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MARKETING MIX STRATEGY ADAPTATION: A RETAIL ORGANISATION'S RESPONSE TO THE GLOBAL ECONOMIC DOWNTURN

by

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DECLARATION

I, Shireen Khan, declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

	30 November 2011
Signed	**Date**

ABSTRACT

The global economic downturn of 2008 spread around the world and few business sectors remained unaffected. While organisations in some sectors were forced to close down or lay off employees, organisations in the retail sector mainly had to adapt to consumer's preferences, which change in times of economic downturn. The purpose of this research was therefore to examine how one of the most prominent retailers in South Africa adapted their marketing mix strategies to changing consumer buying behaviour during the economic downturn.

The research applied a qualitative approach and a case study methodology as its research design. An interview guide was designed for the in-depth face-to-face interviews. Additional data was collected from annual reports, various articles and the retailer's websites.

Decreased spending by consumers was one of the main consequences of the economic downturn. Throughout the economic downturn the retailer found it increasingly difficult to attract consumers to its stores, which prompted changes to retain and attract consumers. Therefore the main challenge for the retailer was to alter consumers' perception that it was an expensive store to a value for money store, without compromising its quality proposition. The study found that the retailer did indeed adapt its marketing mix strategy extensively in response to the global economic downturn. The retailer recognised a change in their consumers' buying behaviour and made responsive changes to their marketing strategies.

This research can be useful to academics and practitioners highlighting the importance of adapting the marketing strategy to the changing environment to consolidate or even improve a retailer's position in the market. The research can also be used by organisations in a similar situation facing an economic downturn. Even though these findings cannot be statistically generalised to a population, the findings can be used in similar situations or for theoretical generalisations, depending on homogeneity.

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DEDICATION

I wish to dedicate this dissertation to Francisco Daams and Steve Langford. Thank you for your undivided support and encouragement. Without both of you this would not have been possible.

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GLOSSARY

Terms	Definition
Advertising	The placement and purchase of announcements and persuasive messages in time or space in any of the mass media by business firms, nonprofit organisations (Mills, 2009:60).
Analysis	In marketing and other social science disciplines, a variety of statistical and non-statistical methods used to analyse data, instead of sheer intuition, or simple descriptive statistics (Theodorson & Theodorson, 1990:76).
Audience	The number of the persons or households who are exposed to a particular type of advertising media or media vehicle (Ferrell & Hartline, 2007:15).
Brand	A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name (Ferrell & Hartline, 2007:15).
Brand association	It is anything about the brand, which can "link" in memory (Aaker, 1991:109).
Brand awareness	A link between product category and brand, which is able to provide a potential buyer with ability to recognise or recall the brand that belongs to the product class (Aaker, 1991:61).
Brand equity	It is a set of brand assets and liabilities that are linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and / or to that firm's customers (Aaker, 1991:15).
Brand messages	Customers and other stakeholders understand and perceive a brand via influencing by all the information and experiences (Ferrell & Hartline, 2007:6).
Brand positioning	The act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. The association and brand image are related to brand positioning (Kotler & Keller, 2006:310).
Branding strategy	Also called brand architecture; brand names, logos, symbols and so on, which are applied to new and existing products for a firm (Keller, 2008:433).

Competition	The rivalry among sellers trying to achieve such goals as increasing profits, market share and sales volume by varying the elements of the marketing mix: price, product, distribution and promotion (Prahalad & Hamel, 1990:32)
Consumer	The ultimate user of goods, ideas or services. Also the buyer or decision maker, for example, the parent selecting children's books is the consumer (Doole & Lowe, 2005:20).
Consumer behaviour	The behaviour of the consumer or decision maker in the market place of products and services (Kotler & Armstrong, 2008:171).
Consumer satisfaction	The degree to which a consumer's expectations are fulfilled or surpassed by a product (Kotler & Armstrong, 2008:55).
Culture	The values, beliefs, preferences and tastes that are handed down from one generation to the next (Snow, 2008:130).
Demand	The number of units of a product sold in a market over a period of time (Engel, Blackwell & Miniard, 1995:76)
Economic environment	Part of the macro environment encompassing wealth, income, productivity, inflation, credit, employment, etc. which affect the organisations markets and opportunities (Dawson, 1980:134).
Environmental analysis	Gathering data regarding political, cultural, social, demographic, economic, legal, international and ecological forces, identifying trends affecting an organisation (Ferrell & Armstrong, 2007:155).
Exploratory research	A research design in which the major emphasis is on gaining ideas and insights (Creswell, 2009:8).
Factor income	An income derived from selling the services of factors of production. In case of labour, this means wages, plus the part of the incomes of the self-employed, which is a reward for their labour (IMF, 2009:45).
Focus group	A method of gathering quantitative data on the preferences and beliefs of consumers through group interaction and discussion usually focused on a specific topic or product (Walter, 1995:33).
Global economic downturn	A downturn is a widespread decline in the gross domestic production, employment and trade sectors that last for more than six months (Mills, 2009:37).
Market	The set of actual or potential users/customers (Kotler, 2003:13).
Marketing	A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Kotler & Armstrong, 2008:15).
Marketing communication	A collection term, which comprises advertising, public relations, sales promotion, direct marketing, personal selling, packaging, events and sponsorships, and customer service, with which brands are built by planned messages (Kotler & Armstrong, 2004:7).

Market demand	The total volume of a product or service used by a specific group of customers in a specified market area during a specified period (Kotler, 2003:34).
Market development	Expanding the total market served by 1) entering new segments, 2) converting nonusers, 3) increasing use by present users (Jeannet & Hennessey, 2001:66).
Market positioning	Positioning refers to the user's perceptions of the place a product or brand occupies in a market segment. Or how the company offering is differentiated from the competitions (Kotler & Armstrong, 2008:42).
Market research	The systematic gathering, recording and analysing of data with respect to a particular market, where market refers to a specific user group in a specific geographic area (Smith, 2009:7).
Market segmentation	The process of subdividing a market into distinct subsets of users that behave in the same way or have similar needs (Ferrell & Hartline, 2007:150).
Market share	A proportion of the total sales in a market obtained by a given facility or chain (Werner, 1991:30).
Marketing mix	The mix of controllable variables that a firm uses to reach desired use/sales level in target market, including price, product, place and promotion- 4 P's (Kotler & Armstrong, 2008:27).
Observation	A method of data collection in which the situation of interest is watched and the relevant facts, actions and behaviours are recorded (Creswell, 2008:17).
Perceived quality	A customer's overall judgment and perception of the brand's quality, credit or superiority when compared to alternatives (Keller, 2008:195).
Potential market	Set of users who profess some level of interest in a designed market offer (Kotler, 2003:32).
Qualitative research	The data of this research is collected in forms of written or spoken language, or observations, which are recorded in language (Denzin & Lincoln, 1994:76).
Quantitative research	The data of this research is collected in forms of numbers and statistical methods are used to analysis data (Denzin & Lincoln, 1994:77).
Respondent	A person who is asked for information using either written or verbal questioning, typically employing a questionnaire to guide the questioning (Creswell, 2008:15)
Strategic brand management	Plan and implement brand-marketing programs to build, measure and manage brand equity (Keller, 2008:38).
Social class	A status hierarchy by which groups and individuals are classified

	on the basis of esteem and prestige (Kotler & Armstrong, 2008:170).
Target market	The particular segment of a total population on which the retailer focuses its merchandising expertise to satisfy that sub market in order to accomplish its profit objectives (Mills, 2009:62).
Value	The power of any good to command other goods in peaceful and voluntary exchange (Kotler & Armstrong, 2008:6)

CHAPTER ONE
INTRODUCTION

1.1 Introduction

This chapter introduces the key areas of the study; it aims to cover aspects of the global economic downturn, marketing mix strategies and consumer behaviour. In addition it will highlight the purpose, objectives, literature review and research design as well as, explain the effects of the 2008 economic downturn, highlighting the unpredictability of the financial system and the subjective outcome of such a crisis.

1.2 Background to the economic downturn

The world is characterised by a constantly changing market. Kotler and Armstrong (2004:15) emphasise the shift that has been made from local to regional, regional to national, national to international and international to global. With increasing improvements in transport, communication, and reduced trade barriers, international trading, which was once considered a luxury, has become a necessity in several sectors. Globalisation has brought a new way of doing business; it has created opportunities for organisations to sell in more than one country (Kotler & Armstrong, 2004:17).

While globalisation created several benefits, the disadvantages caused high risks within the economy. The domino effect that was created when one market collapses was inevitable because of the nature of a monetary market, hence, the economic downturn of 2008 (Werner, 2008:120). The global economic downturn was often cited as being caused by America's housing collapse; however, the financial system was vulnerable owing to intricate and over-leveraged financial operations. This downturn was, however, not confined to the banking and credit system. It had a domino effect on financial markets, equity funds, foreign exchange, public finance and insurance activities, amongst others (Frumkin, 2004:50). The economic downturn spread around the world and few businesses had been unaffected. While organisations in some sectors had been forced to close down or to lay off employees, organisations within the retail sector have adapted to consumers needs, which, according to Kotler and Armstrong (2008:97-110), change during times of a recession.

The global economic downturn is defined as a crisis in the financial sector and the financial markets (Mills, 2009:60). Whereas, a downturn is a widespread decline in the gross domestic production, employment and trade sectors that last for more than six months. Both these issues will be discussed in depth throughout this report.

The coming about of the global economic downturn was often cited as being caused by America's housing collapse; beginning with the bankruptcy of the Lehman Brothers in September 2008, the economic downturn entered an acute phase marked by failures of major American and European banks to rescue distressed financial organisations (Mills, 2009:64).

Before the global economic downturn, South Africa was emerging from an extended period of economic expansion. The global economic downturn allowed vulnerabilities to come to the surface. Unemployment, inequalities, poverty and crime still continued to plague the country. Household indebtedness reached concerning levels in a low interest rate environment and inflationary pressures increased. Furthermore energy shortages erupted, encouraging blackouts and an on edge political environment resulted in president Mbeki's resignation (Finance 24, 2010).

The economic downturn had also impacted the real economy. House prices had been declining, along with vehicle sales. Manufacturing production had slowed, the mining sector was declining and retrenchments were on the rise. Growth was expected to slow down which was a risky proposition for Africa as a whole. Fortunately, the sound fiscal position of South Africa was somewhat reduced the harsh effects of the global downturn (Mills, 2009:75).

Businesses are changing fast and are in constant environmental pressure. Organisation competitive and cost pressures are creating the need to rapidly adapt and streamline business processes to create new business value efficiencies (Mills, 2009:75).

1.3 Marketing strategy in changing environments

According to Ferrell and Hartline (2007:61), the external environment is constantly changing and it is important that management understands these changes and know how to act on them. Hooley, Piercy and Nicoulaud (2008:35), explain that the "marketing strategy is supposed to develop effective responses to changing market environments by defining market segments and developing and positioning product offerings for those target markets." Furthermore, to be successful in the market, especially a changing one, organisations have to use proactive strategies (Hooley, Piercy & Nicoulaud, 2008:35).

Proactive marketing can be a way for organisations to turn challenges into opportunities. Organisations that view a recession as an opportunity attempt to find solutions and gaps in the market. As a result they invest in marketing when everyone else is hesitant and continue to invest trusting in their brand. The opposite is true for organisations that view the downturn as a threat (Hooley, Piercy & Nicoulaud, 2008:37).

During the economic downturn, it was crucial for organisations to develop new marketing strategies. These strategies have to adapt to the changing environment, to fierce competition, and changing consumer buying patterns. A marketing strategy developed in response to such changes is known as an adaptation strategy. This strategy aims to maintain the position that the organisation had in the market and gradually improved it, as the market environment improved (Nystrom, 1979:2).

1.4 South African retail sector

The main business sectors in South Africa include agriculture, automobiles, banking, biotechnology, business support services, education, energy, engineering, financial services, health and pharmaceuticals, information technology, insurance, legal services, manufacturing, media, mining, oil and gas, property, retail, sports, telecommunications, tourism, transportation, and utilities (Stats SA, 2009).

The study investigated the retail sector specifically because this industry is generally dynamic, while it is also an increasingly changing sector. It constitutes one of the main sectors in the economy in terms of transaction and turnover; as a result, it is a highly competitive and sophisticated industry. The retail sector is the biggest employer and third largest contributor to the Gross Domestic Production (GDP) of South Africa (Stats SA, 2009).

According to Stats SA (2009), the retail sector is within the top three biggest contributors to the South African economy. Manufacturing alone contributes 18.2 per cent while retail, wholesale and trade, trail manufacturing with 13.4 per cent. Both sectors combined account for a total of 31.6 per cent of the total GDP. This is shown in Figure 1.1.

