully agree* and *agree* with this statement are 66 percent in total; revealing that a fairly significant percentage (34%) thus also feel that customers are not interested in the quality of products in a store.

The majority of the respondents (88,8%) also agree that friendly and helpful sales personnel are important aspects of a store (question 15.2), while a total of 77,7 percent (40,7% + 37% = 77,7%) feel that consumers think more highly of a neat and tidy store (question 15.3).

6.5.2 Competitor analysis

The respondents' perception of competitors was investigated by means of questions 16 and 17. The frequency breakdown of the responses to question 16 is given below.

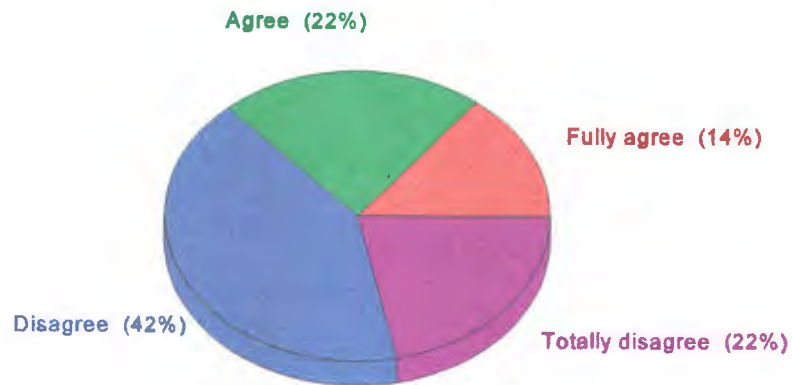
Question 16: To what extent do you agree or disagree, with regard to grocery stores in general, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
16.1	Before a new store is opened, it is not really necessary to determine if there are any other stores in the neighbourhood selling similar products.	31	14,4	48	22,2	90	41,7	47	21,7
16.2	A retailer in your township does not compete with stores in the nearby city.	9	4,2	40	18,5	114	52,8	53	24,5
16.3	A retailer does not compete with another type of retailer (eg a café) which is close to his own store.	11	5,1	26	12,2	117	54,7	60	28,0
16.4	Only retailers/stores selling the same products are in competition with each other.	48	22,4	115	53,7	44	20,6	7	3,3

Most of the respondents (63,4% in total disagree with the statement) maintain that it is necessary to determine if there are other stores in the neighbourhood selling similar products before a new store is opened (question 16.1). The responses are highlighted in exhibit 6.21.

EXHIBIT 6.21

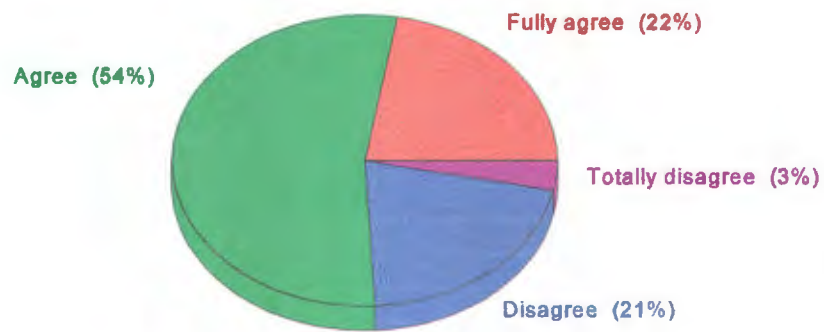
DETERMINE OTHER RETAILERS IN NEIGHBOURHOOD BEFORE A STORE IS OPENED



From exhibit 6.21 it is clear that many respondents (36% in total) do not think it is necessary to determine if there are other stores in the neighbourhood selling similar products.

The majority of the respondents (77,3%) accept that a retailer in the township competes with stores in the nearby city (question 16.2). Most respondents (82,7% in total) also accept that a retailer competes with another type of retailer who is close to his own store (question 16.3). More than 75 percent of the respondents maintain that only retailers selling the same products are in competition with each other (question 16.4), as highlighted in exhibit 6.22.

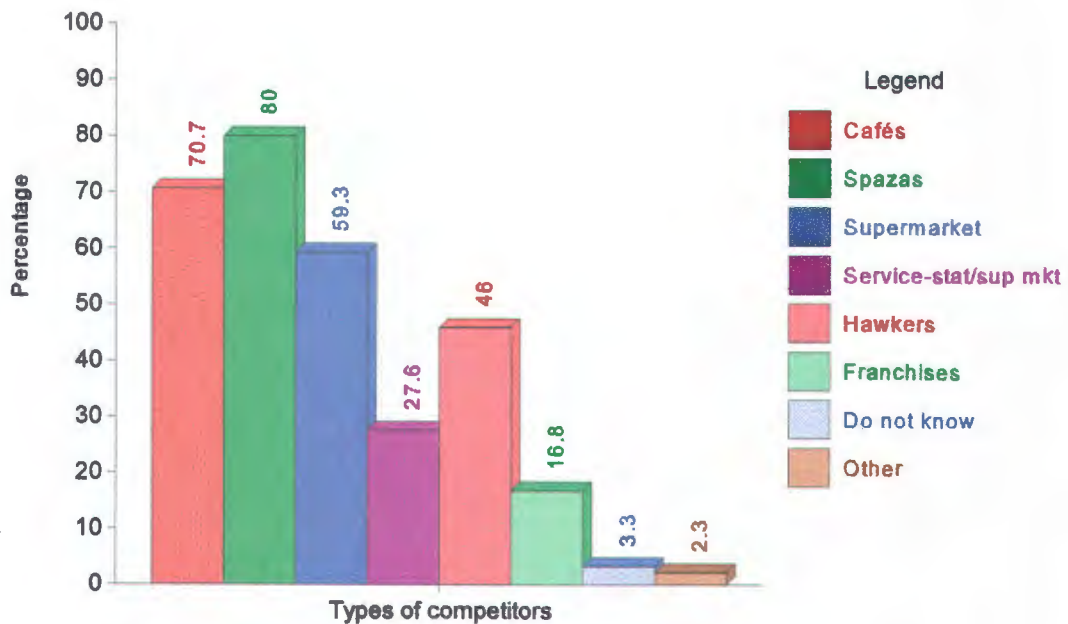
EXHIBIT 6.22 RETAIL COMPETITION



Question 17 referred to the different types of competitors close to the respondents' stores. The multiple responses to this question are illustrated in exhibit 6.23.

EXHIBIT 6.23

TYPES OF COMPETITORS CLOSE TO RESPONDENTS' STORES



From exhibit 6.23 it is clear that spazas are the respondents' most frequent competitors (80%), followed by cafés (70,7%), supermarkets (59,3%) and hawkers (46%). Service-station supermarkets (27,6%) and franchises (16,8%) occur the least.

6.5.3 Intermediaries

Questions 18, 19 and 20 sought to gain information on the respondents' perceptions of their intermediaries. The sources of supply of their merchandise (multiple-response question 18) are reflected in exhibit 6.24.

EXHIBIT 6.24 SOURCES OF SUPPLY

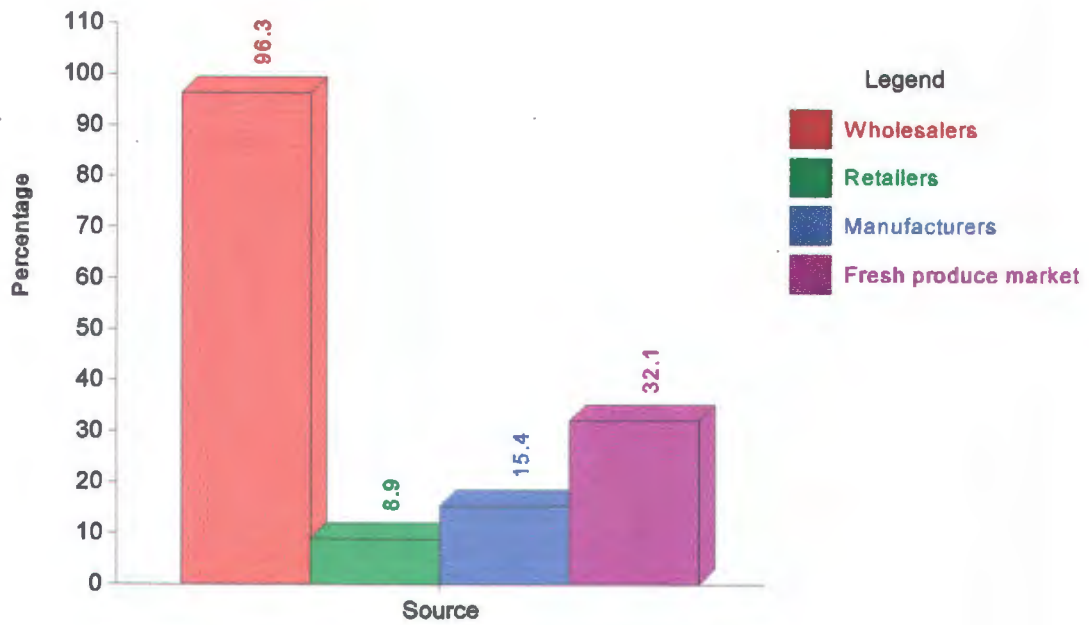
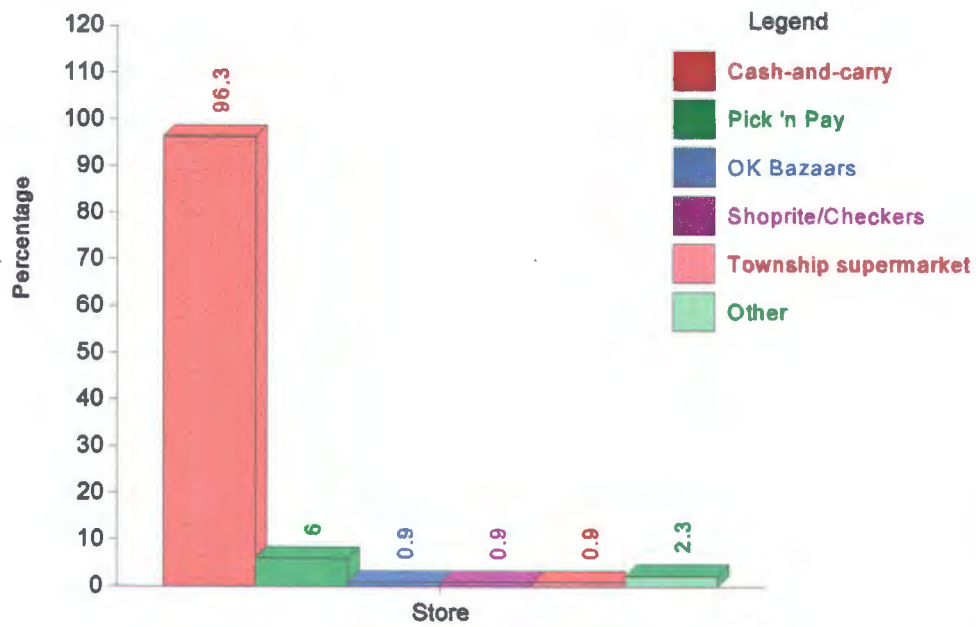


Exhibit 6.24 clearly shows that the vast majority of the respondents obtain their merchandise from wholesalers (96,3%), followed by the fresh produce market (32,1%), manufacturers (15,4%) and retailers (8,9%).

The responses to multiple-response question 19 on the specific stores from which merchandise is obtained, are illustrated in exhibit 6.25.

EXHIBIT 6.25

SPECIFIC STORES FOR OBTAINING MERCHANDISE



From exhibit 6.25 it is clear that the vast majority of the respondents (96,3%) obtain their merchandise from cash-and-carry wholesalers.

The various methods of transport used by the respondents to have merchandise delivered to their stores (multiple-response question 20), are illustrated in exhibit 6.26.

EXHIBIT 6.26

METHODS OF DELIVERY

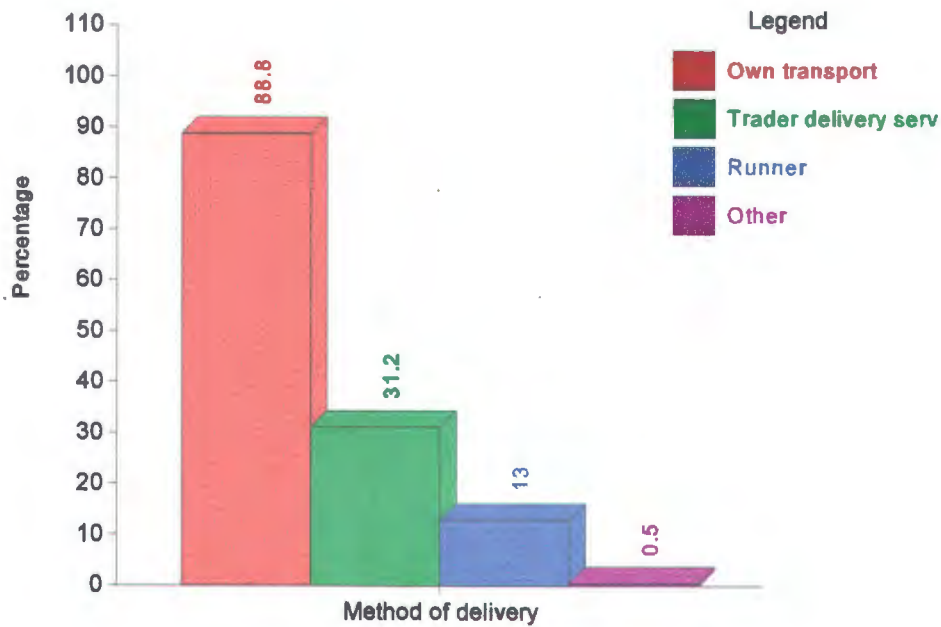


Exhibit 6.26 shows that most of the respondents (88,8%) possess their own transport for the delivery of merchandise bought, while only 13% use a runner.

6.5.4 Macro-environment

The perceptions of the respondents of various aspects of the macro-environment were investigated by questions 21 to 24 of the questionnaire. The frequency breakdown of the responses to question 21 is given below.

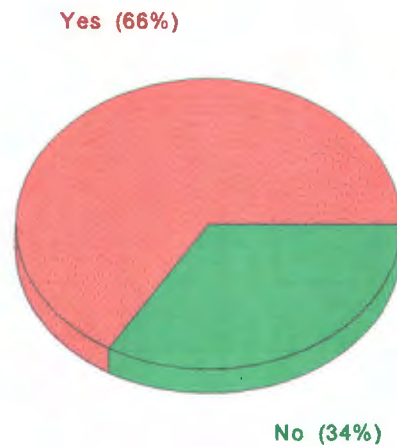
Question 21: To what extent do you agree or disagree, with regard to consumers in general, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree		Do not know	
		F	%	F	%	F	%	F	%	F	%
21.1	The economic situation in the country does not affect the individual grocery purchases of consumers.	11	5,2	18	8,4	57	26,9	97	45,8	29	13,7
21.2	During a time of inflation consumers have less money to spend.	53	24,9	134	62,9	10	4,7	6	2,8	10	4,7
21.3	Consumers buy only basic necessities during a time of inflation.	66	31,4	118	56,2	20	9,5	3	1,4	3	1,5

With regard to the variables in the economic environment (question 21.1), most respondents ($26,9\% + 45,8\% = 72,7\%$) appear to accept that the economic situation in the country affects the individual grocery purchases of consumers, and that during a time of inflation consumers have less money to spend (question 21.2; $24,9\% + 62,9\% = 87,8\%$). They also are of the opinion that consumers buy only basic necessities during a time of inflation (question 21.3; $87,6\%$ in total).

The methods of bookkeeping used by the respondents (question 22) are reflected in exhibit 6.27.

EXHIBIT 6.27 METHODS OF BOOKKEEPING



From exhibit 6.27 it is clear that about two-thirds (66%) of the respondents employ an accountant to do the bookkeeping.

The methods of bookkeeping used if an accountant is not employed (multiple-response question 23), are reflected in exhibit 6.28.

EXHIBIT 6.28

METHODS OF BOOKKEEPING IF ACCOUNTANT IS NOT USED

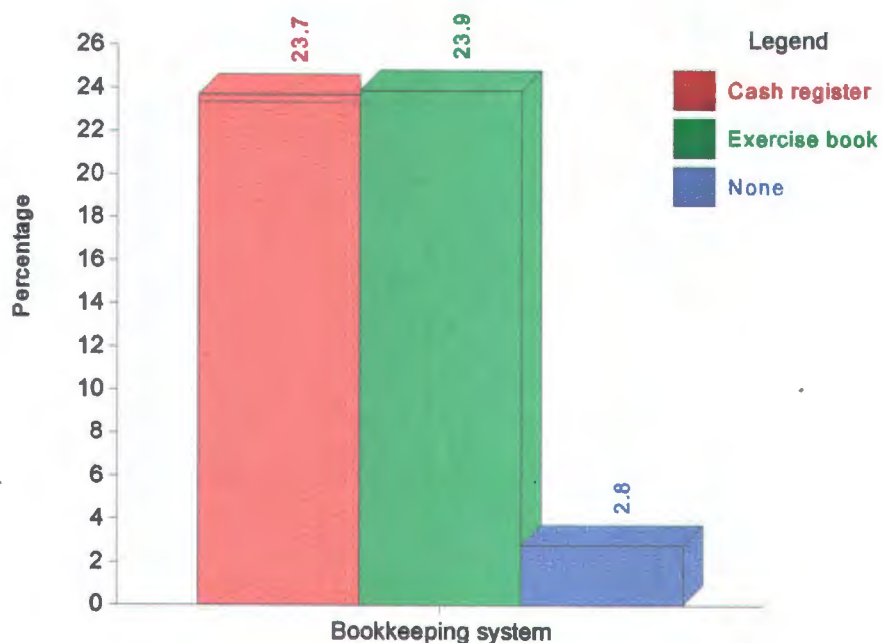
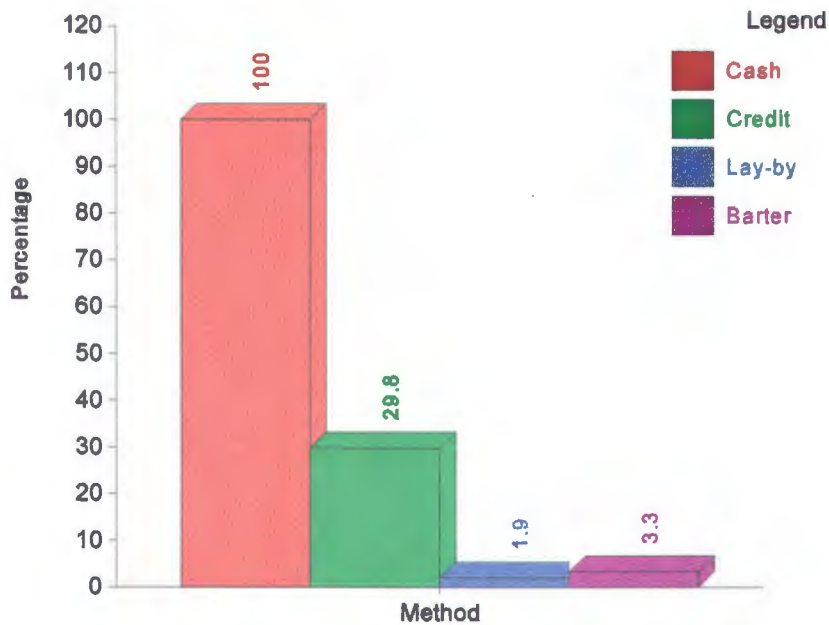


Exhibit 6.28 shows that half of the respondents who do not employ an accountant, use a cash register, the other half use an exercise book, while 2,8 percent use no system at all.

The methods of sale used by the respondents (multiple-response question 24) are reflected in exhibit 6.29.

EXHIBIT 6.29 METHODS OF SALE



According to exhibit 6.29, all of the 215 respondents sell for cash, and 29,8% also on credit, while the lay-by and barter systems are hardly used.

6.5.5 Target market selection

The respondents' perception of aspects of target market selection was investigated by questions 25 and 26. The frequency breakdown to question 25 is as follows:

Question 25: In deciding on which merchandise to stock, how important are the following considerations?

Consideration	Very important		Important		Less important		Totally unimportant	
	F	%	F	%	F	%	F	%
25.1 Customers' culture	72	33,5	106	49,3	34	15,8	3	1,4
25.2 Customers' income	70	32,6	119	55,3	23	10,7	3	1,4
25.3 Customers' age	29	13,5	70	32,6	92	42,8	24	11,1
25.4 Customers' sex	19	8,9	53	24,8	96	44,9	46	21,4
25.5 Prices of products	126	58,6	87	40,5	2	0,9	0	0
25.6 Quality of products	151	70,2	63	29,3	1	0,5	0	0

Most of the respondents appear to agree that the customers' culture (question 25.1; 82,8% in total) and income (question 25.2; 87,9% in total) are important factors in deciding what merchandise to stock. The responses to the importance of the customers' age (question 25.3) and gender (question 25.4) are reflected in exhibit 6.30.

EXHIBIT 6.30 IMPORTANCE OF CUSTOMERS' AGE AND GENDER

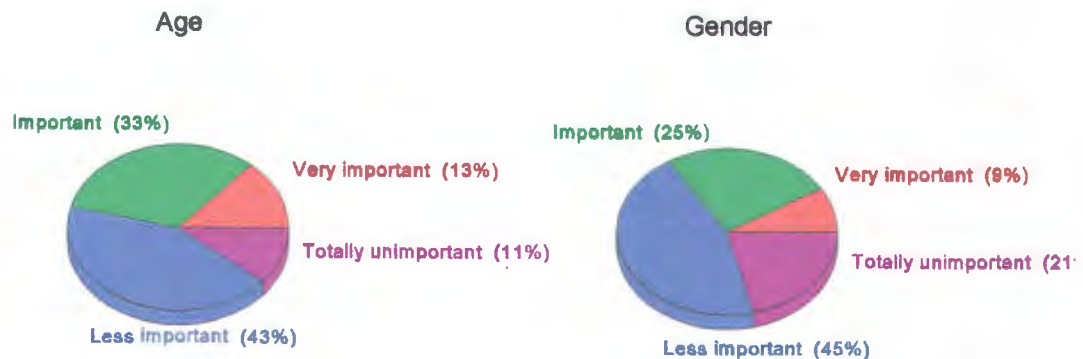


Exhibit 6.30 shows that most of the respondents do not consider age (54% in total regard it as unimportant) and gender (66% in total regard it as unimportant) as significant factors in deciding what merchandise to stock.

The vast majority of respondents, however, are of the opinion that the prices of products (58,6% + 40,5% = 99,1%) and the quality of products (70,2% + 29,3% = 99,5%) are very important in deciding what merchandise to stock.

The respondents' perceptions of positioning are reflected in the responses to question 26. The frequency breakdown to this question is given below.

Question 26: How strongly do you agree or disagree, with regard to *your* customers, with the following statements?

	Statement	Strongly agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
26.1	My customers think the products in my store are cheaper than those of my competitors in the area.	36	17,1	111	52,9	52	24,8	11	5,2
26.2	My customers see my store as offering value for money.	40	18,7	139	65,0	22	10,2	13	6,1
26.3	I do not care what my customers think of my store as long as I make a profit.	5	2,3	10	4,7	69	32,1	131	60,9
26.4	The location of my store (in the township) provides me with an advantage over the retailer in the nearby city.	32	14,9	75	34,9	45	20,9	63	29,3

The majority of the respondents (70% in total) appear to think that their customers think the products in their stores are cheaper than those of their competitors in the area (question 26.1), that their customers see their stores as offering value for money (question 26.2; 83,7% in total), while 93 percent of the respondents in total are concerned about what their customers think of their stores (question 26.3). Their perceptions of the location of their stores (question 26.4) are reflected in the next exhibit.

