Independent Food Retailers in the Republic of South Africa.
Can they Ensure Sustainability in an Evolving Retail Landscape?

A Study undertaken by Syndicate One of the W&RSETA ILDP Programme 2011

Delegates Of Syndicate One (Imitha)
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Executive Summary

South Africa's current GDP stands at US$98bn. Unemployment is one of the country's major challenges with unemployment currently sitting at a whopping 25.7%. The majority of this unemployment resides in the 16-25 year age group. As classified by Statistics SA, the Wholesale, Retail, Motor and Accommodation sectors contribute ±13% towards GDP and employs roughly 23% of the labour force.

The world's largest company, Walmart recently entered the South African market with its 51% acquisition of Massmart and we can expect apparel retailer ZARA and fast food chain Burger King to soon be in our backyard. We also recently saw the introduction of the Consumer Protection Act - a piece of legislature which aims to protect consumer rights. While it may be looking good for consumers, there may be some other casualties in this changing landscape, with far reaching consequences.

We decided to investigate the impact of this evolving retail landscape on SA retailers and how they can remain sustainable in this changing environment. For the purposes of this investigation we narrowed our research and findings to Independent Food Retailers (IFRs) - specifically, your butchers, bakers, fresh and non-fresh grocers and fish mongers. Your single store operations that are usually family owned and do not belong to a chain of outlets.

Why do we need Independent Food Retailers? Why not just shop for food at the large food retailers? Apart from sourcing and offering consumers specialized products and services, IFRs are part of the larger independent enterprises in our country that contribute to 73% of our employed labour and 90% toward the employment growth (1985 to 2005). They are home to some of the most dynamic entrepreneurs and are recognized for their innovation, flexibility and agility. They help preserve the integrity of cultures and communities that rely on them for essentials goods and services. Without them, consumers are left at the mercy of the monopolization of the larger retailers.

Through our research, we uncovered that there are fundamental challenges that IFRs face on a daily basis: access to finance; the perceived lack of support from the government; the difficulties in dealing with low levels of skills; supply chain management challenges and the ever increasing cost of energy.

We formulated several recommendations to assist IFRs to address some of these challenges:

• Manage human capital
• Develop clever marketing strategies
• Focus on product differentiation and sourcing
• Make effective use of technology
• Grow management and leadership capabilities
• Leverage property, location and store format
• Explore growth opportunities: new channels to market & diversification
• Make use of government support: unlocking the benefits of enterprise development

In order to drive these recommendations, we propose the formation of an Independent Food Retailers Association of South Africa (IFRASA) which aims to:

• Help consolidate information and resources relevant to IFRs
• Assist IFR’s to explore opportunities in technology, new channels and growth
• Unite IFRs and enable them to take opportunity in increased presence and power
• Facilitate and foster better relations with Government
• Be the resource for the capture of data and statistics that is missing on this sector
• Through collaboration with various stakeholders (eg. government, organized business, etc) IFRASA will assist in addressing socio economic conditions like poverty and green initiatives
• Contribute towards the preservation of the diverse cultures that exist in our various communities by ensuring the sustainability of IFRs so they can continue to provide specialized product and services
• Ensure that large retailers do not monopolize the industry

We believe that the formation of this association will ensure that IFRs remain sustainable in an ever evolving South African landscape. The success of IFRs will positively impact the retail sector, but more importantly help assist to reduce unemployment, and therefore benefit South African economy on a macro-economic scale.
1. The Evolving South African Retail Landscape

Currently, unemployment in South Africa is sitting at a shocking 25.7%. This high unemployment rate has a huge negative effect on the South African Economy. What is of particular concern is that the majority of this unemployment is within the 16-25 year old sector of the population. These are future customers, employees and possible leaders. The impact of this high unemployment rate also has negative effects on the socio-economic conditions in the country which can spiral into severe poverty, higher crime rates and further economic burdens.

The recent acquisition of Massmart by Walmart in South Africa has raised many fears among small independent food retailers. These fears were summed up during the Competitions Tribunal hearings held in May 2011, where independent retailers voiced their concerns about their inability to compete with their global counterparts who are renowned for their EDLP (everyday low prices) strategy, large volume product procurement, access to liquid finance, massive marketing budgets, geographical footprint and skilled, trained staff. One of the many fears raised was that smaller retailers would be forced to lay-off staff in order to shrink costs so that they could remain sustainable. There is also talk of the fashion retailer ZARA entering South Africa and the likes of Burger King also entering SA. There has also been recent talk of Tesco looking at partnering with a retailer in SA.

The merger of Massmart with Walmart has also forced the other major retailers in SA to up their game as they seek to streamline their operations and remain competitive - the recent retrenchments at Pick ’n Pay being a case in point. Shoprite have announced their intention to take on Walmart and Massmart, Woolworths plan to increase their national brands portfolio and are continuing their pursuit with a strategic value offering. Central distribution centres are a given in order to remain competitive. Major growth at these larger retailers is concentrated on food and drug dispensing. With a strong rand, more food is being sourced through imports and most of the larger retailers are looking towards the rest of Africa for significant growth, particular through food enterprises.

Early in 2011, government also passed the new Consumer Protection Act. This new act has huge advantages for consumers (which should be welcomed), but does impact retailers and in particular Independent Food Retailers who do not have the expertise in supply chain management like their larger counterparts.

The retail sector together with the rest of various business sectors within SA are also finding the ever increase in energy costs proving to be a major burden. These increasing costs place a huge strain on the retail sector who rely on air-conditioning, refrigeration and IT systems that require significant amounts of energy. Increasing fuel costs also affect the distribution and logistics component of the retail sector. These high costs are directly affecting Independent Food Retailers who find this cost eating away at their income.

2. Independent Food Retailers

Most independent food retailers typically trade in a bricks and mortar environment. Their businesses are usually tailored around a specific geographical area, servicing a niche community with a bespoke or specific product range. With owner-managed stores, lower overheads, semi-skilled employees and their ability to quickly adapt, they could take on their bigger counterparts and develop a unique competitive edge, but these small businesses have often been labelled as the masters of poor customer service. Coupled with the enforcement of the recent Consumer Protection Act, all retailers are suddenly scrambling to get their “act” together. All of this is great news for consumers but makes it tougher for small retailers to keep up.

These resilient small enterprises have often stayed in the shadows of their larger counterparts in the industry, quietly going about their business and not only surviving, but often thriving. There are numerous South African and International examples of Independent Food Retailers who have shown significant growth from single stores to either growing their original store or expanding into national and international chains.

2.1 Definition Of Independent Food Retailers

Independent Food Retailers or IFRs are by definition businesses that are privately owned and do not belong to a larger chain or group – butchers, bakers, delicatessens, fresh and non-fresh grocers and fish mongers.

2.2 Relevance to the Industry and Country

Unemployment in South Africa is currently at 25.7% according to StatsSA, but according to Merril Lynch, if the workers who have given up looking for work and have “left” the labour force are included under the definition of unemployment, then this rate would jump to approximately 37%.
Apart from sourcing and offering consumers specialized, differentiated products and services, IFRs are part of the larger independent enterprises in our country that helped contribute to 73% of the employment growth from 1995-2005. This burgeoning unemployment rate is directly effecting the retail sector in the following ways:

- Unskilled and untrained labour pool
- A larger population of unemployed citizens means more consumers without disposable income

This in turn leads to poverty, higher crime figures and ultimately in political instability which all affect the economy of the country. IFR's play a major role in the upliftment of the communities that they trade in by:

- Creating job opportunities
- IFR's help preserve the integrity of our unique cultures and communities by providing services and goods that are tailored for these diverse markets. This is key to the “rainbow” nation as diversity is fundamental aspect of life in South Africa.

South Africa is the third largest consumer of food and grocery products after India and China and this is the fastest growing category in the retail sector. The informal and independent portion of this category is estimated at R73.9 billion in 2010 and is forecasted to grow by 45% to R115.6 billion in 2013 (refer table below).

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013E</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Retailers</td>
<td>R153b</td>
<td>R212.7b</td>
<td>39%</td>
</tr>
<tr>
<td>Informal &amp; Independent Retailers</td>
<td>R79.5b</td>
<td>R115.6b</td>
<td>45%</td>
</tr>
<tr>
<td>Total Food and Grocery Spend in SA</td>
<td>R232.5b</td>
<td>R328.3b</td>
<td>45%</td>
</tr>
<tr>
<td>Informal and Independent Market Share</td>
<td>34.2%</td>
<td>35.2%</td>
<td>1%</td>
</tr>
</tbody>
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Source: Fernridge and Bank of America Merril Lynch, June 2011

A staggering 22.5% of total consumer spend on food and groceries are done at informal or independent retailers, who service 81% of households in South Africa.

The expertise of an independent is often seen as the origin of innovation and is home to some of the world’s most entrepreneurial business people. Without them, consumers could be left to the mercy of monopolization by large retailers.

3. Objectives and Scope

3.1 Problem/Opportunity Statement

How can independent food retailers ensure that they are sustainable in an evolving retail landscape?

3.2 Objectives and Goals

The objectives and goals of this project are to:

3.2.1 Conduct research to answer the problem/opportunity statement question through

- Understanding and defining who small independent retailers are
- Uncovering what the success factors and challenges facing IFRs are
- Profiling successful companies that started as IFRs
- Gathering relevant facts, data and statistics
- Reviewing case studies on the topic
- Interviewing industry leaders to gain their insights
- Networking with both local and international organizations to establish best practice, sustainability and viability

3.2.2 Assist IFRs to leverage the findings of the research to ensure sustainability by

- Identifying possible recommendations, solutions and focus areas
- Developing a means of communicating our findings to IFR’s
3.3 Scope

3.3.1 Limitations
- Research will be limited to independent food retailers as described in our definition, refer section 2.1 above. However, we will profile success stories, where IFRs have grown beyond the limitation of this definition.
- There hasn’t been much research into this topic locally, and case studies and white papers are therefore not readily available.
- Obtaining current statistics on independent food retailers (relating to turnover, employees, structures, etc.) has not been possible.
- Retail price competition – we are in a recession.

3.3.2 Interdependencies
- Data and research will correlate with national and international research, case studies and white papers already available.
- Supply chain, logistics and delivery channels will largely influence product sourcing and pricing.

3.3.3 Assumptions
Published reporting, case studies and statistics are ratified and accurate, and that information disclosed to us during interviews are correct.

3.4.4 Exclusions
- Large retailers
- The informal sector

4. Research Methodology

4.1 Quantitative Research
Imitha conducted an online customer survey to ascertain what consumer thoughts are on IFRs. There were 214 participants. Based on a population estimate of 5 million, this survey scores a 95% confidence level and a confidence interval of 7.

The primary objective of the survey was to:
- Understand from a customer perspective which IFRs people generally shop at and what makes them frequent these businesses as opposed to larger retail stores.
- Get some ideas on what IFRs can do differently to attract or influence consumers to support their business.

(Please refer to Appendix A to review the 25 structured questions used in the survey)

4.2 Qualitative Research
The majority of research time and effort was dedicated to qualitative research in the following areas:
- Interviews with 23 Independent Food Retailers using open ended, exploratory questions (refer Appendix C for the list of research questions). IFRs were identified based on brand recognition, popularity and success (within syndicate member’s regions).
- Review international and local case studies sourced on the net and at local and online libraries.
- Profile and interview successful companies and document best practice (refer Appendix D).
- Interviews with industry leaders, academics, journalists and analysts.
- Interview international businesses to gain insights on global trends and best practice.
5. Research Findings

5.1 Customer Survey

Location, price and specialized products were highlighted as the main drivers for currently shopping at IFRs as illustrated in Graph 1 below. Better pricing and improved customer service is what customers say will persuade them to buy from IFRs in the future. Refer to Appendix B for additional results.

Graph 1: Primary reasons consumers shop at IFRs

5.2 Summary of IFR Research Interviews

- Economic and trading conditions are difficult or challenging. Unemployment rates remain high. Coupled with current interest rates, excessive debt, the price of fuel and the exorbitant cost of electricity, people have less disposable income. As a result, spending patterns have changed. Consumers are a lot more price sensitive, often foregoing quality. Common challenges included the level and standard of staff, the high cost of electricity, supply chain and the price of food, as well as the perceived lack of government support and protection.