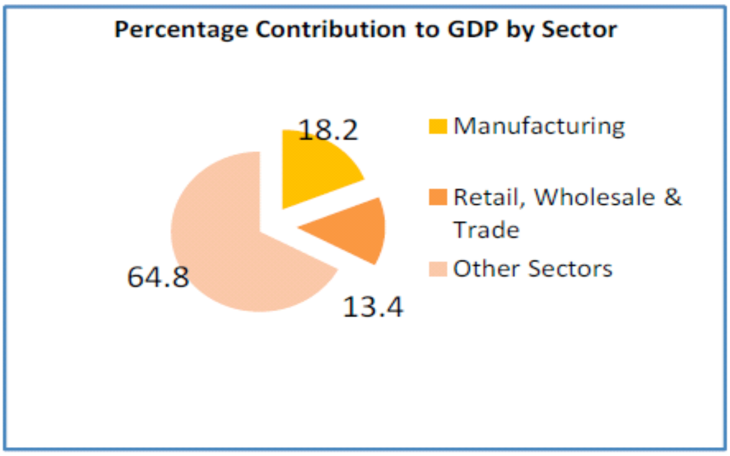

Figure 1.1: Percentage contribution to GDP by sector
(Stats SA, 2009)

In 2008 the retail and wholesale sector was the biggest employer in the country. These sectors accounted for 23.3 per cent or 3.18 million workers. Together with manufacturing, which was the third biggest employer at 14.1 per cent, the two sectors employed 5.1 million workers out of 13.65 million in total in South Africa (Stats SA, 2009). This is depicted in the Figure 1.2.

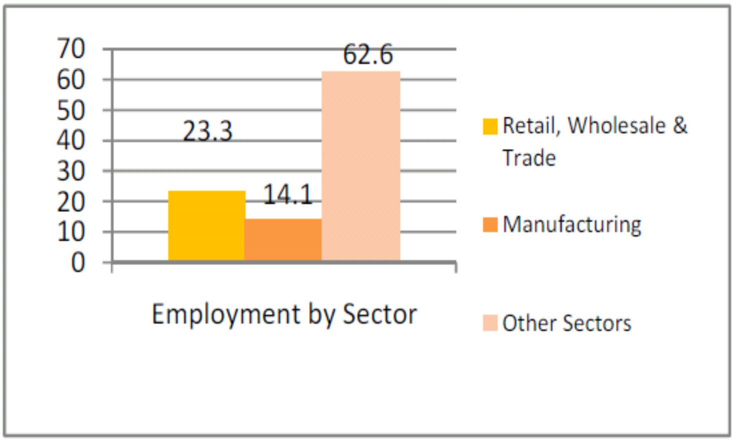

Figure 1.2: Employment by Sector
(Stats SA, 2009)

The retail sector still showed some resilience towards the end of 2007 and the growth in 2008 was marginally positive. However, increased unemployment and falling demand during the economic downturn weakened the position for the sector (Woolworths, 2009).

The South African economy moved into a downturn as economic activity declined by 1.8 per cent seasonally adjusted annual rate (SAAR), during the 4th quarter of 2008. GDP growth for the whole year was 3.1 per cent (Isaacs, 2009). This brought about many challenges for the retail industry, hence the reason for choosing this sector specifically as the focus for the study.

During the economic downturn Woolworths lost a portion of its market share to lower income group retailers, such as Pick' n Pay, Checkers, Spar, Shoprite and similar stores. Statistics show that consumers were making fewer visits to supermarkets and therefore shopped at stores that were efficient and convenient. The high demand for convenience had driven Woolworths to change their stores and make them more accessible (Woolworths, 2009).

Its marketing division undertook key activities, which underpin Woolworth's ability to deliver quality, value and service to consumers. The function of marketing is to create a need for a product or service. Woolworths realised that because the market was so competitive they had to adjust their marketing strategies to reach a broader target market (Mills, 2009:62).

This increase in competition had resulted in organisations coming up with innovative ways to advertise their brands and reach their target market better than their competition. This struggle and test to survive has led many organisations to bankruptcy allowing only the 'fittest to survive'. In times of a recession, organisations must identify better marketing strategies that would set them apart from competition (Mills, 2009:63).

Retail organisations have had to constantly monitor the market in order to identify new trends and, most of all; they have had to keep up with consumer's increasing expectations and changing tastes. It has become more difficult and challenging to keep consumers satisfied and loyal to a specific organisation.

Consequently, retailers have had to be creative and innovative in order to be in a position to supply their consumers with products that present new and interesting features. Retailers have had to identify changes in consumer behaviour in order to understand and predict consumer behaviour (Stats SA, 2009:12).

The South African retail sector dominates the top positions in the Africa and Middle East ranking, due to their position in Africa's largest retail market. Market leaders such as Shoprite, Pick ‘n Pay, Spar, Massmart and Woolworths have been adapting to changing conditions and improved their store formats (Stats SA, 2009:13).

South Africa is a growing retail market with a population of around 46 million people, possesses a modern infrastructure supporting an efficient distribution of goods to major urban centres throughout Southern Africa. South Africa also has well-developed financial, legal, communications, energy, and transport sectors. South Africa’s economic situation and the strength of the rand have continued to improve, causing food retailers to continually update their selection of imported and locally produced items (Mills, 2009:62).

There are many organisations in the food retail industry in South Africa. On the high end, South Africa has highly sophisticated retail chain supermarkets such as Shoprite-Checkers; Pick n Pay, Spar, Woolworths, and New Clicks. Wholesale outlets such as Makro, Metro Cash and Carry, and Trade Centre; independent stores such as Biforce Group, Bargain Group, Shield Wholesalers; convenience chain stores including forecourts; traditional stores which includes independent stores such as general dealers, cafes, spaza shops, street vendors, hawkers, tuck shops, and primitive small street corner stalls at the other end of the retail sector. The South African food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products (Stats SA, 2009:16).

The South African retail market consists of a few major supermarkets chains, convenience chains, and some independent stores. About 54 per cent of retail sales occur in the major supermarkets chains, Shoprite, Pick n Pay, Spar and Woolworths. The food retail sector continues to expand, while supermarkets, convenience stores and forecourts are rapidly becoming the dominant food retail outlets. A boom in the franchise sector, convenience stores, and forecourts, which are good venues for imported products, provide better access and convenience for consumers (Mills, 2009:63).

The economic impact of South Africa hosting 2010 Soccer World Cup was expected to result in $350 million in improvements and investment projects, and this would impact the overall growth in the food and beverage sector (The Report South Africa, 2008:5).

South Africa has a two-tiered economy, one rivalling other developed countries and the other with only the most basic infrastructure. It can be characterised as a productive and industrialised economy that show signs of many characteristics associated with developing countries, including a division of labour between formal and informal sectors and uneven distribution of wealth and income. The formal sector, based on mining, manufacturing, services, and agriculture, is well developed (The Report South Africa, 2008:5).

Retail trade outlets in South Africa offer the full spectrum of products and services. These range from the neighbourhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to cooperative stores serving rural areas. About 90 per cent of inventories of consumer-ready products in these stores are domestically sourced (Stats SA, 2009:20).

A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods on a self-serve basis. The hypermarkets, located in suburban shopping centres/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets (The Report South Africa, 2008:5).

The food sector is by far the most accessible to price reduction nationally, followed by the beverage sector. Building equity is particularly important in the Food Sector, as consumers are more inclined to shop around for special offers on food than they are in other sectors (The Report South Africa, 2008:5).

On an average 750 item baskets, the difference in pricing between the most and least premium major South African retailers is only 5 per cent. The figure has come down from 7 per cent two years ago, and emphasises the importance of effective product distribution to all major retailers. A steady increase in the number of households in South Africa, which was predicted to increase from 9.8 million to 11.2 million in 2008, signals a necessary increase in spending (Stats SA, 2009:21).

1.5 Competitors

The Pick n Pay Group has been one of Africa's largest retailers of food, clothing and general merchandise for the past three decades. Pick n Pay has about 40 per cent of the South African retail food sector. The Retail Division manages Pick n Pay branded products such as food, clothing and general merchandise in Hypermarkets, Supermarkets, Family Franchise Stores, Mini Market Franchise, Clothing, Butcheries Meat Centres, Home Shopping); and Gas Centres (Corporate Research Foundation, 2008:22).

The Group Enterprises Division operates the Group's other non-Pick n Pay branded group activities including Score Supermarkets, TM Supermarkets, property franchises, Go Banking, as well as finding new investment opportunities for the group worldwide. Pick n Pay has a total number of 706 stores made up of 14 Hypermarkets, 142 Supermarkets, 127 Family Stores, 11 Liquor Stores, 35 Mini Market Franchise, 18 Clothing Stores, 115 Score Supermarkets, 57 Boxers, 5 Pick n Pay Auto Centres, 79 Franklins in Australia, and 92 retail stores in the rest of Africa (Business Standard, 2009:3).

In July 2006, Pick n Pay acquired Fruit & Vegetable City stores. Fruit & Vegetable was established as a family business in 1993, and operates a total of 86 Corporate and Franchise stores nationwide. The 86 corporate franchise stores are excluded in the total of 706 Pick 'n Pay stores (Corporate Research Foundation, 2008:22).

The emphasis of the supermarket division is on total convenience and freshness, with stores trying to add value through the fresh food supply chain. Traditionally Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away. Pick n Pay is the most modest of the high-end super market chains (Business Standard, 2009:4).

Shoprite Holdings Ltd has about 40 per cent of the market, focusing on the broad middle to lower-end of the market, and is comprised of the following entities: the Shoprite Checkers supermarket group, which consists of 348 Shoprite supermarkets, 110 Checkers Supermarkets, 24 Checkers Hypers, 92 Usave stores, 20 distribution centres supplying group stores with groceries, non-foods and perishable lines, 158 Ok Furniture outlets, 13 OK Power Express stores, 27 House & Home stores, and 74 Hungry Lion fast food. Through its OK Franchise Division, the Group procures and distributes stock to 31 OK Minimark convenience stores, 24 OK Foods supermarkets, 52 OK Grocer stores, 59 Megasave wholesale stores, and 91 Sentra, Value Stores and buying partners (Business Report, 2009:14).

Checkers Hypers have a special section devoted entirely to imported foods as well as kosher and halal sections. Catering to middle to higher income groups. Price points are also comparable to the United States. Shoprite Checkers are similar to a Super WalMart or a Food Warehouse type of shopping experience. Shoprite had volume growth of 20 per cent in the prepared food category. The overall growth of 11 per cent in frozen prepared food sales, and meals solutions 8 per cent (Business Report, 2009:12).

Among South African retailers, Shoprite has the highest number of stores in neighbouring Southern and Eastern African countries. Shoprite Head Offices are based in Cape Town. Shoprite was ranked number one of the top 30 retailers in Africa and the Middle East, with retail sales of USD5.7 million with a market share of 4.5 per cent. The net sales only reflect the retailer's shareholdings in the countries where they operate (Corporate Research Foundation, 2008:24).

New Clicks is an investment holding company. Its trading subsidiaries are engaged in discount retailing of health, beauty and lifestyle products and services on a predominantly cash basis in Southern Africa through its network of more than 660 stores nationwide. The group operates six multiple brand formats such as Clicks, Discom, United Pharmaceutical Distributors (UPD), The Body Shop, Entertainment Division, and Style Studio (Business Standard, 2009:16).

Clicks brand is a specialist retailer of health, beauty and lifestyle products servicing the middle to upper income market; Discom provides urban lifestyle brand specialising in African beauty and decorative home wares; UPD is the largest full-line pharmaceutical wholesaler in the country and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores; the Body Shop is a high-profile global brand which markets naturally-inspired beauty products (Corporate Research Foundation, 2008:25).

Massmart is a managed portfolio of ten wholesalers and retail chains, each focused on high volume, low margin, low cost distribution of mainly branded consumer goods for cash, through 228 outlets, and one buying association serving 478 independent retailers and wholesalers, in 11 countries in sub-Saharan Africa. The group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods. The Group anticipate opening 58 new stores in a three-year plan by 2009 (Business Report, 2009:10).

1.6 Problem statement

Given the coming about of the global economic downturn of 2008, it is not known whether Woolworths are changing their marketing strategy and, if so, how they use their marketing mix strategy to adapt to the recession. The two possible scenarios are (1) they stay the same and don't change their marketing mix strategy or (2) they change their marketing mix strategy and the key will be finding out, what these changes are and how they are implemented.

Food is the last item consumers will stop buying and with so much competition in the retail sector, consumers can easily change their stores to suit their changing purchasing patterns. Woolworths was perceived as a high-end store, which was targeted towards the higher income middle to upper class groups. It was, therefore, important for Woolworths not only to retain that income group but also to change their image from a high-end expensive brand to a good value for money brand (Schiffman & Kanuk, 2004:637).

The possible outcomes of the global economic downturn on Woolworths would be, liquidation or increase in debt, both of which would be due to the impact that the economic downturn had on consumer spending. A more positive approach would be that Woolworths adapted quickly to the economic downturn, and identify new strategies to compete in a volatile and ever changing market.

1.7 Research question

Are Woolworths changing their marketing mix strategy to adapt to the global economic downturn? If so what are the changes made to the marketing mix elements, and how are these changes implemented?

1.8 Purpose and objectives of the study

1.8.1 Purpose

The purpose of this dissertation was to investigate how Woolworths (South Africa) adapted their marketing mix strategies to meet consumers changing buying behaviour during the 2008 economic downturn. Using results from research that related specifically to adaptation strategies would achieve this.