EXHIBIT 6.31 ADVANTAGE OF LOCATION OF STORE

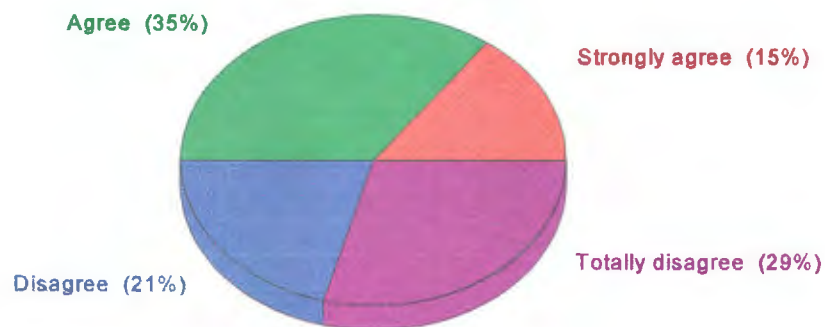


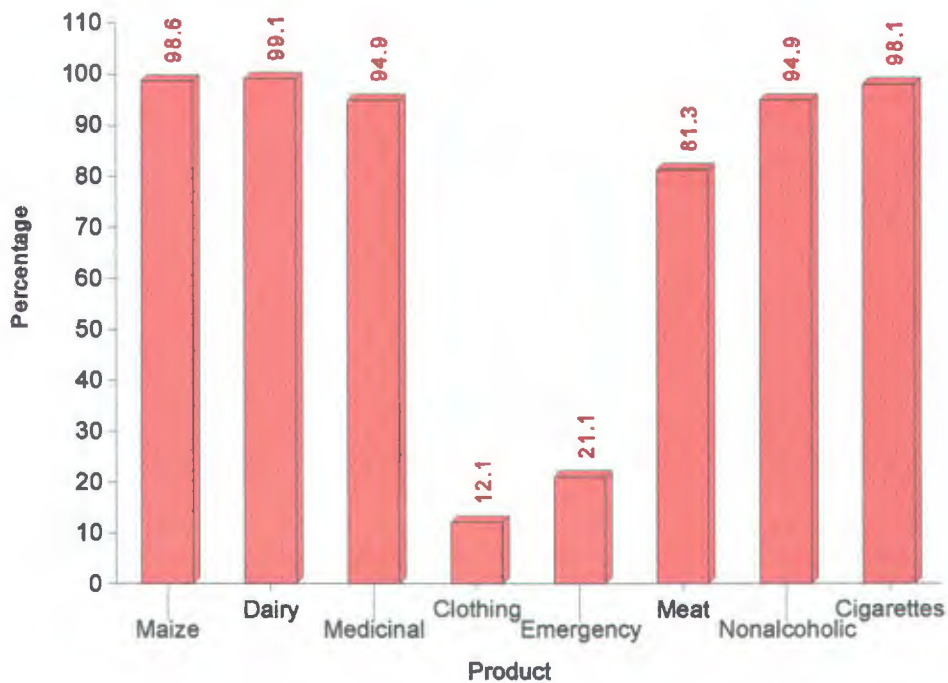
Exhibit 6.31 shows that 50 percent (in total) of the respondents agree that the location of their stores provides them with an advantage over the retailers in the city, implying that the same percentage disagree.

6.6 THE RETAIL MARKETING MIX

6.6.1 Product

Questions 27 to 34 were used to determine the respondents' perception of various aspects of the product, an instrument of the retail marketing mix. The respondents responses to question 27, on the types of products they stock, are reflected in the following exhibit.

EXHIBIT 6.32 TYPES OF PRODUCTS STOCKED

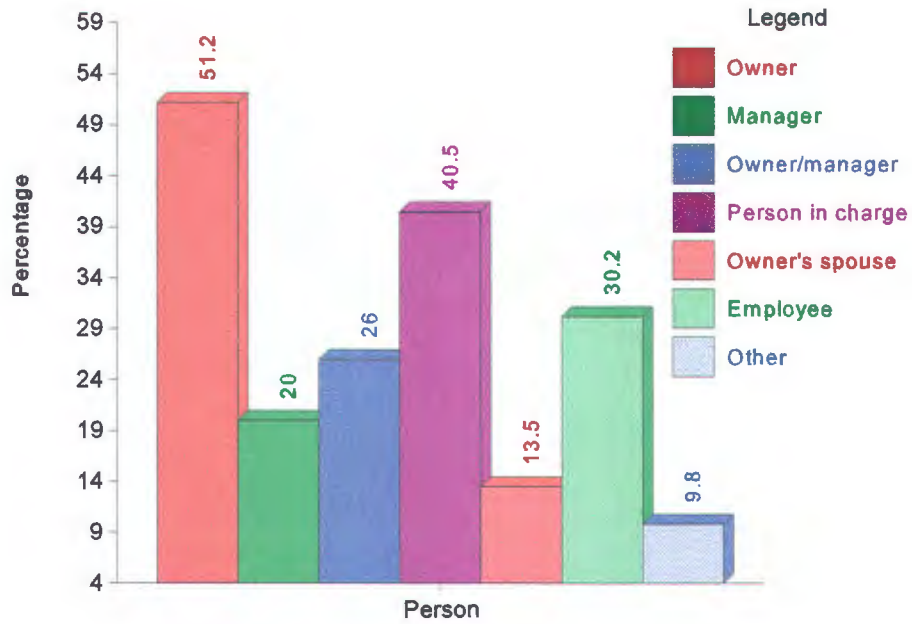


From exhibit 6.32 it is clear that most respondents stock maize products (98,6%), dairy products (99,1%), cigarettes (98,1%), medicinal products (94,9%), nonalcoholic drinks (94,9%) and meat products (81,3%). A relatively small percentage stock emergency products (21,1%) and clothing and accessories (12,1%).

Question 28, a multiple-response question, referred to the person/people who decides/decide what merchandise to stock. The respondents reported that the decision is mostly made by the owner (51,2%), followed by the person in charge of the store (40,5%), and an employee (30,2%), as reflected in the exhibit below.

EXHIBIT 6.33

PERSON RESPONSIBLE FOR DECIDING WHAT MERCHANDISE TO STOCK



The sources of information that help the respondents in deciding what merchandise to stock (multiple-response question 29), are illustrated in exhibit 6.34.

EXHIBIT 6.34

SOURCES OF INFORMATION IN DECIDING WHAT MERCHANDISE TO STOCK

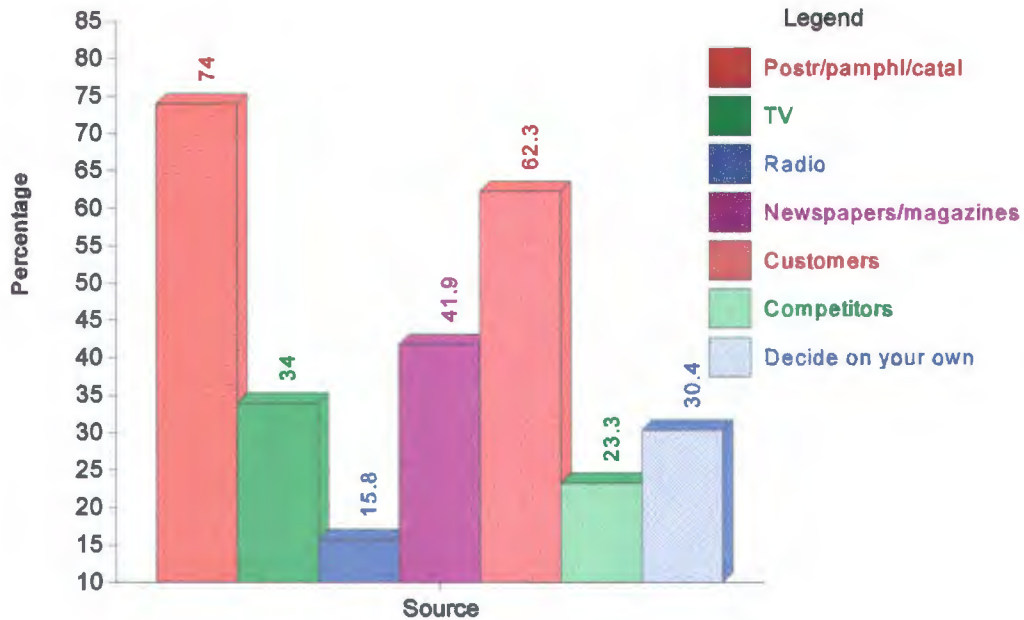


Exhibit 6.34 shows that the most used sources of information are posters/pamphlets/catalogues (74%), customers (62,3%), and newspapers/ magazines (41,9%), while about 30 percent of the respondents decide on their own what to stock.

Questions 30 to 34 dealt with the perceptions of certain aspects of brands and packaging. The frequency breakdown of the responses to question 30 is given below.

Question 30: To what extent do you agree or disagree with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
30.1	My customers demand only the well-known brands.	36	17,1	83	39,5	82	39,0	9	4,4
30.2	The most popular brands are those which can be pronounced easily, eg Omo, Surf, Colgate, Handy Andy.	76	35,3	111	51,6	24	11,2	4	1,9
30.3	Private brands such as Family Favorite are cheaper than manufacturer brands such as Koo.	67	31,2	129	60,0	15	7,0	4	1,8
30.4	The perception exists that private brands such as Family Favorite are of an inferior quality because they are cheaper than more established brands such as Koo.	42	19,5	130	60,5	35	16,3	8	3,7
30.5	My customers like packaging which offers secondary usage, eg a glass jar which can be used as a drinking glass afterwards.	46	21,7	89	42,0	64	30,2	13	6,1

The responses to question 30.1 which enquired whether the customers demanded only the well-known brands, are reflected in exhibit 6.35.

EXHIBIT 6.35 PREFERENCE FOR WELL-KNOWN BRANDS

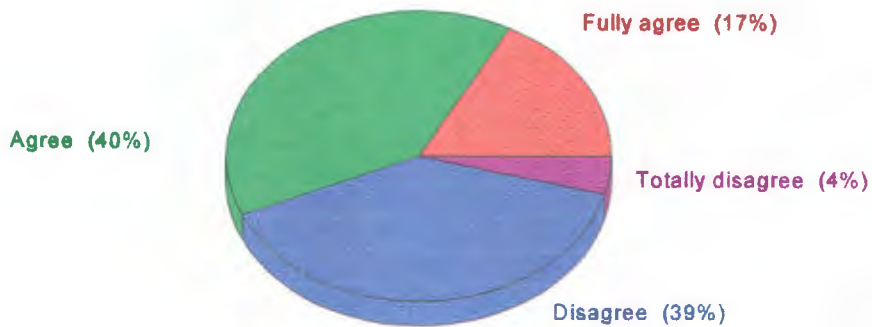
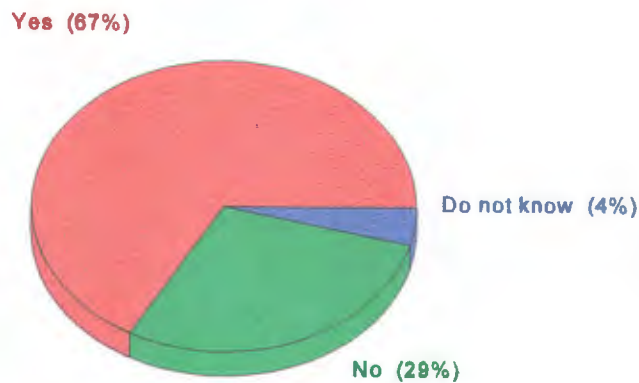


Exhibit 6.35 shows that only a small majority of the respondents (17% + 40% = 57%) maintain that their customers demand only the well-known brands. It is significant that more than 40 percent disagree with this statement.

With regard to the statement that the most popular brands are those which can be pronounced easily (question 30.2), more than 80 percent in total of the respondents were in agreement. The perception that private brands are cheaper than manufacturer brands (question 30.3) was confirmed by more than 90 percent of the respondents. Most respondents (80% in total) were also of the opinion that private brands are of an inferior quality than more established brands (question 30.4). On the question of packaging which offers secondary usage (question 30.5), the respondents were more divided since only about 60 percent agreed with the popularity among customers of this type of packaging.

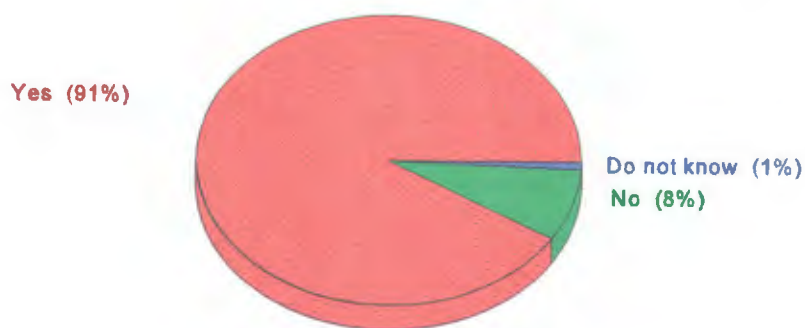
Brand loyalty is perceived by the respondents as not so strong, since only 67 percent reported that their customers always buy the same brand (question 31), as reflected in exhibit 6.36.

EXHIBIT 6.36 CUSTOMERS ALWAYS BUY THE SAME BRAND



About 90 percent of the respondents maintain that their customers are prepared to accept a substitute if their favourite brand is out of stock (question 32), as reflected in exhibit 6.37.

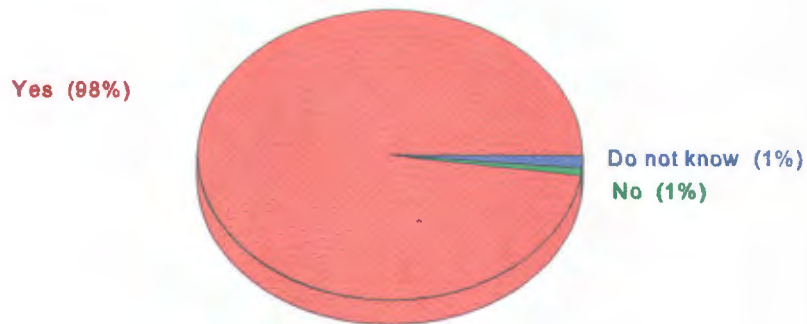
EXHIBIT 6.37 BRAND SWITCHING IF FAVOURITE BRAND IS OUT OF STOCK



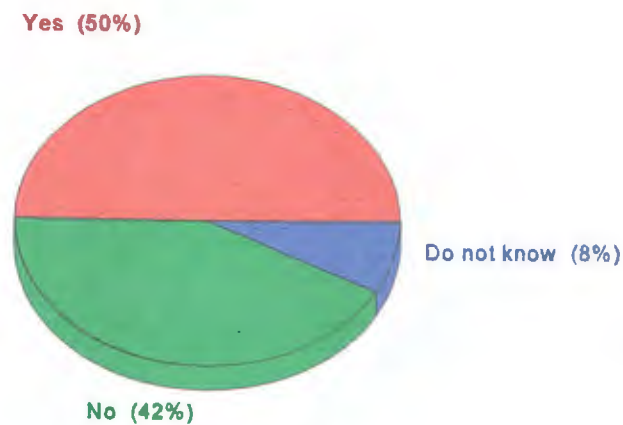
The vast majority the respondents (98%) reported that they know which brands are the best sellers in the basic grocery commodity range of products (question 33), as reflected in exhibit 6.38.

EXHIBIT 6.38

FAMILIARITY WITH BEST SELLER BRANDS



The respondents' replies to the question whether they experience a change in the trend of consumer purchases from smaller packaging to bigger packaging, revealed that only half of them (50%) think that it is in fact occurring (question 34). The next exhibit illustrates their replies.



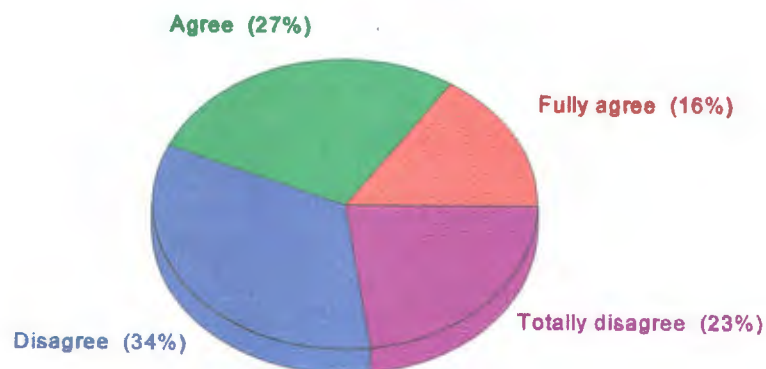
6.6.2 Pricing

Questions 35 to 40 refer to the respondents' perception of various aspects of pricing. The frequency breakdown of the responses to question 35 are given below.

Question 35: To what extent do you agree or disagree with the following statements?

Statement	Fully agree		Agree		Dis-agree		Totally disagree	
	F	%	F	%	F	%	F	%
35.1 My customers regard a high price as an indication of good quality.	34	15,8	59	27,4	73	34,0	49	22,8
35.2 My customers compare prices of products.	79	36,9	125	58,4	10	4,7	0	0
35.3 When "specials" are offered more customers come to my store.	110	52,1	82	38,9	10	4,7	9	4,3

With regard to the relationship between price and quality (question 35.1), a total of 57 percent (34% + 23% = 57%) of the respondents, thus a small majority, maintain that their customers do not regard a high price as an indication of good quality, as reflected in exhibit 6.40.

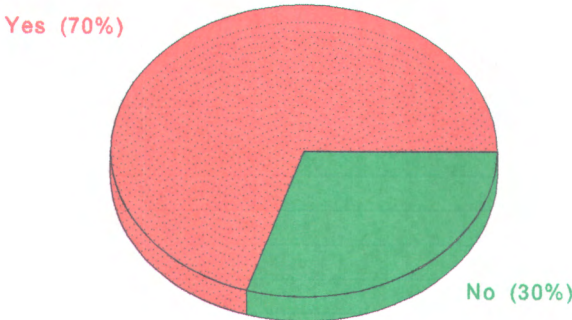
EXHIBIT 6.40**PRICE RELATED TO QUALITY**

More than 90 percent (in total) of the respondents maintain that their customers compare prices of products (question 35.2), while more than 90 percent also indicated that more customers come to their stores when specials are offered (question 35.3).

The next exhibit shows that most respondents (70%) compare their prices with those of competitors (question 36).

EXHIBIT 6.41

COMPARING PRICES WITH COMPETITORS



The responses of the respondents who do compare their prices with those of competitors (question 37) are illustrated in the next exhibit.

EXHIBIT 6.42

COMPARISON WITH COMPETITORS' PRICES

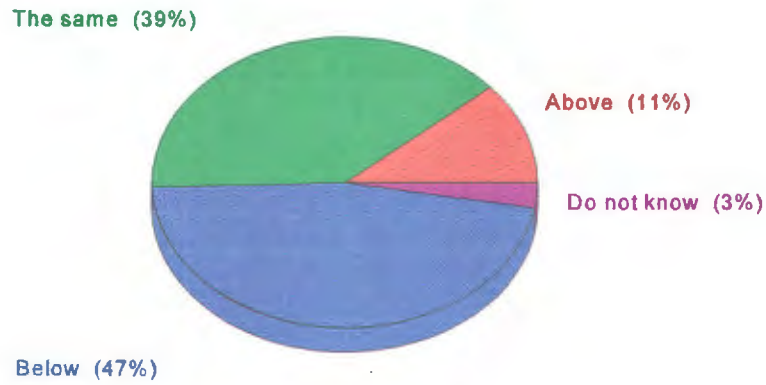
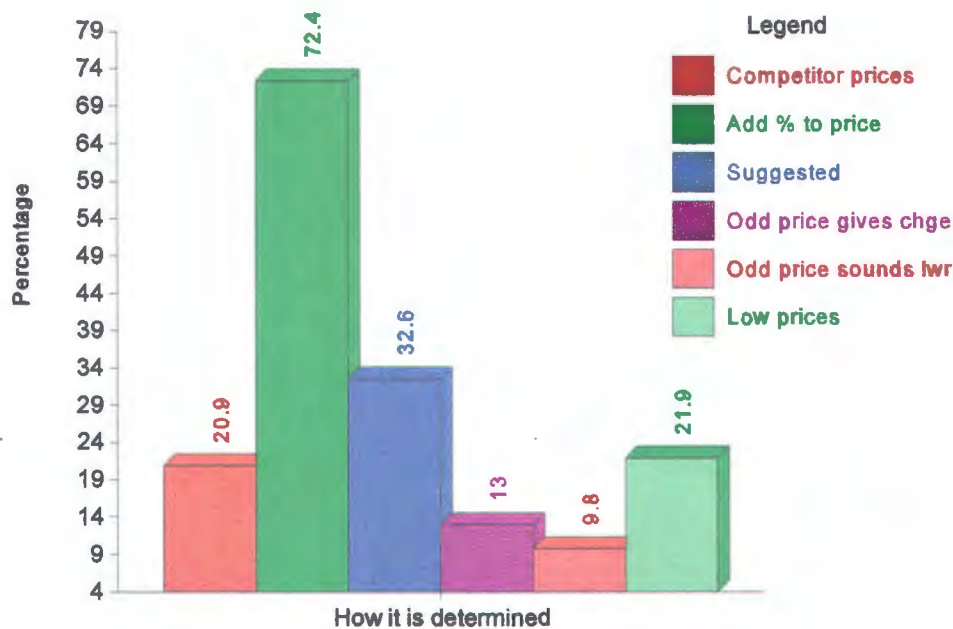


Exhibit 6.42 illustrates that 47 percent of the respondents are of the opinion that their prices are below those of competitors, while 39 percent believe their prices are the same as competitors. Only 11 percent think their prices are above those of competitors.

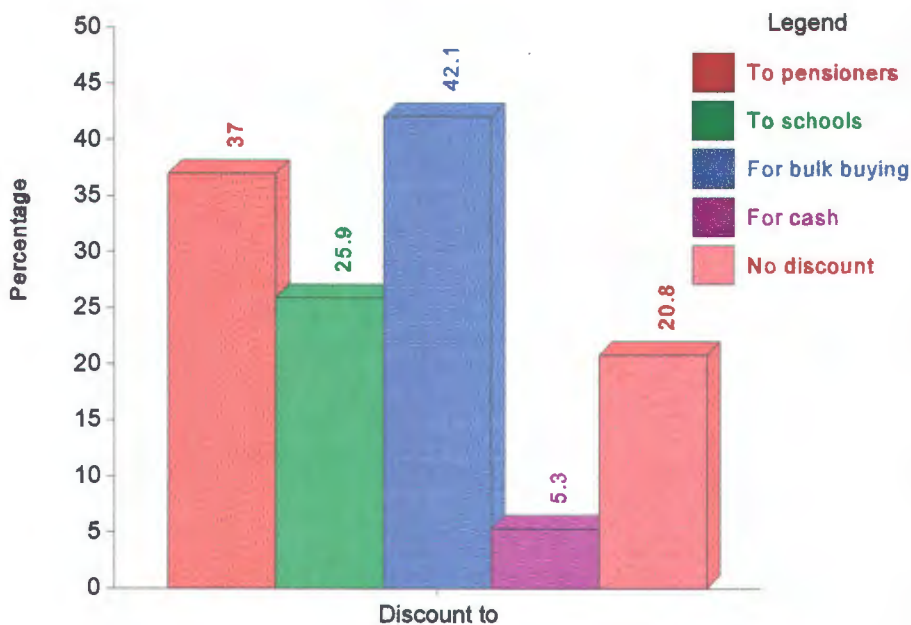
With regard to the determination of their selling prices (multiple-response question 38), the respondents' reactions are illustrated in exhibit 6.43.

EXHIBIT 6.43**DETERMINATION OF SELLING PRICE**

Most of the respondents (72,4%) use the mark-up method to set their selling prices, that is, they add a certain percentage to the cost price; 32,6 percent use prices suggested by the manufacturer/wholesaler/supplier; 21,9 percent use very low prices to draw customers; while 20,9 percent use competitors' prices as a guide. With regard to psychological prices, that is, prices ending in odd numbers, only 21,9 percent reported that they use this method.

The various types of discounts allowed by the respondents (question 39), are reflected in the next exhibit.

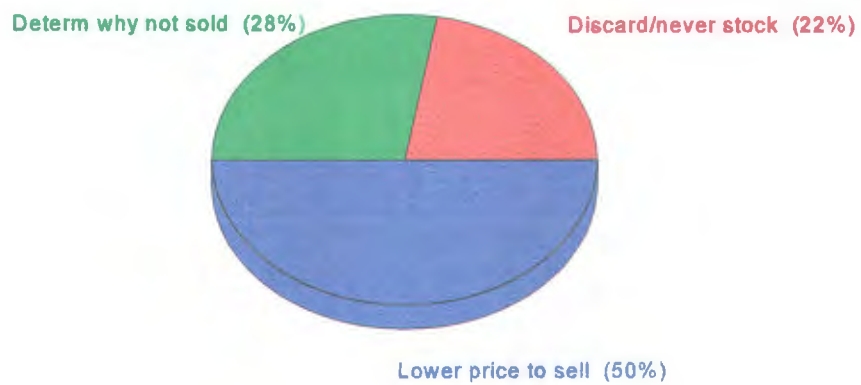
EXHIBIT 6.44 DISCOUNTS ALLOWED



Of the respondents, 42,1 percent allow discount for bulk buying, 37 percent to pensioners and 25,9 percent to schools, while 20,8 percent allow no discount. (Unfortunately no space was allocated in the questionnaire to "no discount allowed". The frequencies were entered in V152b at the end of annexure B.)