The following factors to success were identified:

- Quality and differentiated/specialized products at competitive prices
- Vertical integration and the ability to manufacture own specialty products
- Appropriate associated products with high margin, providing a larger choice for customers
- Clear target market (understand and supply the needs of the customer)
- Focus on customer service and customer relationship management to build a loyal customer base
- Location to market/customers
- Manage cash flow, expenses and stock shrinkage
- Opt for sustainable growth

- IFR customers span all LSMs, but businesses generally cater for the area in which they operate. They enjoy a mostly loyal customer base, and while customers are price driven at the moment, it relates more to perceived value as opposed to the cheapest option available. Most IFRs identified future customers as the next generation of current customers and their local community. They also benefit significantly from word of mouth referral based on quality, service, pricing and product differentiation.

- Competitors for the IFRs we interviewed were the local independent retailers operating in their proximity. In most cases, they do not acknowledge large retailers or international players as potential threats to their markets.

- Legislation has had both positive and negative impacts on IFRs. Many feel it has cleaned up the industry and is keeping retailers honest. However, legislative requirements cost money to implement. In addition, legislative changes add further expenses to an already belted budget.

- Technology is seen to have had positive effects on business operations, enabling IFRs to streamline processes, improve turnaround time, decrease costs and build customer databases. The general consensus is that online shopping for fresh foods won’t work because of logistics and infrastructure issues. However, most acknowledge that customers are getting technologically savvy and need to position themselves to take advantage of this.
• IFRs main activities in managing overheads involve constantly monitoring expenses, reducing wastage/stock shrinkage, no frills marketing and saving on power/electricity. However, because they are already operating on a cost efficient model, many feel the key in sustaining overhead structure is increasing turnover and margin

• An important trend uncovered is the business culture evident in these companies. Most of them are family owned and run, and driven by cultural and/or religious beliefs. Their core values revolve around being honest and doing the right thing. The ethos is to serve the community in which they operate and they pride themselves on the way the treat people (staff, customers and suppliers). As a direct contrast to the corporate culture in larger retailers, it seems this approach has served them well.

• When asked about the future of food retailing, IFRs indicated that they foresee neat and clean stores with improved management strategies in place. The focus will be on a wider product range and applicable associated products. The key driver will be about value proposition as opposed to slashed pricing and quality. Customers must feel that they have gained value from the product. Location is an important influencer and convenience will be the order of the day, ensuring a quick and easy shopping experience.

Refer to Appendix H for the documented IFR Research Interviews.

5.3 Insights from Industry Leaders
We managed to speak to a few SA Industry Leaders on the topic and some of their key comments are summarised below:

• Simon Susman - Deputy Chairman, Woolworths Holdings LTD.  
  “The principle remains the same. Plain white t-shirts you can sell to everybody, leather jackets are for a select market. Independent retailers need to have a very targeted customer profile in order to survive.”

• Isaac Motaung - Human Resources Director, Pick ’n Pay Retailers
  “It will be very difficult to compete on price alone, as customers base their decisions on where to shop on many other factors as well as price. The key to succeeding as a small retailer is for them to use their better understanding of their individual customers to tailor great shopping experiences and deliver consistent value.”

• Syd Vianello - Analyst, Nedbank Capital
  “I believe independent retailers will need to shift their focus towards specialization rather than relying on competing with the mainstream supermarket chains, whose distribution capabilities, coupled with their superior buying power and marketing clout, will provide a competitive edge far too great from a competitive perspective…...Internationally independents tend to hold 25% of food retail markets. In South Africa the share held by independents is closer to 35% currently (my view) so I think it can still decline, but much slower than the pace at which it has been falling in recent years...”

5.4 Key Insights from International Immersion
During our visit overseas, we met with several Retailers and Industry Leaders. The pertinent insights are as follows:

• LIQUOR CONTROL BOARD OF ONTARIO (LCBO)
  - gave insight into the formation of the Ontario Sector Retail Board
  - commissioned SWOT analysis study to be done in order to inform implementation strategy
  - research findings were presented to Government and Government agreed to fund project for 2 years
  - output was workbooks for SME’s covering Marketing, IT and Financial management. These were sold at a subsided cost and the money for the sales were used to fund the association
  - also implemented business improvement areas
  - key risks were running out of funds and lack of collaboration with Unions and lack of Government support

• AUTOSHARE
  - know your customer and know your market and size your business according to your market
  - targeted marketing, if your customer market is local, you need to market locally
  - if he could do things differently, he would not counter competitors advertising, but rather use their advertising to his advantage

• STAPLES
  - busy implementing customer centric project
  - 99% of learnings come from stores
  - all senior staff work regularly in the stores and learnings are implemented business wide
  - preferred programme which support small businesses
  - partner with local service providers, for value added services they could not provide
• COSTCO
- provides specialized services to support home and small businesses
- including courier services, car rentals, telecommunications, web hosting, payroll services and credit card processing
- mission:
  - obey the law
  - take care of our members (customers)
  - take care of employees
  - take care of vendors
  - reward shareholders

• IKEA
- holistic sustainability from suppliers and manufacturers to employees
- vision is to create a better everyday life for the many people
- work together with the vendors and the farmers – aware of the extraction of raw materials
- do more with less, humble – listening and learning from others
- cost conscious culture

• MICROSOFT
- think like a merchant
- think bigger than the moment you are in
- focus on what people want to buy
- how can they defy gravity
- value relationship with retailers- how can we help retailers move to new ideas, markets and new business models
- identify market and concentrate on market segment
- partner with vendors
- innovate supply chain, but still maintain personal contact
- stick to strategy
- 40 hours a year for staff to do community service of their choice
- sharing of leadership – succession planning

• IRA TEICH
- collaboration
- proportionate benefit versus proportionate cost
- focus on what is important to your customer; know why you are in business
- no room for mediocre retailers – need to be great
- cellphone apps new innovation to watch
- larger middle class in Africa than India
- local impact marketing
- reward your best customers
- tangible values that will delight customers…impress them…“theatre of retail”

• ADWOA BUAAHENE
- different generations in the workplace need to be acknowledged and treated accordingly to drive team dynamics and individual performance
- factors within schooling environment shapes the behavior of future employees

• BIG CARROT
- business owned by employees and community
- retailer of organic foods only
- collaborative work with community to improve residential area
- differentiated added services aligned to product offering (restaurant, cooking classes, homeopath and nutritionist)
- green roof to reduce energy consumption

• TREvor WILSON – HUMAN EQUITY
- journey and continuum that must be travelled to get to the ideal status
- respect individual differences, not tolerate them

• MARLENE ADELSON
- lead successfully with vision, a strong team, re-inforce and measure, be open to learning, intellectually curious and passionate
- know what business we are in, where we are going and how we will get there?
• **ALLIED BAKERIES**
  - team of people that train and advise staff at small and medium enterprises
  - representative on their retailers association who gives advice to members of the association
  - rationale is that by assisting their customers to be successful, they will become sustainable and successful

• **MARKS AND SPENCER**
  - owned food intellectual property as they sponsored the research in the food technology space
  - 97% M&S label in stores, allows them more control over quality
  - trying to move from generalist to more specialist space
  - environmental, ethical and efficiency are the 3 pillars to their sustainability
  - people trusted the M&S brand more than they did politicians

• **BRC (British Retail Consortium)**
  - provides important data and statistics on retail sector that retailers can use to make informed decisions
  - gather information via independent audit firm
  - information provided so good, they do not need to market themselves

• **STEVEN BOND, M&S**
  - customer insights project ensures the views, needs and wants of customers are embedded in all decision making through action oriented customer insights
  - moved business from being product focused (where they were doing the right things to the wrong customers) to being customer focused (doing the right thing to the right customer)

• **ASHOKA**
  - social entrepreneurship
  - encouraged entrepreneurial behavior that’s aligned to addressing socio-economic issues
  - they do this by supporting an entrepreneur and not the cause through recruiting them as fellows and then supporting them through networking initiatives

• **GENERAL TRENDS NOTED**
  - Green initiatives
  - Collaboration
    - Cost efficiencies based on scale
    - Buying consortums
  - Loyalty programmes
  - Private label
  - Differentiation key success factor
  - Social responsibility
6. Recommendations

6.1 Manage Human Capital

One of the differences between businesses that boom and those that flounder, is good employees. While entrepreneurial talent and innovation is the driver of small business success, one person cannot do everything alone. IFRs need to focus on finding good employees, figuring out what motivates them and then place them into the appropriate role that will allow for both the employee and the business to thrive. Recruitment is time consuming and requires a lot of patience. IFRs must therefore resist the temptation to employ in haste and ensure they appoint people who will thrive in an entrepreneurial environment.

Through the Research that has been conducted, the following Human Capital areas need to be addressed: Recruitment, Education & Training.

• **Recruitment & Selection of Staff**
  
  Research indicates that IFRs are located at close proximity to their target market. Recruitment of staff should therefore be conducted from within that area, creating employment within the community. In doing so, IFRs need to ensure that they align their customer value proposition to the individuals they wish to recruit and appoint individuals that bring skills and experience that will benefit the business.

  Risks of recruiting from within the community include the community not associating with or disliking the individual employed, leading to them not supporting the business; criminal activity could increase due to the employee being threatened if he reports these activities; and the lack of new ideas and diverse skills from outside the community.

• **Education and Training**

  People are a major expense in any organization, but also its most important asset. It is critical that people within the organization are developed and trained. As IFRs form part of the Wholesale and Retail Sector in South Africa, they should be registered with the Wholesale and Retail Sector’s Education and Training Authority (W&R SETA).

  By registering with the SETA, IFRs will be able to access assistance, support and guidance; qualify for mandatory and discretionary grants; gain access to a selection of accredited learning and development service providers; and be able to draw on skills development facilitators to assist with inter alia workplace skills plans and annual training reports.

  IFRs need to create an education pipeline and invest in the development of their employees. This can be funded from the mandatory grants received from the W&R SETA, through learnership and/or skills programs recognized by the SETA. Upskilled staff will address the skills gaps identified by IFRs (like customer service, literacy and numeracy, etc) and improve productivity. This leads to increased profitability and the ultimate sustainability of the business. In addition, completion of Learnership programs will result in IFRs being eligible for tax relief should the requirements of the SETA and SARS be met.

With the Successful implementation of the above the Independent Food Retailers will be enabled to **Grow management and leadership capabilities** and ensure that business is sustainable as the learning will be able to provide the following benefits:

• Take ownership of the financial analysis of the business.
• Pay more attention to inventory.
• Take a short course in financial analysis and/or inventory management.
• Make time to focus on the leadership role and business strategies: develop a vision, mission and goals.
• Develop a consistent and open communication strategy, a prerequisite for successful leadership.
• Put a succession planning strategy in place to ensure the sustainability of the business for generations to come.
• Go outside of comfort zones to seek help and advice from others.

Human resource management helps organizations improve the customer experience by addressing the customer service skills of employees. To do this, first ensure that the organization has effectively identified which service behaviors to drive throughout the organization, and then incorporate these behaviors into recruiting, engaging, training, and rewarding employees.
6.2 Developing Innovative & Collaborative Marketing Strategies

Change in consumer spending patterns and the customer value proposition:
Through our research in South Africa, USA and Canada, we have found that during the global recession, customers were seeking value. This has continued post recessionary times. Hence the movement of consumers towards discounters, like Shoprite in SA and Walmart in USA and Canada.

These retailers managed to create this perception and in some case reality of value, by tightening their supply chain, reducing inventory and ultimately reducing costs. These savings were then passed directly onto consumers. Another tool that these retailers used effectively, was the growth of their private label ranges. In most of these retailers we found that their own private labels contributed up to 20% of total sales.

We can take away two key fundamental learnings for IFRS:
• Effective Supply Chain Management (SCM) which reduces inventory, provides for “just-in-time” delivery and reduces operational costs.
• The introduction and growth of private labels. IFR’s must be careful in this regard as brand management of private labels is critical in the process as it could affect the overall business brand.

Marketing Opportunities including multi-channel Opportunities:
Most IFRs tackle marketing, advertising and promotions independently. They are often under-resourced, with minimum investment towards these initiatives. Often, promotions are put together by the retailer himself or with the assistance of part time designers, Desktop Publishers with no or minimum marketing or advertising skills.

The results are often a mixture of poor branding, confusing communication and visually unappealing products and services. Channel choice is often based on the cheapest (eg. leaflets, catalogues and hand-outs at intersections), and not necessarily the most effective.