1.8.2 Primary objective

The primary objective of this study was to identify marketing mix strategies that would be used as tools to address challenges of the global economic downturn. The objective, in a practical sense, was to identify marketing mix strategies that could be incorporated into marketing plans to adapt to changing consumer buying patterns, to retain competitive advantage, and achieve a positive return on investment.

1.8.3 Secondary objectives

The secondary objectives of this study are:

- To establish the basis for Woolworths choosing to change their marketing strategy, including promotional strategies.
- To determine the impact of the change in consumer buying behaviour in times of the economic downturn.
- To investigate the ways in which Woolworths have adapted their strategies to meet new target markets as well as new demands of existing target markets.
- To determine the competitive advantage that Woolworths had over their competition.
- To investigate the influence that change in consumer buying behaviour has on Woolworths.
- To investigate the collaboration of different department within Woolworths and how they operate to gain competitive advantage.

1.9 Significance of the study

The study aimed to investigate Woolworths marketing mix strategies in order to offer solutions to other top end retailers worldwide who may encounter a similar problem in the future. Although this study was specific to the 2008 global economic downturn, there could be a double dip in the economy and as a result, this information could be deemed useful. The study focuses specifically on adaptation marketing mix strategies that Woolworths developed, both for short term and long-term goals. This study could benefit the academic environment by contributing to upcoming challenges that the market system faces, and identifying solutions for them. The study can be a stepping-stone for researchers that would like to further investigate the economic downturn.

The benefit of researching one of the biggest retail organisations in South Africa namely Woolworths is that quality data and information were collected from marketing managers who have been in the trade for several years. Learning from these practitioners is valuable to both academia and organisations. The other main contributing factor of this study is the primary research data that was collected, which can be used to add to the body of knowledge, as this topic has not been researched extensively.

1.10 Research design and methodology

The purpose of this research was to explore, describe, explain and evaluate data collected from the study (Haydam et al, 2011:25). An exploratory research design was used in this study. The research philosophy was an interpretivist approach as well as the theory building approach or otherwise known as the inductive approach.

In order to have an in depth understanding of the global economic downturn, a research strategy in the form of a case study analysis was used. In-depth interviews were conducted to gather information from the respondents, and the sampling design chosen was non-probability sampling. The convenience sampling technique was used to choose the appropriate sample for the study.

For the in-depth interviews, open-ended questions were used as a guide. For the analysis and interpretation of the research, the induction process for data manipulations was used.

1.11 Research execution

The research execution was conducted in the form of in-depth interviews with six employees of Woolworth's marketing department. The in-depth interviews were designed to investigate the research problem. The interviews were done with employees who work in the marketing department of Woolworths, who are involved in making decisions in the various marketing divisions. The information was then used to present the findings in order to understand the methods used at Woolworths, and how this can be changed through use of better adaptation strategies.

1.12 Limitation of data

As already discussed, limited research has been conducted in terms of the scope of this study. The limited research, however, calls for primary research to be conducted in order to find adequate and precise information regarding adaptation marketing mix strategies, which can be implemented during the global economic downturn. The study is specific to one company and is in a form of a case study in South Africa.

It is significant to ensure that the research methodology is analysed and that proper analysis and implementation can be made from the results of this study. These results will be specific to Woolworths (South Africa). Although limitation of data is one of the problems, the primary research that was collected should assist in broadening this study.

1.13 Validity and reliability

Denzin and Lincoln (1994:76) adhere that qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matters. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them.

These are both factors in research that can affect the research findings and the process from which it is derived. It is, however, normal to include the probability of an error to the research methodology, but as this is a qualitative study this will not apply.

Validity in qualitative research means the extent to which the data is plausible, credible and trustworthy; and can be defended when challenged. Qualitative researchers have to salvage responsibility for reliability and validity by implementing verification strategies, integral during the conduct of research itself, which is what the researcher has undertaken (Kothari, 2005:45). The researcher will ensure the attainment of rigor, using strategies integral within each qualitative design, and encompasses credibility, transferability, and trustworthiness.

The researcher will endorse the concept of dependability, which is a term that closely corresponds to the notion of “reliability” in qualitative research. The consistency of data will be achieved when the steps of the research are verified through examination of such items as raw data, data reduction analysis, and interview notes.

The study used a multi-method approach that has been employed by the researcher towards the generalizability of the research that is to enhance the reliability and validity of the research. Researcher bias was minimised by spending enough time in the field and employed multiple data collection strategies to corroborate the findings. The multiple method approach is done through observation, interviews and recordings that will lead to a more valid and reliable study.

1.14 Conclusion

This chapter outlined the framework of the entire study. This included the problem statement relating to the adaptation strategies used by Woolworths, how the economic downturn has affected this organisation, as well as the changes of consumer buying behaviour during the downturn. The aim of this study is to investigate the adaptation strategies of Woolworths by making use of the changes made specifically to the marketing mix tools.

The next chapter will investigate an in-depth theoretical background of this study, focusing on the research problems, and to assist in understanding the theory of marketing, consumer behaviour, and the marketing mix tools. This will also include the dynamics of the retail industry, and the global economic downturn also known as a downturn.

CHAPTER TWO
MARKETING CONCEPTS AND MODELS

2.1 Introduction

In this chapter the marketing concepts and models will be explained, that will conceptualise the problem statement and objectives of the study. In addition this chapter will give an in-depth understanding of the marketing concepts and models that relate to the study, as well as define important elements that will give the reader a better understanding of the background of the study.

2.2 Marketing

Kotler and Armstrong (2008:6), interpret marketing as “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.” Although there are several definitions of the main function of marketing, the core message is that of attracting consumers.

Attracting consumers can be achieved through satisfying consumer’s needs and wants. Although the message is simple, this process can be complex as consumer-buying patterns are changing, while consumers are also becoming more knowledgeable about product offerings, resulting in them becoming more analytical. Consequently, consumers are willing to pay more for a product, which they perceive to be of good quality. Organisations are presently faced with a challenge of gathering knowledge and understanding their consumers and offering them products that exceed their expectations (Kotler & Armstrong, 2008:5).

Marketing aims to create and satisfy consumers’ needs and wants. This can be achieved through developing an efficient marketing strategy that attracts new consumers and creates an advantage over competitors. The diagram below illustrates the main idea of marketing.

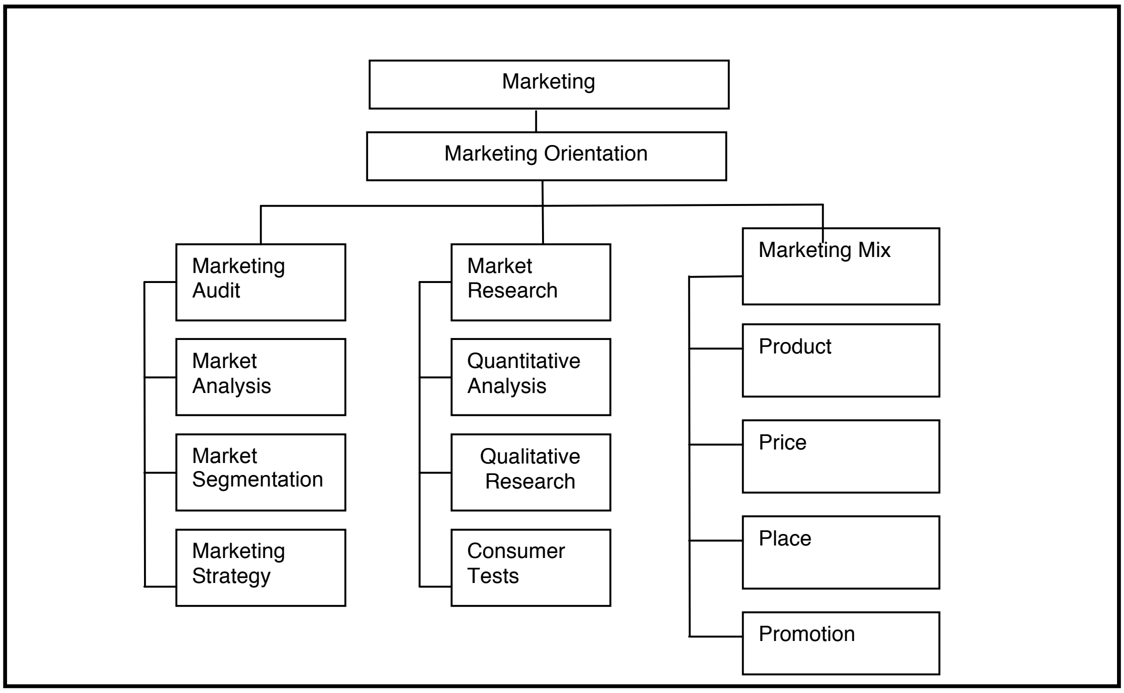

Figure 2.1: A model of marketing
(Kotler & Armstrong, 2008:26)

Figure 2.1 is a model of marketing, which shows the different stages used when creating a marketing strategy. The first stage is to know how each organisation perceives marketing, and what they would like to achieve with the marketing strategy. A marketing audit can be used to analyse the position and opportunity that an organisation has in the market place, through market analysis, marketing segmentations and marketing strategy.

Marketing research is used to gain information on the market as shown in Figure 2.1 and this can be done using quantitative analysis, qualitative analysis or consumer tests. The last stage is to make use of the marketing mix tools, which will be used to persuade consumers to purchase certain products and services. The marketing mix is made up of four elements namely, product, price, place and promotion (Kotler & Armstrong, 2008:27).

2.3 Marketing strategies

A marketing strategy demonstrates how an organisation satisfies the needs and wants of consumers. It could also involve other functions that are as important to the business such as maintaining relationships with stakeholders and other business partners. To be more precise, marketing strategy is a plan for how an organisation will use its strengths and capabilities to match the needs and wants of the market (Ferrell & Hartline, 2007:60).

According to Webster (1997), as cited in Hooley, Saunders, Piercy and Nicoulaud (2008:7), "As a strategy, marketing seeks to develop effective responses to changing marketing environments by defining market segments, developing and positioning product offerings for those target markets." Conversely, Johnson and Scholes (2001:105) interpret strategy as "the matching of the activities of an organisation to the environment in which it operates and to its own resources capabilities."

However, even though there are several definitions of a marketing strategy, there is a main understanding that is common amongst all the definitions. A marketing strategy is about doing what is best to meet consumer's expectations, while creating a sense of vision and direction. The development of strategy has two main focus areas, namely general marketing strategies and decision area strategies (Jeannet & Hennessey, 2001:686).

2.3.1 General marketing strategies

There are five general marketing strategies and these are: marketing expansion, market share growth, niche market, status quo and market exit strategy.

1) Market expansion

The purpose of market expansion is to increase the number of transactions between organisation and consumers. There are three possible methods for this. The first method aims to increase the frequency with which consumers make purchases from the organisation (for example, by providing benefits for loyal consumers). The second method aims to convince new consumers to make purchases (possibly by making products more attractive through advertising). The third method aims to increase the effective range of the organisation by entering new segments in the market and making products accessible to consumers within these segments (Jeannet & Hennessey, 2001:686).

2) Market share growth

Where market expansion tries to increase the number of transactions of consumers, the market share growth aims is to increase the proportion of sales that are made by the organisation in a specific market, which is relative to a competitor's market share, usually by convincing consumers to buy from the organisation instead of its competitors. This is perceived as a rather hostile strategy (Jeannet & Hennessey, 2001:688).

3) Niche market

The niche market strategy aims to firmly secure a section of the market, which usually consists of a smaller market share, by projecting a different perception of a product to consumers in comparison to other organisations (Jeannet & Hennessey, 2001:689).

4) Status quo

This strategy aims to maintain the proportion of the market by making sure that the organisation's consumers are satisfied every year (Jeannet & Hennessey, 2001:690).

5) Market exit

The market exit strategy seeks to remove a product that is of no substantial benefit to the organisation, by convincing another organisation to purchase it or simply by eliminating the product from the range of commodities that are offered (Jeannet & Hennessey, 2001:690).

2.3.2 Growth market share matrix

Figure 2.2 illustrates the growth market share matrix. The vertical axis represents the growth rate of business in percentages and the horizontal axis represents the relative market share of the four quadrants.