If a product does not sell, most respondents (50%) lower the price to get rid of it (question 40), as reflected in the next exhibit.

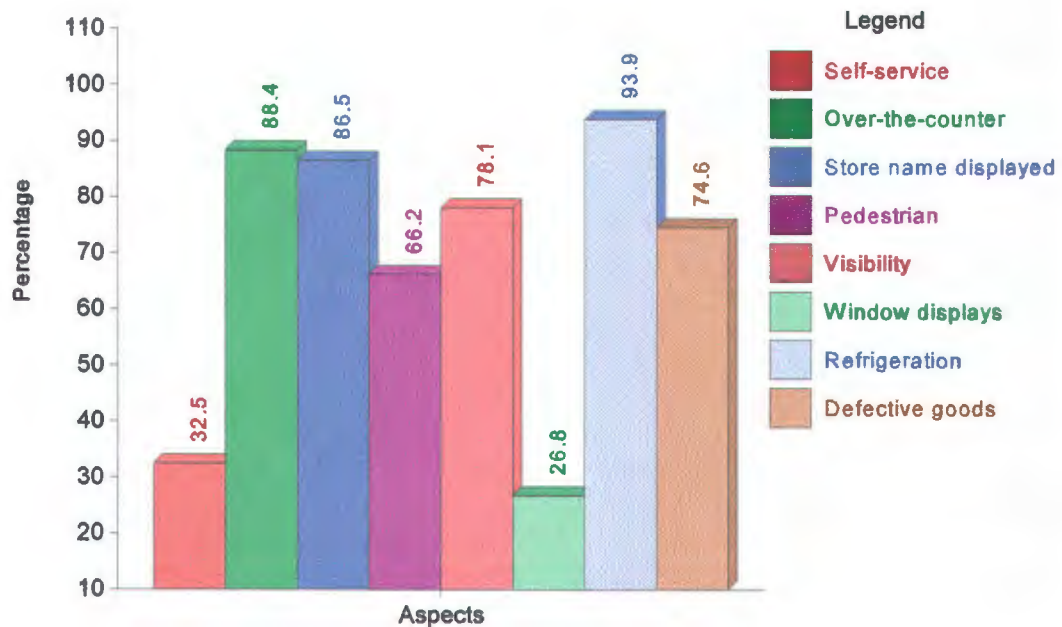
EXHIBIT 6.45 PRODUCTS WHICH DO NOT SELL



6.6.3 Distribution

Questions 41 and 42 refer to the respondents' perception of certain distribution decisions. Question 41 sought to determine some aspects of the respondents' stores, as reflected in exhibit 6.46.

EXHIBIT 6.46 ASPECTS OF STORES



From exhibit 6.46 it is clear that most respondents (88,4%) have over-the-counter operations, while only 32,5 percent also sell on a self-service basis. A large majority (86,5%) display the name of the store prominently. Only 66,2 percent have pedestrian traffic, while 78,1 percent of the stores are visible from the street. Only 26,8 percent of the respondents use window displays, but more than 90 percent do have refrigeration facilities. The majority of the respondents (74,6%) have the policy that defective goods can be returned.

The purpose of question 42 was to obtain the respondents' opinions on certain aspects of grocery stores in general. The frequency breakdown of the responses is given below.

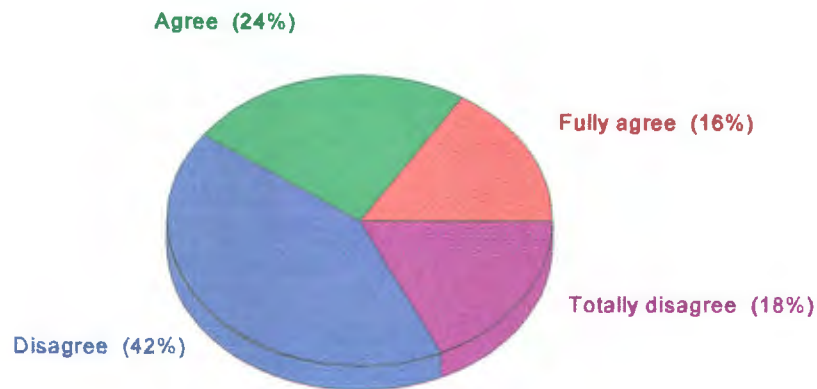
Question 42: To what extent do you agree or disagree, with regard to stores in general, with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
42.1	It is not important to make sure that a store is close to the customers as they will get there if they really want to.	21	9,8	26	12,1	114	53,0	54	25,1
42.2	A store need not be visible from the street, as long as its prices are good.	20	9,3	32	14,9	118	54,9	45	20,9
42.3	Pedestrian traffic is important for getting more customers into the store.	58	27,0	119	55,3	27	12,6	11	5,1
42.4	The exterior of a store is not important to the customer as long as it looks good on the inside.	7	3,3	23	10,7	130	60,5	55	25,5
42.5	The name of the store is not important as the name of the owner is more important.	14	6,5	24	11,2	109	50,7	68	31,6
42.6	Window displays are a waste of space.	12	5,6	43	20,2	130	61,0	28	13,2
42.7	Inside the store, the colour of the walls, lighting, shelves and displays are important aspects to attract customers.	89	41,4	113	52,6	13	6,0	0	0
42.8	Defective goods should not be handled by my store but should be referred to the manufacturer.	36	16,8	51	23,8	89	41,6	38	17,8
42.9	Products on display at the point where customers pay for their goods will encourage them to buy.	73	34,0	124	57,7	17	7,8	1	0,5

Most of the respondents (53% + 25,1% = 78,1%) maintain that the location of a store is important since it has to be close to the customers (question 42.1). Most respondents also accept the importance of factors such as visibility from the street (question 42.2; 75,8%); pedestrian traffic (question 42.3; 82,3%); the exterior of the store (question 42.4; 86,1%); the name of the store (question 42.5; 82,3%); window displays (question 42.6; 74,1%); the interior of the store (question 42.7; 94%); and that products on display at the point of purchase stimulate buying (question 42.9; 91,7%). The responses to question 42.8 are presented in exhibit 6.47.

EXHIBIT 6.47

HANDLING OF DEFECTIVE PRODUCTS



From exhibit 6.47 it is apparent that a small majority of the respondents (60% in total) are of the opinion that defective products should be attended to by their stores and not referred to the manufacturer.

6.6.4 Marketing communication

Questions 43 to 47 of the questionnaire were intended to determine the respondents' perceptions of various aspects of marketing communication. Question 43 dealt with the necessity of advertising inside the store. The responses to this question are illustrated in exhibit 6.48 below.

EXHIBIT 6.48 ADVERTISING IN STORES

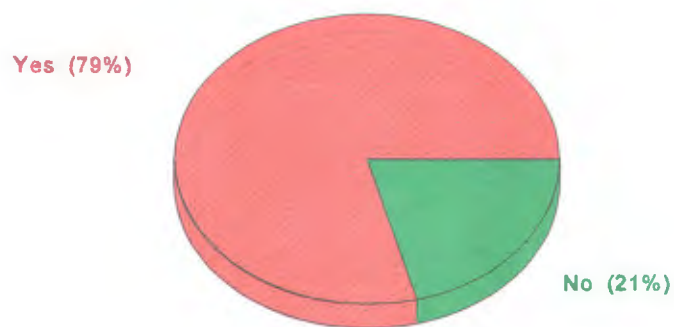


Exhibit 6.48 shows that most of the respondents (79%) accept the importance of in-store advertising.

The various responses to question 44 on different aspects of advertising are given below.

Question 44: How strongly do you agree or disagree with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Total-ly dis-agree	
		F	%	F	%	F	%	F	%
44.1	It is the sole responsibility of the manufacturers/suppliers to advertise their products.	57	26,5	90	41,9	60	27,9	8	3,7
44.2	Advertising is too expensive.	26	12,0	129	59,7	53	24,5	8	3,8
44.3	Regional newspaper advertising is not effective.	10	4,6	90	41,7	89	41,2	27	12,5
44.4	It is too expensive to advertise in magazines.	40	19,2	129	62,0	38	18,3	1	0,5
44.5	Advertising on regional radio stations is effective in reaching people.	43	19,9	97	44,9	63	29,2	13	6,0
44.6	It is a waste of money to advertise on billboards as most consumers will not pay any attention to them.	9	4,2	31	14,4	127	58,8	49	22,6
44.7	It is a waste of money to advertise a store on buses or taxis.	21	9,9	45	21,1	129	60,6	18	8,4
44.8	Handing out pamphlets to people in the street is a good way of advertising a small business.	96	44,4	109	50,5	9	4,2	2	0,9
44.9	Direct mail is effective in the townships.	69	32,1	112	52,1	27	12,6	7	3,2

The responses to question 44.1 on the responsibility of advertising are reflected in exhibit 6.49.

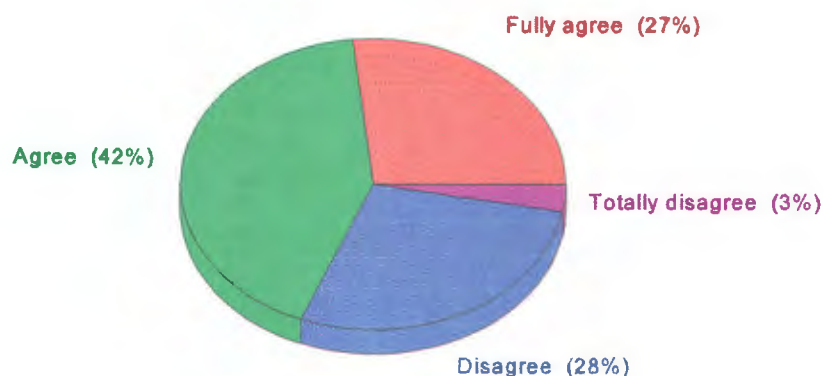
EXHIBIT 6.49**RESPONSIBILITY OF ADVERTISING**

Exhibit 6.49 shows that more than 60 percent (in total) of the respondents maintain that it is the sole responsibility of the manufacturers or suppliers to advertise their products. The frequency breakdown shows that more than 70 percent (in total) of the respondents also feel that advertising is too expensive (question 44.2). With regard to print advertising, only 53,7 percent (in total) are of the opinion that regional newspaper advertising is effective (question 44.3), while more than 80 percent feel that it is too expensive to advertise in magazines (question 44.4). With regard to regional radio advertising (question 44.5), 64,8 percent of the respondents feel it is effective in reaching people. More than 80 percent of the respondents accept the importance of advertising on billboards, while more than 60 percent maintain that advertising on buses or taxis is effective (question 44.7). The vast majority of respondents are of the opinion that pamphlets distributed in the streets is effective advertising (question 44.8; 94,9% in total) while more than 80 percent value the effect of direct mail in the townships (question 44.9).

Questions 45 dealt with various aspects of sales promotion. The responses to this question are given below.

Question 45: How strongly do you agree or disagree with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
45.1	Special sales are effective in disposing of merchandise that has become old.	117	54,2	77	35,6	18	8,3	4	1,9
45.2	Demonstrations in the store where for example a product can be tasted, is a waste of money.	40	18,5	59	27,3	101	46,8	16	7,4
45.3	It is good sales strategy to offer a premium, eg giving an item for free when another item is purchased.	32	14,8	88	40,7	78	36,1	18	8,4
45.4	Customers often buy a product because of the coupons included in the package, eg a few cents off on a certain type of tea.	25	11,6	92	42,8	65	30,2	33	15,4
45.5	It is good to have a display of products in the store where the customer can pick up and examine merchandise.	76	35,3	86	40,0	41	19,1	12	5,6

Most respondents (more than 80% in total) agree that special sales are effective in disposing of merchandise that has become old (question 45.1), and more than 70 percent that displays are effective so that customers can experience the products (question 45.5). There is not much agreement, however, on demonstrations in the store, the offering of premiums, and the use of coupons, as reflected in the next exhibits.

EXHIBIT 6.50

DEMONSTRATIONS IN STORES



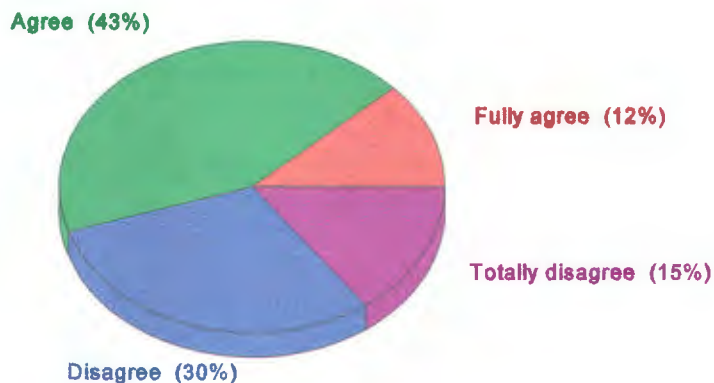
Exhibit 6.50 shows that only 46 percent of the respondents in total (27% + 19% = 46%) agree with the importance of demonstrations (question 45.2), while exhibit 6.51 (below) indicates that only 56 percent agree with the importance of premiums (question 45.3).

EXHIBIT 6.51 THE USE OF PREMIUMS



From exhibit 6.52 (below) it is clear that not many respondents regard the use of coupons as important since only 55 percent are of the opinion that their customers favour this practice (question 45.4).

EXHIBIT 6.52 THE USE OF COUPONS



With regard to personal selling, the respondents were asked to rate certain aspects of a sales assistant in order of importance (question 46). The various responses to this question are given below.

Question 46: How important do you regard the following qualities/aspects when appointing sales assistants?

	Very important		Important		Less important		Totally unimportant	
	F	%	F	%	F	%	F	%
Qualifications	44	20,5	69	32,1	71	33,0	31	14,4
Neat appearance	128	59,3	75	34,7	7	3,2	6	2,8
Friendly disposition	140	65,4	63	29,4	5	2,3	6	2,9
Good with people	151	70,2	55	25,6	5	2,3	4	1,9
Age	32	14,9	79	36,7	60	27,9	44	20,5
Experience	57	26,4	69	31,9	59	27,3	31	14,4

There does not appear to be much agreement about the qualifications of sales assistants, since only a relatively small majority of the respondents feel that qualifications are important (question 46.1; *very important* 20,5% + *important* 32,1% = 52,6%). However, most respondents agree that a neat appearance (94% in total), a friendly disposition (94,8% in total) and being good with people (95,8% in total) are important attributes. Age (51,6% in total) and experience (58,3%) are, however, not regarded as so important.

The respondents all appear to accept the value of publicity (question 47): The responses to this question are given below.

Question 47: To what extent do you agree or disagree with the following statements?

	Statement	Fully agree		Agree		Dis-agree		Totally disagree	
		F	%	F	%	F	%	F	%
47.1	An article in a newspaper about a specific store will not be to the benefit of the store.	14	6,6	45	21,2	101	47,6	52	24,6
47.2	Sponsoring an event eg school athletics is a waste of money.	6	2,8	32	15,1	105	49,5	69	32,6
47.3	Letters to newspapers about an interesting aspect of any store will not be much good.	7	3,3	39	18,6	102	48,6	62	29,5

Most of the respondents are of the opinion that an article in a newspaper about a specific store will be to the advantage of the store (question 47.1; 72,1%); that sponsoring is effective (question 47.2; 82%); and that letters to newspapers about stores are effective (question 47.3; 78,1%).

6.7 DETERMINANTS OF INCOME

Question 52 of the questionnaire sought to gain information on the respondents' total turnover. The frequency breakdown of the responses to this question is as follows:

Question 52: What is your total turnover (sales, not profit) on a daily, or monthly or annual basis?

	Daily		Monthly		Annually	
	F	%	F	%	F	%
Less than R1 000	70	44,0	1	2,5	0	0
R1 000 - R2 999	60	37,7	8	20,0	0	0
R3 000 - R4 999	19	11,9	10	25,0	0	0
R5 000 - R6 999	5	3,1	8	20,0	0	0
More than R7 000	5	3,1	13	32,5	1	100

Most respondents reported their total turnover on a daily basis. The total daily turnover of 44 percent of the respondents was less than R1 000, while the daily turnover of 37,7 percent of the respondents was reported to be between R1 000 and R2 999. About 11 percent of the respondents had a daily turnover of between R3 000 and R4 999, while 3,1 percent had a daily turnover of between R5 000 and R6 999. Only 3,1 percent had a daily turnover of more than R7 000.

Throughout this study it was mentioned that the author would establish what the black grocery store retailer should know of marketing in order to be successful. This was accomplished in the literature study (see chs 1- 4) . The question can now be asked: "How successful is the black grocery store retailer with his current practices?" In other words, what factors relate to successful practice in a grocery store owned by retailers belonging to black business association in Gauteng? It was therefore decided to correlate the income of the respondents to all the other variables of the questions contained in the questionnaire.

The responses to question 52 of the questionnaire, which sought to gain information from the respondents on the total turnover on a daily, monthly or annual basis, were taken as the criterion of success. From the responses to this question (see annexure B for the frequency breakdown), it is clear that most respondents reported their total turnover in "daily" terms. It is also clear that personnel size of the grocery store (question 5) might influence the total turnover, which would make the "total turnover figure" less of a valid criterion of business success. At the same time, the personnel size of a business might be an indirect indicator of success.

It was therefore decided to correlate "daily total turnover" (question 52) with "number of employees" (question 5), and the correlation found was $r = 0,36$

($p=0,0001$). The Pearson product moment correlation "r" gives the linear relationship between two variables and varies in value from "-1" (a perfect inverse relationship) through "0" (no linear relationship) to +1 (a perfect positive relationship) (Hays 1963:499). The p-values give the probability that a particular r-value could have been obtained under the null hypothesis (ie due to chance factors alone). Generally, the larger the r-value is, the smaller the p-value will be and the more significant the result. It was subsequently decided to correlate "daily total turnover" with all other scaled items in the questionnaire in the following two ways (the detailed analysis is presented in annexure C):

- Correlation of "daily total turnover" with all other interval-scaled variables
- Correlation of "daily total turnover" with all other interval-scaled variables, but with the effect of personnel size "partialled" out

The latter statistical analysis was performed by the statistical procedure PROC REG of the statistical software program SAS (Statistical Analysis Systems). "Total daily turnover" (question 52), was used as the dependent variable and "personnel size" (question 5) as the independent variable. Residual scores were calculated from this analysis. These residual scores were then correlated with other possible determinants of "daily total turnover" in the questionnaire. These correlations are presented in exhibit 6.53 below.

EXHIBIT 6.53 DETERMINANTS OF DAILY INCOME

Question	Daily income (n = 184)		Daily income controlled for personnel size (n = 184)	
	r	p	r	p
Q8.2	0,14	0,051	0,19	0,010
Q8.3	-0,22	0,002	-0,26	0,00
Q8.8	0,18	0,013	0,23	0,001
Q9.1	0,13	0,072	0,19	0,007
Q9.3	0,24	0,00	0,23	0,001
Q9.4	0,21	0,003	0,20	0,006
Q16.2	0,18	0,012	0,23	0,001
Q18 (manufacturers)	0,25	0,00	0,26	0,00
Q18 (fresh produce)	0,21	0,00	0,22	0,002
Q22	-0,24	0,00	-0,20	0,006
Q26.3	0,15	0,039	0,20	0,006
Q27 (clothing)	-0,32	0,00	-0,29	0,00
Q27 (emergency products)	-0,24	0,00	-0,18	0,139
Q41 (self-service)	-0,26	0,00	-0,26	0,00
Q42.8	0,20	0,005	0,23	0,001
Q43	-0,23	0,001	-0,16	0,023
Q48	-0,14	0,050	-0,15	0,038
Q50	0,19	0,008	0,18	0,012

One should ideally consider the exact wording of each question contained in the questionnaire (see annexure A) and also the direction of the scale on which respondents reacted to each question. It should also be noted that the partial correlations in exhibit 6.53 mean that one does not have to consider "personnel size" as a nuisance variable. Note, for example (see annexure C), that the partial correlation between question 27 (stores that also sell clothing) and "total daily turnover" is -0,29, which is significant. The question "what is the personnel size of stores that sell clothing?" is unnecessary because the "personnel size" does not affect this correlation of -0,29 (it has been "partialled out" statistically). Also note that question 24 dealing with method of sale, "credit" is variable v94 and is not significantly correlated with daily total turnover. For question 39 (on

discount), an extra variable called v152b (no discount) was coded but this variable is also not significantly correlated with "total daily turnover".

Exhibit 6.53 above indicates the significant correlations between "daily turnover" and other interval-scaled variables which have been identified. The respondents who have a higher total daily turnover and who are thus more successful in their business activities are those who:

- Have the perception that it is more profitable to keep a greater variety of brands (question 8.2).
- Know that it is the responsibility of the retailer to find out what products his customers want (question 8.3).
- Accept that it is the retailer's responsibility to provide employment opportunities for the members of his community (question 8.8).
- Know that the cultural background of their customers is important in the products they buy (question 9.1).
- Realise that the infrastructure of an area plays a role in the products which their customers buy (question 9.3).
- Accept that their customers do not buy only basic necessities such as milk, mealie meal and fish at their stores (question 9.4).
- Accept that a retailer in the township competes with stores in the nearby city (question 16.2).
- Obtain their merchandise from manufacturers (question 18).
- Also obtain their merchandise from the fresh produce market (question 18).
- Employ an accountant to do their bookkeeping (question 22).
- Care what their customers think of their stores (question 26.3).

- Also stock clothing and accessories such as shoes and sunglasses (question 27).
- Also stock emergency products such as bicycle repair kits (question 27).
- Have stores operating on a self-service basis or self-service in addition to over-the-counter sales (question 41).
- Maintain that defective goods should be handled by their stores and not referred to the manufacturer (question 42.8).
- Realise that it is necessary to advertise inside their stores (question 43).
- Are male (question 48).
- Are better qualified (question 50).

6.8 RéSUMÉ

In this chapter the analysis of the research results was presented. The results were discussed according to the structure of the questionnaire. In the first section the profile of the respondents was investigated. The survey results reveal that the respondents are mostly the owner or manager of the store; most of the stores have been operating for more than six years; and most of the grocery stores have a small personnel of less than six. Most of the grocery stores are located in Soweto, operated mostly by males with an average age of about 39 years, who have been in the position for more than six years. About 30 percent of the respondents have completed standard 10, while more than 20 percent possess only a standard 8 qualification.

The second section of the investigation dealt with the respondents' perceptions of the value of business associations. The survey results reveal that most of the respondents maintain that a business association is of great help to a grocery store business. However, they feel that it should do more to assist them in their stores, although they do not seem to know how this could be accomplished.

In the third section, the respondents' perception of the marketing management process and the marketing concept was investigated. With regard to the internal environment (ie the marketing management process), most respondents agree with the importance of the organisation mission and objectives, the organisational structure, the motivation of employees and control. However, many respondents do not accept that the owner/manager/person in charge of a store is responsible for training staff.

Most of the respondents accept the importance of the tenets of the marketing concept, namely customer orientation, integrated marketing and profitability. They agree with the principle of excellent customer service, the role of all employees in ensuring good service, and that profitability is achieved only through customer satisfaction. However, they feel that the customer should inform the retailer what products he should stock in his store, and they also maintain it would be more profitable to keep fewer brands. Many respondents have also not accepted all the implications of the societal marketing concept.

In the fourth section, the respondents' perception of the external marketing environment and target market selection was investigated. With regard to customer analysis, most of the respondents accept that the buying behaviour of their customers is influenced by cultural factors and the infrastructure of the area. They also accept that certain products are bought as status symbols and that it is important to keep well-known brands if their customers are not well educated. They maintain that their customers value high-quality products, and are not only interested in buying basic necessities, but they are not sure of the effect of price increases on the amount purchased. Most of the respondents are also of the opinion that a customer would continue buying from them after the first visit to their stores. The respondents perceive their customers as slightly more youthful, the extended family being the most prevalent, and children as the main buyers of the family. Most respondents maintain that their customers do most of their purchases on a daily basis. Their customers are also concerned about the quality of products, their health, and readily adopt modern Western values. They also regard friendly and helpful personnel and a neat and tidy store as important considerations in a store.

With regard to competitor analysis, the survey results reveal that many respondents do not realise the importance of determining other retailers in the

neighbourhood before a store is opened. They also do not think that they compete with stores selling other types of products. However, they do accept that they compete with stores in the nearby city and with another type of grocery store retailer using a different business format. The respondents' main competitors are spazas, followed by cafés, other supermarkets and hawkers.

