ASSIGNMENT 1ST SEMESTER : RETAIL MARKETING (RM)
RETAIL MARKETING (RM001)

CHAPTERS COVERED : CHAPTERS 1 - 4 & 8

DUE DATE : 3:00 p.m. 20 MARCH 2012

TOTAL MARKS : 100

INSTRUCTIONS TO CANDIDATES FOR COMPLETING AND SUBMITTING ASSIGNMENTS

The complete 'Instructions to Students for Completing and Submitting Assignments' must be collected from any IMM GSM office, or the relevant Student Support Centre or can be downloaded from the IMM GSM website. It is essential that the complete instructions be studied prior to commencing your assignment. The following points highlight only a few important notes.

1. You are required to submit ONE assignment per subject.
2. The assignment will contribute 20% towards the final examination mark, and the other 80% will be contributed by the examination, however, the examination papers will count out of 100%.
3. Although your assignment will contribute towards your final examination mark, you do not have to earn credits for admission to the examinations; you are automatically accepted on registering for the exam.
4. Number all the pages of your assignment (e.g. page 1 of 4) and write your name and surname, student number and subject at the top of **each** page.
5. The IMM GSM requires assignments to be presented in a typed format, on plain A4 paper. Unless otherwise specified, this assignment must be completed within a limit of 1500 words, excluding the bibliography. Students who exceed the word limit may find that only part of the submitted assignment will be marked.
6. A separate assignment cover, which is provided by the IMM GSM, must be attached to the front of each assignment.
7. Retain a copy of each assignment before submitting, in case the original does not reach the IMM GSM.
8. The assignment due date refers to the day up to which assignments will be accepted for marking purposes. The deadline is 3:00 p.m. on 20 March 2012. Late assignments will be accepted, but **25 marks** will be deducted from the maximum mark if received after 3:00 p.m. on 20 March 2012 and up to 5:00 p.m. the following day, after which no assignments will be accepted.
9. If you fail to follow these instructions carefully, the IMM Graduate School of Marketing cannot accept responsibility for the return of the assignment. It may even result in your assignment not being marked.

Results will be available on the IMM GSM website, www.immgsm.ac.za, on Friday, 4 May 2012.

SPECIFIC INSTRUCTIONS:

1. Answer **ALL** the questions in detail.
2. Use your **own words** to answer the questions!
3. Read each question carefully to determine exactly what is required before attempting the answer.
4. Answers must be set out in a systematic way under appropriate **headings** and **sub-headings**. Number your answers clearly.
5. Do not simply give theoretical discussions. Practical application is essential for all questions and should form the bulk of your answers.
6. Take note that 10 marks are allocated to the presentation and layout of your assignment.
7. All answers must be based on the attached case study where indicated. Refer to the following websites for more information on the company and its retailing activities:
   http://www.checkers.co.za/Pages/default.aspx and http://www.shopriteholdings.co.za/pages/1019812640/our-brands/Checkers.asp
8. The prescribed textbook for this module is: Levy, M., and Weitz, B.A., 2012 *Retailing Management.* 8th ed. McGraw-Hill.

Read the case study an answer ALL the questions.

QUESTION 1 [20]

The South African retail environment, depending on your perspective, is about to experience some huge changes with the arrival of Wal-mart through their link up with Massmart.

Required:
Conduct some research into Wal-mart and Massmart and the deal that has been made. In an essay, discuss the main drivers behind this deal, and the impact and influences it will have on the South African retailing environment.

[**Hint:** In order to answer this question it is essential that you consult additional sources. Visit a library, search on the Internet, search for newspaper articles, or even arrange an interview with knowledgeable persons on the topic. You could attempt to speak with a retailer in order to gain greater insight into the nature of the South African retailing environment and the impact of the deal.]

QUESTION 2 [25]

Levy and Weitz (2012) identifies **five main types of food retailers** and gives a large number of American examples of each type.

Required:
Identify South African examples of each of the **five (5) types of food retailers** identified in Levy and Weitz (2012) and then give motivation on why you think your

examples are correct. Your motivation should focus on the characteristics of the retailer in question, the characteristics identified in the theory, as well as the elements of the retail mix.

[Note: Conduct some research on the various retailers you select to gain greater insight into their operations. Be sure to motivate your statements using the relevant theory as a basis. If you simply rewrite what is given in Levy and Weitz (2012) you will not obtain a pass mark for the question – practical application and examples are essential.]

QUESTION 3 [25]

Refer to the article titled, "Customers not coming back for more online groceries".
The article addresses the issue of food retailers not experiencing the same levels of popularity as general merchandise retailers in the multichannel environment – specifically in the online environment.