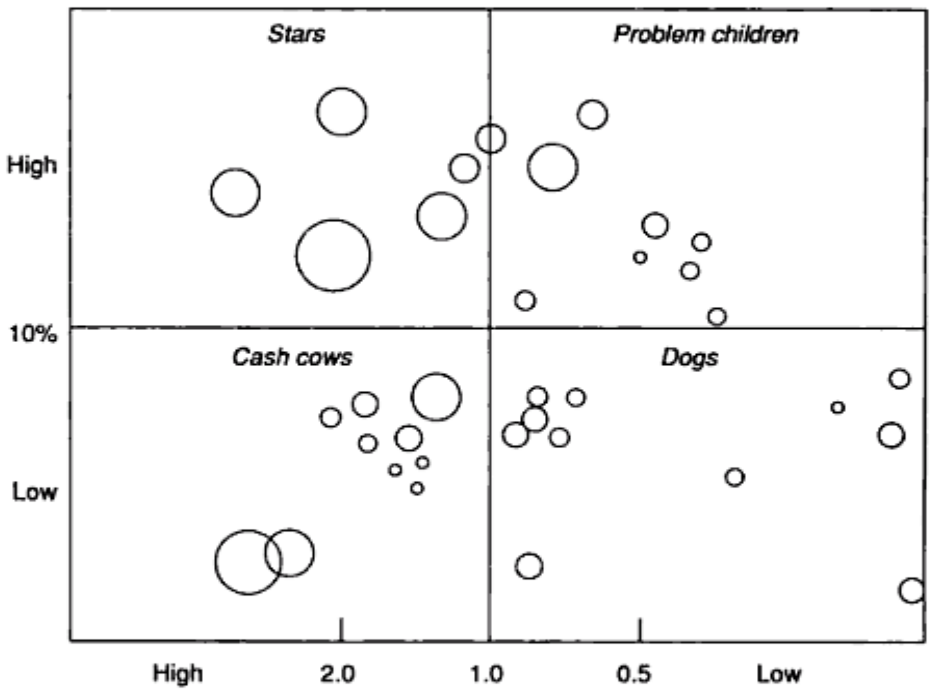

Figure 2.2: Growth market share matrix: Product portfolio chart (O'Shaughness, 1995:50)

The relationship between market share and the market growth rate are depicted in Figure 2.2. The four quadrants delineate four types of products/businesses namely:

1) *Stars* are high-growth businesses or products competing in markets in which they are relatively strong compared with the competition. They often need investment to sustain their growth. Eventually, their growth will slow down and, assuming they maintain their relative market share, they become "cash cows."
2) *Cash* cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for continued profit so that they continue to generate the strong cash flows that the company needs for its "stars."
3) *Problem children* are businesses or products with low market share that operate in higher-growth markets. This suggests that they have potential but may require a substantial investment to grow market share at the expense of more powerful competitors.
4) *Dogs* refer to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break even, but they are rarely ever worth investing in (O'Shaughness, 1995:51).

2.3.3 Decision area strategies

The decision area strategies are the directing processes that assist organisations to make key marketing decisions when choosing products, their respective prices, distributions and promotions. The stated parameters depend intrinsically on the target market and brand image and will be discussed further in this section (Jeannet & Hennessey, 2001:686).

2.3.3.1 The basics of strategy

According to Kurtz, MacKenzie and Snow (2009:428), "an organisation develops its marketing strategy by first identifying the target market for its products and then develops a marketing mix strategy designed to attract new consumers of a particular segment."

A unique combination of the product, price, promotion and place in the sector allows organisations to compete effectively to ensure sustainability and profitability. For example, an organisation wanting to increase their market share can achieve this by matching product offerings with related price discriminations, promotions and an efficient distribution system (Jeannet & Hennessey, 2001:686).

Cravens and Piercy (2008:52) continue to stipulate that a marketing strategy should follow certain characteristics, which are stated below.

- Focus on providing superior consumer value, and recognise that innovation offers a sustainable advantage.
- Make long-term investments in relationships with suppliers, distributors, employees and consumers.
- Create satisfied consumers based on capabilities and motivation of their people.
- Build effective supply chains and information technology infrastructure to deliver superior operating performance.

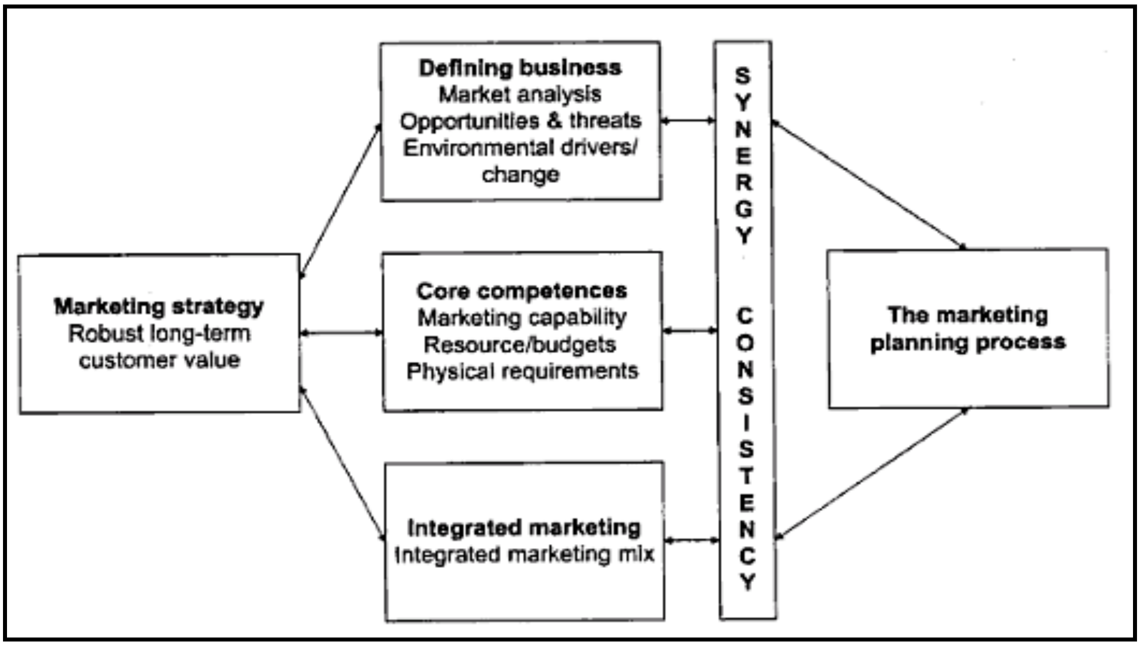

Figure 2.3: The basics of strategy
(Beamish & Ashford, 2008:11)

Figure 2.3 describes the basics of strategy and illustrates the key tools required in order to have a successful strategy. A marketing strategy is a long-term plan on how to achieve consumer loyalty and added value. The concepts of a strategy ensure that organisations implement a learning culture that is open to change and innovation with a long-term commitment to developing loyal consumer relationships.

A marketing strategy identifies specific segments of the market towards which the organisation's marketing activities might be aimed. It highlights opportunities that can be exploited and states objectives that are required in order for the corporate goals of an organisation to be achieved. Ultimately, strategy ensures synergy across the entire organisation without exception. Critical to the success of any strategy is the need to ensure that all business functions and their underpinning activities work for the same purpose and are designed with a common vision in order to achieve integration and consistency in approach as illustrated in Figure 2.3 (Beamish & Ashford, 2008:12).

Beamish and Ashford (2008:14) assert that the function of having a strategy is to create competitive advantage in order to ensure that all components of the strategy work together, as a whole, and independently in order to achieve optimum results. The process of creating strategies is a complex but significant step that organisations should consider in order to remain in the market and, furthermore, to grow.

Over the years, various theories and models have been developed to identify the best strategies to use. According to Porter (1998:34), "to reach a successful strategy, all focus should lie on the industry dynamics and characteristics."

This means that the attractiveness of industries differs and that in order to be profitable, it is important to identify driving factors that support the competition. Conversely, Prahalad and Hamel (1990:83) place focus on the core competencies of an organisation. According to them, performance is mainly driven by the resources profile of an organisation.

2.3.3.2 Resource based theory

Another theory that has been researched is that of Porter (1998:53), which discusses the concept of 'resource-based marketing', which bridges the gap between the two discussed strategies. In this approach both requirements of the market and the organisation's ability to serve it are taken into consideration, while the goal is a long-term fit between these two.

It is, however, important to keep in mind that market requirements are always changing and that the organisation's resources should be developed in order to stay competitive. The figure below illustrates this.

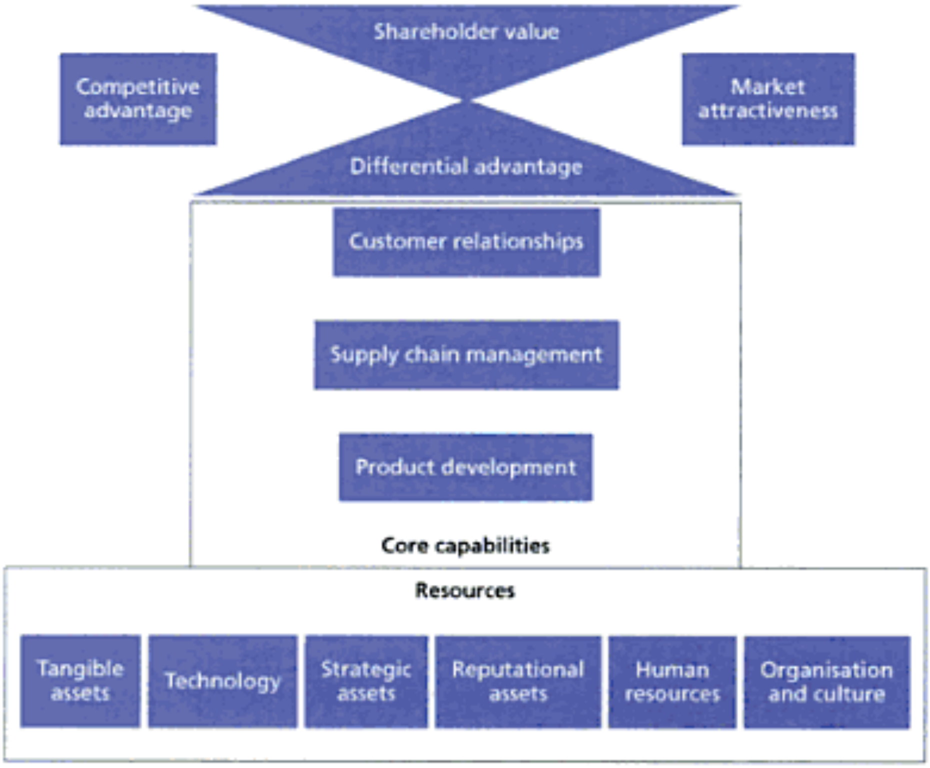

Figure 2.4: Resource based theory of an organisation (Doole & Lowe, 2005:201)

Figure 2.4 is an illustration of resource-based theory of an organisation. This theory is considered to be a balanced strategy between meeting the market requirements and exploiting the organisation's capabilities to serve the market. Resource based marketing take into account the competitive situation, the full range of assets, skills and competencies of an organisation and aims to exploit the organisation's role within the supply chain. The differential advantages include consumer relationships, supply management and product development, which are the core capabilities of a resource based theory (Doole & Lowe, 2005:200).

While considering other marketing approaches, one that is worth mentioning is networking, which involves broader communication with external organisations. Networking has become increasingly important as organisations that want to grow use their contacts through partnerships and equity involvement in organisations, which exploit opportunities, which are not achieved through their directly owned assets (Doole & Lowe, 2005:200).

The reasoning behind networking is that the organisation can raise more income by gaining a share of the potential revenue that the organisation has built through their networking without having to increase its own market share through its own market development (Doole & Lowe, 2005:200).

2.3.3.3 Porter's industry view

In Porter's (1998:56) view, an organisation's profitability is influenced by the structure of the industry in which it competes. Some industries have a poor structure, which makes it difficult for even the best firms to make a profit. Other industries, however, have a more advantageous structure, which makes the organisation capable of a good performance.

In Porter's (1998:57) opinion, the way in which organisations compete in each industry is largely determined by the underlying economies. The industry structure presents the strict rules, which organisations must comply. As an industry's structure evolves, there are two processes at work that determine which companies will survive over the longer term. On the one hand, there are natural selection processes whereby only the fittest survive, while firms that are not suited to the new environment become extinct (Wit & Meyer, 2010:200). This is illustrated below.

Table 2.1: Industry Dynamics versus Leadership Perspectives

(Wit & Meyer, 2010:198)

Emphasis On	Industry Dynamics Perspective	Industry Leader
Industry development	Compliance over choice	Choice over compliance
Change dynamics	Uncontrollable evolutionary process	Controllable creation process
Firm success due to demands	Fitness to industry demands	Manipulation of industry demands
Ability to shape industry	Low, slow	High, fast
Normative implication	Play by the rules (adapt)	Change the rules (innovate)
Development path	Convergence towards dominant design	Divergence, create new design
Firm profitability	Largely industry dependent	Largely firm dependent

Table 2.1 illustrates the relationship between industry dynamics and leadership perspectives and how managers can deal with the industry context. The industry dynamics perspective concentrates on adapting to the dynamics in the industry, honing the ability to respond to changing demands and to adjust business models to meet new requirements (Wit & Meyer, 2010:200).

On the other hand, the industry leader perspective takes a proactive role in shaping the future of the industry; changing the rules of the competitive game to suit the organisation's own needs. As the views within the field of strategic management are so far apart and no consensus seems to be emerging, managers must once again determine their own view on the topic. Marketers have found it relevant to 'cross-breed' the two perspectives, to come up with a 'fit' approach, which results in a robust synthesis of the two perspectives (Wit & Meyer, 2010:200).

Organisations identify their target market and create offerings that meet their consumer's expectations. This can be done in line with the organisation's marketing objectives. If the objectives of an organisation are, for example, to strengthen their brand image, then consequently more time and money should be invested in marketing (Kotler, Armstrong, Wong, & Saunders, 2008:129).