On the question of intermediaries, most respondents indicate that they obtain their merchandise from wholesalers, and specifically cash-and-carry wholesalers. Most of the respondents use their own transport to deliver the merchandise bought.

The respondents' perception of some of the variables of the macro-environment were also investigated. Most of the respondents appear to have a sound knowledge of the economic environment, including the effect of inflation on the purchases of their customers. Most of the respondents employ an accountant to do their bookkeeping, while half of the respondents who do not, use a cash register and the other half an exercise book. All of the respondents sell for cash, with a small percentage also on credit.

With regard to market segmentation, most respondents accept that a customer's culture and income are important factors in deciding what merchandise to stock, but they disregard their ages and gender. However, they regard the prices and quality of products as very important. On positioning, the respondents maintain that their stores are perceived as cheaper than those of competitors, offering value for money, and that they care what the customers think of their stores. However, they do not realise that the location of their stores in the townships provides them with a competitive advantage over retailers in the nearby city.

In the fifth section, the respondents' perception of the retail marketing mix (ie product, pricing, distribution and marketing communication) was investigated. With regard to product decisions, the survey results reveal that most respondents stock convenience products, while some also stock shopping and emergency products. The owner, manager or person in charge of the store usually decides what products to stock, while the sources of information used are mostly posters/pamphlets/catalogues and customers, and to a lesser extent, newspapers and magazines. Only half of the respondents maintain that their customers prefer only the well-known brands, but most of the respondents know that it is important to stock easy-to-pronounce brand names if their customers are not well educated.

They maintain that private brands are of inferior quality and perceived as cheaper than national brands. They also maintain that their customers are brand loyal but that they will accept a substitute if necessary. They also appear to know which brands are the best sellers in the basic grocery commodity range of products. With regard to packaging, they maintain that their customers like packaging which offers secondary usage, but they have not noticed a change in the trend of consumer purchases from smaller packaging to bigger packaging.

The investigation of the respondents' perception of pricing reveals that they are not sure how their customers relate price to quality. They do know, however, that their customers compare prices and that special offers attract more customers to their stores. Most of the respondents compare their prices with those of competitors. They also set their selling prices by means of the mark-up pricing method. However, they do not appear to apply psychological pricing. Although discounts are offered for bulk buying and to pensioners, many respondents offer no discount. Most respondents use mark-down adjustments in cases where products do not sell while only a few attempt to establish why a product does not sell.

With regard to distribution, the investigation focused on the respondents' perception of store location. Most of the respondents indicate that they have over-the-counter operations and refrigeration facilities. They also agree on the importance of the following factors: locating near to the customers; displaying the name of the store; visibility from the street; pedestrian traffic; exterior and interior of the store in attracting customers; displaying products at the point-of-purchase to encourage impulse buying; and window displays. They agree on the return of defective goods, but maintain that this should be handled by the manufacturer.

The respondents' perception of marketing communication (ie advertising, sales promotion, personal selling and publicity) was also investigated. Most of the respondents accept the importance of in-store advertising, although they maintain that it is the sole responsibility of the manufacturer/supplier to advertise their products. They also feel that advertising is expensive and that regional newspapers are effective. They also agree that advertising on regional radio stations is fairly effective in reaching people, while billboards are regarded as very effective. Advertising on buses or taxis, handing out pamphlets at street corners and direct mail are also regarded as effective in the townships.

With regard to sales promotion, most respondents accept the value of special sales and displays in stores but not store demonstrations, premiums and the use of coupons. Most of the respondents also feel that a sales assistant (personal selling) should have a neat appearance, a friendly disposition, while qualifications, age and experience are not perceived as important. Most of the respondents also agree with the benefits generated by good publicity.

Further statistical analysis also revealed, by correlating the daily total turnover of the respondents with all other scaled items in the questionnaire, that the more successful respondents follow certain marketing practices.

In the next chapter the findings of the survey will be used as the basis for drawing conclusions and making recommendations.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

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7.1 INTRODUCTION

The focus of this study was to determine the marketing perception of grocery store retailers belonging to black business associations in Gauteng. The impetus for the study arose from a preliminary scanning of the literature which revealed that the black retailer was at a disadvantage because of his lack of knowledge of operating a retailing business. It became evident that the plethora of restrictive measures of the apartheid government had retarded the development of black business. It was only after the Soweto Riots of 1976 that some of the restrictive measures were lifted, heralding the beginning of the active promotion of black business. In 1986 the process of deregulation was initiated which resulted in the repeal of legislation restricting the economic entry of the black business sector, and ultimately, the last pillar of apartheid, the Group Areas Act was repealed in 1991. After 1993 the focus shifted to the empowerment of the disadvantaged to participate in the economy, while socio-economic inequalities were being addressed. After the 1994 democratic elections the focus was on reconstruction and development initiatives to redress the imbalances of the past.

However, the negative legacy which the restrictions have had over generations of black businessmen attempting to enter the marketplace, remains: the black retailer's present general ability to compete in the business world has been impaired because of his inability to acquire the necessary knowledge and managerial skills to operate a business successfully. His knowledge of marketing, as noted in chapter 1, is particularly limited.

It has been pointed out (see ch 1) that there is a lack of research on black business in South Africa. The research that had been done in the past, however,

highlighted the black retailer's lack of business knowledge. The main shortcomings of the black retailer were identified (in ch 1) as: lack of capital; lack of planning; lack of managerial ability; inadequate buildings and premises; no consideration of environmental factors; no knowledge of the correct purchasing skills; no inventory control; inadequate financial management; and no marketing knowledge. This study investigated the extent of the black grocery store retailer's perception of marketing.

The research objectives of this study were twofold:

- *Firstly*, the marketing perception of grocery store retailers belonging to black business associations in Gauteng was determined. This was accomplished by means of a primary research investigation in various traditionally black areas in Gauteng. Grocery store retailers who are members of Nafcoc were approached. Personal interviews were conducted with the aid of a structured questionnaire, covering the basic components of marketing, namely the marketing management process and the marketing concept, the marketing environment and target market selection, and the retail marketing mix and marketing strategy.
- *Secondly*, in order to determine the desired situation - that is, what the black grocery store retailer should know of marketing in order to be successful - an extensive literature review of the three basic components of marketing was undertaken.

The main findings of the empirical research relating to the marketing perception of grocery store retailers belonging to black business associations in Gauteng are presented in this last chapter, representing the last step of the marketing research process. On the basis of the findings of the investigation (in ch 6), conclusions will be drawn, recommendations will be made and areas of further research will be indicated. Finally, a profile of successful black grocery store retailers will be presented. The next sections have the same structure as that of the analysis of the research results in chapter 6.

7.2 CONCLUSIONS AND RECOMMENDATIONS BASED ON THE RESEARCH RESULTS

7.2.1 Profile of the respondents

The positions held in the stores by the respondents are mostly the owner or manager of the store; most of the stores have been operating for more than six years; and most of the grocery stores have a small personnel of less than six. About a third of the stores are situated in Soweto, operated mostly by males with an average age of 39,9 years and who have been in the positions for more than six years. It is significant that the survey results reveal the respondents' lack of a sound education since only about 30 percent of the respondents have completed standard 10, while more than 20 percent of the respondents possess only a standard 8 qualification.

It was pointed out in chapter 3 (see sec 3.4.2.4) that only about 20 percent of the black population have had some high school education. The respondents are therefore better qualified than the national average. The inadequate standard of general education of the black retailer (referred to in ch 1) also contributed largely to his inability to understand the basic principles of business. The survey results have also revealed (see ch 6, sec 6.7) that the more successful retailers, in terms of income, are those who have had a better education. It can thus be concluded that inadequate education is a major reason why black retailers are not successful. It was also revealed that male grocery store owners are generally more successful.

- It is thus recommended that particular attention be devoted to basic educational aspects to enable the black retailer to understand the essential principles of business. Female grocery store owners or those in charge of stores should receive particular attention. Black business associations such as Nafcoc and Fabcos, in conjunction with educational institutions such as the Centre for Business Management at Unisa, could initiate elementary business courses.

7.2.2 Perceptions of the value of business associations

The two business associations which are of significance to the black grocery store retailer are Nafcoc and Fabcos (dealt with in sec 1.2.3.3 of ch 1). The main aim of Nafcoc, established in 1964, is to promote and encourage the development of black business in South Africa and thus draw the black majority into economic activity and decision making. Fabcos was established in 1988 to promote the development and empowerment of black business by providing training, marketing expertise, research skills, management service and empowerment opportunities to its members, entrepreneurs and communities in the informal sector.

The respondents are all members of the business association, Nafcoc, since the membership list of Nafcoc was used for this study. The investigation reveals that the majority of the respondents are of the opinion that although a business association is of great help to their grocery store business, it should do more to assist them in their business activities although many do not seem to know how a business association can assist them in their business. It is also significant that in many cases more than 40 percent of the respondents preferred not to comment on business associations, which could be interpreted as a sign of ignorance or fear. It can thus be concluded that black grocery store retailers are not fully familiar with the services rendered by black business associations.

- It is recommended that black business associations such as Nafcoc and Fabcos make every effort to convey to grocery store retailers the extent of their assistance, and identify the particular needs of grocery store retailers in order to improve the disadvantaged position of black grocery store retailers in South Africa. A planned information campaign by Nafcoc and Fabcos is therefore of the utmost importance to further the aims of these associations as stated previously.

7.2.3 The marketing management process and the marketing concept

7.2.3.1 Internal environment

In order to determine the black grocery store retailer's perception of marketing it was necessary to explore his understanding of the marketing management process and the marketing concept (dealt with in ch 2). In essence, the marketing task of the black retailer is the continuous process of planning, implementation and control of the marketing activities, and ultimately, the marketing strategy.

In the internal environment, namely the store itself, the black retailer's marketing management process (dealt with in ch 2, sec 2.2.2 and ch 3, sec 3.3) begins with the planning task which includes the formulation of the organisational mission, that is, the broad long-term direction that it proposes to take, and the setting of objectives, that is, how it intends to fulfil the mission. Since he is the owner, he controls the variables in this environment. He has to combine, allocate, coordinate and deploy resources in such a way that the store's objectives are realised as productively as possible.

As far as implementation is concerned, the black retailer is firstly responsible for the marketing organisation. He has to ensure that all employees understand what their tasks entail, that the necessary authority and responsibility are assigned, and that they are trained and motivated to focus on good customer service. Secondly, he is responsible for combining the four marketing instruments into a marketing strategy with the target market as the focal point (to be dealt with in sec 7.2.5). With regard to the control task, he should determine whether or not the store is achieving its goals.

The survey results reveal that most of the respondents recognise the importance of the organisational mission and objectives, the organisational structure specifying authority relationships, that it is the responsibility of the owner/manager/person in charge of the store to motivate employees, and that control is necessary. However, a large percentage of the respondents contradict their acceptance of the importance of these factors by indicating that the owner/manager/person in charge of a store is not responsible for training staff. As mentioned in chapter 2 (see sec 2.4.2), it is the retailer's responsibility to train, motivate, remunerate and persuade

employees to actively support total quality in the store. The direct result of excellent customer service is customer satisfaction - thus it is his responsibility to train all employees in all aspects of customer service.

- It is thus recommended that the black grocery store retailer be educated in the importance of training all employees in all tasks, especially customer service. This would ultimately result in improved sales which would make his business more profitable and successful. He should also accept his responsibility in the upliftment of black people by training them in all aspects of business.

7.2.3.2 The marketing concept

In terms of the marketing concept (dealt with in sec 2.4 of ch 2), a managerial code or philosophy guiding an organisation's entire activities, the black retailer's store can only be effective and efficient if it accepts that marketing should start with a well-defined market, focus on customer needs, and coordinate all the activities of the organisation that will affect customers, so that profits are produced by creating customer satisfaction. The achievement of the retailer's goals depends on determining the needs of his customers and delivering the desired satisfaction more effectively and efficiently than his competitors. The societal marketing concept (see sec 2.5 of ch 2), an extension of the marketing concept, proposes that the black retailer needs to recognise his role as the responsible marketer. It was subsequently necessary to establish whether the black grocery store retailer follows the three tenets of the marketing concept, namely consumer orientation, integrated marketing and profitability, and whether he recognises his role as a responsible marketer in his community.

With regard to the consumer orientation tenet of the marketing concept, the survey results reveal that most respondents are of the opinion that it is the customer's responsibility to inform them what products they should stock in their stores, a clear contradiction of this principle. However, the vast majority also indicated that it was the responsibility of the retailers to find out what products their customers want. It thus appears that the respondents are somewhat confused about how their customers' needs should be established. It was also found (see ch 6, sec

6.7) that those retailers who know that they must find out what products their customers want, are more successful.

The respondents accept the importance of excellent customer service and the role of all employees in ensuring good service, in line with the integrated marketing tenet of the marketing concept. It was also noted that they feel it would be better to keep fewer brands in order to improve turnover. This implies that they may ignore any new brands which are available and that they thus neglect their customers in this regard. It was also established (see sec 6.7) that those respondents who believe that it would be more profitable to stock a greater variety of brands, are more successful in terms of income.

With regard to the profitability tenet of the marketing concept, the respondents seem to know that this can only be achieved by satisfying customers' needs better than competitors. However, a large number of retailers have not accepted their role as a responsible marketer, although they agree on the importance of sponsorships. It is significant that those respondents who know it is their responsibility to care for the community by, say, providing jobs, are more successful (see sec 6.7).

- It is recommended that these perceptions of the black grocery store retailer be changed by means of information campaigns which could be initiated by Nafcoc and Fabcos. The black grocery store retailer should realise that he cannot expect his customers to inform him what their needs are; he should make every effort, by means of marketing research, to determine their needs and preferences so that he will be in a better position to cater to their demands. He should also be encouraged to stock a greater variety of brands, thereby offering his customers a wider selection to choose from, resulting in greater consumer satisfaction, increased sales, and ultimately, a higher profit. He should also accept his role in the wellbeing of the community, including his responsibility in providing jobs. He could encourage his customers to practise recycling of certain materials, keeping the areas litter free, and looking after his employees by, say, establishing care centres for their children. This could be accomplished with the aid of black business associations such as Nafcoc and Fabcos, and government institutions such as Ntsika (referred to in ch 1).

7.2.4 The external marketing environment and target market selection

7.2.4.1 General

In the marketplace, the black grocery store retailer operates in an ever-changing environment. The variables in this environment, namely consumers, competitors, intermediaries and suppliers have to be monitored on a continuous basis in order to make adjustments to the marketing strategy. In addition, the variables of the macro-environment also impact on the activities of the store. Once the analysis of the external marketing environment has been completed target market selection can be done.

7.2.4.2 Customer analysis

In order to understand the needs and buying patterns of his customers, and thus provide need satisfaction, the black retailer has to perform a customer analysis (dealt with in sec 3.4.2 of ch 3). This includes an understanding of his customers' cultural, social, personal and psychological characteristics. Consumers differ enormously in terms of their age, income, educational levels and geographical location, but more fundamentally in terms of their personality, lifestyles and expectations. It was pointed out earlier (see sec 3.4.2.1, ch 3) that black consumers' needs and aspirations are similar to those of whites. However, most black retailers operate in the townships where the logistics of the consumers' shopping are different to those of whites since they are affected by such factors as transport, travelling distance and carrying heavy parcels. The black grocery store retailer's marketing planning should therefore be driven by his perception of how and why his customers behave as they do, and how they are likely to respond to the various elements of the marketing mix. This would enable him to make available need-satisfying products, at prices which his customers are willing to pay, in places which they prefer to patronise, and to inform them of his particular market offering in the appropriate media to which they are exposed. It was subsequently necessary to investigate the black grocery store retailer's perception of customer analysis.

The survey results reveal that the respondents accept that the cultural background

of their customers is important in the products they buy. Culture functions as a standard of behaviour, impacting on purchasing behaviour (as noted in ch 3, sec 3.4.2.2). It is significant that the more successful black retailers are those who take the cultural background of their customers into account (see sec 6.7)

Most of the respondents also agree that their customers buy certain products as status symbols, confirming the findings (see sec 3.4.2.2 of ch 3) that certain products are seen by black consumers as bestowing status. The survey results further reveal that the respondents know that the infrastructure is important in the products their customers buy, in line with the findings that the environment in which the black consumer lives has important implications for the black retailer. For example, if an area has no electricity, it serves no purpose selling electric appliances. It is significant that the findings reveal that those respondents who take the infrastructure of the area into account are more successful (see sec 6.7)

The respondents also accept the importance of keeping well-known brands owing to the level of illiteracy among black consumers, since difficult-to-pronounce brandnames are not successful if the consumer cannot understand, read or pronounce them (see sec 3.4.2.4).

The vast majority of respondents agree that their customers value the quality of products, confirming the observation (see sec 3.4.2.2) that black consumers are becoming more concerned about the quality of products. The respondents appear divided on the effect of price increases on the amount of purchases since approximately 50 percent stated that customers would not buy less if prices increased. It was pointed out in chapter 3 (see sec 3.4.2.2) that black consumers are price sensitive and perceive price as being directly related to quality and that there is a perception that stores in the townships are more expensive than those in the traditionally white areas.

It is significant that most of the respondents feel that their customers are not only interested in buying basic necessities at their stores. In nonaffluent societies, consumers tend to be more tuned in to basic necessities (see sec 3.4.2.4). The needs of the respondents' customers are thus changing as their financial situation improves. It was also found that those who do accept that their customers do not only buy basic necessities, are generally more successful (see sec 6.7).

A significant result of the survey was that the majority of the respondents are of the opinion that a customer would always return to their stores after the first visit. They clearly do not understand the implications of poor customer service or the other aspects of retaining loyalty.

As far as the age structure of their customers is concerned, the survey results reveal that the respondents perceive their customers as slightly more youthful. It was noted (see sec 3.4.2.4) that the youth market will emerge as the major market segment in the country, although the older market enjoys the spending power at present. In 1985, 48 percent of the black population was under 20 years of age and black people represented 76 percent of the total population of South Africa. This younger market has implications for the black retailer since, for example, they are sensitive to unhygienic retailing conditions such as the presence of flies in and around the food sold in stores, and dust and dirt on the food bought from stores, as well as poor service (see sec 3.4.2.4).

With regard to the family composition of their customers, the respondents maintain that the extended family is the most prevalent. This may be the case, but it was stated that extended families are diminishing and the youth in particular dislike the extended family living under one roof (see sec 3.4.2.3 of ch 3), while there also appears to be a growing trend towards the Westernised nuclear family concept of only parents and children living together.

The respondents are of the opinion that children do most of the purchases, confirming the views (in sec 3.4.2.3) that when both parents work, the daughter of a household invariably does the shopping and that the trend is for children between 14 and 22 years of age to become household shoppers. It was also found (in sec 3.4.2.3) that the black woman is in fact the true buyer. The findings of the survey results therefore create doubt about the general perception of the buying process. Although children may be performing the buying function, they may not have any decision-making power as such in the buying process.

With regard to the frequency with which customers buy certain products, the respondents reported that customers buy certain consumable products such as sugar, maize meal, cold drinks and cigarettes predominantly on a daily basis; condensed milk and washing powder usually once a week; and instant coffee once

a month. It is surprising that maize meal, a staple product is bought on a daily basis. This confirms the findings (see sec 3.4.4) that black consumers are used to shopping more frequently, with less dependence on the monthly shopping trip, because of the effects of the deteriorating economy. When times are tough, people shop around more; they hunt from shop to shop for the best bargains, resulting in a declining customer loyalty.

The survey results reveal that black consumers are concerned about their health and buy products to promote good health, confirming the view (sec 3.4.2.4) that the majority of black consumers, especially the urban men, are readily adopting modern Western values. It was also pointed out (see sec 3.4.2.4) that the black consumer values his identity highly - hence the black culture seems to develop as a Westernised culture with a proud African identity.

It is significant that although the majority of the respondents agree that consumers are highly interested in the quality of products in a store, a significant percentage disagree. It thus appears that there is little consensus on the black consumers' demand for quality products. However, it should be kept in mind (as noted in sec 3.4.2.2) that black consumers at a more sophisticated level buy products with value for money in mind from formal retailing outlets, while the low-income groups buy mostly from the informal sector such as spaza stores.

It is evident from the survey results that black consumers regard friendly and helpful personnel as important, and that they think more highly of a store that is neat and tidy. It was pointed out (see sec 3.4.2.4) that the more affluent black people would perceive themselves as having more choice and selection and will therefore demand quality of service.

- It is recommended that black grocery store retailers engage in marketing research on their customers in particular. By researching their customers' cultural backgrounds and beliefs they will be able to determine what products fit into these cultural backgrounds and beliefs. By researching whether their customers believe in traditional values or whether they are more interested in modern Western ideas they will be able to focus their marketing effort on the relevant niches and adapt their marketing strategy accordingly. By researching the infrastructure of the area in which their

customers live, they will be able to offer products which fit into the specific infrastructure. By researching the level of sophistication of their customers, they will be in a position to cater to the needs of those niches at a higher level of sophistication which demand better quality and more luxurious products, and to those at a lower level of sophistication which are perhaps mainly interested in basic necessities and less interested in quality. By researching the patronage motives of their customers they will be able to determine how better customer service can be provided in order to ensure customer loyalty. In this way they will be able to retain all potential customers who are inclined to shop around for the best buys in terms of quality and price. They should further research their customers' reactions to price increases. Once the black grocery store retailers have accepted the indispensable value of marketing research will they be able to provide greater consumer satisfaction, sell more products and ultimately become more profitable and successful.

- It is further recommended that the black grocery store retailers recognise their function of information provider in order to be "change agents" in their society. They should educate their customers, indicating to them that they are not keeping up with changes in, say, new brands on the market. They should encourage their customers to experiment with other products with not-so-easy-to-pronounce brand names by assisting them with the pronunciation of these names and confirming that they are just as good as (or better than) the easy-to-pronounce brand names.
- It is further recommended that black grocery store retailers should train their sales assistants in all aspects of customer service, and that special care should be taken to have their stores perceived as hygienic. This could be expanded to include broader-based community upliftment training.
- It is recommended that black grocery store retailers cater increasingly to the needs of the youth market which will in time emerge as the major market segment in the country. They should also not narrowly focus on the needs of the extended family, but gear themselves to the needs of the future nuclear family which is becoming the trend. By conducting research in order to establish who the true buyers (eg children) are, they would be able to

ensure that their stores meet the buyers' expectations (eg in terms of hygiene).

7.2.4.3 *Competitor analysis*

When developing a strategy for the market, the black retailer should constantly monitor the actions and activities of his competitors (competitor analysis was dealt with in ch 3, sec 3.4.3). In order to be competitive, survive and grow, the retailer must have a competitive advantage over his competitors - thus he must deliver superior value to the market.

In the distribution market, the black retailer competes with other retail stores of essentially the same type of business format, known as intratype competition. He also competes with retailers using different types of business formats to sell the same type of merchandise, known as intertype competition. In other words, he competes not only against other grocery stores but also against the corner café, convenience stores at service stations, and a Spar franchise. He also competes against the informal sector, in particular, spaza shops and hawkers. It was subsequently necessary to establish the black grocery store retailer's perception of competitor analysis.

From the survey results it is evident that before they open a store, a large percentage of the respondents do not think it is necessary to determine whether there are any competing stores in the neighbourhood.

The majority of the respondents appear to accept that they also compete with the grocery stores in the nearby city (intratype competition). A significant finding was that (see sec 6.7) those who realise they also compete with grocery stores in the nearby city, are generally more successful.

Some of the respondents also accept that they compete with another type of retailer using a different business format to sell the same type of merchandise (intertype competition). There is, however, a contradiction in that a large group of respondents do not regard intertype competitors as "real competition"; their definition of competitors is therefore too narrow.

The respondents' main competitors are spaza shops, followed by cafés, other supermarkets and hawkers. It was pointed out (in sec 3.4.4) that in 1993, there were more than 6 000 spaza shops in the country as a whole, 1 000 of them in Soweto, in which area 1 000 formal grocery store retailers were also said to trade. There were in excess of 200 000 licensed hawkers trading in the metropolitan areas in South Africa, 8 000 of them in Johannesburg. Successful hawking tends to evolve to the spaza shop option (a trading-up process), which in turn is becoming increasingly sophisticated. The black grocery store retailer's main threat is thus the spaza shop which usually sells smaller packs. Low-income consumers are also increasingly buying from local informal retailers (see sec 3.4.4). There is also a tendency among consumers to buy closer to home, in smaller quantities several times a week since they cannot easily carry large quantities of goods on public transport. In section 3.4.4 it was also pointed out that the spaza shops ensure their existence by efficiently meeting the needs of their customers. Despite the small floor space on which these shops operate, their higher prices, and the limited product variety offered, the spaza shops satisfy the needs (for convenience) of their customers. The mobility of the typical spaza shop customer is low, working hours and travelling times are long, and storage capacity at their dwelling places is limited. The spaza shops which are situated within walking distance and which sell well-known trustworthy brand names in small quantities, satisfy the needs of the customers exceptionally well. The convenience stores at garages are also on the increase (as mentioned in sec 3.4.3.2), changing the competitive situation and posing a further threat to the black grocery store retailer in the future.