Required:
Using the **characteristics and benefits associated with each channel type**, as well as the **elements of customer buying behaviour**; try to explain why this problem is being experienced and the implications for the retailer. Make suggestions on how this problem can be overcome. Link your discussion to Checkers and Checkers Hyper.

[Note: Do not simply discuss the issues identified in Levy and Weitz (2012). You must address the key issues relevant to the situation from both the multichannel and consumer behaviour dimension in sufficient detail.]

QUESTION 4 [20]

Retail site location decisions focus more closely on how specific sites are chosen to locate stores. One particular aspect that needs to be addressed is to evaluate and select a specific site. This includes **evaluating the characteristics of the site**.

Required:
Taking the theoretical issues addressed in Levy and Weitz (2012) on **site characteristics** into account, visit your closest Checkers or Checkers Hyper outlet* and evaluate the **characteristics of its site** that affect store sales. Write a report where you evaluate all the relevant characteristics and then suggest improvements/changes that can be made.

[Hint: in order to provide an even more comprehensive discussion you could attempt to meet with the manager of the store or even the shopping centre management to gain greater insight into the particular site characteristics.]
** For those of you that do not have a Checkers or Checkers Hyper store near to you, visit your closest shopping centre/complex for an equivalent retail store.*

PRESENTATION [10]

ASSIGNMENT TOTAL: 100

The Checkers brand caters for customers in the upper-income groups and targets living standards measurement 7 to 10. This chain of supermarkets provides a product range suitable for the discerning shopper in a world-class retail environment. Acquired in 1991, Checkers is the major brand after Shoprite. It operates stores throughout South Africa and in some neighbouring countries. It focuses more strongly on fresh produce and offers a wider range of choice food items to a more affluent clientele.

Checkers has become a preferred shopping destination for time-pressed consumers. It has strongly developed lifestyle departments such as for wine, cheese and meat.

The brand boasts two store formats namely supermarkets and large-format hyper stores.

After being managed and marketed under the Shoprite umbrella for 10 years, the Checkers brand was separated from Shoprite in 2001 as part of ongoing strategic planning to improve the company as well as the offer to consumers. The Checkers branches had become more viable and thus needed a more focused marketing strategy.

The Shoprite Group acquired the ailing Checkers chain of 170 supermarkets in 1991 primarily to grow its market share, and to spread the geographical distribution of its stores nationally. Up to that point, the Shoprite Group was a Cape-based chain of some 75 supermarkets.

Further motivation to take over Checkers was to save the chain financially, and to also save the jobs of its thousands of employees. To achieve this, the two brands were merged regardless of the fact that Shoprite catered for the broad middle to lower consumer market, while Checkers targeted the middle to upper income groups. Checkers stores were integrated with Shoprite strategically by keeping the brand name Checkers for those stores that were financially viable and that were located in the corresponding target market. Checkers stores, which were more suitable to the Shoprite profile in terms of their location and customer base were converted to Shoprite stores and the non-viable ones were closed down.

Supermarkets: There are currently 154 Checkers supermarkets with an emphasis on specialist departments such as the bakery, meat market, cheese and delicatessen counter, and wine store. Over the past year the focus on convenience has seen a strong increase in prepared food while the fruit and vegetable departments were expanded.

Checkers Hyper: The merger of the Checkers brand with the former Hyperama led to the creation of 26 Checkers Hyper stores. Catering for the upper income groups, Checkers Hyper outlets boast an extensive range of products that range from a wide variety of fresh and frozen food, household items, clothing, indoor and outdoor furniture, to a big range of branded large appliances and audio-visual products. From a marketing and business perspective it made perfect sense to combine the management and marketing functions of these two renowned brands, as they essentially catered for the same market. The results are better customer service and an important benefit – lower prices. Located in areas with high population densities, the positioning of the large-format Checkers Hyper stores is very similar to that of the main Checkers brand.

Checkers Hyper outlets offer the lowest prices on bulk purchases, regular special offers and the cheapest monthly shopping bill. State of the art service departments offer discerning shoppers anything from an extensive range of imported cheese, cold meat, wholesome ready-made meals and home made pastries and fresh fish.

Backed by leading-edge technology, Checkers Hypers offer consumers clean and hygienic stores, as well as a modern store layout to ensure fast and efficient service, contributing to a pleasant shopping experience.

Service Departments: Checkers in-house service departments include a bakery, deli, fish shop, wine section, Cheese World meat market and Money Market. Medirite pharmacies can also be found in selected Checkers stores.

Consumer Centre: The Consumer Centre at the entrance of our stores not only gives customers the opportunity to air their wishes and views, but also provides valuable information on a variety of topics through our consumer leaflets.