We propose that IFRs find a way to band together to implement the following:

• **Central Promotions:**
  IFRs must join or form marketing consortiums where members will have access to regional, centralised advertising, and promotional companies. In essence this entails that there will be single service providers for these services per region, that will be able to offer:
  - A central product image library that all members can utilise. (building your own image library often comes at a huge expense and is often captured with phone cameras).
  - Access to skilled designers on page layout, web development, in-store Point of Sale and mobile communication.

By doing this, members will receive discounted rates, a central high quality image library, and printing at group, discounted rates. We have already communicated to industry leaders in this field, and they are prepared to negotiate this opportunity.

• **Group Advertising:**
  We have also negotiated with some of the largest community newspaper organisations in South Africa. They are prepared to give IFR members the following:
  - Reduced rates for advertising in their local community newspaper.
  - Reduced rates for advertising on the online versions of these community papers. This is particularly exciting, as it offers IFRs an opportunity to start their online initiatives for a very low investment. And because these sites are tailored by community, IFRs can rest assured that their advertising is capturing their relevant market only.
6.3 Focus on Product Differentiation and Sourcing

IFRs account for a large percentage of the economic activity within SA and internationally. According to the research undertaken by this syndicate, location, price and specialized products were highlighted by customers as the main drivers for currently shopping at IFRs. The product element is therefore a key consideration in assessing the sustainability of IFRs as the economic landscape evolves.

A key to unlocking cash flow in retail sits with the investment in inventory. It is recommended that IFRs concentrate on their key differentiating lines and the related adjacencies that customers are looking for and rationalize other, unrelated categories or item types. This will ensure a product investment is being made on items that are quick to sell, thereby meeting customer needs, improving stock turn, reducing inventory and freeing up much needed cash flow.

Two key areas that IFRs should concentrate on to remain sustainable are summarized below:

- **Establish your key differentiator.**
  Based on the research conducted, it is evident that specialized product is a key draw-card for customers to continue shopping at IFRs. Due to the close link with the community needs and specialized customer segments, IFRs should tailor their value proposition around these unique products that differentiate them from their larger counterparts.

  IFRs who identify what they are good at and hone their efforts toward differentiating themselves on this offering, will clearly entrench their value proposition within their market. In some instances, customer feedback in this regard has shown that customers are willing to pay higher prices in order to access the goods that meet their specific needs - for example, religious or ethnic food requirements that are not catered for via mass markets.

  IFR’s who fulfill a niche requirement based on religious and ethnic needs can build partnerships with the relevant religious/ethnic councils to ensure their credibility is intact and to ascertain the current and evolving needs of this market. The advantage that the IFR has over the larger retailers is that they have the opportunity to remain close to the community that they serve and can therefore be flexible in their decision making and have products that are very specialized according to the customer’s needs.

  It is important to communicate your uniqueness and differentiation through strategic marketing efforts to potential suppliers and/or customers and this is done through striking up collaborative partnerships. The IFRs seldom have the ability to negotiate at this level. However, we recommend that IFRs find ways to enter into collaborative relationships with other stakeholders in order to remain sustainable.

- **Collaboration to Lower Costs and Find New Products**
  - Join a buying consortium to access larger variety of product and achieve better competitive pricing.
  - Establish “share-groups” with other non-competitive small independents to find new product.
  - Establish mutually beneficial partnerships with national retailers in non-competitive areas, like offering to supply them with niche product that has already gained authenticity and credibility.
  - To enhance the ability of the IFR to source great product at competitive prices, they would do well to constantly scan the national and international market for special deals. This would require building great relationships amongst suppliers and potential suppliers as well as utilizing technology to stay abreast of opportunities, like international “dumping” grounds as a potential source of supply.
  - Invest in direct indenting – whereby product is sourced directly from the manufacturer to the retailer without a “middle man/men”. This will require an investment in quality control measures from the retailer but will result in significant cost reduction by simplifying the supply chain.

The collaborative partnership will be facilitated through a vehicle that will be able to disseminate relevant information that will assist the IFR’s will need and use for Product differentiation and innovation. The vehicle will form part of the recommendation to enable the Independent Food Retailers to remain sustainable in a revolving retail landscape.
6.4 Make Effective use of Technology

Information technology has a major impact on business management and strategies. Developments in technology over the past decade have resulted in significant efficiency gains in the retail sector, particularly for the big retailers. However, independents are yet to unlock the unlimited potential return on investment technology has to offer.

One of the major challenges facing independents is the speed of technological change. They are often overwhelmed by the perceived complexity of technological advancement, and are therefore unable to recognize and understand the benefits technology has to offer.

Technology systems allow small businesses to do more work in-house, reduce consulting costs and save internal staff time. They allow for quicker turnaround time and faster decision making across all operational areas including inventory management, advertising, financial reporting, etc.

Every year, newer and better retail solutions are being developed, costing notably less each year. They are more stable and functional; easier to deploy; and more customizable, allowing small retailers to be more in control of their business.

Off-the-shelf products offer modularized solutions, with seamless integration dependant on business needs. Standardized and built in business processes aid in streamlining and improving workflow, allow for the implementation of best practice and cater for legislative requirements.

Point of sale technology and the development of payment gateway software allow for cashless transactions. This technology not only provides the customer with a payment method that suits their lifestyle, but also benefits the company by decreasing the costs of holding cash and improving safety. Traditionally, the role of retail technology was to decrease costs and improve efficiencies.

Solution summary:
- Invest in new powerful yet less costly information systems to reduce expenses, improve decision making, and manage customer relationships.
- Ensure that you have point of sale terminals to allow for cashless transacting.
- Develop a cell phone marketing program, but remember to stay within the guidelines of the CPA.
- Establish and/or use your website to communicate information customers may want to know: value proposition, location/s, trading hours, promotions, etc. Encourage interaction via email to get relevant feedback on your market segment.
- Investigate joining retail associations or independent retail groups that are creating localized online shopping malls to test e-commerce at reduced risk.

However, retail technology has evolved and can now be used to drive sales through business intelligence and customer relationship management.

Cell phones are an excellent way to disseminate information regarding sales promotions and new products. According to Fruit and Veg City, there has been a direct increase in sales as a result of its' mobile messaging and marketing program.

The internet can be used to help IFRs find new ideas, communicate better, brand and market more effectively, source and buy goods worldwide, and sell online. E-commerce is set to grow rapidly over the next few years. While penetration in this market is slow, the gradual decrease in the cost of bandwidth will ultimately have a positive effect on e-commerce and customers willingness to shop online. IFRs should position themselves to be ready to take advantage of this when it happens.

Online promotional campaigns can be integrated with offline channels to achieve powerful results. Drive customers to the real world with online vouchers redeemable in-store, or conversely, give in-store customers online shopping vouchers to encourage them to use the virtual store.

IFRs need to recognize that new opportunities will emerge from the intelligent use of technology, and adapt their business strategies accordingly.

Speed of technological change – PAY PAL

Pay Pal is an online payment solution started in 1998. By 2005, the company had 45 million account holders worldwide and handled around $17 billion worth of payments annually. It has often been questioned why the global banks, who have the infrastructure and resources, were not at the forefront of this technology. But the lesson of Pay Pal is that in today’s technological environment, small new players can benefit just as much as, if not more than, their larger corporate counterparts.
One of the basic rules of any business is “location, location, location”. Location is one of the most important decisions any retailer would make.

As the urbanization of the towns and cities become more prominent, there has been a boom in the economic growth of the respective towns and cities. The demand for land is on the rise and inevitably the price of the land has increased. The rising cost of the building industry has also impacted on the property industry. The fundamental costs related to the property industry have had a negative spin on the property market. With this in mind retail space has become more expensive, putting huge pressure on the trading densities and business models.

Retailers are now reviewing their business models and reducing the inventory in stores. They are re-visiting the 80/20 principles. By reducing the store space and moving inventory storage offsite in cheaper areas, they have managed to reduce their rent and other related expense. They are managing to increase their trading density without increasing sales, thereby making their businesses more profitable.

The urban areas are becoming saturated with shopping nodes and less growth opportunities exist in the urban areas. More viable growth opportunities for shopping nodes are now explored in rural areas and townships. As national retailers move into these areas with their big budgets and a wider product offering the independent retailers are feeling the pinch.

There are various property solutions IRFs could look at and we would like to propose recommendation of collaborative partnerships amongst the IFR’s. These collaborative initiatives will be driven by a vehicle that will form part of the Primary Recommendation that will assist IFR’s to remain sustainable within an evolving retail landscape.

Benefits of Collaborative Partnerships

- Property is a specialized sphere and affects the business over a long term. It is strongly recommended that IFRs source the assistance of a lawyer or a specialist property broker to negotiate the lease on their behalf, as well as consult a complete property solutions company (like Fernridge or Doug Parker) to do due diligence and feasibilities for new prospective sites.

- Collaborating with suppliers to drive supply chain efficiency will reduce the inventory storage space required, which equates to a savings in rental and related services, thereby making the business more profitable.

- Un-used or un-utilized space can be sub-let to related/associated businesses, forming a wider associated product offering to consumers.

- IFRs should become a member of SACSC (South African Council of Shopping Centres) to be informed of the latest shopping centres being developed (in both rural and urban areas) affecting their local markets, allowing them to be proactive and agile in dealing with changes to their physical environment.

- Be informed of what local councils are planning in the community and be involved and support such initiatives.

- Utilize energy saving initiatives to reduce electricity costs – use energy saving light bulbs, install solar roof panels and use less power from the grid. Other solutions to consider are heat pumps, skylights in roofs and using water cooled artificial air ventilation systems. Even small changes have been proven to provide significant returns in the longs run, while having a positive impact on the environment.
6.6 Explore Growth Opportunities: New Channels to Market & Diversification

Successful retailers have proven that by diversifying in both product ranges and related businesses, they have ensured sustainability, growth and phenomenal success.

**Collaboration with large retailers** has proven very successful for many independents, who supply specialist products to larger retailers. For example, Spice Mecca supplies packaged spices to Pick n Pay stores in the Western Cape; Excellent Meats supplies Woolworths stores in the Eastern and Western Cape with all halal meat products.

Benefits of this type of collaboration include reaching a wider customer base and making your brand and products known. This is especially useful if planning an expansion in the near future as brand recognition would already be in place.

There are two major risks to be aware of. Firstly, most major retailers operate on a 60+ day account payment terms and IFRs need to ensure that they have sufficient resources to manage this strain on their cash flow. Secondly, larger retailers have specific quality and packaging standards that must be met, and this could entail the procurement of capital equipment as well as certifications of compliance from applicable associations.

**Vertical integration** involves becoming a source and/or manufacturer and/or supplier of your own specialized product/s. Excellent Meats have done this exceptionally well. Not only do they own a livestock farm, they also own the abattoir where the livestock is processed. Coupled with this, they are the main supplier of whole lamb to most halaal butchers in the Western Cape. Their brand has become synonymous with quality through their five thriving retail outlets.

The primary benefit of this type of diversification is that you will be in control of the supply chain. IFRs interviewed who have ventured this route to various degrees or levels, indicated that the current wholesale business far surpasses their retail turnover. The major risk is that facilities and infrastructure is capital intensive.

**Expand your offering into other industries**, like the food service business for example. Good Hope Meats supply SAA with halaal meat products for the airline’s muslim meal service. While there aren’t any branding or customer acquisition benefits, the sheer volume of the demand is enough to sustain and grow the business. Again, the major risk is that facilities and infrastructure is capital intensive.

**Franchising** as a concept has been very successful in South Africa with over 550 franchise brands and close to 30,000 outlets. For an independent with a profitable business concept, franchising may be the right vehicle to grow the business. Possible disadvantages of franchising include loss of control, brand erosion and conflict with franchisees. A large franchise network requires the appropriate infrastructure to support franchisees, in order to ensure success and promote the brand. Clearly documented processes, standards and operating procedures are critical. Fruit and Veg City used franchising to grow its business to the phenomenal success it is today, expanding what started as an IFR business to a national business with international representation.

**Exploring beyond the borders of South Africa** is another opportunity for independents to increase turnover and expand its customer base on a global scale. Good Hope Meats manufactures specialist halaal meat products (like salamis, etc.) which are custom made for the middle-eastern market. As with any other food product being supplied on an international scale, supply chain and transport costs are a major implication. Exporters licensing and legislative requirements must also be considered.
6.7 Leveraging Government Support

All of the black owned Independent Food retailers we visited indicated access to finance to be a challenge, particularly when they started their businesses. These businesses are now trying to expand their capacity to be able to supply more products (e.g., Good Hope Meat Hyper). Through Enterprise Development, these businesses can access finance and other resources without huge cost to them. The current barrier to accessing this benefit is the lack of awareness of Enterprise Development and its benefits. Please refer to Appendix F for more on Enterprise Development.