The respondents also indicated that the number of franchise operations in their areas is very low. However, it is expected that the number of franchises will increase in future (see sec 3.4.4). In 1996, the number of franchise systems in South Africa had increased by over 28 percent compared to the number that were operational in 1995. It has been noted that the Spar Voluntary Wholesale Group assists in putting independent retailers in a position to compete with the major chains (eg becoming a member of a central distribution system). Some of the main benefits are a central distribution system that ensures weekly delivery from one source, access to bulk buying, reduced back-door congestion, volume discount, improved cash flow, store layout advice and a retail consultant service.

- It is recommended that the black grocery store retailer be educated in the importance of conducting marketing research on his competitors. This will enable him to make comparisons that will enhance the chances of success of his retailing business. He should also ascertain what other retailers in the same area are using a different business format to sell the same type of merchandise and thus compete for the same households. He should also realise that competition must be seen from a broader perspective by including both intertype and intratype competition.

- It is further recommended that the black grocery store retailer should re-evaluate his position in order to adapt to the increasing local competition in the townships from spaza shops and the convenience stores at garages which offer convenience benefits to the consumer. He should thus adapt to changes by selling, among others things, smaller packages of certain grocery items or by expanding his range of brands to compete favourably with these retailing institutions.

- It is recommended that future entrants to the retailing grocery business in the townships should seriously consider the franchise type of grocery store operation since it reduces risk. For example, by franchising with Spar they would be selling the Spar housebrand which ensures consistent quality, while advertising would be more effective since joint advertising campaigns are organised by the Spar Guild. Franchising would provide them with an opportunity to enjoy the advantages of an own business at relatively low risk. The franchisor will support and assist them in achieving success, since Spar provides training to store personnel and support to owners as far as financing and the layout of stores are concerned. Inventory is also delivered to the stores from the central warehouse. In view of the fact that the major chains are planning to move into the townships (as pointed out in sec 3.4.3.2), possibly dealing current grocery store owners a crushing blow, franchising should be seen as the answer to the problems of setting up a viable and profitable retail grocery operation in the townships.

7.2.4.4 *Intermediaries*

As an intermediary, the black retailer bridges the gap between the consumer and the manufacturer/wholesale level of the marketing channel of distribution (intermediaries were dealt with in sec 3.4.4 of ch 3). He purchases, receives and stores products from wholesalers to provide his customers with convenient locations for buying products. It was noted (in ch 3) that in 1991 the vast majority of township retailers bought their stock from cash-and-carry wholesalers while only 11 percent bought direct from suppliers. The black grocery store retailer's perception of intermediaries was subsequently investigated.

The survey results reveal that most respondents (96%) obtain their merchandise from wholesalers, while very few were sourced from manufacturers and the fresh produce market. A significant finding was (see sec 6.7) that those black grocery store retailers who eliminate the middlemen, that is, deal directly with the manufacturer, are generally more successful.

The results also reveal that cash-and-carry wholesalers are the most used, confirming the findings (see sec 3.4.4) that these wholesalers are an important link in the grocery distribution channel of the black grocery store retailers in the townships. It was also mentioned that in some cases, spaza shops obtain their merchandise in some cases from the township retailers (see sec 3.4.4), thus creating a long distribution channel involving two retailers, resulting in added costs to the final consumer.

Surprisingly the vast majority of respondents (88%) use their own transport to have goods delivered (the physical distribution system), thus making it easier to buy from cash-and-carry wholesalers.

- It is recommended that the black grocery store retailer should aim at shrinking the distribution channel by opting for direct distribution whenever possible, thus obtaining his merchandise directly from manufacturers and the fresh produce market. This would result in lower costs which could be passed on to the final consumer. He should further initiate negotiations with cash-and-carry wholesalers for assistance in developing a new distribution channel to grocery stores in the townships, for example, closer geographic

location of cash-and-carry wholesalers and special development incentives from cash-and-carry wholesalers to develop the market in the townships.

7.2.4.5 The macro-environment

The uncontrollable forces in the macro-environment which influence the black retailer's store directly and indirectly are the social, economic, political, technological and international variables (dealt with in sec 3.4.6 of ch 3).

The social environment affects the grocery store indirectly through people as consumers and employees. The implications of this environment on the black retailer's store include the age structure of black people which reflects a much more youthful population than that of the other racial groups; growing urbanisation resulting in changes in the retail structures in the townships, for example, the growth of the spaza store; the gradual improvement of the educational level of his customers; and the changing role of the black woman.

The economic conditions and changes in the economy impact on the success of the black retailer's grocery store, such as lack of disposable income due to unemployment.

As far as the political environment is concerned, the black retailer needs to have a basic knowledge of the laws and regulations which must be adhered to in order to develop an effective marketing strategy and to perform his social responsibility.

In the technological environment, innovation and change occur as a result of technological innovation. The black retailer's technological environment incorporates the various improvements in the technical processes that increase the productivity and efficiency of machines and that eliminate or reduce manual operations - for example, the use of a cash register instead of an exercise book as an accounting instrument.

It is surprising, according to the survey results, that most respondents appear to have sufficient knowledge of the economic environment since they accept that the economic situation affects the individual grocery purchases of consumers, that

during a time of inflation they have less disposable income and subsequently buy only basic necessities. Only a small percentage of the respondents are not aware of these conditions.

The majority of the respondents use an accountant to do their bookkeeping, only half of the respondents have a cash register while many use an exercise book. It is significant that those who employ an accountant are generally more successful (see sec 6.7).

It is significant that all of the respondents sell for cash, that only a small percentage sell on credit and hardly anyone uses the lay-by system, since the perception exists that those who also sell on credit or use the lay-by system would be more successful. However, the correlation between these variables and income was insignificant (see annexure C).

- It is recommended that black grocery store retailers use more formalised structures to assist them in their financial record-keeping, tax matters, cash-flow planning and budgeting (eg accountants). They should further recognise the need for formal education in this field to assist them in improving their financial planning in order to ensure their long-term success in the communities in which they operate.

7.2.4.6 Market segmentation and positioning

By focusing the market offering on a specific segment of the market, the black retailer can concentrate on what he does best to remain competitive in the marketplace (market segmentation was dealt with in ch 3, sec 3.5). Since income, values and consequently needs differ in different market segments, the black retailer would have a better chance of success if he were to single out those sections in the market in which he has a differential advantage. He also needs to use a positioning strategy to place his store in a special niche in consumers' minds.

The survey results reveal that the respondents accept that a customer's culture and income are important in deciding which merchandise to stock. However, their ages and gender are not regarded as important factors. By implication, this means

that the respondents are not really aware of the unique features of their target market, nor do they understand the specific needs of their customers. However, no significant correlation was found (see sec 6.7) between those who do in fact take age and gender into account and the success of the business. It was also surprising that most of the respondents place great emphasis on the prices and quality of products as a sure way of enticing customers to buy from them.

With regard to positioning, most respondents agree that their stores are perceived by customers as having a competitive advantage, cheaper than competitors, offering value for money, and they appear to care what the customers think of their store. It is significant that those who care what the customers think of their store are generally more successful (eg higher income) (see sec 6.7).

The survey results reveal that the respondents do not realise that the location of their stores in the township provides them with an advantage over retailers in the nearby city, since consumers find these grocery stores more convenient.

- It is recommended that black grocery store retailers focus more attention to the basics of market segmentation and positioning. They should, by means of marketing research, apply the basics of market segmentation in order to better identify their target market. In addition, they should make every effort to better position their stores in the minds of their customers.
- It is also recommended that black retailers should use their location in the townships to further develop their competitive advantage over retailers in nearby cities, since the township consumers find these township stores more convenient. They should further broaden their product base in order to provide more luxurious products which can only be bought at the bigger stores in the cities, thereby becoming more competitive and rendering better service to township consumers.

7.2.5 The retail marketing mix

7.2.5.1 *General*

The black retailer has to combine the four marketing instruments (or the retailing mix) namely product, pricing, distribution and marketing communication to best adapt the store to a changing environment while meeting customer needs and the profitability objectives of the store. The retailing mix thus represents those variables of the retail store that the retailer can vary and manipulate to attract consumers. The specific combination of variables that a retailer selects is his retailing marketing strategy which should be carefully matched with the expectations of the store's target customers and thus appeals to this market segment more precisely and more strongly than any competing store. Decisions about the retailing mix have to be constantly modified as circumstances change. The black grocery store retailer's perception of the retailing mix was subsequently investigated.

7.2.5.2 *Product*

The black grocery store retailer's product decisions revolve around the classification of products, designing the ideal product mix, and what brands and packaging sizes to stock.

The survey results reveal that most respondents focus on convenience products such as maize products, dairy, medicinal, meat, nonalcoholic drinks and cigarettes. A small number stock shopping products (eg clothing and shoes) and emergency products (eg bicycle repair kits). It was pointed out (see sec 4.2.3.2) that retailers in black areas should include certain emergency products (eg bicycle repair kits and stomach remedies) in their product mix. A significant finding (see sec 6.7) is that those respondents who sell an extended range of products such as clothing and emergency products are generally more successful.

With regard to what merchandise to stock in their stores, the respondents reported that the decision rests with either the owner, manager or person in charge of the store.

The sources of information used to assist in deciding what merchandise to stock are generally posters/pamphlets/catalogues, and to a lesser extent, newspapers and magazines. Customers are, however, an important source of information (62%), confirming the view that customer needs have to be considered in the selection of products to be stocked by the grocery store retailer.

With regard to brands, it is surprising that only just more than half of the respondents are of the opinion that their customers prefer only the well-known brands. It was mentioned (see sec 4.2.4.4) that black consumers will demand the top brands in future. Also, small grocery stores cannot afford to stock a wide range of brands, thus they buy national brand leaders, those having strong brand loyalty and constantly asked for by customers, and those brand names which have become generic over time.

Most respondents agree that it is important to stock easy-to-pronounce brand names and that the most popular brands are those which can be pronounced easily. This is in line with the findings (see sec 4.2.4.4) that black consumers have a high level of pride and will not want to appear ignorant by asking what a particular brand name means or how it is pronounced - hence the success of easy-to-pronounce brands names such as Surf, Cobra, Colgate, Coke, which are now practically generic names for certain product items.

Most respondents regard private brands as cheaper and of inferior quality than national brands, confirming earlier views that wealthier consumers are more likely to buy private brands than disadvantaged consumers (see sec 4.2.4.4.). Considering that the individual disposable income of black consumers is relatively low, black people are more likely to purchase brands that have credibility, ones they respect and know will be good for the family - they generally do not experiment. Private brands have generally achieved a relatively limited penetration of the black consumer market. However, consumers are becoming more doubtful that there are intrinsic differences between national and private brands - one reason for the growth of private brands. It was also noted that in general, black consumers relate the quality of the product to the brand name.

With regard to brand loyalty, most respondents agree that their customers are brand loyal, but that they are prepared to accept a substitute if their favourite

brand is out of stock. It is surprising that only about two-thirds of the respondents maintain that their customers are brand loyal. It was suggested (see sec 4.2.4.4) that the less sophisticated consumer is more likely to be brand loyal. In the rural areas especially, consumers have become loyal to strong brands, brands that are tried and trusted and that work efficiently. Moreover, low income has caused the black consumer to purchase the tried and trusted brands because they cannot afford to take a chance on new brands. Thus black consumers are prepared to pay a premium for what they receive as a strong brand, a guarantee of quality and consistency. However, the author is of the opinion that poor education levels and lack of access to media have contributed towards poor knowledge of brands in some areas. Black consumers thus only appear to be more brand loyal than their white counterparts because of the limited product ranges available to them.

The vast majority of respondents appear to know which brands are the best sellers in the basic grocery commodity range of products.

As far as packaging is concerned, the majority of the respondents are of the opinion that their customers like packaging which offers secondary usage, confirming the findings (see sec 4.2.4.5) that reusable packaging is often enjoyed by black consumers. Most respondents, however, do not experience a change in the trend of consumer purchases from smaller packaging to bigger packaging. It was said earlier (see sec 4.2.4.5) that black consumers prefer smaller packs because of limited cash, but that increasingly sophisticated consumers will demand larger pack sizes. It was also said that consumers will graduate to large economy packs only when the brand is very well established.

- It is recommended that in order to offer maximum consumer satisfaction, black grocery store retailers should do not include only basic necessities in their product mix, but also expand their product range to include emergency and shopping products. They should research the needs of their consumers in order to ascertain which products are frequently required. This would improve the profitability position of the black grocery store retailer since a higher mark-up can be achieved on some of these products.
- It is emphasised that black grocery store retailers must accept their role as change agents in their society. They must be seen as a reliable source of

information in encouraging and educating their customers on the benefits of unknown or untried brands, pointing point out the benefits of these brands to their customers. To this end Nafcoc and Fabcos (in a general way) as well as the manufacturers (in a more specific way) must assist in providing an "information channel" so that these retailers can obtain the most recent and up-to-date retail and product information.

- It is recommended that black retailers research the types of packaging demanded by their customers, especially in view of the competitive strengths of the spaza shops, namely the packaging method - one egg, one slice of bread, one cup of rice - to use when consumers buy today to use today. Once they have established what packaging sizes are the most popular, they should endeavour to adopt these in their stores. They should also liaise with cash-and-carry wholesalers and manufacturers about special adaptations to current packaging practices (eg smaller packages).

7.2.5.3 Pricing

In pricing his products, the black grocery store retailer has to consider the pricing process which involves establishing price objectives, examining price determinants, utilising price methods, applying price policies and making price adjustments. He needs to take into account the nature of his particular target market (pricing decisions were dealt with in sec 4.3), for example, their perception of price and quality, whether they compare prices, and so on. He could use the prices of competitors as a guide in establishing his own prices and price his products above, the same, or below those of competitors, or he could add a certain mark-up to the cost price, or use a price suggested by the supplier. Psychological prices, discounts and "specials" are also of significance to the black grocery store retailer.

The survey results reveal that the respondents are not sure about how their customers relate the price of a product to its quality since only a small majority are of the opinion that their customers do not regard a high price as an indication of good quality. In previous studies on the relationship between quality and price, conflicting arguments were also noticed. It was pointed out (see sec 4.3.1) that some people say black consumers are prepared to pay for quality, while others say

they cannot afford quality and are more concerned with utilitarian matters. Also, the urban elites are regarded as more discerning about quality and see price as a secondary consideration. On the other hand, black consumers in the C and D income groups are far more conscious of price. However, it was also alleged that black consumers tend to perceive price as being directly related to quality (sec 3.4.2.5) and that they regard quality as more important than price since few buy the cheapest, not the best quality (sec 4.3.3.2). It was further suggested that black consumers are price sensitive since they use price as a measure of quality.

The vast majority of respondents are of the opinion that their customers compare prices, confirming the findings (see sec 4.3.3.2) that black consumers compare prices between products and stores. Most of the respondents also maintain that special offers attract more customers. This is in line with the findings (see sec 4.3.3.2) that there is a trend that customers shop where they believe bargains are to be had, indicating that “cherry-picking” has increased.

The majority of respondents compare their prices with those of competitors, a sign that they realise that if their prices are out of line with those of other retailers they would inhibit consumer purchasing. A small majority are of the opinion that their prices are below competitors' prices.

Most of the respondents use the mark-up pricing method to set their selling prices, adding a certain percentage to the cost of the product, while a small percentage match their prices close to those of competing retailers.

It was interesting to note that very few respondents engage in psychological pricing (ie prices ending in odd numbers), thus showing ignorance of the fact that most consumers perceive odd prices as being lower than even prices (see sec 4.3.5.1).

Most of the respondents offer discounts for bulk buying and to pensioners, with a very small percentage offering a discount for cash purchases. It is significant that so many respondents offer no discount at all. It is furthermore surprising that no correlation was found between discount allowed and the success of the relevant grocery stores.

Most retailers use mark-down adjustments in cases where products do not sell, while few attempt to establish why a product does not sell, indicating that marketing research is a foreign notion to them and not widely used by black grocery store retailers.

- It is recommended that black grocery store retailers conduct regular marketing research on their particular customers' perceptions of price. This will facilitate their market segmentation and target market selection process, enabling them to focus on and develop their particular niche in the township.
- It is recommended that black grocery store retailers be trained in the use of pricing as a strategic tool, that they should research the effect of psychological pricing on the buying behaviour of their customers, and consider offering discount for cash purchases. They should realise that it is important to justify higher prices to the customers in their target market. If their products offer customers value that cannot be duplicated elsewhere, they have more latitude in charging higher prices than a retailer of run-of-the-mill products. They should also engage in a continuous process of gathering information about competitors' prices, for example, those of spaza shops and hawkers since they represent important competition in the townships.

7.2.5.4 Distribution

The distribution decisions of the black retailer focus mainly on store location. Specific factors to be considered in choosing a specific site are interception, accessibility, visibility, pedestrian traffic, parking facilities and compatibility. Decisions about the planning of the store centre around the store's exterior and interior. With regard to the exterior of the store, the most important factors are signage, identifying the name of the store and window displays. Decisions about the interior of the store focus on the facilities such as refrigeration, type of service (self-service or over-the-counter), fixtures in the store and the level of service (including credit and lay-bys).

The survey results reveal that by far most of the respondents have over-the-

counter operations and refrigeration facilities. The reason for the small number of self-service stores may be attributed to the present crime situation as well as the lack of facilities. However, this research has shown (see sec 6.7) that those respondents who sell by means of self-service, are generally more successful. Self-service allows the customer to be exposed to the complete assortment of merchandise and helps to expose him to new products.

Most of the respondents seem to know that it is important to ensure that a store is located close to the customers; that the signage should be displayed prominently; that visibility from the street is important; that pedestrian traffic generates customers; and that the exterior and interior of the store are significant factors in attracting customers. They also accept that products on display at the point-of-purchase encourage customers to buy them.

Most of the respondents agree that window displays are an asset. However, very few (26%) do in fact have these displays, probably because of a lack of facilities, capital and the high incidence of crime. With regard to the lack of window displays it is necessary to point out that the black youth in particular regard exciting window displays, the general style of the store, and the dress of the staff as features that attract them to a store (see sec 4.4.4.2).

Most respondents follow the policy that defective goods can be returned, although almost half of them are of the opinion that such defective goods should not be handled by their stores but should be returned directly to the manufacturer. This implies that they pay lip service to providing after-sales service to the customers. A significant finding in this study (see sec 6.7) was that those respondents who maintain that defective goods should be handled by their stores, are generally more successful.

- It is recommended that black grocery store retailers be educated in the importance of becoming more service oriented. It is furthermore recommended that they move towards self-service as a method of operation. They must also provide additional services such as the handling of the return of defective goods since this type of service orientation will ultimately differentiate their stores from the rest of the competitors in this area.

7.2.5.5 *Marketing communication*

The black retailer's marketing communication decisions entail finding the correct combination of the marketing communication elements, namely advertising, sales promotion, personal selling and publicity (dealt with in sec 4.5).

The survey reveals that most respondents are of the opinion that in-store advertising is necessary. It is significant that those respondents who realise the importance of in-store advertising are generally more successful (see sec 6.7).

Most respondents, however, maintain that it is the sole responsibility of the manufacturers/suppliers to advertise their products, obviously not realising that to the customer, promoting the store is also important. This implies a lack of knowledge of the benefits of marketing communication in general and advertising in particular.

The respondents also maintain that advertising is expensive and that regional newspapers can be effective to communicate with the target market, although they do not feel very strongly about using it. They are also of the opinion that magazine advertising is too expensive.

Only a small majority of the respondents agree that advertising on regional radio stations is effective in creating awareness. This obviously shows a lack of knowledge of the fact that radio is seen as an important medium because of its ability to reach the less literate and those without electrification in rural areas. Also, it was found (see sec 4.5.2.3) that more than 70 percent of the black youth listen to the radio regularly.

Most respondents accept the effectiveness of advertising on billboards. They also favour advertising on buses or taxis, handing out pamphlets at street corners, and concur that direct mail is an effective medium to use in the townships.

With regard to sales promotion, most of the respondents agree on the effectiveness of special sales, and of having displays in the store. However, they do not fully accept the importance of store demonstrations, premiums and the value of coupons (the responses to these questions were largely inconclusive).

Merchandise demonstrations are of particular importance in the black consumer market as pointed out in chapter 4 (see sec 4.5.3.2). The key to effectively communicating in the context of the South African market will, to a large extent, be based on a more personal approach, which also includes an educational element. It is also significant that premiums and coupons generally encourage customers to make a purchase.

As far as personal selling is concerned, the respondents agree that a neat appearance and friendly disposition are important attributes of sales assistants, but qualifications, age and experience are not regarded as that important. The respondents also appear to agree with the benefits generated by good publicity.

- It is recommended that black grocery store retailers be educated on the benefits of the elements of marketing communication in general and advertising in particular. They should be trained to advertise their stores as well as the products in their stores, thus ensuring that the store becomes more important than the products stocked in the store. This could be accomplished by exploring and applying the benefits of cooperative advertising. They should also utilise, to a greater extent, the community radio stations and billboards to advertise their stores and create specific store awareness. In addition, they should be further educated on the value of store demonstrations, premiums and coupons in attracting and retaining customers.

7.3 AREAS OF FURTHER RESEARCH

During the study the following areas were identified for further research:

- Further research is needed on specific areas of deficiencies in the business education of black retailers (eg financial and accounting ability). Only when the general standard of education has been improved will it be possible to enhance their business skills.
- The role of business associations in providing guidance and service to black retailers should be further investigated. This is necessary to ensure that the right business issues are addressed to assist in enhancing the business skills

of the disadvantaged grocery store retailer in particular.

- The influence of price sensitivity on the buying behaviour of the black consumer is another area requiring more in-depth study.
- The importance of the franchise operation in South Africa requires further investigation. The specific role of the franchise operation in providing business skills and employment opportunities to the disadvantaged black retailer must be investigated as a matter of urgency.
- Monitoring changes in the South African grocery distribution and more specifically the black grocery store retailer's distribution channel is another area which requires further research.
- The competitive situation between the formal black grocery store retailer and the informal grocery store retailer, for example, the spaza shop, is another area in which research is needed.
- Another area of research that has been identified in this study, is the black consumer's perception of brands, in particular brand loyalty. At present there is not enough information available about the brand loyalty of the black township consumers.
- The buying behaviour of township children needs to be investigated since they are perceived by the black grocery store retailers as the actual buyers. The roles of the family members in the black household in the decision-making process need to be clearly defined. It is therefore necessary to research which person in the household is the initiator, the influencer, the opinion leader and the decision maker.

7.4 PROFILE OF SUCCESSFUL BLACK GROCERY STORE RETAILERS

In conclusion, the survey results also reveal that successful black grocery store retailers have certain unique characteristics and perceptions and follow specific marketing practices. The ten aspects constituting the profile of the successful black grocery store retailers are summarised in exhibit 7.1:

**EXHIBIT 7.1 PROFILE OF SUCCESSFUL BLACK GROCERY STORE
RETAILERS**

SUCCESSFUL BLACK GROCERY STORE RETAILERS:	
1	Care about what customers think of their stores and see it as their responsibility to conduct marketing research on a regular basis.
2	Are more sensitive to the diverse cultural backgrounds and needs of the customers and infrastructural problems of the townships in which they live.
3	Do not focus only on providing the basic necessities but also keep an expanded product range, including shopping and emergency products.
4	Use the self-service store concept to sell to their customers.
5	Add value by providing after-sales services such as attending to defective goods.
6	Have a broader perception of competitors and do not focus only on intratype competition inside the townships.
7	Use more advanced accounting and financial management techniques.
8	Accept their role as a socially responsible retailing business in the township community.
9	Eliminate the middlemen in the distribution system whenever possible by buying their merchandise directly from manufacturers and the fresh produce market.
10	Use more marketing communication elements to promote their stores and range of products and services.

Although the above list is by no means a complete checklist of the successful characteristics of black grocery store retailers in South Africa, black grocery store retailers should evaluate themselves against these ten points. This will hopefully provide a benchmark in guiding them towards more successful grocery store operations in the future.