Checkers Housebrand: An economy brand, Checkers Housebrand offers consumers a guaranteed quality product, yet at an affordable price.

Adapted from source: [Online] Available from: http://www.shopriteholdings.co.za/pages/1019812640/our-brands/Checkers.asp. [Accessed: 07 March 2011]

EXCERPT FROM SHOPRITE ANNUAL REPORT

Checkers

During the period under review Checkers remained the fastest-growing supermarket chain in the country for the second consecutive year to produce above average results in an extremely challenging market. Targeting higher-income consumers, the chain did not feel the impact of deflation to the same extent as Shoprite and especially Usave, but the general market malaise did still put a damper on growth. It further increased its exposure to the higher LSM categories and in the process made further gains in market share. Checkers grew its value per transaction by 7,5% – the highest of the three supermarket chains. The chain has given increasing focus to lifestyle ahead of price in its positioning. Although the accent remained on value, it is within the context of high quality food at value prices. To accommodate changing consumer needs a major focus was placed in-store on specialist areas such as exotic cheeses, branded fresh meat products and the wine selection in supermarkets. The latter, which is built around a Wine Route theme, proved highly popular; with sales value increasing 19,9% at a time when industry-wide, national domestic wine sales showed a marginal increase. Checkers continued to open new-generation hyper stores, however not standalone, in the Northern provinces. The format of the current hyper stores is substantially smaller than that of their predecessors, first seen in this country in the 1970's, which allows for lower fixed costs. They also offer greater specialisation in specific product categories than the original format. Currently the chain is increasingly reaping the benefits of its repositioning for higher income consumers, started eight years ago, and has developed a clear identity of its own. Over the last few years there has been a complete and extremely positive reappraisal of the brand by the market.

GENERAL GROUP INFORMATION – SUPPLY CHAIN MANAGEMENT

The Group has created and continues to increase its strategic lead in the supply chain, through its ongoing investment and recognition of the supply chain's strategic importance.

Today, a highly sophisticated supply line services 1 166 Group outlets in 16 countries where the Group trades. Improved levels of product availability contributed to market share gains while the drive to reduce inventory levels, despite the growth in both sales and the number of outlets, is paying dividend. In its most basic form the supply chain consists of strategically placed distribution centres linking the flow of product from vendors to stores at which customer demand ultimately drives the movement of product.

Information technology and a fleet of refrigerated and ambient trucks enable the movement of product and the flow of information. The Group prides itself in running a state of-the-art distribution operation and becoming the first South African retailer to receive the much acclaimed ISO 9002 accreditation for import and export handling.

Centralised distribution is now regarded as a competitive advantage for the Group enabling it to stabilise supply lines in times when supplier service levels drop. By controlling its supply line, merchandise can be buffered, countering vendor out-of-stocks and volatile trading patterns, while offering an opportunity to buy in against price increases. The desired result is inevitably, to consistently allow customers to find the items on their shopping list – thereby keeping their custom and their loyalty. Controlling the whole supply chain has also made it possible to introduce a great many cost-saving efficiencies, thus providing the mechanism to drive prices down daily.

The Group's supply chain now presents the opportunity to re-engineer its retail stores and improve its utilization of space by dedicating the minimum area to storage and the maximum area to trading space.

Merchandise is delivered to stores by a combination of almost 850 trucks and trailers based at distribution centres throughout the country. The fleet is owned by the Group and operates 24 hours a day, seven days a week. A highly sophisticated transport route planning and scheduling system, optimises store deliveries and integrates the operations of the distribution centre and the transport division. This channel to market is not only environmentally friendly by reducing the number of trucks on the road, but it empowers small to medium sized suppliers, who can now deliver to one point and avoid the need to heavily invest in either warehousing or vehicles.

A substantial portion of the investment in information technology and logistics infrastructure earmarked over the next four years will be applied to the upgrading and extension of the Group's distribution centres in Centurion, Gauteng as well as Cape Town and Durban. Of these the largest is located in Centurion, between Johannesburg and Pretoria, where distribution facilities have virtually doubled from 80 000 m^2 to 145 000 m^2. The main building of 114 000 m^2 will be the largest distribution centre under one roof on the continent. On completion at the end of the 2010 calendar year the facility will serve as the distribution point for about 90% of ambient products delivered to approximately 380 stores in the Gauteng area and beyond. More than 1,100 suppliers will be delivering their products to the centre where they are stored, collated, and then distributed to retail stores on a high-frequency basis. The new Centurion distribution centre was developed in a responsible manner using environment-friendly approaches to construction. This was followed through with further investment in environment-friendly design that includes treatment of waste water and an ability to recycle waste. Central reclamation forms part of the Group's safety and recycling programme, for the removal of damaged stock at the earliest opportunity, to avoid possible contamination of other products and control waste.