Independent Food Retailers should ensure that they are knowledgeable on the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice framework in order to access the benefits of Enterprise Development from the bigger businesses they supply or through Government.

BEE (Black Economic Empowerment) is a pragmatic growth strategy that aims to realize the country’s full potential and is measured by use of a scorecard comprising of seven elements which are:-

- Ownership
- Management Control
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Socio-Economic Development

Based on the challenges that the Independent Food Retailers are faced with we would focus only one of the element of BEE which is Enterprise Development.

**Enterprise Development** is the process of assisting and accelerating the development, sustainability as well as financial and operational independence of mainly small and micro enterprises. The primary beneficiaries of enterprise development are enterprises which are EME’s* and QSE’s** that are 50% or more black owned and or 30% or more black woman owned.

*EME = Exempt Micro Enterprises = companies with < R5M total turnover per annum
**QSE = Qualifying Small Enterprises = companies with > R5M but < R35M total turnover per annum

Enterprise Development is an inexpensive way to implement BEE but many don’t see it as an option. Enterprise Development, where big companies offer operational assistance to black owned enterprises, is not seen by many companies as a way to participate in Black Economic Empowerment (BEE). Please refer to Appendix G for a detailed introduction to Broad Based Black Economic Empowerment (BBBEE) for further context.

The purpose of Enterprise Development is to encourage the establishment and growth of black owned and black women owned businesses to a level of operational and financial sustainability and profitability. The challenges which Enterprise Development therefore seeks to address include the high failure rate especially among black owned start-ups, lack of access to financing and other business support.

The benefit of addressing the above mentioned challenges is job creation. Enterprise Development and entrepreneurship are important vehicles for creating sustainable jobs. Job-creation cannot be attained without the growth of the small/ independent business sector. This will only be made possible if small/independent businesses are assisted to grow and develop to become sustainable, job-creating, enterprises. Enterprise Development seeks to ensure that such assistance is incentivized using the framework of the BEE Codes of Good Practice.

With some knowledge and insight into Enterprise Development, Example: Good Hope Meat Hyper can access the finance and other resources they may require from Pick ‘Pay, without huge cost to them. The current barrier to accessing this benefit is the lack of awareness of Enterprise Development and its benefits.

The Government has recently launched an initiative through the state-owned National Empowerment Fund (NEF) in which companies can now “buy” credits towards their Enterprise Development compliance. The NEF has established an Enterprise Development fund to which companies can contribute to gain enterprise development points. Independent Food Retailers can access finance through this fund.

Furthermore, the Cabinet is expected to start deliberations on a draft empowerment bill soon. This bill is aimed at renewing transformation in the manufacturing, retail and agricultural sectors and proposes amendments to Black Economic Empowerment (BEE) legislation. It also seeks to speed up transformation in the three targeted sectors. Once approved by Cabinet, the bill will be distributed for public comments in which IFR’s would have an opportunity to raise their challenges and ensure that the new bill addresses these challenges.
7. Solution

Together with our research in South Africa, our immersions abroad and our discussions with industry leaders, we have come up with a solution that will enable IFRs to compete in the changing retail landscape and most importantly, remain sustainable. This will require the IFRs to come together under one umbrella and become a force to be reckoned with.

Introducing “The Independent Food Retailers Association of South Africa” (IFRASA).

IFRASA will deliver the following key benefits:

- Help consolidate all information and resources to point IFRs in the right direction. For example, SETA, DTI, CGCSA. This will directly tackle IFRs perceived lack of governmental support.
- The association will help IFR’s explore opportunities in technology, new channels and growth, like supplying larger retailers with specialized product.
- By collaborating through size and scale, IFRs will be able to take opportunity in increasing their presence and power. For example, joining a buying consortium to reduce costs, or banding together to negotiate rebates from Eskom.
- Facilitate and foster better relations with Government on legislation and other issues relevant to the sector. IFRs could have been involved in the engagement on the recent amendments to Labour legislation and the current draft BEE Bill being deliberated by Cabinet that seeks to accelerate Transformation in the retail sector. The IFRASA provides the platform for engagement on such legislative and other relevant issues.
- Be the resource for the capture of data and statistics that is missing in this sector. This information can then be used to assist academia, government and the IFRs themselves to better study and analyze this market, and make informed decisions.
- Through collaboration with various stakeholders (eg. government, organized business, etc) IFRASA will assist in addressing socio economic conditions like poverty and green initiatives.
- Contribute towards the preservation of the diverse cultures that exist in our various communities by providing specialized products and services.
- To ensure that large retailers do not monopolize the industry.
**Structure and Stakeholders:**
As illustrated in the model below, we envision IFRASA to sit within the structure of the current Retailers Association of South Africa. From this position, the association will represent IFRs in interacting with the various stakeholders as shown, to drive the recommendations proposed in this report and address the challenges IFRs face, to ensure that IFRs not only remain sustainable, but thrive and grow.

**Resourcing**
This association will be resourced through the following:
- Possibly annual subscription fees from member IFRs.
- Government can contribute via legislation that forces new global retail entrants to contribute a fee towards the IFRASA.
- Procuring support and skills resources from related associations and bodies.
- Using the association to procure funds by selling advertising space to suppliers via its various channels, e.g. website.

**Risks of not forming the association**
The key risks of not forming this association include:
- Closure and deterrent of more IFRs
- Monopoly by large retailers
- Negative impact on socio-economic conditions: increased unemployment and poverty, breaking down of community cultures, etc
- Reduction of specialized product – less choice for consumers
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APPENDIX A: CUSTOMER SURVEY

IMITHA CUSTOMER SURVEY

Independent Food Retailers (IFRs) are small businesses in the retail food sector, that are NOT part of a national or international brand. They include your local supermarket, family owned chains, butchers, bakeries, delis, etc. For example: Excellence Meat Market in the Cape Town, Fourees Bakery in Johannesburg and Hand Fresh in Durban.

The objective of this survey is to:
1. Understand from a customer or consumer perspective, which IFRs people generally shop at and what makes them use these businesses as opposed to larger retail stores.
2. Get some ideas on what IFRs can do differently to attract or influence consumers to support their businesses.

*1.
What is your name and surname?

*2.
Which age bracket describes you?
- 18 - 25
- 26 - 35
- 36 - 45
- 46 - 55
- 56 or older

*3.
What is your education level?
- None
- Some high school
- Grade 12 (matric)
- Certificate
- Diploma
- Degree
- Post graduate

*4.
What is your total household income bracket per month?
- Less than R5,000
- R5,001 - R10,000
- R10,001 - R20,000
- R20,001 - R30,000
- R30,001 - R50,000
- R50,001 or more

*5.
What is your racial profile?
- Black
- Chinese
- Coloured
- Indian
- White

*6.
What is your religious preference?
- Agnostic
- Atheist
- Christian
- Hindu
- Jew
- Muslim
- Other
If you’ve selected other, please specify your religion.

*7.
Where in South Africa do you live?
- Eastern Cape
- Free State
- Gauteng
- KwaZulu Natal
- Limpopo
- Mpumalanga
- North West
- Northern Cape
- Western Cape

*8.
Including yourself, how many people live in your household?

*9.
How many children under the age of 18 live in your household?

*10.
Please select which of the following types of Independent Food Retailers are you most likely to shop at. You may select one or more.
- Bakery
- Butcher
- Delic
- Grocery store
- Other
If you’ve selected Other, please specify the kind of store.

*11.
During the last year, approximately how many times per month on average did you shop at an Independent Food Retailer?
- None
- 1 - 2 times
- 3 - 5 times
- 6 times or more

*12.
When you visit Independent Food Retailers, what is your primary purpose?
- Just to browse the products on offer
- Look for a particular or special item
- Buy a particular or special item
- Other
If you’ve selected Other, please specify what the purpose of your visit is.
13. How often do you find what you're looking for when visiting Independent Food Retailers?
- Always
- Often
- Sometimes
- Never

14. When shopping at Independent Food Retailers, how often do you buy additional or add on products, other than what you intended to purchase? For example, buying spices at your local butcher.
- Always
- Often
- Sometimes
- Never

15. How knowledgeable do you find staff at Independent Food Retailers?
- Very knowledgeable
- Somewhat knowledgeable
- Not very knowledgeable
- Not at all knowledgeable

16. How helpful do you find staff at Independent Food Retailers?
- Very helpful
- Somewhat helpful
- Not very helpful
- Not helpful at all

17. What are the motivators or factors that influence you to shop at Independent Food Retailers? Please rate the following by level of importance with 10 being the most important and 1 being the least important.

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18. In general, how do you find the cleanliness of Independent Food Retailers?
- Very clean and tidy
- Acceptable
- Needs attention
- Not clean or tidy
- A complete mess!!

19. How do you usually pay for your purchases at Independent Food Retailers that you frequent?
- Cash
- Cheque
- Credit card
- Debit card
- Account

20. In your opinion, do Independent Food Retailers provide for the payment method that you prefer?
- Yes
- No

21. What can Independent Food Retailers do or improve on to persuade you to buy from them? You can select multiple items.
- Add on products
- Add on services
- Expanded product range
- Skilled or expert staff
- Improved customer service
- Better pricing
- Marketing
- Cleanliness
- Store format
- Other
| If you’ve selected other, please specify. |     |    |    |    |    |    |    |   |

22. Would you shop online if your Independent Food Retailers had an online shop?
- Yes
- No

23. Would you be interested in a “phone-in” or online order system and have your goods delivered to your property?
- Yes
- No

24. Do you know the manager or owner of the Independent Food Retailers you frequent?
- Yes
- No

25. Optional question: please tell us about your favourite Independent Food Retailers.
- Favourite bakery
- Favourite butcher
- Favorite delhi
- Favourite local grocer
- Other
APPENDIX B: CUSTOMER SURVEY RESULTS

Customer Shopping Experience at IFRs

- Would order online/telephonically for home delivery
- Would buy online from IFR
- Find staff helpful
- Find staff knowledgeable
- Buy additional products
- Find what they're looking for
- Go to buy a particular/special item
- Visit IFRs more than 5 times per month

Types of IFRs most frequented

- Grocery store: 32%
- Bakery: 21%
- Delhi: 13%
- Butcher: 34%

What customers say will persuade them to buy from IFRs

- Store format
- Cleanliness
- Marketing
- Better pricing
- Improved customer service
- Skilled or expert staff
- Expanded product range
- Add on services
- Add on products
APPENDIX C: IFR RESEARCH QUESTIONS

1. What are your feelings about the current economic environment and in particular the retail food environment?
2. Are you managing as a business to stay sustainable?
3. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price
4. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?
5. Who are your customers (LSM Group) and do you manage a loyal customer base?
6. Who do you see as your future customers?
7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business?
8. How does legislative changes affect your business and what are the impacts for the future?
9. What are the future plans for your business?
10. What advice would you give to new independent food retailers?
11. What do you think the future food retail environment will look like?
12. What other opportunities do you see in the environment?
13. How do you/will you keep your staff loyal to avoid them going to the opposition?
14. What training is provided?
15. How do you keep the morale up in your business?
16. Do you think that diversifying your business will contribute to success or failure?
17. Is technology affecting your business negatively or positively (SAP etc)?
18. How do you overcome high overheads?
APPENDIX E: SUCCESSFUL RETAILER PROFILES

EXCELLENT MEAT MARKET
Chief Operating Officer: Abbas Sonday

The beginning of excellence. In 1970, Shafie and Sara Sonday opened the doors of their humble meat business for the first time. Today Excellent Meat is a family-owned and long established supplier of quality Halal products. Wholesalers and retailers nationally experience our passion first hand, a passion that began with a desire to build a well-run company that never compromises on quality.

It’s all about quality. Our highest priority is that our customers are completely satisfied. So every effort is made to ensure just that. We look to continuously improve on the way we do things. We have a passion for customer service and we employ quality people with the same passion. A skilled technical team keeps up-to-date with what’s happening in local and industry developments.

We focus on positive long-term partnerships with our customers as well as with our suppliers, who share the same objectives and values of high quality and customer satisfaction that we do.

People matter to us. All people. Which is why the wellbeing of our employees and their families is important to us. We are intentional about getting actively involved in the social upliftment of local communities. Because we believe that the true success of a company is proved long after the bottom line is met.