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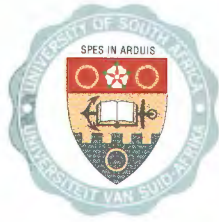
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□ □ □ □ □ □ □

ANNEXURE A

QUESTIONNAIRE



Faculty of Economic and
Management Sciences
Department of Business Management

UNISA

Fakulteit Ekonomiese en
Bestuurswetenskappe
Departement Sakebestuur

Tel (012) 429-4354 (w)

Dear Respondent

30 April 1997

SURVEY OF GROCERY STORES IN GAUTENG: 1997

Mrs A Brink, a senior lecturer in the Department of Business Management (Unisa), is conducting research in conjunction with the Bureau of Market Research (Unisa), to determine the marketing knowledge and skills of grocery store owners/managers in order to suggest training methods for improving their marketing knowledge and skills.

Your grocery store and 219 other grocery stores in Gauteng have been selected for inclusion in the survey. We should appreciate it if you would be prepared to answer the questions contained in the questionnaire in order to obtain the necessary information for improving the marketing knowledge and skills of grocery store owners/managers. The completion of such a long questionnaire would entail a sacrifice on your behalf, therefore your willingness to take part in this survey would be greatly appreciated.

The name of the interviewer who will conduct your interview is

All information will be treated as confidential and published together with the information obtained from the other 219 respondents. Do not hesitate to contact Mrs Brink at the above telephone number should you require any further information.

Yours faithfully

PROF JW STRYDOM
HEAD: MARKETING SECTION
DEPARTMENT OF BUSINESS MANAGEMENT

BUREAU OF MARKET RESEARCH

☎ 392

0003 PRETORIA

☎ (012) 429-3566

**SURVEY OF GROCERY STORES IN GAUTENG: 1997**

NAME OF GROCERY STORE _____

ADDRESS (NUMBER OF STORE AND SECTION) _____

TELEPHONE NUMBER _____

NAME OF RESPONDENT _____

REMARKS _____

INTERVIEWER (Print) _____

DATE COMPLETED _____



INSTRUCTIONS TO INTERVIEWERS

1 GENERAL

- 1.1 Bear in mind that you will be representing the University of South Africa (Unisa) in this survey. Please conduct yourself accordingly.
- 1.2 All the fieldwork will be checked. Interviewers found guilty of cheating will be immediately dismissed without payment for work done.
- 1.3 A questionnaire must be completed for each of the grocery stores for which the addresses have been supplied. If it is not possible to conduct the interview, you will have to return to the store at a later stage when it is convenient. It may be necessary to make an appointment. If a respondent refuses to cooperate, inform the researcher.
- 1.4 When you enter the store, ask to speak to the owner, manager or the person in charge of the store. Identify yourself and explain what you are doing. Hand the respondent your letter of introduction or read it aloud if necessary.
- 1.5 Before commencing with the questionnaire, complete the front page.
- 1.6 No questions or items in the questionnaire are unnecessary, so you must ask all of them.
- 1.7 Read out all the questions to the respondent and follow the instructions, eg where indicated, tick more than one item.
- 1.8 Do not try to influence respondents or put words in their mouths. If you do, it will be noticed immediately, your questionnaires will become worthless and you will forfeit all remuneration because such questionnaires are unusable. If you think a respondent is deliberately giving you wrong answers, make a note of it next to the relevant questions.
- 1.9 Go through a completed questionnaire again to make sure you have not skipped any of the questions.

2 DEFINITION OF A GROCERY STORE

For the purpose of this study, a grocery store is a shop business dealing in groceries, that is, the buying of groceries from manufacturers, wholesalers etc and the selling of these goods to clients over the counter, self service or on demand. If the chosen shop does not adhere to this definition, indicate what type of shop it is under "REMARKS" on the front page and do not complete the questionnaire at this address.

SURVEY OF GROCERY STORES IN GAUTENG: 1997

1-3

1 4

A DEMOGRAPHICAL DATA

What is your position in the business?

Owner	
Manager	
Owner/manager	
Person in charge of the store (eg son/daughter)	

V1 5

How long have you been in this position?

Less than 12 months	
1-2 years	
3-5 years	
6-10 years	
11+ years	

V2 6

How long has the business been operating?

Less than 12 months	
1-2 years	
3-5 years	
6-10 years	
11+ years	

V3 7

Town/city/township:

Soweto	
Tembisa	
Katlehong	
Daveyton	
Thokoza	
Mamelodi	
Alexandra	
Wattville	
Other (specify)	

V4 8

Number of employees:

V5 9-10

To what extent do you agree or disagree with the following statements regarding business associations?

	Statement	Agree	Dis-agree	No comment	
6.1	A business association (eg Nafcoc) is of great help to a grocery store business.				V6 <input type="text"/> 11
6.2	It is expensive to be a member of a business association.				V7 <input type="text"/> 12
6.3	A business association interferes too much in a business.				V8 <input type="text"/> 13
6.4	I do not really know how a business association can help me in my grocery store business.				V9 <input type="text"/> 14
6.5	Business associations should do more to help grocery store owners in their business activities.				V10 <input type="text"/> 15

3 **THE MARKETING MANAGEMENT PROCESS AND THE MARKETING CONCEPT**

i) **Organisational mission and objectives, organising, control:**

To what extent do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree		
7.1	A written-down purpose (mission) of any business is necessary.					V11	16
7.2	Objectives specifying how much profit should be made are important.					V12	17
7.3	If a business has several employees, it is important to have a structure specifying who has authority over whom.					V13	18
7.4	It is not the job of the owner/manager/person in charge of the store to train employees in all tasks.					V14	19
7.5	The owner/manager/person in charge of a store should ensure that employees are motivated to do their best.					V15	20
7.6	It is important to regularly check whether actual sales or profit correspond to planned sales or profit.					V16	21
7.7	It is necessary to set specific objectives for marketing, eg what sales should be per week.					V17	22

ii) **Marketing concept:**

3 To what extent do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree		
8.1	It is the customer's responsibility to tell the retailer what products he should stock in his store.					V18	23
8.2	A retailer will sell more products and thus make more profit if he keeps fewer brands.					V19	24
8.3	It is the responsibility of the retailer to find out what products his customers want.					V20	25
8.4	Good service to customers is important as long as it does not cost any money.					V21	26
8.5	All employees in the store must strive to keep the customers satisfied and happy.					V22	27
8.6	All employees should be informed of new products in the store.					V23	28
8.7	A retailer will make more profit if he attempts to satisfy his customers' needs better than his competitors.					V24	29
8.8	It is not the retailer's responsibility to provide employment opportunities for the members of his community.					V25	30
8.9	Becoming involved in sponsorships (eg providing scholarships for education) is a waste of money.					V26	31
8.10	It is the municipality's/ government's responsibility, not the retailer's responsibility, to look after all the needs of the community.					V27	32

EXTERNAL MARKETING ENVIRONMENT AND TARGET MARKET SELECTION

i) Market and macro-environment:

To what extent do you agree or disagree, with regard to *your* customers, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree		
9.1	The cultural background of my customers is not important in the products they buy.					V28	<input type="checkbox"/> 33
9.2	My customers buy certain brands of cigarettes as status symbols.					V29	<input type="checkbox"/> 34
9.3	The infrastructure of an area (eg transport and electricity) does not play a role in the products which my customers buy.					V30	<input type="checkbox"/> 35
9.4	My customers buy only basic necessities such as milk, mealie meal, fish at my store.					V31	<input type="checkbox"/> 36
9.5	My customers do not buy less if the prices of products increase.					V32	<input type="checkbox"/> 37
9.6	My customers are not concerned about the quality of products.					V33	<input type="checkbox"/> 38
9.7	When my customers are not well educated it is important to keep well-known brand names.					V34	<input type="checkbox"/> 39
9.8	Once a customer buys from me he will keep on buying from me.					V35	<input type="checkbox"/> 40

10 My customers are mainly
(Tick more than one if necessary)

Older people	<input type="checkbox"/>	V36	<input type="checkbox"/> 41
Younger people	<input type="checkbox"/>	V37	<input type="checkbox"/> 42
Do not know	<input type="checkbox"/>	V38	<input type="checkbox"/> 43

11 The family composition of my customers is mainly
(Tick more than one if necessary)

Single persons	<input type="checkbox"/>	V39	<input type="checkbox"/> 44
One-parent families	<input type="checkbox"/>	V40	<input type="checkbox"/> 45
Two-parent families	<input type="checkbox"/>	V41	<input type="checkbox"/> 46
Extended families	<input type="checkbox"/>	V42	<input type="checkbox"/> 47
Do not know	<input type="checkbox"/>	V43	<input type="checkbox"/> 48

12 Who mainly does the purchases for the family at your store?
(Tick more than one if necessary)

Father	<input type="checkbox"/>	V44	<input type="checkbox"/> 49
Mother	<input type="checkbox"/>	V45	<input type="checkbox"/> 50
Children	<input type="checkbox"/>	V46	<input type="checkbox"/> 51
Do not know	<input type="checkbox"/>	V47	<input type="checkbox"/> 52

13 How often do the same customers buy the following products from your store?

Product	Once daily	Once a week	Once a month	Do not know		
Sugar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V48	<input type="checkbox"/> 53
Maize meal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V49	<input type="checkbox"/> 54
Cold drinks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V50	<input type="checkbox"/> 55
Condensed milk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V51	<input type="checkbox"/> 56
Washing powder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V52	<input type="checkbox"/> 57
Instant coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V53	<input type="checkbox"/> 58
Cigarettes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	V54	<input type="checkbox"/> 59

4 To what extent do you agree or disagree, with regard to *your* customers, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree
14.1	My customers are concerned about their health and buy products to promote good health.				
14.2	My customers are interested only in traditional values and not any Western ideas.				

V55 60

V56 61

5 To what extent do you agree or disagree, with regard to grocery stores in general, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree
15.1	Consumers are only interested in the quality of the products in a store.				
15.2	Consumers are not interested whether sales personnel are friendly and helpful, as long as the prices are low.				
15.3	Consumers will not think a store is better if it is neat and tidy.				

V57 62

V58 63

V59 64

16 To what extent do you agree or disagree, with regard to grocery stores in general, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree
16.1	Before a new store is opened, it is not really necessary to determine if there are any other stores in the neighbourhood selling similar products.				
16.2	A retailer in your township does not compete with stores in the nearby city.				
16.3	A retailer does not compete with another type of retailer which is close to his own store.				
16.4	Only retailers/stores selling the same products are in competition with each other.				

V60 65

V61 66

V62 67

V63 68

17 Which of the following competitors are close to *your* particular store?
(Tick more than one if necessary.)

Cafés	
Spazas	
Supermarkets	
Service-station supermarkets	
Hawkers	
Franchises	
Do not know	
Other (specify)	

V64 69

V65 70

V66 71

V67 72

V68 73

V69 74

V70 75

18 Where do you obtain your merchandise from?
(Tick more than one if necessary.)

Wholesalers	
Retailers	
Manufacturers	
Fresh produce market	

V72 77

V73 78

V74 79

V75 80

9 Do you purchase from any of the following specific stores to obtain merchandise to stock your store?
(Tick more than one if necessary)

Cash-and-carry wholesalers (eg Metro)	
Pick 'n Pay	
OK Bazaars	
Shoprite/Checkers	
Township supermarkets	
Other (specify)	

V76	<input type="checkbox"/>	5
V77	<input type="checkbox"/>	6
V78	<input type="checkbox"/>	7
V79	<input type="checkbox"/>	8
V80	<input type="checkbox"/>	9
V81	<input type="checkbox"/>	10

10 By what method are your goods delivered?
(Tick more than one if necessary)

Own transport	
Trader delivery service	
Runner (informal delivery service)	
Other (specify)	

V82	<input type="checkbox"/>	11
V83	<input type="checkbox"/>	12
V84	<input type="checkbox"/>	13
V85	<input type="checkbox"/>	14

11 To what extent do you agree or disagree, with regard to consumers in general, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree	Do not know
21.1	The economic situation in the country does not affect the individual grocery purchases of consumers.					
21.2	During a time of inflation consumers have less money to spend.					
21.3	Consumers buy only basic necessities during a time of inflation.					

V86	<input type="checkbox"/>	15
V87	<input type="checkbox"/>	16
V88	<input type="checkbox"/>	17

12 Do you make use of an accountant to do your bookkeeping?

Yes	
No	

V89	<input type="checkbox"/>	18
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13 If "NO" to question 22, which of the following bookkeeping systems do you use?
(Tick more than one if necessary)

Cash register	
Exercise book	
None	

V90	<input type="checkbox"/>	19
V91	<input type="checkbox"/>	20
V92	<input type="checkbox"/>	21

14 Which of the following methods of sale do you use?
(Tick more than one if necessary.)

Cash	
Credit	
Layby	
Barter (exchange of goods)	

V93	<input type="checkbox"/>	22
V94	<input type="checkbox"/>	23
V95	<input type="checkbox"/>	24
V96	<input type="checkbox"/>	25

25 In deciding on which merchandise to stock, how important are the following considerations?

	Consideration	Very important	Important	Less important	Totally unimportant		
25.1	Customers' culture					V97	<input type="checkbox"/> 26
25.2	Customers' income					V98	<input type="checkbox"/> 27
25.3	Customers' age					V99	<input type="checkbox"/> 28
25.4	Customers' sex					V100	<input type="checkbox"/> 29
25.5	Prices of products					V101	<input type="checkbox"/> 30
25.6	Quality of products					V102	<input type="checkbox"/> 31

26 How strongly do you agree or disagree, with regard to *your* customers, with the following statements?

	Statement	Strongly agree	Agree	Disagree	Totally disagree		
26.1	My customers think the products in my store are cheaper than those of my competitors in the area.					V103	<input type="checkbox"/> 32
26.2	My customers see my store as offering value for money.					V104	<input type="checkbox"/> 33
26.3	I do not care what my customers think of my store as long as I make a profit.					C105	<input type="checkbox"/> 34
26.4	The location of my store (in the township) provides me with an advantage over the retailer in the nearby city.					V106	<input type="checkbox"/> 35

D MARKETING MIX

i) Product:

27 Which of the following types of products do you currently stock?

	YES	NO		
Maize products such as mealie meal, bread			V107	<input type="checkbox"/> 36
Dairy products such as eggs, cheese, milk			V108	<input type="checkbox"/> 37
Medicinal products such as pain tablets, stomach remedies			V109	<input type="checkbox"/> 38
Clothing and accessories such as shoes, sunglasses			V110	<input type="checkbox"/> 39
Emergency products such as a bicycle repair kit			V111	<input type="checkbox"/> 40
Meat products such as cold meats, beef, runners (chicken legs)			V112	<input type="checkbox"/> 41
Non-alcoholic drinks such as Coke and Pepsi			V113	<input type="checkbox"/> 42
Cigarettes			V114	<input type="checkbox"/> 43

28 Who decides what merchandise to stock in your store?
(Tick more than one if necessary)

Owner		V115	<input type="checkbox"/> 44
Manager		V116	<input type="checkbox"/> 45
Owner/manager		V117	<input type="checkbox"/> 46
Person in charge of the store		V118	<input type="checkbox"/> 47
Owner's spouse		V119	<input type="checkbox"/> 48
Employee		V120	<input type="checkbox"/> 49
Other (specify)		V121	<input type="checkbox"/> 50

- 29 Indicate the sources of information which help you to decide what merchandise to stock.
(Tick more than one if necessary)

Posters/pamphlets/catalogues	
TV	
Radio	
Newspapers/magazines	
Customers	
Competitors	
Decide on your own	

V122	<input type="checkbox"/>	51
V123	<input type="checkbox"/>	52
V124	<input type="checkbox"/>	53
V125	<input type="checkbox"/>	54
V126	<input type="checkbox"/>	55
V127	<input type="checkbox"/>	56
V128	<input type="checkbox"/>	57

- 30 To what extent do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree
30.1	My customers demand only the well-known brands.				
30.2	The most popular brands are those which can be pronounced easily, eg Omo, Surf, Colgate, Handy Andy.				
30.3	Private brands such as Family Favorite are cheaper than manufacturer brands such as Koo.				
30.4	The perception exists that private brands such as Family Favorite are of an inferior quality because they are cheaper than more established brands such as Koo.				
30.5	My customers like packaging which offers secondary usage, eg a glass jar which can be used as a drinking glass afterwards.				

V129	<input type="checkbox"/>	58
V130	<input type="checkbox"/>	59
V131	<input type="checkbox"/>	60
V132	<input type="checkbox"/>	61
V133	<input type="checkbox"/>	62

- 31 Do **your** customers in general always buy the same brand?

Yes	
No	
Do not know	

V134 63

- 32 Are **your** customers in general prepared to accept a substitute if their favourite brand is out of stock?

Yes	
No	
Do not know	

V135 64

- 33 Do you know which brands are the best sellers in the basic grocery commodity range of products?

Yes	
No	
Do not know	

V136 65

14 Do you experience a change in the trend of consumer purchases from smaller packaging to bigger packaging?

Yes	
No	
Do not know	

137 66

ii) Pricing:

15 To what extent do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Totally disagree
35.1	My customers regard a high price as an indication of good quality.				
35.2	My customers compare prices of products.				
35.3	When "specials" are offered more customers come to my store.				

V138 67
 V139 68
 V140 69

16 Do you compare your prices with those of your competitors?

Yes	
No	

V141 70

17 If "Yes" to question 16, how do your prices compare with those of competitors?

Above competitors' prices	
The same as competitors' prices	
Below competitors' prices	
Do not know	

V142 71

18 Which of the following ways do you use to set your selling price?
 (Tick more than one if necessary)

Competitors' prices	
Use the price I pay and add a certain % to determine my selling price.	
Prices suggested by manufacturer/ wholesaler/supplier	
Prices ending in odd numbers such as R3,99 so that change has to be given to the customer	
Prices ending in odd numbers such as R3,99 which appears to be less than R4,00	
Keep my prices very low in general to draw customers	

V143 72
 V144 73
 V145 74
 V146 75
 V147 76
 V148 77

1-3

3 4

i9 Do you allow any of the following discounts?
(Tick more than one if necessary)

Over age of 65	<input type="checkbox"/>
To schools	<input type="checkbox"/>
For bulk buying	<input type="checkbox"/>
For cash	<input type="checkbox"/>

V149 5
V150 6
V151 7
V152 8

i0 If a product does not sell, do you

Discard it and never stock it again?	<input type="checkbox"/>
Try and find out why it does not sell?	<input type="checkbox"/>
Lower the price to get rid of it?	<input type="checkbox"/>

V161 17

iii) **Distribution:**

i1 Do you have the following with regard to your store?

	Yes	No
Self-service	<input type="checkbox"/>	<input type="checkbox"/>
Over-the-counter sales	<input type="checkbox"/>	<input type="checkbox"/>
Name of store displayed prominently	<input type="checkbox"/>	<input type="checkbox"/>
Passing (pedestrian) traffic	<input type="checkbox"/>	<input type="checkbox"/>
Store visible from the street	<input type="checkbox"/>	<input type="checkbox"/>
Window displays	<input type="checkbox"/>	<input type="checkbox"/>
Refrigeration facilities	<input type="checkbox"/>	<input type="checkbox"/>
The policy that defective goods can be returned	<input type="checkbox"/>	<input type="checkbox"/>

V154 10
V155 11
V156 12
V157 13
V158 14
V159 15
V160 16
V161 17

i2 To what extent do you agree or disagree, with regard to stores in general, with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Total-ly dis-agree
42.1	It is not important to make sure that a store is close to the customers as they will get there if they really want to.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.2	A store need not be visible from the street, as long as its prices are good.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.3	Pedestrian traffic is important for getting more customers into the store.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.4	The exterior of a store is not important to the customer as long as it looks good on the inside.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.5	The name of the store is not important as the name of the owner is more important.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.6	Window displays are a waste of space.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.7	Inside the store, the colour of the walls, lighting, shelves and displays are important aspects to attract customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.8	Defective goods should not be handled by my store but should be referred to the manufacturer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.9	Products on display at the point where customers pay for their goods will encourage them to buy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

V162 18
V163 19
V164 20
V165 21
V166 22
V167 23
V168 24
V169 25
V170 26

iv) **Marketing communication:**

13 Do you think it is necessary to advertise inside your store?

Yes	
No	

V169 25
V170 26

14 How strongly do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Totally disagree		
44.1	It is the sole responsibility of the manufacturers/suppliers to advertise their products.					V172	<input type="checkbox"/> 28
44.2	Advertising is too expensive.					V173	<input type="checkbox"/> 29
44.3	Regional newspaper advertising is not effective.					V174	<input type="checkbox"/> 30
44.4	It is too expensive to advertise in magazines.					V175	<input type="checkbox"/> 31
44.5	Advertising on regional radio stations is effective in reaching people.					V176	<input type="checkbox"/> 32
44.6	It is a waste of money to advertise on billboards as most consumers will not pay any attention to them.					V177	<input type="checkbox"/> 33
44.7	It is a waste of money to advertise a store on buses or taxis.					V178	<input type="checkbox"/> 34
44.8	Handing out pamphlets to people in the street is a good way of advertising a small business.					V179	<input type="checkbox"/> 35
44.9	Direct mail is effective in the townships.					V180	<input type="checkbox"/> 36

15 How strongly do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Totally disagree		
45.1	Special sales are effective in disposing of merchandise that has become old.					V181	<input type="checkbox"/> 37
45.2	Demonstrations in the store where for example a product can be tasted, is a waste of money.					V182	<input type="checkbox"/> 38
45.3	It is good sales strategy to offer a premium, eg giving an item for free when another item is purchased.					V183	<input type="checkbox"/> 39
45.4	Customers often buy a product because of the coupons included in the package, eg a few cents off on a certain type of tea.					V184	<input type="checkbox"/> 40
45.5	It is good to have a display of products in the store where the customer can pick up and examine merchandise.					V185	<input type="checkbox"/> 41

16 How important do you regard the following qualities/aspects when appointing sales assistants?

	Very important	Important	Less important	Totally unimportant		
Qualifications					V186	<input type="checkbox"/> 42
Neat appearance					V187	<input type="checkbox"/> 43
Friendly disposition					V188	<input type="checkbox"/> 44
Good with people					V189	<input type="checkbox"/> 45
Age					V190	<input type="checkbox"/> 46
Experience					V191	<input type="checkbox"/> 47

17 To what extent do you agree or disagree with the following statements?

	Statement	Fully agree	Agree	Dis-agree	Totally disagree
47.1	An article in a newspaper about a specific store will not be to the benefit of the store.				
47.2	Sponsoring an event eg school athletics is a waste of money.				
47.3	Letters to newspapers about an interesting aspect of any store will not be much good.				

V192 48
 V193 49
 V194 50

3 **Other**

18 Gender of respondent:

Male	
Female	

V195 51

19 Age of respondent:

<input type="text"/>	<input type="text"/>
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V196 52-53

50 Education of respondent (highest qualification):

No schooling	
Primary school up to Std 5	
High School: Std 6	
Std 7	
Std 8	
Std 9	
Std 10	
Tertiary: Technikon	
Technical College	
Teacher Training College	
University	

V197 54-55

51 Indicate type of tertiary education if applicable:

Teacher	
BCom	
BA	
Other (specify)	

V198 56
 V199 57
 V200 58
 V201 59

52 What is your total turnover (sales, not profit) on a daily, or monthly or annual basis? (Tick one column only.)

	Daily	Monthly	Annually
Less than R1 000			
R1 000 - R2 999			
R3 000 - R4 999			
R5 000 - R6 999			
More than R7 000			

V202 60
 V203 61

COMMENTS

THANK YOU FOR YOUR TIME!