If, conversely, they want to increase their market share, they could conduct research to identify their target market segments. Organisations that have a competitive advantage have gained more knowledge about consumers and have invested time and money in marketing and research (Kotler, Armstrong, Wong, & Saunders, 2008:129).

It is crucial for organisations to develop the most profitable marketing strategy, which adapts to new competition, changing environments and economic instability. A marketing strategy developed in response to such changes is known as an adaptation strategy. This strategy aims to maintain the position that the organisation has in the market and gradually improves it, as the market environment improves (Nystrom, 1979:2).

A number of theories and models have been developed to find the most efficient strategy to use to achieve profitability. According to Porter (1998:58), industry patterns and logistics are definitive qualities when developing a strategy. Every industry is different, and in order to make it profitable, marketing strategists should have a thorough understanding of that particular industry, and what its sales depend on.

This means that in order to formulate an efficient strategy, it is important to identify the driving aspects of the industry, which give an organisation its competitive edge. Although organisations should understand external factors in the market, Prahalad and Hamel (1990:35) suggest that the purpose should lie in maximising the proficiency of resource management within the organisation.

There is, however, no reason why an organisation cannot take internal and external factors into account. Porter (1998:59) proposes the concept of the “resource based marketing view”, which states that both “requirements of the market and the organisation’s ability to serve it are taken into consideration and the goal is a long-term fit between these two.”

The market is ever improving and diversifying and in order for an organisation to maintain its competitive edge, it should develop a resource-based view of doing business, allowing the organisation to optimise and stretch its resources as much as possible (Porter, 1998:14).

On the other hand, according to Ferrel and Hartline (2002:62), the issues to consider are the internal environment, including the organisational structure, resources and the organisation’s performance, the consumer environment, the competition, economic growth and stability, and political trends. Once the situation is identified, the strategy should be developed and this is when the marketing mix is employed in order to meet consumer’s needs.

According to Porter (1998:365), a firm develops its business strategy in order to obtain competitive advantage over its competitors. Adapting to five primary forces, namely;

- The threat of new entrants
- Rivalry among existing firms within an industry
- The threat of substitute products
- The bargaining power of suppliers
- The bargaining power of buyers

The five competitive forces models acts as a tool to develop strategies for market opportunities and are shown in Figure 2.5 (Porter, 1998:367).

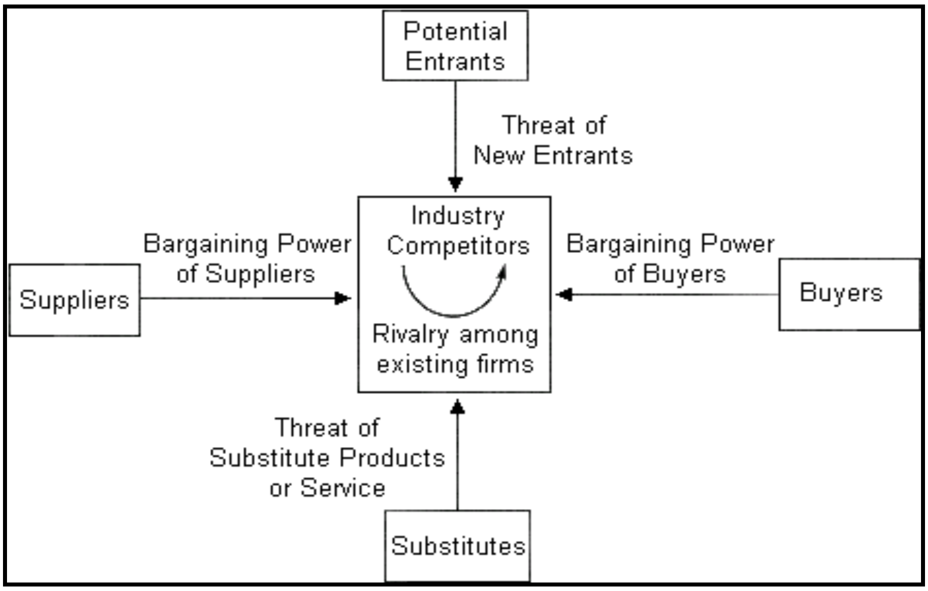

Figure 2.5: Porter's Five Forces Model
(Porter, 1998:367)

Figure 2.5 depicts Porter's five forces model. The model focuses on how five forces in an industry (buyers, suppliers, new entrants, substitutes and rivalry) impact on each other, not how they impact an individual organisation. This model is based on industry organisation economics. Before developing the firm's organisation level strategy, the organisation should understand what forces determine the profits in an industry. Porter's five forces model argues that all organisations in a particular industry face forces within their industry that significantly affect profitability. If an organisation understands these forces, then it can develop a strategy that allows the organisation to either take advantage of or protect itself from these forces, which in turn allows the organisation to be consistently profitable.

Table 2.2: Product, Price, Promotion and Place, responding to Five Competitive Forces (Porter, 1998:368)

	Product	Price	Promotion	Place
Threat of New Entrants	Product Differentiation (E.g., Bundling) Niche Products or Innovation Consumer-Centric Strategy Expansion into a Related Product Line	Price Discrimination (E.g., Price Lining and Smart Pricing) Cost Leadership Value-added Products or Services	Consumer-Centric Promotion Strategy (One-to-One Marketing or Relationship Marketing) Brand Appeal Based on Experiences and Beliefs Revenue-Sharing Marketing (Many to-many Marketing or Performance-Based Marketing)	Outsourcing or Strategic Alliances Clicks-and-Mortar Strategy (Integration of Online and Offline Businesses)
Rivalries among Existing Firms	Product Differentiation (E.g., Bundling) Niche Products or Innovation Consumer-Centric Strategy Expansion into a Related Product Line	Price Discrimination (e.g., Price Lining and Smart Pricing) Cost Leadership Value-added Products or Services	Consumer-Centric Promotion Strategy Brand Appeal Based on Experiences and Beliefs Revenue-Sharing Marketing	Outsourcing or Strategic Alliances Clicks-and-Mortar Strategy
Threat of Substitutes	Differentiation (E.g., Bundling) Niche Products or Innovation Consumer-Centric Strategy	Price Discrimination (E.g., Price Lining and Smart Pricing) Cost Leadership Value-added Products or Services		Clicks-and-Mortar Strategy
Bargaining Power Of Suppliers		Value-added Products or Services	Revenue-Sharing Marketing	Outsourcing or Strategic Alliances
Bargaining Power Of Buyers		Value-added Products or Services	Consumer-Centric Promotion Strategy Brand Appeal Based on Experiences and Beliefs	Outsourcing or Strategic Alliances

Table 2.2 illustrates Porters five-force model and is used as a tool to respond to competition, as well as give solutions for each element of the four P's (product, price, promotion and place) (Porter, 1998:367). An example from the table above shows that if there is a threat of new entrants on a marketing mix element such as 'product', for example, an organisation's options are either to use differentiation, enter into a niche product, become more consumer-oriented or expand the related product line. All these different strategies can be used to assist in decision-making, which gives an overall idea of how competitive strategies can be used.

An organisation measures the five forces in a particular industry and aims to identify weak areas that require development and new opportunities. For example, if an organisation wants to discourage new entrants from entering the market, they can grow their market share by creating unique and capital-intensive resources that make it difficult for other organisations to compete (Porter, 1998:367). Table 2.2 has illustrated the relationship between Porter's five forces model and the marketing mix elements, this relationship highlight the challenges, weaknesses, strengths and opportunities, organisations have within the market.

2.4 The Marketing Mix

According to Kotler (2003:127), in order to create a successful marketing strategy, the marketing mix must reflect desires of the consumers in the target market. The marketing mix comprises of product, price, promotion and place. These controllable variables can be altered and adjusted to suit the organisation's objectives. It is, therefore, vital for organisations to make use of this strategic planning process, and to match the needs of the consumer with the organisation's marketing strategy (Kotler, 2003:128).

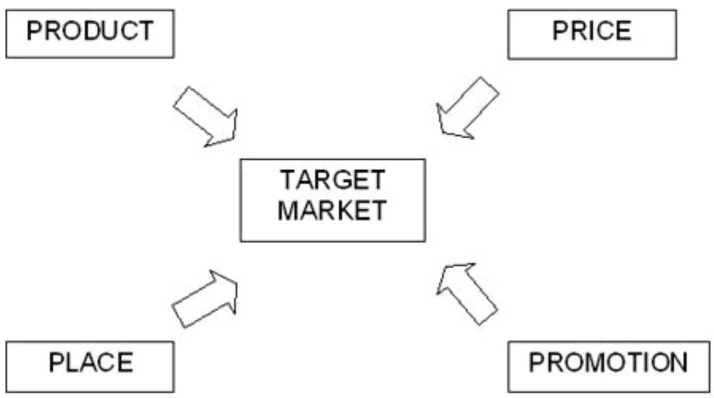

Figure 2.6: Marketing Mix Tools
(Kotler, 2003:26)

Figure 2.6 is a model of the marketing mix tools. The marketing mix tools are a set of tools, which organisations use to realise their marketing strategies. The marketing mix, which is also called the 4P's, and how it has adapted during the economic downturn highlights the basis of this study. The elements of the marketing mix are controllable variables, which should be managed in the correct way in order to meet the needs of the defined target group (Kotler, 2003:25).

Table 2.3: Characteristics of the Marketing Mix
(Kotler, 2003:23)

Product	Price	Promotion	Place
Functionality	List price	Advertising	Where you sell your product
Appearance	Discounts	Personal selling	Physical boundaries defining the business
Quality	Financing	Public relations	Retail space
Packaging	What you have in stock versus sold	Message	The service
Brand	Reflect brand image	Media	Product (shipped, purchased from the company etc.)
Warranty	Period in months or years	Budget	Store

The function of the marketing mix variables is to maximise the performance of the organisation by combining different variables to satisfy the needs of consumers. The challenge, however, is that organisations are under pressure to adjust their marketing strategies to suit new market demands, which are caused by changes of consumer buying behaviour. The marketing mix elements comprise of products, price, place and promotions. These are discussed below.

2.4.1 Product mix

Products can be divided into two sections, namely consumer products, which are for personal use or enjoyment, and business products, which are bought for resale or use in a business (Ferrell & Hartline, 2007:60). The use of the word product can also be used to describe a service offered by an organisation.

Moreover, business products or, as Kotler and Armstrong (2008:42) define them, industrial products are often characterised by derived demand. Organisations are building better relationships with their suppliers in order to meet consumer's demands as well as satisfy economies of scale (Kotler & Armstrong, 2008:42). Most organisations do not sell only one product, but one or several product lines. By doing this, they can spread the risks among different product lines (Ferrell & Hartline, 2007:50).

According to Kotler (2003:22), “while organisations are selling a product, consumers are buying a solution.” The way organisations offer these solutions should be thought of with careful consideration of competitive forces. As more products are placed on the market, and offer solutions to consumers, organisations are finding it more difficult to come up with innovative solutions. This is a result of consumers becoming more knowledgeable about product offerings and benefits. These products can be perceived in various ways, which include physical make-up, as well as the availability and branding of products.

The product can be offered in the following ways: (1) core product, which is the core benefit that the consumer can profit from; (2) actual product is what the consumers perceive the brand to be over competitor products, which is done through branding, added benefits, extra features and so on; and (3) augmented products are the added non-tangible offering that an organisation can use, for example, additional services, delivery and so forth. Organisations are now offering more than one product line in order to reduce the risk by spreading it amongst different products (Porter, 1998:364).

2.4.1.1 Branding

Branding is the process through which a product is given a name, logo and design. Organisations use branding to create a perception about the product and to set it apart from their competition. Consumers now have the task of choosing the brand of product that they would like to buy, and there are several factors that affect this decision process. Branding is supposed to add value to the product by creating a relationship with the target market (Randall, 2000:3).

Organisations that have mastered the art of branding have reaped the benefits of creating a bond with consumers, as more and more consumers have become loyal to specific brands. The power that organisations now have through branding is that consumers instantaneously buy a brand of a product even if there is a substitute product that offers a cheaper price. Such brands have loyal consumers that have confidence and believe in what the brand represents. Consequently, these organisations have a solid foundation that makes it difficult for new entrants to compete with this brand (Randall, 2000:4).

2.4.1.2 Packaging

Packaging is how the product is presented on the exterior. The use of packaging has transformed to more than mere product packaging. It ranges from organisation brochures, organisation uniforms, their offices and all the other visuals of the organisation. Packaging is even regarded as the fifth marketing element after product, price, promotion and place.

The importance of packaging as a tool in marketing has spread to other functions because of the increased competition from other products. Packaging has the function of attracting consumer attention, informing consumers of the product and, finally, making the sale. Rising consumer wealth has led consumers to spend more on products that offer more than merely the solution; consumers strive for packaging that offers confidence and prestige (Ferrell & Hartline, 2007:201).

2.4.2 Price mix

Price differs from the other three elements, since it is the only marketing element that generates direct turnover. Marketers should seek to find the optimum balance between cutting costs and making maximum profits, without negatively influencing the volume of production (Kotler, 1999:33). The price should reflect the supply and demand relationship (Kotler & Armstrong, 1996:40).