The marketplace is constantly evolving and our customers are always looking for innovative new ideas to get more value from their buying budget. A dedicated technical team manages quality and innovation, both areas being of high focus in our company. Our people travel the world in search of new food ideas and consult with industry experts to keep abreast of world trends in flavours, products and packaging.

We work with our clients to develop products to suit their customer base. In addition our high technical standards ensure that we deliver only the best.

1. High-tech infrastructure for high quality.
We adhere to all industry standards and legislation to deliver the best possible product, safely and hygienically. Our systems and processes are passed through all quality audits and standards of GMP [Good Manufacturing Practice]. Processes are clearly defined, controlled and validated to ensure consistency and compliance.

2. Full traceability for full control.
Excellent Meat processes provide full traceability of all meat products through barcodes and other tracking media. Farm-to-fork monitoring means that we can track all movement of product and steps within the process chain. It is possible to identify by precise date and exact location all processes of our product on its way to you, our customer.

3. Totally Quality Management system [TQM].
The objective of TQM is to prevent errors during meat processing, increase customer satisfaction, streamline supply chain management, and constantly keep abreast of new and improved processing equipment. In addition we ensure that Excellent workers have the highest level of training and are constantly being exposed to newness through numerous courses.

4. Excellent cold chain logistics.
To extend shelf life and to safeguard the constant quality and hygiene of our meat products, an unbroken cold chain and high performance logistics system is paramount. To further meet this requirement we have our own transport division with a dedicated temperature monitoring system in the truck cargo space. Our own delivery fleet also means that we can offer our customers the benefit of a better turnaround time and ensure continuation of supply. Microbiological testing at critical intervals in the supply chain verifies hygiene and safety.
CHECKOUT SUPERMARKETS

The business was founded in 1976 by six (6) brothers (35 years ago). Their bond of unity and their will to succeed drove the Company from strength to strength. They opened Stores until each brother ran his own store. 14 years ago the family entered the corporate world and today the family owned supermarket called “Checkout” boasts 50 Stores. The Checkout brand is the largest independent Supermarket in South Africa

Chairman: Haroon Ismail Abdullar (Baboo)
Staff Compliment: 2000 Employees

Contribution to success of the business
- Family owned
- Strong values and ethics
- Transparency = good corporate governance
- Staff welfare
- Social responsibility
- Quality / service / savings
- Restructuring whilst in recession

Strategy going forward
- Innovation
- Faster
- Proactiveness
- Revamping of stores

Checkouts have aimed their business at LSM 4 – 7 and the communities are predominantly black / Indian / coloured. They have not gone up directly in the areas where the big retailers operate, choosing small communities.

About the current and future economy...very positive. Politics are creating a lot of uncertainty. Do not view international retailers as a threat but rather an opportunity. Being a family owned business the Company has the ability to quickly adapt / downsize or change direction.

Advice to other IFRs...there is still a lot of opportunities; manage your costs and expenses; look to join a buying consortium ie: Shield Group

On buying...we have our own buying team, but we used to use the Shield buying consortium when the business was smaller. However, we do 90% of our own buying and still use the consortium to buy 10% for the group.

Do you have direct deliveries or central distribution and benefits
Central Distribution; Better prices; More efficient; Cost saving; Better in-stock position; Better stock management

Do you offer on-line shopping? : Yes

Do you offer training to your employees?
Yes, these include trainee manager program, stock replenishment, service specialists.

Where do you see growth opportunities for your Company
Much more in South Africa particularly in Limpopo, North West Province, Eastern Cape and Gauteng. Looking at joint venture in Maputo, Malawi, Mauritius, Saudi Arabia.
## APPENDIX E: THE ENTERPRISE DEVELOPMENT BENEFIT MATRIX

<table>
<thead>
<tr>
<th>Qualifying contribution type</th>
<th>Contribution amount</th>
<th>Benefit factor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grant related contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant contribution</td>
<td>Full grant amount</td>
<td>100%</td>
</tr>
<tr>
<td>Direct cost incurred in supporting enterprise development</td>
<td>Verifiable costs (including both monetary and non-monetary)</td>
<td>100%</td>
</tr>
<tr>
<td>Discounts in addition to normal business practices supporting enterprise development</td>
<td>Discount amount (in addition to normal business discount)</td>
<td>100%</td>
</tr>
<tr>
<td>Overhead costs incurred in supporting enterprise development</td>
<td>Verifiable costs (including both monetary and non-monetary)</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Loans and related contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest free loan with no security requirements supporting enterprise development</td>
<td>Outstanding loan amount</td>
<td>100%</td>
</tr>
<tr>
<td>Standard loan to black owned EME and QSE’s</td>
<td>Outstanding loan amount</td>
<td>70%</td>
</tr>
<tr>
<td>Standard loan provided to other beneficiary enterprises</td>
<td>Outstanding loan amount</td>
<td>60%</td>
</tr>
<tr>
<td>Guarantees provided on behalf of a beneficiary entity</td>
<td>Guarantee amount</td>
<td>3%</td>
</tr>
<tr>
<td>Lower interest rate</td>
<td>Outstanding loan amount</td>
<td>Prime rate - actual rate</td>
</tr>
<tr>
<td><strong>Equity investments and related contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority investment in black owned EME and QSE’s</td>
<td>Investment amount</td>
<td>100%</td>
</tr>
<tr>
<td>Minority investment in other beneficiary enterprises</td>
<td>Investment amount</td>
<td>80%</td>
</tr>
<tr>
<td>Enterprise development investment with lower dividend to financier</td>
<td>Investment amount</td>
<td>Dividend rate of ordinary shareholders – actual dividend of rate contributor</td>
</tr>
<tr>
<td><strong>Contributions made in the form of human resource capacity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional services rendered at no cost and supporting enterprise development</td>
<td>Commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Professional services rendered at a discount and supporting enterprise development</td>
<td>Value of discount based on commercial hourly rate of professional</td>
<td>80%</td>
</tr>
<tr>
<td>Time of employees of Measured entity productively deployed in assisting beneficiaries</td>
<td>Monthly salary divided by 160</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Other contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shorter payment periods</td>
<td>Percentage of invoiced amount</td>
<td>Percentage being 15 days less the number of days from invoice to payment</td>
</tr>
</tbody>
</table>
The Moral Imperative for BEE
There are numerous reasons why social and economic change is necessary for South Africa. Morally, it certainly is “the right thing to do”. In 1948, the National Party started a segregation policy that would eventually become infamous world-wide as “apartheid”. The defining feature of apartheid was the use of race to restrict and severely control access of black persons to the economy. Black communities were underdeveloped to ensure that they were, in the main, suppliers of cheap labour. The underdevelopment of black South Africans took the form of a progressive destruction of productive assets - deliberate denial of access to skills and jobs and the undermining of self-employment and entrepreneurship.

The impact of this systematic disempowerment not only resulted in a landless black majority with restricted access to skills development, but also deliberately prohibited black people from generating self-employment and entrepreneurship.

The apartheid era left a legacy of labour market discrimination and inferior education so accelerated skills and advanced professional skills development is important.

Economic repression led to the expropriation of black property that had not already been expropriated under the Land Act. All of these historical factors should be addressed to create a stable, sustainable economy.

The Social Imperative for BEE
The top 10% of income earners in SA carry a significant load of the economy. They contribute about 46% towards the consumption of goods and services. Comparatively, in the U.S. and Britain the top 10% income earners only contribute 31% and 27% respectively towards the consumption of goods and services. Even though apartheid ended in 1994, virtually all of the top 10% income earners are still white – the majority of black South Africans have not experienced the benefits of a true democracy in a financially tangible way.

The Gini co-efficient measures the disparity between a few rich elites and the poor majority and reflects the level of social tension. If the Gini co-efficient is too high (an inequality index of 0.593, for example), there is a tendency toward an unstable society, as reflected in high levels of crime, general lawlessness etc. South Africa’s Gini co-efficient in 2011 is 0.578 (www.southernafricareport.com). Sustainable black economic empowerment is expected to grow the black middle class in S.A., thereby stabilizing the country.

The Growth Imperative for BEE
As a result of South Africa’s history we have high unemployment, about 24% for the fourth quarter of 2010 (www.tradingeconomics.com). It is vital that as much of the population as possible become economically active, contributing to the growth of the economy and sharing in the rewards. This unemployment can only be effectively addressed in a growth environment. While there are the sceptics and cynics, it is possible that transformation can enable growth – in fact sustainable transformation requires growth to succeed.

Transformation is more sustainable in a growth environment as it does not require anyone in the organization to move over and make space for someone else. Rather, the growth requires extra capacity in the company, which employers can ensure is representative of the demographics of the country.

The aim of BBBEE is to ensure that transformation does not just benefit a few black elite but is “broad - based” viz. women, blue collar workers, people from rural areas, young people, people with disabilities and the economically poor.

What are we changing to?
The objective of BBBEE is to significantly increase the number of black people who manage, own and control the country’s economy, as well as to decrease the income inequalities. This requires elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets.

Is BEE a cost to the business?
Most people see the process of empowering the enterprise as coming at a cost and impeding the performance of the business. While this is very true that transformation does have immediate costs associated with it, if it is viewed as just another necessary evil of doing business in South Africa (like death or taxes), it simply will not happen, as a manager’s function is to increase performance and reduce costs.

So the first hurdle to transformation starts in the minds of company executives and their employees, as transformation need not only be a ticket to enter the game, but it can also become a ticket to an emerging growth market. So it’s not about increasing performance OR transformation, or even increasing performance AND transformation, but increasing performance BY transformation.

**Does BEE make business sense?**
Over the next five to ten years, our country is going to evolve into a nation that will be radically different to the South Africa of today. It will be a country where the emergent black middle class will vote with their money. The companies that will benefit from this will be the companies that understand the moment they are in, that understand the forces that shape the behaviour of their customers and that will lead its employees toward using its resources to create sustainable value to those customers.

**What is the BEE process?**

The process starts with employees understanding the purpose and meaning of transformation. Once that is clear, the company needs to form a team (in small businesses this can be one person), that can tackle the transformation strategy and guide the process. This team will inform the hearts and minds of the employees and develop a high level overview of what the transformation strategy looks like. It is however, the employees that need to give feet to the strategy in its detail, and that is why they need to be engaged in a dialogue that develops the actions by which each and every employee can contribute to transformation. The team, through the relevant company structures, should evaluate these actions in a 30-day review cycle, develop the BBBEE scorecard based on these actions and feed this information back into the company and the executive team.
The evolution of the BEE Codes
The first phase of the BEE Codes of Good Practice focused heavily on rectifying the inequalities in the Ownership component of organisations. At that stage, the mantra was “Equity = Equality” (the “Old” Codes). However, this did not impact the bulk of the population, and the benefits of changing ownership in a corporation did not necessarily mean tangible benefits to the ‘man in the street’. This prompted government to start introducing legislation to move towards a more Broad-Based view (for example, the Employment Equity and Skills Development legislation). The Broad-Based Codes of Good Practice, and the Broad-Based Scorecard, was released for public comment in December 2005 (The “Draft / New” Codes). The finalised Codes and revised targets were gazetted in February 2007 (The “Finalised” Codes).

Sector Charters
In an attempt to galvanise everyone into action to bridge the “historically-created” gap, government developed an enabling framework (the Codes of Good Practice) to engage with the private sector. This basically gives companies a common vocabulary to debate within industry sectors as to how they can re-invent themselves, to create a stable and sustainable business environment. These industry sector debates should result in Sector Charters, and a shared sense of what that industry can do towards transformation. All Sector Charters have to align with the Broad-Based Codes, to ensure that any company, irrespective of the sector within which they operate, have the same targets. However, it is companies that should seize that debate and translate the intent into a coherent strategy and actions, which challenge all people to start to do.

What are the codes of good practice and the BBBEE scorecard?
The BEE Codes of Good Practice are a standardised framework for measuring black economic empowerment across all sectors of the economy. A scorecard measures 7 elements contained in the Codes of Good Practice.

What are the objectives of the Codes of Good Practice?
The intention of the Codes is to encourage businesses to work towards economic growth of all its citizens.

The first phase of the Codes of Good Practice was launched in November 2005. This initial document covers the conceptual framework, the measurement of Ownership and Management Control of businesses as well as interpretations of the individual statements. However, this initial document did not impact the bulk of the population. A more broad based approach was required and this led to the development of the current BEE Codes of Good Practice which were gazetted in February 2007.

How does the Scorecard work?
Companies can determine their BEE contribution as a score out of 100 points using a system of weighting and targets.