ANNEXURE B
BREAKDOWN OF FREQUENCIES

RECNO	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	1	0.5	1	0.5
2	1	0.5	2	0.9
3	1	0.5	3	1.4
4	1	0.5	4	1.9
5	1	0.5	5	2.3
6	1	0.5	6	2.8
7	1	0.5	7	3.2
8	1	0.5	8	3.7
9	1	0.5	9	4.2
10	1	0.5	10	4.6
11	1	0.5	11	5.1
12	1	0.5	12	5.6
13	1	0.5	13	6.0
14	1	0.5	14	6.5
15	1	0.5	15	6.9
16	1	0.5	16	7.4
17	1	0.5	17	7.9
18	1	0.5	18	8.3
19	1	0.5	19	8.8
20	1	0.5	20	9.3
21	1	0.5	21	9.7
22	1	0.5	22	10.2
23	1	0.5	23	10.6
24	1	0.5	24	11.1
25	1	0.5	25	11.6
26	1	0.5	26	12.0
27	1	0.5	27	12.5
28	1	0.5	28	13.0
29	1	0.5	29	13.4
30	1	0.5	30	13.9
31	1	0.5	31	14.4
32	1	0.5	32	14.8
33	1	0.5	33	15.3
34	1	0.5	34	15.7
35	1	0.5	35	16.2
36	1	0.5	36	16.7
37	1	0.5	37	17.1
38	1	0.5	38	17.6
39	1	0.5	39	18.1
40	1	0.5	40	18.5
41	1	0.5	41	19.0
42	1	0.5	42	19.4
43	1	0.5	43	19.9

RECNO	Frequency	Percent	Cumulative Frequency	Cumulative Percent
44	1	0.5	44	20.4
45	1	0.5	45	20.8
46	1	0.5	46	21.3
47	1	0.5	47	21.8
48	1	0.5	48	22.2
49	1	0.5	49	22.7
50	1	0.5	50	23.1
51	1	0.5	51	23.6
52	1	0.5	52	24.1
53	1	0.5	53	24.5
54	1	0.5	54	25.0
55	1	0.5	55	25.5
56	1	0.5	56	25.9
57	1	0.5	57	26.4
58	1	0.5	58	26.9
59	1	0.5	59	27.3
60	1	0.5	60	27.8
61	1	0.5	61	28.2
62	1	0.5	62	28.7
63	1	0.5	63	29.2
64	1	0.5	64	29.6
65	1	0.5	65	30.1
66	1	0.5	66	30.6
67	1	0.5	67	31.0
68	1	0.5	68	31.5
69	1	0.5	69	31.9
70	1	0.5	70	32.4
71	1	0.5	71	32.9
72	1	0.5	72	33.3
73	1	0.5	73	33.8
74	1	0.5	74	34.3
75	1	0.5	75	34.7
76	1	0.5	76	35.2
77	1	0.5	77	35.6
78	1	0.5	78	36.1
79	1	0.5	79	36.6
80	1	0.5	80	37.0
81	1	0.5	81	37.5
82	1	0.5	82	38.0
83	1	0.5	83	38.4
84	1	0.5	84	38.9
85	1	0.5	85	39.4
86	1	0.5	86	39.8

RECNO	Frequency	Percent	Cumulative Frequency	Cumulative Percent
87	1	0.5	87	40.3
88	1	0.5	88	40.7
89	1	0.5	89	41.2
90	1	0.5	90	41.7
91	1	0.5	91	42.1
92	1	0.5	92	42.6
93	1	0.5	93	43.1
94	1	0.5	94	43.5
95	1	0.5	95	44.0
96	1	0.5	96	44.4
97	1	0.5	97	44.9
98	2	0.9	99	45.8
99	1	0.5	100	46.3
100	1	0.5	101	46.8
101	1	0.5	102	47.2
102	1	0.5	103	47.7
103	1	0.5	104	48.1
104	1	0.5	105	48.6
105	1	0.5	106	49.1
106	1	0.5	107	49.5
107	1	0.5	108	50.0
108	1	0.5	109	50.5
109	1	0.5	110	50.9
110	1	0.5	111	51.4
111	1	0.5	112	51.9
112	1	0.5	113	52.3
113	1	0.5	114	52.8
114	1	0.5	115	53.2
115	1	0.5	116	53.7
116	1	0.5	117	54.2
117	1	0.5	118	54.6
118	1	0.5	119	55.1
119	1	0.5	120	55.6
120	1	0.5	121	56.0
121	1	0.5	122	56.5
122	1	0.5	123	56.9
123	1	0.5	124	57.4
124	1	0.5	125	57.9
125	1	0.5	126	58.3
126	1	0.5	127	58.8
127	1	0.5	128	59.3
128	1	0.5	129	59.7
129	1	0.5	130	60.2

RECNO	Frequency	Percent	Cumulative Frequency	Cumulative Percent
130	1	0.5	131	60.6
131	1	0.5	132	61.1
132	1	0.5	133	61.6
133	1	0.5	134	62.0
134	1	0.5	135	62.5
135	1	0.5	136	63.0
136	1	0.5	137	63.4
137	1	0.5	138	63.9
138	1	0.5	139	64.4
139	1	0.5	140	64.8
140	1	0.5	141	65.3
141	1	0.5	142	65.7
142	1	0.5	143	66.2
143	1	0.5	144	66.7
144	1	0.5	145	67.1
145	1	0.5	146	67.6
146	1	0.5	147	68.1
147	1	0.5	148	68.5
148	1	0.5	149	69.0
149	1	0.5	150	69.4
150	1	0.5	151	69.9
151	1	0.5	152	70.4
152	1	0.5	153	70.8
153	1	0.5	154	71.3
154	1	0.5	155	71.8
155	1	0.5	156	72.2
156	1	0.5	157	72.7
157	1	0.5	158	73.1
158	1	0.5	159	73.6
159	1	0.5	160	74.1
160	1	0.5	161	74.5
161	1	0.5	162	75.0
162	1	0.5	163	75.5
163	1	0.5	164	75.9
164	1	0.5	165	76.4
165	1	0.5	166	76.9
166	1	0.5	167	77.3
167	1	0.5	168	77.8
168	1	0.5	169	78.2
169	1	0.5	170	78.7
170	1	0.5	171	79.2
171	1	0.5	172	79.6
172	1	0.5	173	80.1

RECNO	Frequency	Percent	Cumulative Frequency	Cumulative Percent
173	1	0.5	174	80.6
174	1	0.5	175	81.0
175	1	0.5	176	81.5
176	1	0.5	177	81.9
177	1	0.5	178	82.4
178	1	0.5	179	82.9
179	1	0.5	180	83.3
180	1	0.5	181	83.8
181	1	0.5	182	84.3
182	1	0.5	183	84.7
183	1	0.5	184	85.2
184	1	0.5	185	85.6
185	1	0.5	186	86.1
186	1	0.5	187	86.6
187	1	0.5	188	87.0
188	1	0.5	189	87.5
189	1	0.5	190	88.0
190	1	0.5	191	88.4
191	1	0.5	192	88.9
192	1	0.5	193	89.4
193	1	0.5	194	89.8
194	1	0.5	195	90.3
195	1	0.5	196	90.7
196	1	0.5	197	91.2
197	1	0.5	198	91.7
199	1	0.5	199	92.1
200	1	0.5	200	92.6
201	1	0.5	201	93.1
202	1	0.5	202	93.5
203	1	0.5	203	94.0
204	1	0.5	204	94.4
205	1	0.5	205	94.9
206	1	0.5	206	95.4
207	1	0.5	207	95.8
208	1	0.5	208	96.3
209	1	0.5	209	96.8
210	1	0.5	210	97.2
211	1	0.5	211	97.7
212	1	0.5	212	98.1
213	1	0.5	213	98.6
214	1	0.5	214	99.1
215	1	0.5	215	99.5
216	1	0.5	216	100.0

LINE1	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	216	100.0	216	100.0

V1	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	54	25.0	54	25.0
2	43	19.9	97	44.9
3	33	15.3	130	60.2
4	85	39.4	215	99.5
5	1	0.5	216	100.0

V2	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	17	7.9	17	7.9
2	26	12.1	43	20.0
3	58	27.0	101	47.0
4	55	25.6	156	72.6
5	59	27.4	215	100.0

Frequency Missing = 1

V3	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	8	3.8	8	3.8
2	20	9.4	28	13.2
3	42	19.8	70	33.0
4	52	24.5	122	57.5
5	90	42.5	212	100.0

Frequency Missing = 4

V4	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	71	33.5	71	33.5
2	12	5.7	83	39.2
3	12	5.7	95	44.8
4	32	15.1	127	59.9
5	15	7.1	142	67.0
6	35	16.5	177	83.5
7	4	1.9	181	85.4
8	2	0.9	183	86.3
9	29	13.7	212	100.0

Frequency Missing = 4

V5	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	5	2.4	5	2.4
2	34	16.3	39	18.7
3	43	20.6	82	39.2
4	47	22.5	129	61.7
5	20	9.6	149	71.3
6	5	2.4	154	73.7
7	12	5.7	166	79.4
8	7	3.3	173	82.8
9	1	0.5	174	83.3
10	8	3.8	182	87.1
11	3	1.4	185	88.5
12	1	0.5	186	89.0
13	1	0.5	187	89.5
14	1	0.5	188	90.0
15	7	3.3	195	93.3
16	2	1.0	197	94.3
17	1	0.5	198	94.7
19	1	0.5	199	95.2
20	3	1.4	202	96.7
21	1	0.5	203	97.1
25	1	0.5	204	97.6
31	1	0.5	205	98.1
32	1	0.5	206	98.6
40	1	0.5	207	99.0
51	1	0.5	208	99.5
90	1	0.5	209	100.0

Frequency Missing = 7

V6	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	101	46.8	101	46.8
2	23	10.6	124	57.4
3	92	42.6	216	100.0

V7	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	32	14.9	32	14.9
2	95	44.2	127	59.1
3	88	40.9	215	100.0

Frequency Missing = 1

V8	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	29	13.4	29	13.4
2	102	47.2	131	60.6
3	85	39.4	216	100.0

V9	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	74	34.4	74	34.4
2	75	34.9	149	69.3
3	66	30.7	215	100.0

Frequency Missing = 1

V10	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	144	67.0	144	67.0
2	18	8.4	162	75.3
3	53	24.7	215	100.0

Frequency Missing = 1

V11	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	119	55.1	119	55.1
2	81	37.5	200	92.6
3	16	7.4	216	100.0

V12	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	106	49.1	106	49.1
2	99	45.8	205	94.9
3	11	5.1	216	100.0

V13	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	114	52.8	114	52.8
2	89	41.2	203	94.0
3	10	4.6	213	98.6
4	3	1.4	216	100.0

V14	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	34	15.9	34	15.9
2	45	21.0	79	36.9
3	103	48.1	182	85.0
4	32	15.0	214	100.0

Frequency Missing = 2

V15	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	116	53.7	116	53.7
2	96	44.4	212	98.1
3	3	1.4	215	99.5
4	1	0.5	216	100.0

V16	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	117	54.2	117	54.2
2	90	41.7	207	95.8
3	7	3.2	214	99.1
4	2	0.9	216	100.0

V17	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	87	40.5	87	40.5
2	101	47.0	188	87.4
3	20	9.3	208	96.7
4	7	3.3	215	100.0

Frequency Missing = 1

V18	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	45	20.8	45	20.8
2	85	39.4	130	60.2
3	74	34.3	204	94.4
4	12	5.6	216	100.0

V19	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	22	10.2	22	10.2
2	58	26.9	80	37.0
3	101	46.8	181	83.8
4	35	16.2	216	100.0

V20	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	112	51.9	112	51.9
2	97	44.9	209	96.8
3	7	3.2	216	100.0

V21	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	64	29.9	64	29.9
2	118	55.1	182	85.0
3	29	13.6	211	98.6
4	3	1.4	214	100.0

Frequency Missing = 2

V22	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	135	62.5	135	62.5
2	78	36.1	213	98.6
3	3	1.4	216	100.0

V23	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	103	47.7	103	47.7
2	109	50.5	212	98.1
3	4	1.9	216	100.0

V24	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	122	56.5	122	56.5
2	87	40.3	209	96.8
3	6	2.8	215	99.5
4	1	0.5	216	100.0

V25	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	13	6.1	13	6.1
2	57	26.8	70	32.9
3	117	54.9	187	87.8
4	26	12.2	213	100.0

Frequency Missing = 3

V26	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	11	5.1	11	5.1
2	29	13.5	40	18.6
3	117	54.4	157	73.0
4	58	27.0	215	100.0

Frequency Missing = 1

V27	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	39	18.2	39	18.2
2	52	24.3	91	42.5
3	79	36.9	170	79.4
4	44	20.6	214	100.0

Frequency Missing = 2

V28	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	6	2.8	6	2.8
2	37	17.3	43	20.1
3	128	59.8	171	79.9
4	43	20.1	214	100.0

Frequency Missing = 2

V29	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	20	9.3	20	9.3
2	127	59.3	147	68.7
3	55	25.7	202	94.4
4	12	5.6	214	100.0

Frequency Missing = 2

V30	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	23	10.6	23	10.6
2	38	17.6	61	28.2
3	94	43.5	155	71.8
4	61	28.2	216	100.0

V31	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	21	9.7	21	9.7
2	39	18.1	60	27.8
3	119	55.1	179	82.9
4	37	17.1	216	100.0

V32	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	12	5.6	12	5.6
2	81	37.9	93	43.5
3	101	47.2	194	90.7
4	20	9.3	214	100.0

Frequency Missing = 2

V33	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	13	6.1	13	6.1
2	26	12.1	39	18.2
3	109	50.9	148	69.2
4	66	30.8	214	100.0

Frequency Missing = 2

V34	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	55	25.6	55	25.6
2	114	53.0	169	78.6
3	41	19.1	210	97.7
4	5	2.3	215	100.0

Frequency Missing = 1

V35	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	57	27.0	57	27.0
2	84	39.8	141	66.8
3	54	25.6	195	92.4
4	16	7.6	211	100.0

Frequency Missing = 5

V36	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	43	20.0	43	20.0
1	172	80.0	215	100.0

Frequency Missing = 1

V37	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	20	9.3	20	9.3
1	196	90.7	216	100.0

V38	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	200	92.6	200	92.6
1	16	7.4	216	100.0

V39	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	114	52.8	114	52.8
1	102	47.2	216	100.0

V40	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	107	49.5	107	49.5
1	109	50.5	216	100.0

V41	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	99	45.8	99	45.8
1	117	54.2	216	100.0

V42	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	78	36.1	78	36.1
1	138	63.9	216	100.0

V43	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	162	75.0	162	75.0
1	54	25.0	216	100.0

V44	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	139	64.4	139	64.4
1	77	35.6	216	100.0

V45	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	49	22.8	49	22.8
1	166	77.2	215	100.0

Frequency Missing = 1

V46	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	40	18.6	40	18.6
1	175	81.4	215	100.0

Frequency Missing = 1

V47	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	203	94.0	203	94.0
1	13	6.0	216	100.0

V48	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	118	55.1	118	55.1
2	69	32.2	187	87.4
3	8	3.7	195	91.1
4	19	8.9	214	100.0

Frequency Missing = 2

V49	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	89	41.4	89	41.4
2	71	33.0	160	74.4
3	41	19.1	201	93.5
4	14	6.5	215	100.0

Frequency Missing = 1

V50	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	187	87.0	187	87.0
2	11	5.1	198	92.1
3	3	1.4	201	93.5
4	14	6.5	215	100.0

Frequency Missing = 1

V51	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	47	22.0	47	22.0
2	95	44.4	142	66.4
3	52	24.3	194	90.7
4	20	9.3	214	100.0

Frequency Missing = 2

V52	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	58	27.2	58	27.2
2	105	49.3	163	76.5
3	36	16.9	199	93.4
4	14	6.6	213	100.0

Frequency Missing = 3

V53	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	36	17.0	36	17.0
2	68	32.1	104	49.1
3	86	40.6	190	89.6
4	22	10.4	212	100.0

Frequency Missing = 4

V54	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	195	90.7	195	90.7
2	7	3.3	202	94.0
3	1	0.5	203	94.4
4	12	5.6	215	100.0

Frequency Missing = 1

V55	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	92	42.8	92	42.8
2	97	45.1	189	87.9
3	24	11.2	213	99.1
4	2	0.9	215	100.0

Frequency Missing = 1

V56	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	12	5.6	12	5.6
2	51	23.6	63	29.2
3	115	53.2	178	82.4
4	38	17.6	216	100.0

V57	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	45	20.8	45	20.8
2	97	44.9	142	65.7
3	65	30.1	207	95.8
4	9	4.2	216	100.0

V58	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	12	5.6	12	5.6
2	12	5.6	24	11.1
3	117	54.2	141	65.3
4	75	34.7	216	100.0

V59	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	10	4.6	10	4.6
2	38	17.6	48	22.2
3	88	40.7	136	63.0
4	80	37.0	216	100.0

V60	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	31	14.4	31	14.4
2	48	22.2	79	36.6
3	90	41.7	169	78.2
4	47	21.8	216	100.0

V61	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	9	4.2	9	4.2
2	40	18.5	49	22.7
3	114	52.8	163	75.5
4	53	24.5	216	100.0

V62	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	11	5.1	11	5.1
2	26	12.1	37	17.3
3	117	54.7	154	72.0
4	60	28.0	214	100.0

Frequency Missing = 2

V63	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	48	22.4	48	22.4
2	115	53.7	163	76.2
3	44	20.6	207	96.7
4	7	3.3	214	100.0

Frequency Missing = 2

V64	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	63	29.3	63	29.3
1	152	70.7	215	100.0

Frequency Missing = 1

V65	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	43	20.0	43	20.0
1	172	80.0	215	100.0

Frequency Missing = 1

V66	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	87	40.7	87	40.7
1	127	59.3	214	100.0

Frequency Missing = 2

V67	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	155	72.4	155	72.4
1	59	27.6	214	100.0

Frequency Missing = 2

V68	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	116	54.0	116	54.0
1	99	46.0	215	100.0

Frequency Missing = 1

V69	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	178	83.2	178	83.2
1	36	16.8	214	100.0

Frequency Missing = 2

V70	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	208	96.7	208	96.7
1	7	3.3	215	100.0

Frequency Missing = 1

V71	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	210	97.7	210	97.7
1	5	2.3	215	100.0

Frequency Missing = 1

V72	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	8	3.7	8	3.7
1	208	96.3	216	100.0

V73	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	195	91.1	195	91.1
1	19	8.9	214	100.0

Frequency Missing = 2

V74	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	181	84.6	181	84.6
1	33	15.4	214	100.0

Frequency Missing = 2

V75	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	144	67.9	144	67.9
1	68	32.1	212	100.0

Frequency Missing = 4

LINE2	Frequency	Percent	Cumulative Frequency	Cumulative Percent
2	216	100.0	216	100.0

V76	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	8	3.7	8	3.7
1	207	96.3	215	100.0

Frequency Missing = 1

V77	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	202	94.0	202	94.0
1	13	6.0	215	100.0

Frequency Missing = 1

V78	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	213	99.1	213	99.1
1	2	0.9	215	100.0

Frequency Missing = 1

V79	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	213	99.1	213	99.1
1	2	0.9	215	100.0

Frequency Missing = 1

V80	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	213	99.1	213	99.1
1	2	0.9	215	100.0

Frequency Missing = 1

V81	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	210	97.7	210	97.7
1	5	2.3	215	100.0

Frequency Missing = 1

V82	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	24	11.2	24	11.2
1	191	88.8	215	100.0

Frequency Missing = 1

V83	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	148	68.8	148	68.8
1	67	31.2	215	100.0

Frequency Missing = 1

V84	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	187	87.0	187	87.0
1	28	13.0	215	100.0

Frequency Missing = 1

V85	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	214	99.5	214	99.5
1	1	0.5	215	100.0

Frequency Missing = 1

V86	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	11	5.2	11	5.2
2	18	8.5	29	13.7
3	57	26.9	86	40.6
4	97	45.8	183	86.3
5	29	13.7	212	100.0

Frequency Missing = 4

V87	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	53	24.9	53	24.9
2	134	62.9	187	87.8
3	10	4.7	197	92.5
4	6	2.8	203	95.3
5	10	4.7	213	100.0

Frequency Missing = 3

V88	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	66	31.4	66	31.4
2	118	56.2	184	87.6
3	20	9.5	204	97.1
4	3	1.4	207	98.6
5	3	1.4	210	100.0

Frequency Missing = 6

V89	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	142	66.4	142	66.4
2	72	33.6	214	100.0

Frequency Missing = 2

V90	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	164	76.3	164	76.3
1	51	23.7	215	100.0

Frequency Missing = 1

V91	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	162	76.1	162	76.1
1	51	23.9	213	100.0

Frequency Missing = 3

V92	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	209	97.2	209	97.2
1	6	2.8	215	100.0

Frequency Missing = 1

V93	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	215	100.0	215	100.0

Frequency Missing = 1

V94	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	151	70.2	151	70.2
1	64	29.8	215	100.0

Frequency Missing = 1

V95	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	211	98.1	211	98.1
1	4	1.9	215	100.0

Frequency Missing = 1

V96	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	208	96.7	208	96.7
1	7	3.3	215	100.0

Frequency Missing = 1

V97	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	72	33.5	72	33.5
2	106	49.3	178	82.8
3	34	15.8	212	98.6
4	3	1.4	215	100.0

Frequency Missing = 1

V98	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	70	32.6	70	32.6
2	119	55.3	189	87.9
3	23	10.7	212	98.6
4	3	1.4	215	100.0

Frequency Missing = 1

V99	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	28	13.0	28	13.0
2	70	32.6	98	45.6
3	92	42.8	190	88.4
4	24	11.2	214	99.5
5	1	0.5	215	100.0

Frequency Missing = 1

V100	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	19	8.9	19	8.9
2	53	24.8	72	33.6
3	96	44.9	168	78.5
4	45	21.0	213	99.5
5	1	0.5	214	100.0

Frequency Missing = 2

V101	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	126	58.6	126	58.6
2	87	40.5	213	99.1
3	2	0.9	215	100.0

Frequency Missing = 1

V102	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	151	70.2	151	70.2
2	63	29.3	214	99.5
3	1	0.5	215	100.0

Frequency Missing = 1

V103	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	36	17.1	36	17.1
2	111	52.9	147	70.0
3	52	24.8	199	94.8
4	11	5.2	210	100.0

Frequency Missing = 6

V104	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	40	18.7	40	18.7
2	139	65.0	179	83.6
3	22	10.3	201	93.9
4	13	6.1	214	100.0

Frequency Missing = 2

V105	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	5	2.3	5	2.3
2	10	4.7	15	7.0
3	69	32.1	84	39.1
4	131	60.9	215	100.0

Frequency Missing = 1

V106	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	32	14.9	32	14.9
2	75	34.9	107	49.8
3	45	20.9	152	70.7
4	63	29.3	215	100.0

Frequency Missing = 1

V107	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	212	98.6	212	98.6
2	3	1.4	215	100.0

Frequency Missing = 1

V108	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	213	99.1	213	99.1
2	2	0.9	215	100.0

Frequency Missing = 1

V109	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	203	94.9	203	94.9
2	11	5.1	214	100.0

Frequency Missing = 2

V110	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	26	12.1	26	12.1
2	189	87.9	215	100.0

Frequency Missing = 1

V111	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	45	21.1	45	21.1
2	168	78.9	213	100.0

Frequency Missing = 3

V112	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	174	81.3	174	81.3
2	40	18.7	214	100.0

Frequency Missing = 2

V113	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	203	94.9	203	94.9
2	11	5.1	214	100.0

Frequency Missing = 2

V114	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	210	98.1	210	98.1
2	4	1.9	214	100.0

Frequency Missing = 2

V115	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	105	48.8	105	48.8
1	110	51.2	215	100.0

Frequency Missing = 1

V116	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	172	80.0	172	80.0
1	43	20.0	215	100.0

Frequency Missing = 1

V117	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	159	74.0	159	74.0
1	56	26.0	215	100.0

Frequency Missing = 1

V118	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	128	59.5	128	59.5
1	87	40.5	215	100.0

Frequency Missing = 1

V119	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	186	86.5	186	86.5
1	29	13.5	215	100.0

Frequency Missing = 1

V120	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	150	69.8	150	69.8
1	65	30.2	215	100.0

Frequency Missing = 1

V121	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	194	90.2	194	90.2
1	21	9.8	215	100.0

Frequency Missing = 1

V122	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	56	26.0	56	26.0
1	159	74.0	215	100.0

Frequency Missing = 1

V123	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	142	66.0	142	66.0
1	73	34.0	215	100.0

Frequency Missing = 1

V124	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	181	84.2	181	84.2
1	34	15.8	215	100.0

Frequency Missing = 1

V125	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	125	58.1	125	58.1
1	90	41.9	215	100.0

Frequency Missing = 1

V126	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	81	37.7	81	37.7
1	134	62.3	215	100.0

Frequency Missing = 1

V127	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	165	76.7	165	76.7
1	50	23.3	215	100.0

Frequency Missing = 1

V128	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	149	69.6	149	69.6
1	65	30.4	214	100.0

Frequency Missing = 2

V129	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	36	17.1	36	17.1
2	83	39.5	119	56.7
3	82	39.0	201	95.7
4	9	4.3	210	100.0

Frequency Missing = 6

V130	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	76	35.3	76	35.3
2	111	51.6	187	87.0
3	24	11.2	211	98.1
4	4	1.9	215	100.0

Frequency Missing = 1

V131	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	67	31.2	67	31.2
2	129	60.0	196	91.2
3	15	7.0	211	98.1
4	4	1.9	215	100.0