In Cape Town approximately 45 000m^2 of new space is being added, allowing the consolidation of three existing leased centres, reducing costs and inefficiencies.

Construction on the Durban site will start during the new financial year while the Group continues to operate from rented facilities. The Group's customers will continue to enjoy the benefits and rewards of this strategic initiative. Our trading partners are critical to this collaborative platform and equally benefit in the efficiencies and savings.

Adapted from source [Online] Available from: http://www.shopriteholdings.co.za/pages/1019812640/about-our-company/Supply-Chain-Management.asp. [Accessed: 7 March 2011]

GENERAL GROUP INFORMATION – GROUP COMPOSITION

Checkers

- **Positioning:** Acquired in 1991, Checkers is the major brand after Shoprite. It operates stores throughout South Africa and in Namibia. It focuses more strongly on fresh produce and offers a wider range of choice food items to a more affluent clientele.
- **Target Customer:** The brand has since its acquisition been successfully repositioned to cater for customers in the upper-income groups and targets living standards measurement 7 to 10.
- **Shopping experience:** Checkers has become a preferred shopping destination for time-pressed consumers. It has strongly developed lifestyle departments such as for wine, cheese and meat.

Checkers Hyper

- **Positioning:** Located in areas with high population densities, the positioning of the large-format Checkers Hyper stores is very similar to that of the main Checkers brand. However, they carry a much larger product range, especially non-foods, and encourage bulk rather than convenience shopping.
- **Target Customer:** Its target customer is the same as for Checkers: living standards measurement 7 to 10.
- **Shopping experience:** These stores offer the customer low prices on a wide range of foods and non-food products in a pleasant environment.

Adapted from source: [Online] Available:
http://www.shopriteholdings.co.za/pages/1019812640/Home.asp [2011, March 07].

ARTICLE: CUSTOMERS NOT COMING BACK FOR MORE ONLINE GROCERIES

Off or online, grocers face a perpetual struggle to keep customers coming back for more. However, research by Kingston University in the U.K. identified higher rates of attrition at supermarket websites than other types of retailers.

As researcher Dr. Chris Hand put it in a statement on Kingston University London's website, "When someone starts buying books or music online they don't normally stop and go back to bookshops or CD sellers. But that's exactly what is happening with many online grocery shoppers."

The first stage of their research used focus groups to discover the reasons for the adoption -- and discontinuation -- of online food shopping. Reasons for switching to the web included broken limbs, the arrival of children, moving to a new area where their favourite supermarket didn't have a store nearby or elderly parents becoming housebound.

"We found that these 'triggers' often led to just a temporary change in behaviour," Dr. Dall' Olmo Riley said in the statement. "The adoption decision triggered by a specific situation is easily reversed when the situation changes again."

However, once that situation has reversed, many consumers go back to shopping in-store due to a disappointing online experience.

"Many respondents felt online grocery providers could not be trusted to be reliable because products were regularly omitted from their delivery and substitute items were often considered unsuitable," said Dr. Riley. "They also complained about late deliveries, bad picking and packing of goods and perishables being too near sell-by dates."

Their recommendations for retaining online shoppers included both improving service quality and finding ways to commit customers, possibly by offering subscriptions instead of delivery charges or making exclusive offers for online shopping.

American grocers have tried varying approaches, including home delivery (Peapod, FreshDirect, Meijer DoorstepGrocer, etc.), curbside pickup (Publix Curbside, Harris Teeter Express Lane, etc.) and a combination of delivery and pickup (ShopRite from Home, Hy-Vee, etc.).

In a RetailWire story and discussion on Peapod last October, Mark Price, managing partner, M Squared Group and a Brain Trust panelest said, "In order to succeed at the grocery delivery business, you need efficient logistics, a customer centreed business model and philosophy, and the ability to stick with a market until consumers expand their adoption of the grocery delivery service. It is possible, that 'the ability to stick it out,' is the greatest success factor of all."

Results of various RetailWire polls on the subject of online grocery suggest opportunities exist, but that chances for success vary based on the retailer providing the service, The Peapod-related poll found that 73 percent believed the potential for online grocery in the U.S. is medium or big. Respondents to a poll last year on the new Publix Curbside service found 40 percent seeing the potential for success as somewhat unlikely while 37 thought it somewhat likely.

[Online] Available from: http://www.fastmoving.co.za/news/international-news-18/customers-not-coming-back-for-more-online-groceries-337. [Accessed: 07 July 2011]