There is enhanced recognition provided for certain categories of black people viz.
- black women (as mentioned below)
- black people with disabilities

Adjusted Recognition for Gender
In certain components of the Codes e.g. Skills Development, Employment Equity and Management Control, we encounter the words “using the adjusted recognition for gender”. This calculation in the Codes has the effect of ensuring that at least half the company’s total skills spend on black people is on black women, or that half the total black learners are black women, or that half the black people being measured in a certain category are black women.
What does the scorecard look like?
The scorecard refers to a weighting of each of the 7 elements as follows:

- **Code 100 – Ownership**
  This code measures the extent of ownership of business enterprises. There are various categories of ownership provided for by the Codes. Examples of these various categories are:
  - Broad based schemes
  - Employee Ownership schemes
  - Private equity funds
  - Trusts
  - Recognition in the sale of assets
  - Recognition of equity equivalents for multinationals
  There are different rules applicable to the various categories.

- **Code 200 – Management control**
  This code measures the control of businesses by black people. Management positions include chief executive officer, chief operating officer, chief financial officer, chief information officer, heads of business units, amongst others.

- **Code 300 – Employment Equity**
  This code measures initiatives to achieve employment equity in the workplace i.e. the inclusion of black people in positions other than top management. This code should be aligned to the Employment Equity Act. This code allows for the **adjusted recognition for gender** for black women in senior to middle management positions.

- **Code 400 – Skills Development**
  This code measures initiatives implemented by employers that are targeted for developing the competencies of black people within an organisation. The intention is to facilitate black people to fully and effectively participate in the economy. The code is aligned to the National Skills Development Act (1998), the National Skills Development Strategy and the Skills Development Levies Act as well as the Employment Equity Act and the Skills Development Act.

- **Code 500 – Preferential Procurement**
  This code measures the extent to which businesses procure (“buy”) from companies which are BBBEE compliant.

- **Code 600 – Enterprise Development**
  This code measures specific initiatives for assisting and accelerating beneficiary entities through expansion of their financial and operational capacity.

- **Code 700 – Socio-Economic Development**
This code measures the extent to which businesses facilitate black people with a means of becoming economically active.

Based on these weightings, an enterprise is evaluated on how much they contribute towards economic transformation in the following way:

<table>
<thead>
<tr>
<th>B-BBEE Status</th>
<th>Qualification</th>
<th>Procurement recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 contributor</td>
<td>≥100 points on the generic scorecard</td>
<td>R1.35</td>
</tr>
<tr>
<td>Level 2 contributor</td>
<td>≥ 85 but &lt;100 points</td>
<td>R1.25</td>
</tr>
<tr>
<td>Level 3 contributor</td>
<td>≥ 75 but &lt; 85 points</td>
<td>R1.10</td>
</tr>
<tr>
<td>Level 4 contributor</td>
<td>≥ 65 but &lt; 75 points</td>
<td>R1.00</td>
</tr>
<tr>
<td>Level 5 contributor</td>
<td>≥ 55 but &lt; 65 points</td>
<td>80 c</td>
</tr>
<tr>
<td>Level 6 contributor</td>
<td>≥ 45 but &lt; 55 points</td>
<td>60 c</td>
</tr>
<tr>
<td>Level 7 contributor</td>
<td>≥ 40 but &lt; 45 points</td>
<td>50 c</td>
</tr>
<tr>
<td>Level 8 contributor</td>
<td>≥ 30 but &lt; 40 points</td>
<td>10 c</td>
</tr>
<tr>
<td>Non-compliant contributor</td>
<td>&lt; 30</td>
<td>0 c</td>
</tr>
</tbody>
</table>

**EXAMPLE:** If I have two suppliers, who can provide me with the same quality product at the same price, one of which is a Level 8 contributor and the other has a score of 44 points, I should rather use the second supplier who has the 44 points, as this puts them at a Level 7, i.e. higher than the other supplier who is at Level 8. The impact of this decision can be seen in the “Procurement Recognition” column. Each contribution level translates into a certain amount of procurement recognition that is given for buying from suppliers who are BEE-compliant. If the amount of my order with the supplier is R 1 000, and I were to spend it with the Level 8 supplier, I would only get R 100 BEE recognition (R100 of the R 1000 [10c for every R1 spent] would earn me points under the Preferential Procurement section of the scorecard). However, if I were to spend it with the Level 7 supplier, I would get R 500 BEE recognition [50c for every R1].

The different enterprise sizes
In the finalised Codes, three different types of enterprises are identified. They are:
- Exempted Micro Enterprises (EMEs)
- Qualifying Small Enterprises (QSEs)
- Large enterprises

Each of these types of enterprises is defined according to their total annual turnover. The limits are as follows:

**Exempted Micro Enterprises** have a total annual turnover of less than R 5 million. They are FULLY EXEMPTED from complying with the Codes, and are considered fully empowered. They automatically have a Level 4 Contribution Level and are considered at Level 3 if they are in excess of 50% black ownership or 30% black women owned.

**Qualifying Small Enterprises** have a total annual turnover of more than R 5 million, but less than R 35 million. They can CHOOSE any four out of the seven elements of the scorecard, and each element is weighted equally at 25%. They can move 1 level up if they are in excess of 50% black ownership or 30% black women owned.

**Large enterprises** have a total annual turnover of more than R 35 million, and they have to comply with all seven components of the Generic Scorecard.

**Exempted Micro Enterprises**
Any business (sole proprietor, partnership, registered CC or PTY LTD, etc.) that has a total annual turnover of less than R 5 million are FULLY EXEMPTED from complying with the Codes, and are considered fully empowered. This applies irrespective of population group i.e. a white sole proprietor is as fully empowered as a black sole proprietor. Both automatically have a Level 4 status. However, the black sole proprietor will also progress to a Level 3, as his business has black ownership. Even though they are exempted, EMEs must provide documentary evidence of their turnover and black ownership.

**Qualifying Small Enterprises (QSEs)**
Small enterprises are also expected to contribute towards the transformation of the economy. However, they are not expected to be measured in the same way as large enterprises. Qualifying Small Enterprises can choose to comply with any 4 of the following 7 elements of BBBEE. The 4 chosen elements are equally weighted with 25 points per element.

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25 points</td>
</tr>
<tr>
<td>Management control</td>
<td>25 points</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>25 points</td>
</tr>
<tr>
<td>Skills Development</td>
<td>25 points</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>25 points</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>25 points</td>
</tr>
<tr>
<td>Socio-Economic Development</td>
<td>25 points</td>
</tr>
</tbody>
</table>
Airport Meats

Established 20 years ago, in 1994, Airport Meats has since grown to be a major meat wholesaler and distributor in Cape Town. The business initially operated out of the property opposite the current facility, before the current facility was built in late 1999 early 2000.

One of the early challenges experienced by Mr Parker in establishing the business was access to finance. But with a clear vision he set about building his business. Airport Meats is now well established and known for their dedication and quality service. The majority of their product range is fresh and is sourced locally. All of their meat is certified by the Islamic Council of South Africa (ICSA) and the Muslim Judicial Council Halaal Trust (MJ/C) and all slaughtering is performed at accredited abattoirs.

Today Airport Meats employs more than 100 people and has a varied customer base. The business is 95% wholesale and 5% retail. Some of their wholesale clients are major retailers and include: Spar Group, Shoprite/Checkers, Pick n Pay. Airport Meats also supply the hospitality industry namely; Southern Sun, Westin Grand, Arabella Kleinmond, The One and Only, Spier and the Spur Group.

Airport Meats are able to supply a varied customer base because of their fine, fresh products. They are also able to supply differentiated products prepared by their Master Butchers, for customers and request from highly qualified chefs of leading Hotel groups.

Although the company is BEE complaint, they have not reaped any benefit from BEE and see it as a cost to their business. They are confident that their business is well structured and geared up to meet the stringent requirements of the recently passed Consumer Protection Act. Airport Meats is registered with the FoodBw Sota and access training from time to time.

The business has withstood many challenges in a highly competitive market, but is still able to provide reasonable and affordable priced products to its customers. They are also innovating and looking to launch alternative products for customers who have switched their buying patterns. This is driven by their highly efficient Procurement Division, headed by Fayzaa Parker.

Airport Meats is a values-based business and value their people as an integral part of their business. Their employees are paid above minimum wage and very often Airport Meats will extend their payroll in order to employ people from the community based on the person’s need for employment. In this way they have upskilled a number of their employees via on-the-job training. Airport Meats are a great supporter of community based initiatives in the area they operate, supporting; Orphanages, Feeding Schemes, Cancer Association, Institute for the Blind and various other initiatives.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME : Eli Amsal
TITLE : Mr
COMPANY : Amsal's Superette
MAIN FOCUS OF BUSINESS : General Merchandise
NO. OF YEARS TRADING : 37
STAFF NUMBERS : 14
SUBURB & PROVINCE : Vosloorus KZN

1. What is the purpose of your business?
   Food and grocery sales

2. What are your feelings about the current economic environment and is particular the retail environment?
   Negative

3. Are you managing as a business to stay sustainable?
   Barely, Yes

4. If yes to the above, what would you name as the key factor / resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price
   All of these (location etc...)

5. If no to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?
   

6. Who are your customers (ISM Group) and do you manage a loyal customer base?
   Local residents - Yes

7. Who do you see as your future customers? New people coming into the area
   
8. Who are your direct competitors in your field and what differentiates you from them?
   Local retailers and big guys. I know my customers personally

9. What has been the effect of national retailers on your business?
   Very, very severe

10. Do you think international retailers like Walmart would have an adverse effect on your business?
    Definitely - Yes

11. How does legislative changes affect your business and what are the impacts for the future?
    Not sure

12. What are the future plans for your business?
    None at the moment

13. What advice would you give new independent food retailers?
    Business is very hard work

14. What do you think the future food retail environment will look like?
    Very big-boxes only

15. What other opportunities do you see in the environment?
    None

16. How do you / will you keep your staff loyal to avoid them going to the opposition?
    I don't know, they'll go for money only

17. What training are you providing / offering to up-skill your staff?
    None

18. How do you keep the morale up in your business?
    Stay busy

19. Do you think that diversifying your business will contribute to success or failure?
    No

20. Is technology affecting your business negatively or positively (e.g. POS)?
    Positively

21. How do you overcome high overheads?
    Cannot overcome - higher prices will lose customers

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RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: KALVEN ROBINSON
TITLE: OWNER
COMPANY: BLUFF MEATS
MAIN FOCUS OF BUSINESS: MEAT
NO. OF YEARS TRADING: 25
STAFF NUMBERS: 129
SUBURB & PROVINCE: BLUFF, DURBAN

1. What are your feelings about the current economic environment and in particular the retail food environment?
   VERY POSITIVE

2. Are you managing as a business to stay sustainable?
   YES

3. If you to the above, what would you name the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price
   GOOD PRODUCT AT A REASONABLE PRICE

4. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?
   N/A

5. Who are your customers (LGM Group) and do you manage a loyal customer base?
   WE CATER FOR ALL LGM GROUPS.

6. Who do you see as your future customers?
   EVERYBODY

7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business?
   ALL MAID AND SMALL SUPERETTES THAT ARE SELLING MEAT

8. How does legislative change affects your business and what are the impacts for the future?
   POSITIVE, THE STRicter THE LEGISLATION THE HARDER TO COMPLY.

9. What are the future plans for your business?
   TO EXPAND INTO ALL AREAS.

10. What advice would you give to new independent food retailers?
    THE NAME OF THE GAME IS VOLUME/KEEP UP THE SERVICE AND QUALITY WHILE STILL MAINTAINING A REASONABLE PRICE.

11. What do you think the future food retail environment will look like?
    NOT MORE IMPORTED PRODUCTS, LOCAL DEMAND CANNOT COMPETE WITH LOCAL DEMAND.

MAINTENANCE AND REPAIRS DONE IN-HOUSE AND OTHER EXPENSES ARE MONITORED VERY CLOSELY.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: David Tedder
TITLE: Mr
COMPANY: Bread Ahead
MAIN FOCUS OF BUSINESS: Retail Bakery
NO. OF YEARS TRADING: 3 years
STAFF NUMBERS: 220
SUBURB & PROVINCE: Greater Durban- KZN

3. What have been the most significant contributors to the success of the business?
   a) Strength of the brand
   b) Supply chain – as business grew, increased volumes needed therefore better negotiation power. In addition, opened factory and deliver daily to ensure mandatory freshness – therefore can operate within the region where the factory is.
   c) Great product at great prices – great value offering. Eg: although our prices are more expensive than a large retailer, our quality of ingredients is far superior and the filling substantially more as well as larger size, therefore better value proportion – and can feed more people eg Chicken buns can feed 4 people

4. What are your feelings about the current economic environment, in particular the retail food environment?
   a) The declining economic environment has been good to me (small independent retailer) in that we managed to secure sites in malls that we would not normally have been able to afford or be considered for – it has given us greater negotiation power regarding rents.