Frequency Missing = 1

V132	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	42	19.5	42	19.5
2	130	60.5	172	80.0
3	35	16.3	207	96.3
4	8	3.7	215	100.0

Frequency Missing = 1

V133	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	46	21.7	46	21.7
2	89	42.0	135	63.7
3	64	30.2	199	93.9
4	13	6.1	212	100.0

Frequency Missing = 4

V134	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	145	67.4	145	67.4
2	62	28.8	207	96.3
3	8	3.7	215	100.0

Frequency Missing = 1

V135	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	192	90.6	192	90.6
2	17	8.0	209	98.6
3	3	1.4	212	100.0

Frequency Missing = 4

V136	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	210	97.7	210	97.7
2	2	0.9	212	98.6
3	3	1.4	215	100.0

Frequency Missing = 1

V137	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	107	49.8	107	49.8
2	91	42.3	198	92.1
3	17	7.9	215	100.0

Frequency Missing = 1

V138	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	34	15.8	34	15.8
2	59	27.4	93	43.3
3	73	34.0	166	77.2
4	49	22.8	215	100.0

Frequency Missing = 1

V139	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	79	36.9	79	36.9
2	125	58.4	204	95.3
3	10	4.7	214	100.0

Frequency Missing = 2

V140	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	110	52.1	110	52.1
2	82	38.9	192	91.0
3	10	4.7	202	95.7
4	9	4.3	211	100.0

Frequency Missing = 5

V141	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	151	70.2	151	70.2
2	64	29.8	215	100.0

Frequency Missing = 1

V142	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	18	11.3	18	11.3
2	62	39.0	80	50.3
3	74	46.5	154	96.9
4	5	3.1	159	100.0

Frequency Missing = 57

V143	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	170	79.1	170	79.1
1	45	20.9	215	100.0

Frequency Missing = 1

V144	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	59	27.6	59	27.6
1	155	72.4	214	100.0

Frequency Missing = 2

V145	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	145	67.4	145	67.4
1	70	32.6	215	100.0

Frequency Missing = 1

V146	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	187	87.0	187	87.0
1	28	13.0	215	100.0

Frequency Missing = 1

V147	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	194	90.2	194	90.2
1	21	9.8	215	100.0

Frequency Missing = 1

V148	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	168	78.1	168	78.1
1	47	21.9	215	100.0

Frequency Missing = 1

LINE3	Frequency	Percent	Cumulative Frequency	Cumulative Percent
3	215	99.5	215	99.5
6	1	0.5	216	100.0

V149	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	136	63.0	136	63.0
1	80	37.0	216	100.0

V150	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	160	74.1	160	74.1
1	56	25.9	216	100.0

V151	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	125	57.9	125	57.9
1	91	42.1	216	100.0

V152	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	162	94.7	162	94.7
1	9	5.3	171	100.0

Frequency Missing = 45

V153	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	47	22.1	47	22.1
2	59	27.7	106	49.8
3	107	50.2	213	100.0

Frequency Missing = 3

V154	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	69	32.5	69	32.5
2	143	67.5	212	100.0

Frequency Missing = 4

V155	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	191	88.4	191	88.4
2	25	11.6	216	100.0

V156	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	186	86.5	186	86.5
2	29	13.5	215	100.0

Frequency Missing = 1

V157	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	141	66.2	141	66.2
2	72	33.8	213	100.0

Frequency Missing = 3

V158	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	168	78.1	168	78.1
2	47	21.9	215	100.0

Frequency Missing = 1

V159	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	57	26.8	57	26.8
2	156	73.2	213	100.0

Frequency Missing = 3

V160	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	201	93.9	201	93.9
2	13	6.1	214	100.0

Frequency Missing = 2

V161	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	159	74.6	159	74.6
2	53	24.9	212	99.5
3	1	0.5	213	100.0

Frequency Missing = 3

V162	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	21	9.8	21	9.8
2	26	12.1	47	21.9
3	114	53.0	161	74.9
4	54	25.1	215	100.0

Frequency Missing = 1

V163	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	20	9.3	20	9.3
2	32	14.9	52	24.2
3	118	54.9	170	79.1
4	45	20.9	215	100.0

Frequency Missing = 1

V164	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	58	27.0	58	27.0
2	119	55.3	177	82.3
3	27	12.6	204	94.9
4	11	5.1	215	100.0

Frequency Missing = 1

V165	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	7	3.3	7	3.3
2	23	10.7	30	14.0
3	130	60.5	160	74.4
4	55	25.6	215	100.0

Frequency Missing = 1

V166	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	14	6.5	14	6.5
2	24	11.2	38	17.7
3	109	50.7	147	68.4
4	68	31.6	215	100.0

Frequency Missing = 1

V167	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	12	5.6	12	5.6
2	43	20.2	55	25.8
3	130	61.0	185	86.9
4	28	13.1	213	100.0

Frequency Missing = 3

V168	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	89	41.4	89	41.4
2	113	52.6	202	94.0
3	13	6.0	215	100.0

Frequency Missing = 1

V169	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	36	16.8	36	16.8
2	51	23.8	87	40.7
3	89	41.6	176	82.2
4	38	17.8	214	100.0

Frequency Missing = 2

V170	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	73	34.0	73	34.0
2	124	57.7	197	91.6
3	17	7.9	214	99.5
4	1	0.5	215	100.0

Frequency Missing = 1

V171	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	170	79.1	170	79.1
2	45	20.9	215	100.0

Frequency Missing = 1

V172	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	57	26.5	57	26.5
2	90	41.9	147	68.4
3	60	27.9	207	96.3
4	8	3.7	215	100.0

Frequency Missing = 1

V173	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	26	12.0	26	12.0
2	129	59.7	155	71.8
3	53	24.5	208	96.3
4	8	3.7	216	100.0

V174	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	10	4.6	10	4.6
2	90	41.7	100	46.3
3	89	41.2	189	87.5
4	27	12.5	216	100.0

V175	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	40	19.2	40	19.2
2	129	62.0	169	81.3
3	38	18.3	207	99.5
4	1	0.5	208	100.0

Frequency Missing = 8

V176	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	43	19.9	43	19.9
2	97	44.9	140	64.8
3	63	29.2	203	94.0
4	13	6.0	216	100.0

V177	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	9	4.2	9	4.2
2	31	14.4	40	18.5
3	127	58.8	167	77.3
4	49	22.7	216	100.0

V178	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	21	9.9	21	9.9
2	45	21.1	66	31.0
3	129	60.6	195	91.5
4	18	8.5	213	100.0

Frequency Missing = 3

V179	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	96	44.4	96	44.4
2	109	50.5	205	94.9
3	9	4.2	214	99.1
4	2	0.9	216	100.0

V180	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	69	32.1	69	32.1
2	112	52.1	181	84.2
3	27	12.6	208	96.7
4	7	3.3	215	100.0

Frequency Missing = 1

V181	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	117	54.2	117	54.2
2	77	35.6	194	89.8
3	18	8.3	212	98.1
4	4	1.9	216	100.0

V182	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	40	18.5	40	18.5
2	59	27.3	99	45.8
3	101	46.8	200	92.6
4	16	7.4	216	100.0

V183	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	32	14.8	32	14.8
2	88	40.7	120	55.6
3	78	36.1	198	91.7
4	18	8.3	216	100.0

V184	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	25	11.6	25	11.6
2	92	42.8	117	54.4
3	65	30.2	182	84.7
4	33	15.3	215	100.0

Frequency Missing = 1

V185	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	76	35.3	76	35.3
2	86	40.0	162	75.3
3	41	19.1	203	94.4
4	12	5.6	215	100.0

Frequency Missing = 1

V186	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	44	20.5	44	20.5
2	69	32.1	113	52.6
3	71	33.0	184	85.6
4	31	14.4	215	100.0

Frequency Missing = 1

V187	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	128	59.3	128	59.3
2	75	34.7	203	94.0
3	7	3.2	210	97.2
4	6	2.8	216	100.0

V188	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	140	65.4	140	65.4
2	63	29.4	203	94.9
3	5	2.3	208	97.2
4	6	2.8	214	100.0

Frequency Missing = 2

V189	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	151	70.2	151	70.2
2	55	25.6	206	95.8
3	5	2.3	211	98.1
4	4	1.9	215	100.0

Frequency Missing = 1

V190	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	32	14.9	32	14.9
2	79	36.7	111	51.6
3	60	27.9	171	79.5
4	44	20.5	215	100.0

Frequency Missing = 1

V191	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	57	26.4	57	26.4
2	69	31.9	126	58.3
3	59	27.3	185	85.6
4	31	14.4	216	100.0

V192	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	14	6.6	14	6.6
2	45	21.2	59	27.8
3	101	47.6	160	75.5
4	52	24.5	212	100.0

Frequency Missing = 4

V193	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	6	2.8	6	2.8
2	32	15.1	38	17.9
3	105	49.5	143	67.5
4	69	32.5	212	100.0

Frequency Missing = 4

V194	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	7	3.3	7	3.3
2	39	18.6	46	21.9
3	102	48.6	148	70.5
4	62	29.5	210	100.0

Frequency Missing = 6

V195	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	133	62.1	133	62.1
2	81	37.9	214	100.0

Frequency Missing = 2

V196	Frequency	Percent	Cumulative Frequency	Cumulative Percent
19	1	0.5	1	0.5
21	6	2.8	7	3.3
22	4	1.9	11	5.2
23	1	0.5	12	5.7
24	6	2.8	18	8.5
25	6	2.8	24	11.3
26	8	3.8	32	15.1
27	5	2.4	37	17.5
28	6	2.8	43	20.3
29	7	3.3	50	23.6
30	5	2.4	55	25.9
31	4	1.9	59	27.8
32	10	4.7	69	32.5
33	6	2.8	75	35.4
34	7	3.3	82	38.7
35	6	2.8	88	41.5
36	4	1.9	92	43.4
37	4	1.9	96	45.3
38	8	3.8	104	49.1
39	10	4.7	114	53.8
40	8	3.8	122	57.5
41	4	1.9	126	59.4
42	6	2.8	132	62.3
43	4	1.9	136	64.2
44	6	2.8	142	67.0
45	7	3.3	149	70.3
46	4	1.9	153	72.2
47	2	0.9	155	73.1
48	5	2.4	160	75.5
49	3	1.4	163	76.9
50	1	0.5	164	77.4
51	6	2.8	170	80.2
52	3	1.4	173	81.6
53	2	0.9	175	82.5
54	6	2.8	181	85.4
55	4	1.9	185	87.3
56	1	0.5	186	87.7
57	3	1.4	189	89.2
58	3	1.4	192	90.6
59	2	0.9	194	91.5
60	7	3.3	201	94.8
62	4	1.9	205	96.7
64	2	0.9	207	97.6

V196	Frequency	Percent	Cumulative Frequency	Cumulative Percent
65	2	0.9	209	98.6
70	1	0.5	210	99.1
74	1	0.5	211	99.5
75	1	0.5	212	100.0

Frequency Missing = 4

V197	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	1	0.5	1	0.5
2	14	6.5	15	7.0
3	17	7.9	32	14.9
4	21	9.8	53	24.7
5	46	21.4	99	46.0
6	23	10.7	122	56.7
7	69	32.1	191	88.8
8	6	2.8	197	91.6
9	6	2.8	203	94.4
10	9	4.2	212	98.6
11	3	1.4	215	100.0

Frequency Missing = 1

V198	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	206	95.4	206	95.4
1	10	4.6	216	100.0

V199	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	215	99.5	215	99.5
1	1	0.5	216	100.0

V200	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	215	99.5	215	99.5
1	1	0.5	216	100.0

V201	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	208	96.3	208	96.3
1	8	3.7	216	100.0

V202	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	159	79.5	159	79.5
2	40	20.0	199	99.5
3	1	0.5	200	100.0

Frequency Missing = 16

V203	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	71	35.5	71	35.5
2	68	34.0	139	69.5
3	29	14.5	168	84.0
4	13	6.5	181	90.5
5	19	9.5	200	100.0

Frequency Missing = 16

Q39	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	4	1.9	4	1.9
1	4	1.9	8	3.7
2	44	20.4	52	24.1
10	45	20.8	97	44.9
11	1	0.5	98	45.4
100	23	10.6	121	56.0
110	14	6.5	135	62.5
111	1	0.5	136	63.0
1000	39	18.1	175	81.0
1002	1	0.5	176	81.5
1010	20	9.3	196	90.7
1011	2	0.9	198	91.7
1100	9	4.2	207	95.8
1101	1	0.5	208	96.3
1110	8	3.7	216	100.0

V152B	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0	171	79.2	171	79.2
1	45	20.8	216	100.0

DAILY	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	70	44.0	70	44.0
2	60	37.7	130	81.8
3	19	11.9	149	93.7
4	5	3.1	154	96.9
5	5	3.1	159	100.0

Frequency Missing = 57

MONTHLY	Frequency	Percent	Cumulative Frequency	Cumulative Percent
1	1	2.5	1	2.5
2	8	20.0	9	22.5
3	10	25.0	19	47.5
4	8	20.0	27	67.5
5	13	32.5	40	100.0

Frequency Missing = 176

ANNUAL	Frequency	Percent	Cumulative Frequency	Cumulative Percent
5	1	100.0	1	100.0

Frequency Missing = 215

ANNEXURE C

DETERMINANTS OF INCOME

DETERMINANTS OF INCOME

The SAS System

15:06 Tuesday, September 9, 1997 6

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V2	0.15888 0.0308 185	0.10569 0.1568 181
V3	0.13891 0.0615 182	0.10597 0.1592 178
V11	-0.07199 0.3289 186	-0.06928 0.3527 182
V12	-0.02976 0.6868 186	-0.03368 0.6517 182
V13	-0.04527 0.5395 186	-0.04427 0.5529 182
V14	0.05068 0.4945 184	0.10699 0.1529 180
V15	-0.09643 0.1904 186	-0.10597 0.1545 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V16	-0.07965 0.2799 186	-0.08704 0.2427 182
V17	-0.04180 0.5721 185	-0.03170 0.6718 181
V18	-0.00021 0.9977 186	0.01408 0.8503 182
V19	0.14330 0.0510 186	0.19101 0.0098 182
V20	-0.22265 0.0023 186	-0.25867 0.0004 182
V21	0.12023 0.1040 184	0.13713 0.0664 180
V22	-0.05475 0.4580 186	-0.07532 0.3122 182
V23	0.06542 0.3750 186	0.08520 0.2528 182
V24	-0.06423 0.3838 186	-0.03141 0.6739 182
V25	0.18200 0.0137 183	0.23451 0.0016 179

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V26	0.05005 0.4987 185	0.05289 0.4795 181
V27	0.16764 0.0229 184	0.15164 0.0422 180
V28	0.13276 0.0724 184	0.19778 0.0078 180
V29	0.05233 0.4805 184	0.04922 0.5117 180
V30	0.24161 0.0009 186	0.23015 0.0018 182
V31	0.21243 0.0036 186	0.20156 0.0064 182
V32	0.09213 0.2135 184	0.14186 0.0575 180
V33	0.08515 0.2504 184	0.16065 0.0312 180
V34	-0.03577 0.6288 185	-0.00461 0.9509 181
V35	-0.06497 0.3849 181	-0.02320 0.7592 177

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V48	-0.06345 0.3896 186	-0.06428 0.3886 182
V49	-0.06372 0.3875 186	-0.03933 0.5981 182
V50	-0.03246 0.6601 186	-0.03923 0.5990 182
V51	-0.00922 0.9006 186	0.02702 0.7173 182
V52	-0.01650 0.8231 186	-0.00881 0.9060 182
V53	-0.01015 0.8916 183	0.04118 0.5842 179
V54	-0.03352 0.6496 186	-0.03938 0.5977 182
V55	-0.01872 0.8004 185	-0.04890 0.5133 181
V56	0.00543 0.9414 186	0.02682 0.7193 182
V57	0.04793 0.5159 186	0.06806 0.3613 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V58	-0.04411 0.5500 186	-0.04743 0.5249 182
V59	0.08058 0.2742 186	0.11677 0.1165 182
V60	-0.07215 0.3278 186	-0.07430 0.3188 182
V61	0.18213 0.0128 186	0.23951 0.0011 182
V62	0.14800 0.0450 184	0.18400 0.0134 180
V63	-0.08295 0.2630 184	-0.09159 0.2214 180
V72	0.00016 0.9983 186	0.03803 0.6103 182
V73	0.01186 0.8727 185	0.03567 0.6335 181
V74	0.25322 0.0005 185	0.26787 0.0003 181
V75	0.21680 0.0030 185	0.22674 0.0021 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V76	0.05999 0.4160 186	0.04601 0.5374 182
V77	0.07192 0.3293 186	0.09967 0.1807 182
V78	-0.07894 0.2842 186	-0.07012 0.3469 182
V79	-0.05567 0.4505 186	-0.13908 0.0611 182
V80	-0.07894 0.2842 186	-0.06558 0.3791 182
V81	-0.07300 0.3221 186	-0.05898 0.4290 182
V82	0.10103 0.1700 186	0.06561 0.3789 182
V83	-0.00769 0.9171 186	-0.02944 0.6932 182
V84	-0.10822 0.1415 186	-0.08087 0.2778 182
V85	0.02218 0.7638 186	0.03137 0.6742 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V89	-0.24621 0.0007 185	-0.20242 0.0063 181
V90	-0.13827 0.0598 186	-0.10935 0.1417 182
V91	-0.18274 0.0130 184	-0.13618 0.0683 180
V92	-0.05545 0.4523 186	-0.06188 0.4066 182
V93	-0.02218 0.7638 186	-0.02176 0.7706 182
V94	0.04334 0.5569 186	0.02516 0.7360 182
V95	0.08382 0.2553 186	0.08482 0.2549 182
V96	-0.11981 0.1033 186	-0.10814 0.1462 182
V97	-0.14852 0.0436 185	-0.16157 0.0298 181
V98	-0.08250 0.2642 185	-0.11413 0.1260 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V99	0.06202 0.4016 185	0.01502 0.8409 181
V100	-0.00937 0.8992 185	-0.06659 0.3731 181
V101	-0.17693 0.0160 185	-0.13698 0.0659 181
V102	-0.13224 0.0728 185	-0.08923 0.2323 181
V103	-0.05958 0.4269 180	0.00358 0.9624 176
V104	-0.04011 0.5888 184	0.04090 0.5857 180
V105	0.15329 0.0372 185	0.20012 0.0069 181
V106	0.08398 0.2558 185	0.09602 0.1985 181
V107	-0.01674 0.8206 186	-0.01544 0.8361 182
V108	-0.03208 0.6638 186	-0.02850 0.7026 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V109	-0.10595 0.1501 186	-0.10763 0.1481 182
V110	-0.32184 0.0001 186	-0.29818 0.0001 182
V111	-0.24554 0.0007 186	-0.18200 0.0139 182
V112	-0.17294 0.0182 186	-0.13811 0.0630 182
V113	-0.07121 0.3341 186	-0.05909 0.4281 182
V114	-0.02484 0.7365 186	-0.01349 0.8565 182
V115	-0.15225 0.0380 186	-0.17629 0.0173 182
V116	0.13069 0.0754 186	0.08507 0.2535 182
V117	0.10848 0.1405 186	0.14240 0.0552 182
V118	0.05514 0.4547 186	0.08720 0.2418 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V119	0.05596 0.4481 186	0.06339 0.3952 182
V120	0.25458 0.0005 186	0.26293 0.0003 182
V121	0.09876 0.1799 186	0.11047 0.1376 182
V122	0.04037 0.5843 186	0.04291 0.5652 182
V123	0.17167 0.0191 186	0.18488 0.0125 182
V124	0.20513 0.0050 186	0.21046 0.0043 182
V125	0.12340 0.0933 186	0.15271 0.0396 182
V126	0.02756 0.7088 186	-0.01527 0.8379 182
V127	0.06094 0.4087 186	0.07384 0.3219 182
V128	0.04451 0.5475 185	0.06711 0.3694 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V129	-0.10683 0.1535 180	-0.06557 0.3873 176
V130	-0.00926 0.9005 185	0.04643 0.5348 181
V131	-0.02328 0.7531 185	0.06562 0.3801 181
V132	-0.05492 0.4577 185	-0.01996 0.7897 181
V133	-0.09221 0.2157 182	-0.10098 0.1799 178
V134	-0.00969 0.8959 185	-0.01916 0.7980 181
V135	0.07898 0.2879 183	0.05467 0.4673 179
V136	0.00613 0.9340 185	-0.03009 0.6876 181
V138	0.09319 0.2071 185	0.12593 0.0912 181
V139	0.04566 0.5382 184	0.03931 0.6003 180

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V140	-0.12603 0.0909 181	-0.08203 0.2777 177
V141	-0.01775 0.8105 185	0.01970 0.7924 181
V143	-0.03504 0.6349 186	-0.02087 0.7797 182
V144	0.12374 0.0933 185	0.10143 0.1743 181
V145	0.03550 0.6305 186	0.08391 0.2601 182
V146	0.10764 0.1436 186	0.10055 0.1768 182
V147	0.19576 0.0074 186	0.13960 0.0602 182
V148	0.27749 0.0001 186	0.26862 0.0002 182
V149	-0.02564 0.7283 186	-0.05595 0.4531 182
V150	-0.01500 0.8389 186	0.01235 0.8685 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V151	0.10426 0.1567 186	0.08602 0.2483 182
V152	0.00359 0.9647 155	0.02528 0.7580 151
V152B	-0.04837 0.5121 186	-0.04734 0.5257 182
V154	-0.26136 0.0003 186	-0.26354 0.0003 182
V155	0.18251 0.0127 186	0.15763 0.0336 182
V156	-0.14815 0.0436 186	-0.17381 0.0189 182
V157	0.00947 0.8979 186	-0.00564 0.9397 182
V158	-0.07972 0.2794 186	-0.10262 0.1680 182
V159	-0.02069 0.7792 186	-0.06860 0.3575 182
V160	-0.06667 0.3660 186	-0.06851 0.3581 182

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V161	-0.07780 0.2912 186	-0.05785 0.4379 182
V162	0.07339 0.3208 185	0.07908 0.2899 181
V163	0.11784 0.1102 185	0.09989 0.1809 181
V164	-0.11687 0.1131 185	-0.13283 0.0747 181
V165	-0.01041 0.8882 185	-0.00788 0.9161 181
V166	-0.06350 0.3905 185	-0.06767 0.3654 181
V167	0.06040 0.4167 183	0.06845 0.3626 179
V168	0.01056 0.8865 185	-0.00214 0.9772 181
V169	0.20449 0.0054 184	0.23111 0.0018 180
V170	0.06175 0.4037 185	0.09019 0.2273 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V171	-0.23093 0.0016 185	-0.16823 0.0236 181
V172	-0.07310 0.3227 185	-0.07826 0.2950 181
V173	-0.06392 0.3861 186	-0.03100 0.6778 182
V174	0.06609 0.3701 186	0.04743 0.5249 182
V175	0.02930 0.6971 179	0.05673 0.4559 175
V176	-0.07023 0.3408 186	-0.05265 0.4803 182
V177	0.10319 0.1610 186	0.12399 0.0954 182
V178	0.14776 0.0459 183	0.16324 0.0290 179
V179	-0.03969 0.5907 186	-0.05414 0.4679 182
V180	-0.01183 0.8730 185	0.05112 0.4944 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V181	-0.08314 0.2592 186	-0.10922 0.1422 182
V182	-0.01799 0.8074 186	-0.03794 0.6111 182
V183	-0.10758 0.1439 186	-0.07635 0.3057 182
V184	0.10123 0.1704 185	0.08599 0.2497 181
V185	-0.10437 0.1574 185	-0.08050 0.2813 181
V186	0.00453 0.9510 186	-0.04058 0.5865 182
V187	-0.07637 0.3002 186	-0.06703 0.3687 182
V188	-0.09620 0.1939 184	-0.07838 0.2956 180
V189	-0.10564 0.1524 185	-0.09661 0.1957 181
V190	-0.04553 0.5383 185	-0.01427 0.8488 181

Correlation Analysis

Pearson Correlation Coefficients / Prob > |R| under Ho: Rho=0 / Number of Observations

	DAILY	DAILR
V191	-0.08578 0.2444 186	-0.08171 0.2728 182
V192	0.09732 0.1912 182	0.13400 0.0746 178
V193	0.06983 0.3489 182	0.12724 0.0905 178
V194	-0.01230 0.8698 180	0.02804 0.7118 176
V195	-0.14429 0.0507 184	-0.15416 0.0388 180
V196	-0.07510 0.3110 184	-0.12945 0.0833 180
V197	0.19262 0.0084 186	0.18545 0.0122 182