Price is the only element in the marketing mix that creates direct revenue. When planning the price of a product there are several pricing strategies, which should be considered. These are: (1) penetration pricing; (2) skimming pricing; (3) competition pricing; (4) product line pricing; (5) bundle pricing; (6) psychological pricing; (7) premium pricing; and (8) optional pricing. These strategies are dependent on objectives that the organisation wants to achieve (Kotler & Armstrong, 2008:279).

Furthermore, pricing is the marketing variable that is the easiest to change (Ferrell & Hartline, 2007:55). While the product or promotion can take months to change, the price can be changed directly. Except from being the easiest and fastest to change, pricing is also the cheapest to change. While changing promotion, products or distribution is usually quite costly; the opposite is true when it involves the price element.

The price is an important factor that consumers consider, especially during economical downturns. During these times organisations are forced to make radical changes in their price decisions (Shama, 2006:43). The most common decision is to increase sales volume through price cuts. Conversely, this could lead to problems in the long term by lowered profitability. Organisations should ensure that the price changing is in line with their organisational objectives and that they do not send mixed signals about the product (Kotler & Armstrong, 2007:279).

During an economic downturn consumers change their buying patterns by being more cautious about what they buy. Price becomes an important factor for consumers at this stage. Organisations should ensure that the changes that are made to the marketing mix elements are in line with the needs of the target market, and that the market environment is suitable for all changes that are made. (Business Review Weekly, 2000).

Kotler (2003:28) argues that *"pricing is an important but difficult issue in the marketing mix model; important because it is the only element that generates turnover for the organisation, while all the other elements are connected to costs and pricing, which are difficult because the various products have demand and cost interrelationship and are subject to different degrees of competition."*

2.4.2.1 Pricing strategies

Kotler (2003:59) reduces the various strategies to three primary strategies that are involved when pricing any product:

- Skimming: Make money by charging higher prices.
- Penetration: Price lower and gain market share.
- Neutral: Be competitive with competition.

The three primary strategies are discussed further in this section. When setting prices, an organisation can adopt a number of pricing strategies, which are based on objectives that the organisation wants to achieve, for example, penetration pricing; low prices to increase sales, skimming pricing; high price in the beginning and then slow lowering to reach a wider market, and competition pricing; and price in comparison with competitors (Kotler, & Armstrong, 2002:35). The three primary strategies are discussed below:

1) Skimming pricing

The objective here is to skim profits off the market. The organisation sets an initial high price and then slowly lowers the price to make the product available to a wider market. It is usually used in high-technological markets. It is a main strategy when a new product is launched. Firstly, the product is dedicated to innovators, while prices are then slowly decreased so that products become available for early adopters.

2) **Penetration pricing**

An organisation sets low prices in order to increase sales and market share. It is an effective strategy when an organisation wants to gain a market share, however it can be risky. Competitors can also low their prices instead not to lose market share. Hence, not only can an organisation gain market share, but it can also lose part of the profits.

3) **Neutral pricing**

The organisation sets a price, which is similar to a competitor's price. It is an effective strategy when the organisation does not want to undersell. Consumers choose a product by comparing the value and price. If the price is at the same level as the substitute product, then the most important factor is value of product (Kotler & Armstrong, 2008:390). Table 2.4 shows the differences between the three strategies: Skimming, penetration and neutral.

Table 2.4: External influences on pricing strategies
(Kotler & Armstrong, 2008:390)

	SKIMMING	PENETRATION	NEUTRAL
COSTS	Low cost margin Low volumes Changes in unit price drive profit Large break even sales Changes at or near capacity	High cost margins High volumes Changes in volume drive profitability Small break even sales Changes excess capacity	Costs similar to competitors Sufficient cost margin to finance advantage Little excess capacity Incremental capacity is expensive is expensive
CONSUMERS	Low price sensitivity - Reference price effect - Price quality effect - Difficult comparison effect	High price sensitivity - Total expend effect - Large part of end benefit - Little differentiation	Consumers are more sensitive to other elements of the marketing mix
COMPETITION	Limited threat of opportunism Limited opportunity for scale economies Sustainable differentiation Low threat brands	Sustainable cost and resource advantage Competitors not willing to retaliate Financial strength Aggressive small share brands	Avoid threat of retaliation Large share brands with a lot to lose Sustainable marketing mix advantages Oligopolies

2.4.2.2 Product mix pricing situations

The product mix pricing situation can be seen in the Table 2.5.

Table 2.5: Product Mix Pricing Situations

(Kotler & Armstrong, 2008:400)

Strategy	Description
Product line pricing	Setting price steps between product line items
Bundle pricing	Pricing bundles of products sold together
Psychological pricing	Pricing products in such a way that it appears more than what it actually is
By-product pricing	Pricing products that must be used with the main product
Optional pricing	Pricing optional or accessory products sold with the main product

1) Product line pricing

This refers to pricing different products within the same product range at different price points. An example would be a computer manufacturer that offers different computers with different features at different prices. The greater the features and benefits, the more consumers will pay (Doyle & Stern, 2006:54).

2) Bundle pricing

The organisation bundles a group of products at a reduced price. It is a type of strategy, which raises the rate of sell. When consumers want to buy products separately, they will pay more than when they buy it in a "bundle".

3) Psychological pricing

The seller here will consider the psychology of price and the positioning of price within the market place. For example the seller will, therefore, charge 99 cents instead R1 or R299 instead of R300 (Doyle & Stern, 2006:54).

4) By Product pricing

This is pricing a product that will be used in conjunction with the main product. An example of this is zoom lenses that come separate with a camera.

5) Optional pricing

The organisation sells optional extras along with the product in order to maximise its turnover. This strategy is commonly used within the car industry. The basic version of the car model can be cheaper than a full version of the same car model (Doyle & Stern, 2006:54).

2.4.3 Placement mix

Place or distribution is the least likely marketing principle to change and the solution to a businesses inability to attract consumers. Choice of the right location can be expensive, but larger organisations prefer to employ specialists to find them the best location (Doyle & Stern, 2006:54).

Furthermore, the marketing elements include activities such as distribution, transport and store keeping that organisations use to make their products available to consumers ((Kotler, 1999:33).

There are several retailers that can be identified, for example, speciality stores, department stores, supermarkets and hypermarkets, which all have different factors, which define them. Unlike smaller retailers, they usually have a narrow but deep assortment and a large focus on high quality service excellence.

During the depression of the 1930's in the United States, self-service retailers increased drastically. People were willing to do their "locate-compare selection" on their own in order to save money (Kotler, 1999:33). Non-store retailing can often be a cheaper way to attract consumers. Marketing over the Internet, for example, is a simple and cost effective way to reach out to several consumers at the same time. This communication tool is used by organisations globally, particularly in the retail sector (Kotler, 1999:33).

2.4.3.1 Distribution

Distribution refers to how the product reaches the consumer, for example, the point of retailing or sale dispersion. The organisation must distribute the product to consumers at the correct place and time. If the organisation wants to achieve its marketing objectives, efficient distribution becomes essential.

Profits will be affected if the organisation underestimates demand and consumers cannot purchase products as a result.

2.4.3.2 Types of distribution

Indirect distribution and direct distribution are two different types of distribution. The difference between the two types of distribution is how the product gets from the organisation to the consumer (Pride & Ferrell, 2010:320).

2.4.3.3 Distribution strategies

There are three basic distribution strategies, which are available depending on the type of product that is distributed.

- Intensive distribution

  This type of distribution refers to distribution of low priced or impulse products such as soft drinks or sweets. Consumers can buy these products with little effort. Factors that should be determined include time and place. If a consumer cannot locate a product, they will purchase a competitive product (Dowling, 2006:33).

- Exclusive distribution

  This involves narrowing distribution to one organisation. The product is usually in a higher price range and requires more detail in the sale from the mediator, for example, motor vehicles for sale at an exclusive dealer (Dowling, 2006:33).

- Selective distribution

  A small-scale type of retail store is elected to distribute the product. Selective distribution usually occurs with products such as computers, where consumers are more than willing to shop around and where manufacturers want a big geographical spread (Dowling, 2006:33).

2.4.4 Promotion

Products or services that are rendered are successful only if the benefits are clearly communicated to the target market, hence, when organisations decide on their strategy, they should contemplate who their target market is and their behaviour (Kotler & Armstrong, 2008:41).

In order to define a target market, an effective message should be created. The message will begin to produce interest from potential consumers, and furthermore make consumers keen to own the product, and in the end make them purchase it.

Promotional strategy of an organisation can contain the following: advertising, sales promotion, personal selling and direct mail. Media strategy refers to the way in which an organisation will pitch or deliver their message (Kotler, 1999:32).

2.4.4.1 Promotion mix

Modern marketing is more than merely producing a good product, availability to targeted consumers and attractive pricing. Organisations should also communicate with their consumers. Promotion mix is an organisation's communication programme, which include a combination of advertising, personal selling, sales promotion and public relations, which the organisation uses to pursue their advertising and marketing objectives (Beamish & Ashford, 2005:103).

Marketers have two options when it comes to choosing promotion mix strategies, namely push promotion or pull promotion. The significance of choosing the correct strategy that should be used is critical to the success of the organisation, since the pull and push strategies differ significantly. Hence, marketers should understand both strategies in order to make a correct decision. A push strategy entails 'pushing' the product through distribution channels to the final consumer. Marketers lean towards marketing activities that induce the channel members to promote it to the final consumer (Kotler & Armstrong, 2008:483).

By using a pull strategy the marketer guides its marketing activities towards the final buyer, which entices them to buy the product. However, should the pull strategy be effective, consumers will demand the product from channel members who will, therefore, order the demanded product from suppliers. A pull strategy occurs when consumers demand 'pulls' of the product through the channels (Pride & Ferrell, 2010:320).

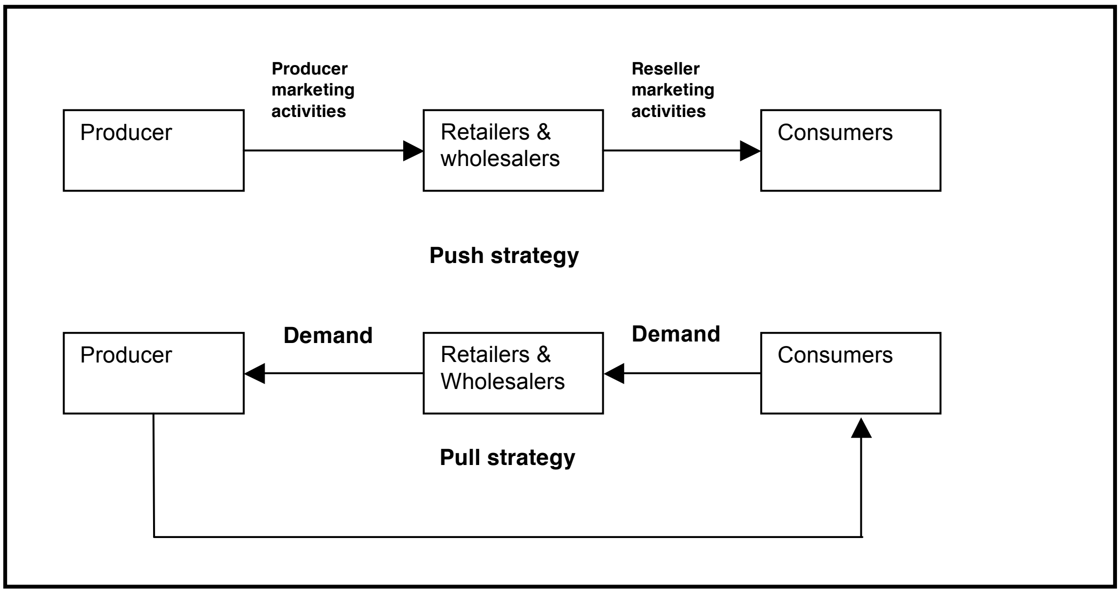

Figure 2.7: Pull and Push promotional strategy (Kotler & Armstrong, 2008:482)

A successful product or service does not mean anything unless the benefits can be clearly communicated to the target market, consequently, when organisations choose their strategy, they should consider their target market and their behaviour (Pride & Ferrell, 2010:320). When the target market is defined, an effective message should be created. This message should attract consumer's attention, arouse their interest, create a desire to own the product and, finally, make them purchase it.

2.5 Strategic planning process

There are several environmental factors that influence marketing mix decisions, namely cultural, social, economical, technological, legal, competitive and institutional. Variables that are present in the marketing mix can be influenced by several factors in the market environment. The strategic planning process is depicted in Figure 2.9. (Doyle & Stern, 2006:90). The study has specifically considered the economic environment for purposes of this research.