5. What has been the effect of national chains, and now international chains on your business?
   Currently compete against national chains eg: doughnut is 84.50 at Pick n Pay and double that at Bread Ahead. However, our differentiator is that we don’t compromise on quality of ingredients – use the best quality fats and real cream, made and delivered daily – and that’s why customers will still come to us. Believe the brand is really strong – focus on what we do and do it well and we will continue to grow.

6. How does legislative changes affect your business?

7. What advice would you give to new, independent food retailers?
   Do your homework in terms of all the costs involved – staff, suppliers, rent, tax – people depend on you, your gain is last on the agenda
   Do homework in terms of compliance issues including business licenses, compliance issues, all costs
   You must be real passionate about your product/service to do it work
   You need to ensure that you provide for adequate cash flow
   You need to find someone in a similar industry who is able to advise you and mentor you through the process, someone you can learn from

8. Any other opportunities in the environment?
   a) Build partnership with restaurants to supply bulk items needed – egg milk, or even specialty dessert lines
   b) Build partnerships with national retailers to supply them – if had the facility to blast freeze, could then package and supply national retailers and increase brand awareness – equipment too costly
   c) Food industry is not innovative enough – very generic – copypaste mentality – need to scan environment to look for new ideas
   d) The current landscape incorporates too many layers/stages from manufacture to retail (agents/wholesalers etc) and this seems to have become an established norm which ultimately detracts from true value to the customer. If fewer steps, would lead to lower food costs and this would benefit the consumer and leave more room for other innovative economic activity.
   The food inflation in SA is very high and has become an accepted norm – Bread Ahead took 2.5 years to raise price of...
pies because we wanted to protect the customer from high prices.

- Relationship building is extremely important if you want to be an IFR – you need to constantly be on the lookout for information leading to possible new, better, competitive sources of supply as you don’t necessarily have the volumes to drive better cost prices.

- Always give the customer what they want – don’t decrease a product to save some cost and then make the customer unhappy.

- Process of opening a small business is extremely tedious and costly – the CIPRO department is unhelpful and inefficient, and corrupt – perhaps there is an opportunity for people to open up businesses and form partnerships with the DTI to assist and encourage more small business development to promote employment. Currently, unless the business is 51% Black owned, there is no assistance or incentive from the government – this is short-sighted as one needs to look at the opportunities for employment created by a business, not just the ownership criteria – this will not help to raise the economy in SA.
Research Questions to Independent Food Retailers

NAME: Yunus Habib
TITLE: Mr
COMPANY: Habibs Supermarket
MAIN FOCUS OF BUSINESS: Supermarket
NO. OF YEARS TRADING: 20 years
STAFF NUMBERS: 20
SUBURBS & PROVINCE: KZN

Every retailer is a competitor but as we are a small retailer, larger customers do not affect us.

8. How does legislative changes affect your business and what are the impacts for the future?
   It does not affect us as we are a small business.
9. What are the future plans for your business?
   We generally do things as we have always done but do take the necessary steps when required.

10. What advice would you give to new independent food retailers?
    Find the right area with the right price.

11. What do you think the future food retail environment will be like?
     It will require cleaner stores and wider ranges.

12. What other opportunities do you see in the environment?
    Cheaper prices.

13. How do you keep your staff loyal to avoid them going to the opposition?
    To help them and keep them happy.

14. What training is provided?
    Learn as you go.

15. How do you keep the morale up in your business?
    By keeping everybody happy.

16. Do you think that diversifying your business will contribute to success or failure?
    Does success.

17. Is technology affecting your business negatively or positively (SAP etc)?
    Positively.

18. How do you overcome high overheads?
    By doing work yourself and helping the customers.

Thank you for taking the time to complete this questionnaire. I really appreciate your time.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business? 
   Walmart has no immediate impact on the business as it cater for mainly fresh

8. How does legislative changes affect your business and what are the impacts for the future? 
   It does not and it does not affect our operating systems

9. What are the future plans for your business? 
   Expansion and to enter into the corporate and franchise stores

10. What advice would you give to new independent food retailers? 
    Differentiate and price yourself on quality and specialty lines not available by all other competitors

11. What do you think the future food retail environment will look like? 
    Convenience, quick and easy and quality

12. What other opportunities do you see in the environment? 
    Growth is there however the government needs to come to the party

13. How do you/ will you keep your staff loyal to avoid them going to the opposition? 
    Incentives and developing a coach approach and not a boss approach

14. What training is provided?

15. How can you keep the morale up in your business? 
    Constant counselling and training as well as monthly rewards

16. Do you think that diversifying your business will contribute to success or failure? 
    Success

17. How technology effecting your business negatively or positively (SAP etc)?
    Positively

18. How do you overcome high overheads? 
    Achieving turnover and sales

Thank you for taking the time to complete this questionnaire. I really appreciate your time.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME : Karen van der Merwe  
TITLE : Mrs  
COMPANY : Marshalls superette  
MAIN FOCUS OF BUSINESS : Bakery / Food  
NO. OF YEARS TRADING : 02  
STAFF NUMBERS : 19  
SUBURB & PROVINCE : Bluff Durban

1. What are your feelings about the current economic environment and in particular the retail food environment?  
   I feel that the economy is very slow and in turn people don’t have the money

2. Are you managing as a business to stay sustainable?  
   Yes but it is extremely difficult

3. If yes to the above, what would you name as the key factor / resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price  
   Our main focus is Bakery as we are known in the area for our product, price

4. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal

5. Who are your customers (LSM Group) and do you manage a loyal customer base?  
   We are currently offering a service to LSM 5-6 with customers being people in and around the area

6. Who do you see as your future customers?

7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business?  
   Competitors are just all the other supermarkets in the area  
   Walmart does not pose a threat at the moment

8. How does legislative changes effect your business and what are the impacts for the future?  
   The changes impact the business as we require more money to keep with the changes

9. What are the future plans for your business?  
   To see growth in the Bakery as it is our focus area

10. What advice would you give to new independent food retailers?  
    To survey the market close to you and their competitors and try to offer a wider range at a lower cost

11. What do you think the future food retail environment will look like?  
    It would be harder as the time goes by but Price will be a major factor

12. What other opportunities do you see in the environment?  
    There are not much available opportunities at this time it is just price and cost that help increase the turnover

13. How do you / will you keep your staff loyal to avoid them going to the opposition?  
    By treating them with respect, and ensuring that staff are rewarded and compensated with the correct salary structure

14. What training is provided?

15. How do you keep the morale up in your business?  
    By respecting our staff

16. Do you think that diversifying your business will contribute to success or failure?  
    At the moment it could go either way but it is hard to predict at the moment

17. Is technology affecting your business negatively or positively (SAP etc)?  
    Positively

18. How do you overcome high overheads?  
    By monitoring waste and by not keeping too much stock in bulk

Thank you for taking the time to complete this questionnaire. I really appreciate your time.  

Regards  
Kevin Goosen
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Thembi Chiliza
TITLE: Ms
COMPANY: OBC chicken
MAIN FOCUS OF BUSINESS: chicken & fish
NO. OF YEARS TRADING: 01
STAFF NUMBERS: 10
SUBURB & PROVINCE: Durban

7. Who are your competitors and what has been the effect of national chains and new international businesses (Walmart) on your business?
Other poultry retailers. Walmart is a large organization and therefore does not impact on us.

8. How does legislative changes affect your business and what are the impacts for the future?
Yes. Especially the new CPA and labeling act has cost implications.

9. What are the future plans for your business?
Retain current market, however target small business owners.

10. What advice would you give to new independent food retailers?
Understand the market.

11. What do you think the future food retail environment will look like?
Cheaper and healthier products.

12. What other opportunities do you see in the environment?
Wider range and cheaper prices.

13. How do you / will you keep your staff loyal to avoid them going to the opposition?
Making sure the staff are happy and rewarded for good work.

14. What training is provided?
In-house.

5. Who are your customers (DM Group) and do you manage a loyal customer base? DM L4
Not very loyal customers are price driven.

6. Who do you see as your future customers?
More working women.

15. How do you keep the morale up in your business?
Always striving for excellence.

16. Do you think that diversifying your business will contribute to success or failure?
Success.

17. How technology affecting your business negatively or positively (SAP etc)?
Positively.

18. How do you overcome high overheads?
Keeping expenses low.

Thank you for taking the time to complete this questionnaire. I really appreciate your time.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Roger Troisi
TITLE: Sales and Marketing
COMPANY: Oscar Real Salamis
MAIN FOCUS OF BUSINESS: Meat processing Factory
NO. OF YEARS TRADING: 43 years
STAFF NUMBERS: 150 Staff
SUBURB & PROVINCE: Pietermaritzburg, KwaZulu Natal

1. What are your feelings about the current economic environment and in particular the retail food environment? It’s tough with store’s going into price wars trying to undercut the competition and not making OP. Stores are pushing for deals more than quality or service.

2. Are you managing as a business to stay sustainable? Yes, but margins are not what they should be.

3. If yes to the above, what would you name as key factor / resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price. Keeping focus on what we do best. Keeping costs as low as possible and cutting out shrinkage.

4. If no to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?

5. Who are your customers (LBM Group) and do you manage a loyal customer base? We manage a loyal customer base within the LBM Group but we still do not cater for the lower end of the market, as we have a loyal customer base built up through long term relationships.

6. What do you see as your future customers?
   To do more business with PMI and to expand to other African countries.

7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business?
   We have fewer meat processing companies that share a portion of our market, so international businesses have not affected us yet but we do see it affecting us at a later stage.

8. How does legislative changes affect your business and what are the impacts for the future?
   Hard to add new procedures and employ more staff for the new controls set by the CPA which in return pushes our costs on products and sometimes our prices. Stores still support meat suppliers that have no accreditations just to save money.

9. What are your future plans for your business?
   To be the leader and household name for quality processed meats.

10. What advice would you give to new independent food retailers?
    To compare apples with apples and to hire experienced staff.

11. What do you think the future food retail environment will look like?

12. What other opportunities do you see in the environment?

13. How do you / will you keep your staff loyal to avoid them going to the opposition?
    We offer training to staff and incentives.

14. What training is provided?
    In-store training where experts are brought in to train staff.

15. How do you keep the morale up in your business?
    Keeping the morale up from the members down to managers and supervisors which in turn affects the staff which has a rippled effect. Always trying to focus on the positives of the business.

16. Do you think that diversifying your business will contribute to success or failure?
    Depends on how far you diversify. If you are a meat company and bring out a new range of meat products that would be okay but trying out something from a completely different field could be a problem. It is important to know where your company’s strong points lie and try to focus on fine-tuning this to produce the best quality product for your customers.
17. Is technology affecting your business negatively or positively (SAP etc)?
   It has a positive effect in that you are able to cut down working hours yet increase can be seen in production output.
18. How do you overcome high overheads?
   You need to be efficient and try to streamline every area of your business.

Thank you for taking the time to complete this questionnaire. I really appreciate your time.
1. What is the purpose of your business?
   Sell meat

2. What are your feelings about the current economic environment and in particular the retail food environment?
   Slowing down

3. Are you managing as a business to stay sustainable?
   Just managing

4. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price, price and location

5. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?

6. Who are your customers (LBM Group) and do you manage a loyal customer base?
   Local people - yes

7. Who do you see as your future customers?
   New people coming into the area

8. Who are your direct competitors in your field and what differentiates you from them?
   Other butcher shops – they sell pork while I am halal.