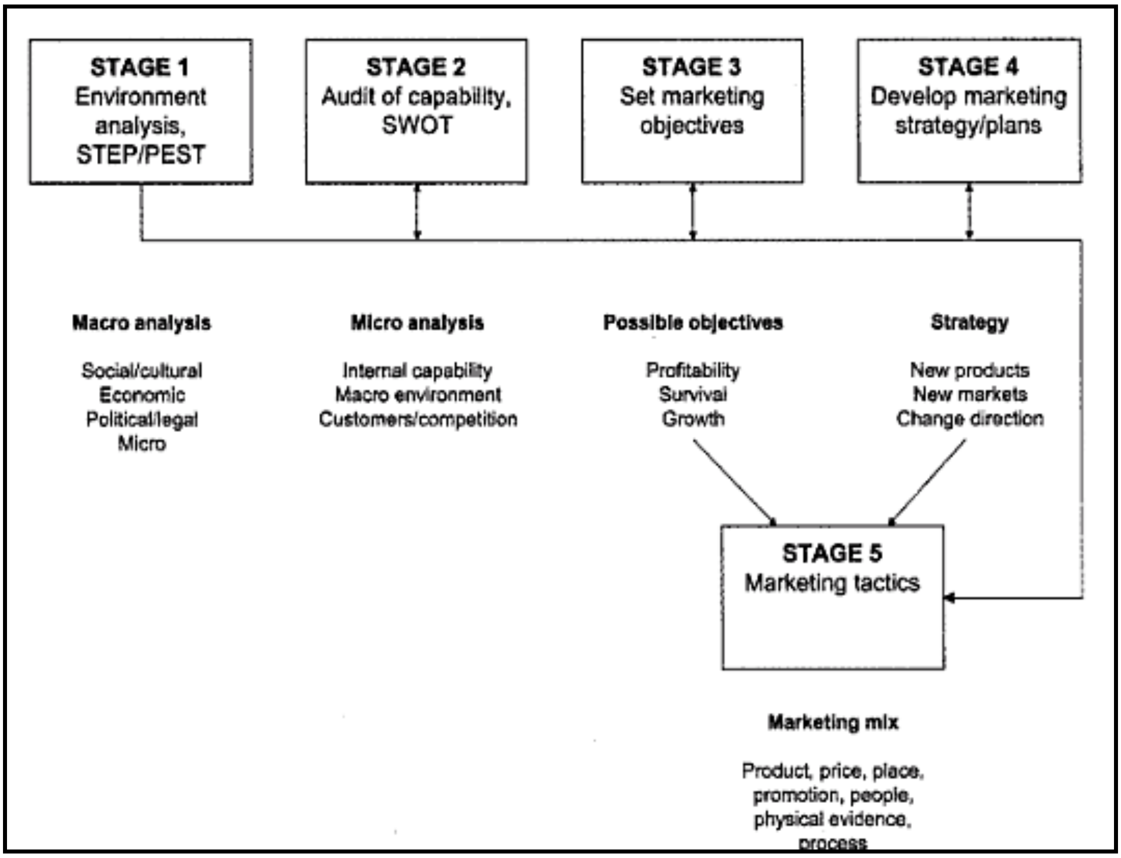

Figure 2.8: The marketing planning process
(Beamish & Ashford, 2008:13)

Figure 2.8 illustrates the strategic planning process, which is split up into five stages namely: environment analysis, SWOT analysis, marketing objectives, marketing strategy and marketing tactics.

1) Environmental analysis

The environmental analysis is also known as the PEST analysis which analyses the external factors that influence the marketing planning process. The environmental analysis covers the social/cultural, economic, political and legal factors in the market. These factors are also known as macro-factors of the market environment.

2) SWOT analysis

The SWOT analysis stands for the strengths, weaknesses, opportunities and threats in the marketplace. These include all the internal factors within an organisation, the external factors of the environment as well as consumers and competition. This analysis looks at all the different factors that could effect an organisation and is an audit of an organisations capability.

3) Marketing objectives

The marketing objectives within an organisation also have to be aligned to the marketing planning process, as this will give an overview of the organisations objectives such as profitability, survival, or growth.

4) Marketing strategy

When developing a marketing strategy several factors need to be considered. The organisation will have to decide whether to introduce new products, new markets or change the direction of their marketing strategy.

5) Marketing tactics

Marketing tactics look at the product, price, place, promotion, people, physical evidence and process that can be changed in a short time frame. These are a combination of the marketing objectives and the marketing strategy. The strategic planning process requires support from different functions such as production, finance, distribution, and so on. These strategies should be aligned with the product offering and other resources that are available to the organisation.

Departments in the strategic planning process need to (1) attract new consumers; (2) collect information about changing consumers patterns; (3) develop products that meet the needs of the consumer; (4) determine the product, price, promotion and distribution of the product; and (5) build relationships with consumers for feedback and consumer expectations (Doyle & Stern, 2006:99).

2.6 Marketing influences on consumer decision-making

Marketing strategies are often designed to influence consumer decision-making and lead to profitable exchanges. Each element of the marketing mix (product, price, promotion, and place) can affect consumers in different ways (Peter & Donnelly, 2004:45).

2.6.1 Product influences

Several attributes of an organisation's products, including brand name, quality, newness and complexity, can affect consumer behaviour. The physical appearance of the product, packaging and labelling information can also influence whether consumers notice a product in-store, examine it and purchase it. One of the key tasks of marketers is to differentiate their products from those of competitors and create consumer perceptions that the product is worth purchasing (Doyle & Stern, 2006:87-98).

2.6.2 Price influences

The price of products and services often influences whether consumers will purchase them at all and, if so, which competitive offering is selected. Stores such as Pick 'n Pay are perceived to charge low prices and attract consumers based on this fact alone. For some offerings, higher prices may not deter purchase because consumers believe that the products or services are of a higher quality or are more prestigious. However, many value-conscious consumers may buy products more on the basis of price rather than other attributes (Peter & Donnelly, 2004:55).

2.6.3 Promotion influences

Advertising, sales promotions, salespeople and publicity can influence consumer's perceptions of products, what emotions they experience when purchasing and using them, and what behaviours they display, including shopping in particular stores and purchasing specific brands. Since consumers receive so much information from marketers and screen out a good deal of it, it is important for marketers to devise communications that (1) offer consistent messages about their products; and (2) are placed in media that consumers in the target market are likely to use. Marketing communications play a critical role in informing consumers about products and services, including where they can be purchased, and in creating favourable images and perceptions (Doyle & Stern, 2006:89).

2.6.4 Place influences

The marketer's strategy for distributing products can influence consumers in several ways. First, products that are convenient to buy in a variety of stores increase the chances of consumers to find and buy them. When consumers seek low-involvement products, they are unlikely to engage in extensive search, hence the need for product availability in stores.

Second, consumers may perceive products that are sold in exclusive outlets as being of a higher quality. In fact, one of the ways in which marketers create brand equity that is favourable in terms of consumer perceptions of brands, is by selling them in prestigious outlets. Third, offering products via non-store methods such as on the Internet or in catalogues can create consumer perceptions that the products are innovative, exclusive, or tailored for specific target markets (Doyle & Stern, 2006:95).

2.6.5 Psychological influences on consumer decision-making

Information from several groups, marketing and situational influences affects what consumers think and feel about particular products and brands. However, there are a number of psychological factors that influence how this information is interpreted and used, and how it impacts the consumer decision-making process. Two of the most important psychological factors are product knowledge and product involvement (Peter & Donnelly, 2004:58).

2.6.6 Product knowledge

Product knowledge refers to the amount of information that a consumer has stored in her or his memory about particular product classes, product forms, brands, models and ways to purchase them. For example, a consumer may be more informed about wine in respect of type (product class); red or white wine (product form); Tall Horse versus Groot Constantia (brand); and various package sizes (models) and stores that sell it (ways to purchase).

Group marketing and situational influences determine the initial level of product knowledge, as well as changes. For example, a consumer may hear about a new wine shop opening from a friend (group influence), see an advert for it in the newspaper (marketing influence), or see the shop on the way to work (situational influence). Any of these influences would increase the amount of product knowledge; in this case a new source for purchasing the product (Peter & Donnelly, 2004:59).

The initial level of product knowledge may influence how much information is sought when deciding to make a purchase. For example, if a consumer already believes that Groot Constantia wine is the best-tasting wine, knows where to buy it, and knows how much it costs, the consumer will not feel the need to look elsewhere for further information.

Finally, product knowledge influences how quickly a consumer goes through the decision-making process. For example, when purchasing a new product of which the consumer has little product knowledge, extensive information may be sought and more time may be devoted to the decision (Pride & Ferrell, 2010:320).

2.6.7 Product involvement

Product involvement refers to a consumer's perception of the importance of the personal relevance of an item. For example, Harley-Davidson motorcycle owners are generally highly involved in the purchase and use of the product, brand and accessories. However, a consumer who buys new toothbrush would likely view this as a low involvement purchase (Doyle & Stern, 2006:88).

Product involvement influences consumer decision making in two ways. First, if the purchase is for a high involvement product, consumers are likely to develop a high degree of product knowledge so that they can be confident that the item that they purchase is right for them. Second, a high degree of product involvement encourages extensive decision-making process (Pride & Ferrell, 2010:320).

2.7 Conclusion

This chapter explained the marketing concepts and models, giving brief explanations about the different marketing concepts and theoretical aspect of the study. Moreover, this chapter gave an in-depth scope of the various marketing strategies such as general marketing strategies, the growth share matrix, the marketing mix, Porter's five force model, to mention a few.

After reviewing the literature, the researcher investigates the consumer buying behaviour in the next chapter. Chapter three focuses on the most important factor of marketing strategy, which is the consumer. The chapter will study the behaviour of the consumer, why they behave the way they do and what influences them to choose one product over another.

CHAPTER THREE
CONSUMER BUYING BEHAVIOUR

3.1 Introduction

In this chapter consumer-buying behaviour will be explained in detail. The background of consumer buying behaviour, the processes and models used to depict the theory as well as decision making processes of the consumer. This section is particularly important to the study, because the effect of consumer perceptions is an integral part of adapting strategies to meet the changing needs of consumers.

3.2 Consumer buying behaviour

Consumer buying behaviour can be defined as a process by which individuals search for, select, purchase, use and dispose of goods and services in respect of satisfying their needs and wants (Kotler & Armstrong, 2008:171). The main research perspective consists of two parts, namely to understand and predict consumer behaviour and to identify cause and effect relationships (Engel, Blackwell & Miniard, 1995:78).

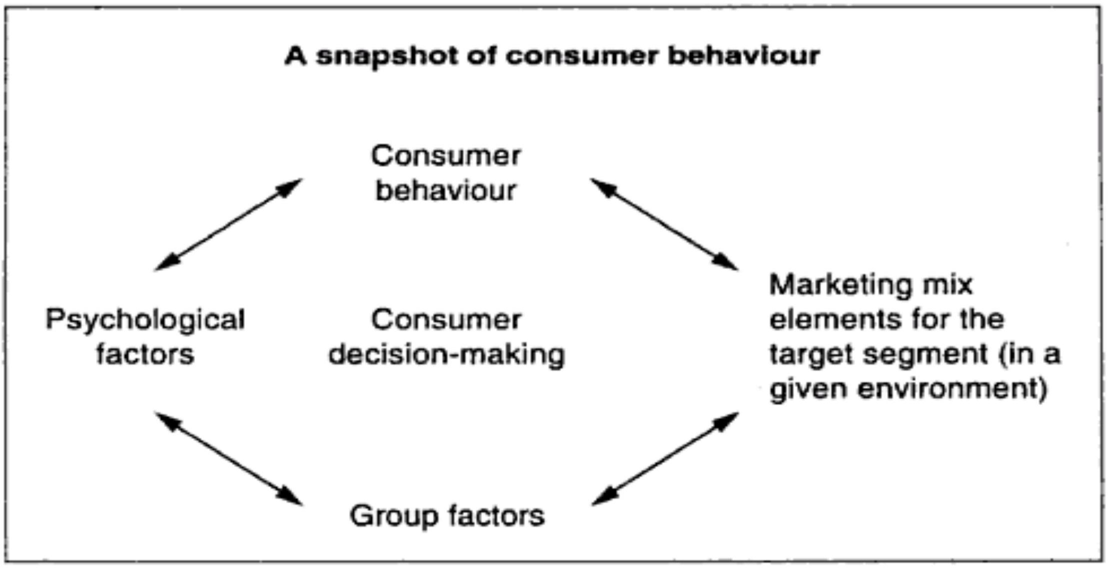

Figure 3.1: An overview of consumer behaviour
(Kumar, 2007:258)

Figure 3.1 illustrates a snapshot of consumer behaviour. Trying to understand the buying behaviour of consumers is quite a complex and difficult task (Ferrell & Hartline, 2007:58). Nonetheless, by understanding consumer behaviour, organisations will gain insight that will help to develop products and marketing programmes that will better satisfy consumer's needs and wants.

3.3 The buying process

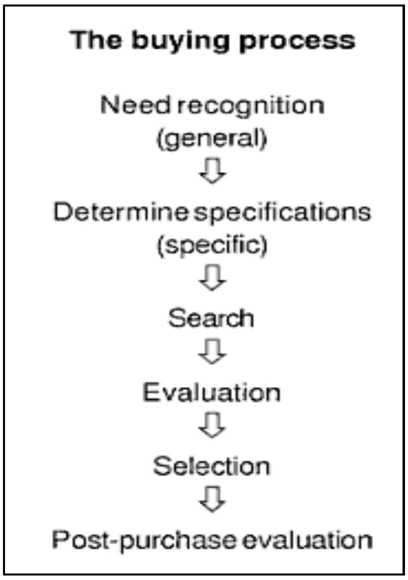

Figure 3.2: The buying process
(Ferrell & Hartline, 2007:15)

Shown in Figure 3.2 are different stages in the consumer buying process; first, the consumer understands that he or she needs or wants something. Second, is to determine the specific needs of the consumer. Third, the consumer searches for information and different alternatives of the wanted/needed product and, fourth, the consumer decides to buy (Hooley, Piercy & Nicoulaud, 2008:201).