9. What has been the effect of national retailers on your business?

10. Do you think international retailers like Walmart would have an adverse effect on your business?
    Definitely - yes

11. How does legislative changes affect your business and what are the impacts for the future?
    Don’t know

12. What are the future plans for your business?
    Keep going as long as I can

13. What advice would you give to new independent food retailers?
    Don’t open

14. What do you think the future food retail environment will look like?
    All big shops only like SPAR

15. What other opportunities do you see in the environment?
    None

16. How do you/ will you keep your staff loyal to avoid them going to the opposition?
    They like me

17. What training are you providing/offering to up skill your staff?
    None

18. How do you keep the morale up in your business?
    No

19. Do you think that diversifying your business will contribute to success or failure?
    No

20. Is technology affecting your business negatively or positively (SAP etc.)?
    It’s good

21. How do you overcome high overheads?
    Cannot overcome
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Vishay Sudama
TITLE: Mr
COMPANY: Imtha
MAIN FOCUS OF BUSINESS: Small shop
NO. OF YEARS TRADING: 2
STAFF NUMBERS: Owner run
SUBURB & PROVINCE: Ryads, Vosluam, KZN

1. What is the purpose of your business?
   - Convenience

2. What are your feelings about the current economic environment and in particular the retail food environment?
   - The economy is bad

3. Are you managing as a business to stay sustainable?
   - Yes

4. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price, location

5. If no to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?

6. Who are your customers (ISM Group) and do you manage a loyal customer base?
   - Immediate neighbours

7. Who do you see as your future customers?
   - Other neighbours

8. Who are your direct competitors in your field and what differentiates you from them?
   - Local town merchants – I am very small and convenient for neighbours who don’t have transport to go into the town

9. What has been the effect of national retailers on your business?

10. Do you think international retailers like Walmart would have an adverse effect on your business?
    - No

11. How do legislative changes affect your business and what are the impacts for the future?
    - Don’t know

12. What are the future plans for your business?
    - Possibly expand

13. What advice would you give to new independent food retailers?
    - Be very careful

14. What do you think the future food retail environment will look like?
    - All big shops only like SPAR

15. What other opportunities do you see in the environment?
    - Not many there

16. How do you/ will you keep your stuff loyal to avoid them going to the opposition?
    - No

17. What training are you providing/offering to upskill your staff?
    - None

18. How do you keep the morale up in your business?
    - Yes

19. Do you think that diversifying your business will contribute to success or failure?
    - Failure

20. Is technology affecting your business negatively or positively (SAP etc.)?

Positive

21. How do you overcome high overheads?
    - Opened up shop from garage – lower overheads
Supermarkets are direct competition. They have parking available, we don't.

9. What has been the effect of national retailers on your business?
   Supermarkets – as above

10. Do you think international retailers like Walmart would have an adverse effect on your business?
    Yes

11. How does legislative change affect your business and what are the impacts for the future?
    Negative

12. What are the future plans for your business?
    Negative

13. What advice would you give to new independent food retailers?
    Negative

14. What do you think the future food retail environment will look like?
    Negative

15. What other opportunities do you see in the environment?
    Would go into small manufacturing if had resources

16. How do you/will you keep your staff loyal to avoid them going to the opposition?
    Keep them happy

17. What training are you providing/offering to upskill your staff?
    None

18. How do you keep the morale up in your business?
    Remain in a good mood

19. Do you think that diversifying your business will contribute to success or failure?

20. Is technology affecting your business negatively or positively (SAP etc.)?
    Negatively

21. How do you overcome high overheads?
### RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

<table>
<thead>
<tr>
<th>NAME</th>
<th>Zaff Hoosen</th>
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<tbody>
<tr>
<td>TITLE</td>
<td>Mr</td>
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<tr>
<td>COMPANY</td>
<td>Seafood Market</td>
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<tr>
<td>MAIN FOCUS OF BUSINESS</td>
<td>Process Seafood</td>
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<tr>
<td>NO. OF YEARS TRADING</td>
<td>10 Years</td>
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<tr>
<td>STAFF NUMBERS</td>
<td>35</td>
</tr>
<tr>
<td>SUBURB &amp; PROVINCE</td>
<td>KZN</td>
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1. What are your feelings about the current economic environment and in particular the retail food environment?
   - The current conditions are tough, it's extremely hard to be competitive and aggressive.

2. Are you managing as a business to stay sustainable?
   - Yes

3. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price
   - Direct sourcing of products at competitive prices with quality products in a good location.

4. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?

5. Who are your customers (LSM Group) and do you manage a loyal customer base?
   - LSM: 60% of our customers are loyal.

6. Who do you see as your future customers?
   - Housewives, catering businesses and working women.

7. Who are your competitors and what has been the effect of national chains and new international businesses (Walmart) on your business?
   - Independent stores and national chains.

8. How does legislative changes affect your business and what are the impacts for the future?
   - Yes
   - We need to have uniform and safe trading locations and conditions

9. What are your future plans for your business?
   - To expand into chain stores.

10. What advice would you give to new independent food retailers?
    - Either go big or don’t waste your time.

11. What do you think the future food retail environment will look like?
    - Future will be consolidations of stores that are neat and clean and have management programs

12. What other opportunities do you see in the environment?
    - Sustainable fishing

13. How do you/ will you keep your staff loyal to avoid them going to the opposition?
    - By have good incentive packages and work conditions.

14. What training is provided?
    - Weekly in house training

15. How do you keep the morale up in your business?
    - Weekly meetings to iron out all issues

16. Do you think that diversifying your business will contribute to success or failure?
    - Definitely to success.

17. In technology affecting your business negatively or positively (BAP etc.) positively?

18. How do you overcome high overheads?
    - Constantly monitoring expenditure
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Zvonko Silic
TITLE: Owner
COMPANY: Slivno Meats
MAIN FOCUS OF BUSINESS: Butchery
NO. OF YEARS TRADING: 11 years
STAFF NUMBERS: 11
SUBURB & PROVINCE: Phoenix Industrial Park

5. Who are your customers (LSM Group) and do you manage a loyal customer base?
   LSM - Lowest to highest
   Loyalty customer base definitely. Service and I understand my customers needs.

6. Who do you see as your future customers?
   Same clientele. Nothing will change. Structure won't change.

7. Who are your competitors and what has been the effect of national chains and now international businesses (Walmart) on your business?
   Competitors but only small chain retailers. Changed nothing.

8. How does legislative changes affect your business and what are the impacts for the future?
   Biggest impact cost of electricity. We need electricity.

9. What are the future plans for your business?
   Limited with space, expansion out of the question.
   Keep up the service, source better prices. Customers treated well, will definitely come back.

10. What advice would you give to new independent food retailers?
    Location with good LSM. (Bonus) Look after customers. Give them prices they can afford.

11. What do you think the future food retail environment will look like?
    Independent butchery will have to stock other items to survive and not only meat. Stock liquor/ airline/ grocery.

12. What other opportunities do you see in the environment?
    Employment improvement.
    People look for jobs daily.

13. How do you/ will you keep your staff loyal to avoid them going to the opposition?
    Pay competitive wages. Working environment pleasant. Have a good working relationship.

14. What training is provided?
    Motivation - well trained people who know their function. They are trained before the come into contact with customers and machinery.

15. How do you keep the morale up in your business?
    Interesting work on a daily basis. Incentives to achieve good performance.

16. Do you think that diversifying your business will contribute to success or failure?
    Success in that you give the customer more choice and not just focusing on one service.

17. Is technology affecting your business negatively or positively (SAP etc)?
    Positively as technology advances, customers are getting more technologically intelligent and are spending more time online and up to date.

18. How do you overcome high overheads?
    No frills marketing. Saving on electricity and power.
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Gert Cornelius
TITLE: Owner
COMPANY: Utiltyk Vietsmark
MAIN FOCUS OF BUSINESS: FMCG (Specialised in Meat)
NO. OF YEARS TRADING: 42 Years
STAFF NUMBERS: +300
SUBURB & PROVINCE: Silverton Pretoria

1. What are your feelings about the current economic environment and in particular the retail food environment?

It is tough because of the following factors:
- Less disposable income
- Spending patterns have reduced
- No growth in Basket size
- Turnover still the same and not increasing

2. Are you managing as a business to stay sustainable?

Yes we are sustainable because we are a long standing business and have established ourselves:
- Open is low and there is less capacity
- We have over the years built customer relationships
- We offer quality at less prices due to us also manufacturing our own product at a lesser cost

3. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success?

Location, product, sourcing, price

We have over the years downsized after learning that we were in wrong locations, not close to our target market

Key Factors: Destination Store as well as convenience for local community
- Easy access to our store as we are close to all the main roads and towns in our suburb

4. If No to the above, what current challenges are you faced with and what resources/assistance would you like to have at your disposal?

Challenge:
- Our Challenge is to be better and competitive
- Supply chain is a challenge due to the nature of our core business (meat)

Electricity Supply:
- Price
- Demand of Electricity

5. Who are your customers (LM Group) and do you manage a loyal customer base?

We cater for LM Group S and large and our customers come from the local community around Silverton, Pretoria, Mamelodi etc We also have customers that come as far as Midrand and Johannesburg over Friday and Saturday

General Sales Split: 60% White and 40% Black (Moe-Thur) and the changes over the last 10 years has been 10% White and 90% Black

6. Who do you see as your future customers?

9-10 year olds and we have already started doing road shows in our community by going to schools and sponsoring school competitions and activities

7. Who are your competitors and what has been the effect of national chains and new international businesses (Walmart) on your business?

Spar, Checkers, Shoprite, Metro and Metro and there has been no impact as yet as we are only losing business to these competitors on a Sunday due to a Family and Religious decision not to trade on a Sunday

8. How do legislative changes affect your business and what are the impacts for the future?

We are not affected however compliance even though it’s there it still remains a problem and we tend to request assistance from established suppliers that we deal with to assist with training

Challenge: we do not get any assistance from Government to assist us with compliance and we also belong to the Meat Retailers Association who also has rigid laws that are sometimes in conflict with CPA

9. What are the future plans for your business?

Future plans is further diversifying and expanding, however when expanding we need to own the premises and be in the right location, we intend to vertically integrate

10. What advice would you give to new independent food retailers?

There must do proper research and have an understanding of retail and also know what league they are playing in and who the main players are

11. What do you think the future food retail environment will look like?

I see it shrinking even further and being swallowed up by the big players

12. What other opportunities do you see in the environment?

Through relationship marketing customers tend to be loyal and therefore you are sustainable and if the IKEA’s can be protected by Government we the market can grow as at the moment the free trade is not healthy for the local IKEA

13. What training is provided?

Customer service training and product knowledge training

14. How do you keep the morale up in your business?

Through daily coaching and motivational sessions and understanding my staff issues and background as most of my staff are from 40% are mainly unskilled and/or semi-skilled

15. Do you think that diversifying your business will contribute to success or failure?

It has contributed to the success as we are now able to operate in an environment of which we know and we are in the tight league.

Through daily coaching and motivational sessions and understanding my staff as I am mainly working with unskilled and semi-skilled staff
RESEARCH QUESTIONS TO INDEPENDENT FOOD RETAILERS

NAME: Athiram Hoosen
TITLE: Mr
COMPANY: Verulam Fruit and Veg
MAIN FOCUS OF BUSINESS: fruit and veg
NO. OF YEARS TRADING: 28
STAFF NUMBERS: 4
SUBURB & PROVINCE: Verulam KZN

1. What is the purpose of your business?
   Food and grocery sales

2. What are your feelings about the current economic environment and in particular the retail food environment?
   Negative

3. Are you managing as a business to stay sustainable?
   No

4. If yes to the above, what would you name as the key factor/resource for your current status and do you believe that these will ensure your future success? Location, product, sourcing, price

5. If No to the above, what current challenges are you faced with and what resources or assistance would you like to have at your disposal?
   Challenges is higher expenses

6. Who are your customers (LSM Group) and do you manage a loyal customer base?
   Local residents and people shopping at the nearest butchery - yes

7. Who do you see as your future customers?
   New people coming into the area

8. Who are your direct competitors in your field and what differentiates you from them?
   Checkers, Pick n Pay, Spar – we offer some specialty goods

9. What has been the effect of national retailers on your business?
   Bad

10. Do you think international retailers like Walmart would have an adverse effect on your business?
    Definitely - yes

11. How does legislative changes affect your business and what are the impacts for the future?
    Don't know

12. What are the future plans for your business?
    None at the moment

13. What advice would you give to new independent food retailers?
    Must have a lot of money

14. What do you think the future food retail environment will look like?
    All big shops only

15. What other opportunities do you see in the environment?
    None

16. How do you/will you keep your staff loyal to avoid them going to the opposition?
    Ensure I pay them well

17. What training are you providing/offering to up skill your staff?
    None

18. How do you keep the morale up in your business?
    Stay busy

19. Do you think that diversifying your business will contribute to success or failure?
    No

20. Is technology affecting your business negatively or positively (SAP etc.)?
    Positively

21. How do you overcome high overheads?
    Cannot overcome