Table 3.1 shows the consumer buying process and the stages that the consumer experiences when purchasing a product. The process begins with the recognition of a need and then passes through the stages of information search, evaluation of alternatives, purchase decision and post purchase evaluation (Ferrell & Hartline, 2007:151)

Table 3.1: Consumer Buying Process

(Ferrell & Hartline, 2007:151)

STAGES	KEY ISSUES
Need recognition	Consumer needs and wants are not the same An understanding of consumer needs is essential for market segmentation and the development of the marketing programme Marketers must create the appropriate stimuli to foster need recognition
Information search	Consumers trust internal and personal sources of information more than external sources The amount of time, effort and expense dedicated to the search for information depends on (1) the degree of risk involved in the purchase (2) the amount of experience that the consumer has with the product category and (3) the actual cost of the search in terms of time and money Consumers narrow their potential choices to an evoked set of suitable alternatives that may meet their needs
Evaluation of alternatives	Consumers translate their needs into wants for specific products or brands Consumers evaluate products as bundles of attributes that have varying abilities to satisfy their needs Marketers must ensure that their product is in the evoked set of potential alternatives Marketers must take steps to understand consumers choices criteria and the importance they place on specific product attributes
Purchase decision	A consumer's purchase intention and the actual act of buying are distinct concepts Several factors may prevent the actual purchase from taking place Marketers must ensure that their product is available and offer solutions that increase possession utility
Post-purchase evaluation	Post purchase evaluation is the connection between the buying process and the development of long term consumer relationships Marketers must closely follow consumers responses to monitor the products performance and its ability to meet consumer's expectations

3.4 Factors that influence consumer behaviour

There are four different categories that influence the decision making process of consumers. The categories are personal differences, cultural influences, social influences and psychological processes. Individual differences are aspects such as knowledge, attitude, motivation and personal values. Environmental influences include culture, social class, family and situation. Finally, psychological processing is about how consumers process new information, how they learn and what attitude they have towards changes (Hooley, Piercy & Nicoulaud, 2008:201).

Cultural	**Social**	**Personal**	**Psychological**	
Culture	Reference groups	Age and lifecycle stage	Motivation	
Subculture	Family	Occupation	Perception	**Buyer**
Social class	Roles and status	Economic situation	Learning	
		Lifestyle	Beliefs and attitudes	
		Personality and self-concept		

Figure 3.3: Factors that influence consumer behaviour
(Taken from Kotler & Armstrong, 2008:172)

Figure 3.3 shows the factors that influence consumer behaviour. The cultural, social, personal and psychological factors refer to purchasing patterns that consumers follow when pursuing a product. The behaviour involved between wanting, obtaining, making use of and eventually getting rid of the product, are some of the tools that marketers can use to understand these patterns. This understanding is a key element when trying to isolate deciding factors in terms of transforming consumer attention towards a product into final purchase. The part that the consumer plays is of great significance. Evidence of this can be seen in the form of time spent by the consumer when deciding to make a purchase (Engel, Blackwell & Miniard, 1995:78).

Although organisations might have a large amount of researched knowledge regarding consumer behaviour, there are still other factors, which should be considered concerning the consumer. These factors can be classified into internal and external aspects.

Internal factors are factors that the organisation has no control over. They depend on the consumer and the consumer's personal lifestyle and environment. Included in these are demographics, culture, and lifestyle (Dawson, 1980:128).

External factors are more closely related to the environment and its economic surroundings. These include factors that the organisation has some control over, for example, marketing mediums that are used to create brand awareness. Both of these factors combined influence consumer's decision making (Dawson, 1980:135).

Areas of consumer behaviour

Environmental influences	Culture Social class Groups/family Situational factors Marketing efforts
Individual influences	Psychological influences Lifestyle Demographics Economic situation
Decision-making process	Motivation Search Evaluation Purchase choice Purchase outcomes

Figure 3.4: Areas of consumer behaviour
(Ferrell & Hartline, 2007:17)

Figures 3.4 are areas of consumer behaviour, which are diverse and complex and, according to Ferrell and Armstrong (2007:150-155), there are three factors that influence buying patterns. The first of these consists of personal choices and characteristics of the individual consumer, thus taking into account attitude, knowledge, motivation and personal values. Second, environmental factors such as culture, social class, family and situation should be considered. Finally, the most complex aspect is the psychological factor, which is the process that involves how the consumer thinks and responds to different situations (Ferrell & Armstrong, 2007:155).

The thought processes that lead to consumers buying a product are complex and difficult to understand. Ferrell and Hartline (2007:59) suggest that this process can be seen as having three stages. First, the consumer recognises a need or desire for a product. Second, the consumer attempts to gain knowledge about the product and other possible options that may be available. Finally, the consumer is certain about what product they would like to obtain, and hence precede to purchase it (Ferrell & Hartline, 2007:60).

Consumers make four main types of purchases. Habitual behaviour looks to describe purchases that consumers make on a regular basis. Consequently, these purchases are commodities, which require little money and hardly any thought process. Bread, milk, newspapers and frequently consumed beverages such as tea and coffee are examples of these (Hawkins, Best & Coney, 1995:426).

The second of these behaviour patterns is characterised by the small amount of thought processing that is required before a decision is made to purchase the product. This means that little information about the product is required to make a decision because it is relatively easy to attain this information. This is known as limited decision-making buying behaviour (Solomon, 2006:327).

The third type of buying behaviour is called extensive decision-making behaviour. This behaviour may be observed when a consumer contemplates the purchase of a long term and possibly expensive product, which makes this an infrequent purchase. There is, therefore, some risk involved and, consequently, this requires more thought processing and time, which makes this behaviour more difficult to understand and predict (Hawkins, Best & Coney, 1995:426).

The final type of consumer buying behaviour is caused by the impulsive sector of human emotion, and is thus entirely unpredictable. It involves consumers irrationally purchasing a product that they do not necessarily need or consciously desire, but suddenly buy it in response to external factors (such as advertisements). It usually lasts for a short period of time (Hawkins, Best & Coney, 1995:426).

3.5 Levels of consumer decision-making

There are three levels of the consumer decision-making process and these differ in the degree of information search. They are extensive problem solving, limited problem solving and routine responses behaviour. The levels are explained in detail below.

1) Extensive problem solving

This takes place when the consumer has not realised the criteria to evaluate the product category, or have a broad number of brands, which they should still consider during the decision process. The consumer at this stage will, therefore, require more information about the product to come up with a rational decision regarding the brand or product. They will need this information to establish a set of criteria, which will judge specific brands and a consequent amount of information regarding every brand, which should be considered (Schiffman & Kanuk, 2004:636).

2) Limited problem solving

At this stage of the process the consumer has already recognised the core criterion for analysing the brand category and the several brands within each category. In addition, they have still not fully understood the preferential factors regarding a specific group of brands and the added information in order to evaluate the several brands (Schiffman & Kanuk, 2004:636).

3) Routine response behaviour

Consumers at this level have already had a certain amount of experience with the brand category and have recognised the set of criterion, which assesses the brands in their suggested set. In a different situation the consumer may try to seek additional information about the product, or they may simply reconsider what they already know (Kurtz, MacKenzie & Snow, 2009:150).

However, it is clear that extensive problem solving suggests that the consumer should seek more information regarding the product in order to make a wise decision, while routine response behaviour lacks a need for further information about the product (Schiffman & Kanuk, 2004:636).

Human emotion is complex and highly uncertain. However, it is one of the most determining factors that determine whether a consumer purchases a product or rejects it. “Human emotion is a variable that can be changed by both internal and external factors” (Schiffman & Kanuk, 2004:636).

In respect of reasonable reaction to the significance of human emotion, which bases its plans on the point that human emotions influence decisions in unplanned buying more than planned purchasing. The reason for this could be that planned purchasing requires widespread research into the product (Kurtz, MacKenzie & Snow, 2009:150).

3.5.1 Consumer decision rules

The functions of consumer decision rules are to make the process of brand selection easier to understand and apply. These rules can be split into two categories, namely the compensatory decision rule and the non-compensatory decision rule. The first rule is so named because it features positive characteristics of a brand, which compensate negative characteristics (Blythe, 2006:11-14).

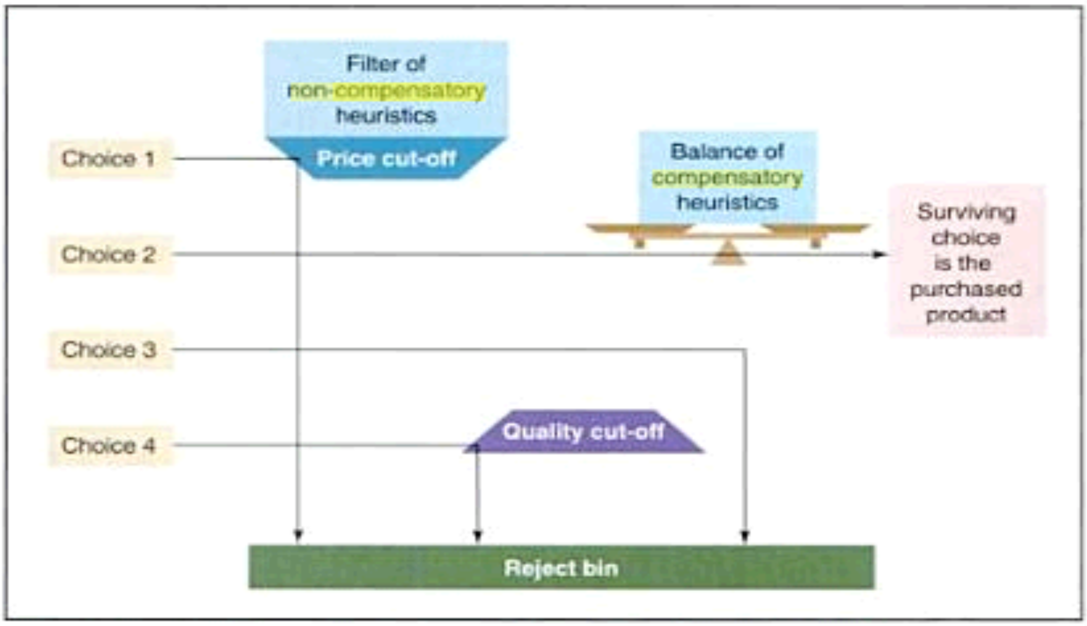

Figure 3.5: Decision Rules
(Blythe, 2006:11)

Figure 3.5 shows a model of decision rules that a consumer experiences when purchasing a product or service. The reason for this is the characteristics of brand results in the overall score and, therefore, if the positive aspects overshadow the negatives, then chances that the consumer chooses that brand is higher than if the situation was reversed. This results in the consumer perceiving the product as being of good quality (Blythe, 2006:11).

Advantages and disadvantages of brand perception increase and decrease the score correspondingly, which stipulates that the higher the score, the better chance of the consumer purchasing the product (Solomon, 2006:291).

According to the non-compensatory rule, it does not allow for positive features to reimburse for negative aspects. There are three aspects that form this rule, namely the conjunctive rule, which includes lower limit value for each feature that allows for the brand to be chosen or rejected. This means that the minimum requirements must be exceeded in order for a brand to be selected (Solomon, 2006:295).

The second rule is the disjunction rule, which stipulates that each of the features of the brand are evaluated and measured against their individual lower limit levels, and this will point out whether the product can be made acceptable. If even one feature fails to meet or exceed the standard level, then the brand is rejected as a possible selection (Blythe, 2006:12).

The last rule is known as the lexicographic rule, which includes a ranking system for the weight that each feature carries to the brand. This suggests that the brand, which results with the highest score after evaluation will be chosen (Solomon, 2006:295).

3.5.2 Importance of the decision rule in marketing strategy

The decision rule in marketing terms allows marketers to have an idea about how a consumer chooses a brand and even the promotional design that would appeal to the decision process of a consumer when they are about to make a purchasing decision. This would improve the chances of selection of the brand, which favours the organisation (Solomon, 2006:293).

3.6 Culture and consumer behaviour

Perhaps the most significant factor that affects not only consumers, but also human behaviour in both social and economic environments, is the individual and personal background of a person. Such broad factors are covered by one important term, namely culture.

Kurtz, Mackenzie and Snow (2009:132) define culture as “the values, beliefs, preferences and tastes that are handed down from one generation to the next.” Culture is the broadest environmental determinant of consumer behaviour. Marketers should understand the role of culture in consumer decision-making, and should also monitor trends in cultural values, as well as recognise changes in these values. Culture is functional according to Lamb, Hair and McDaniel (2008:150). Human interaction creates values and prescribes acceptable behaviour for each culture. Establishing common expectations does this; hence culture gives order to society. Sometimes these cultures are endorsed into laws.

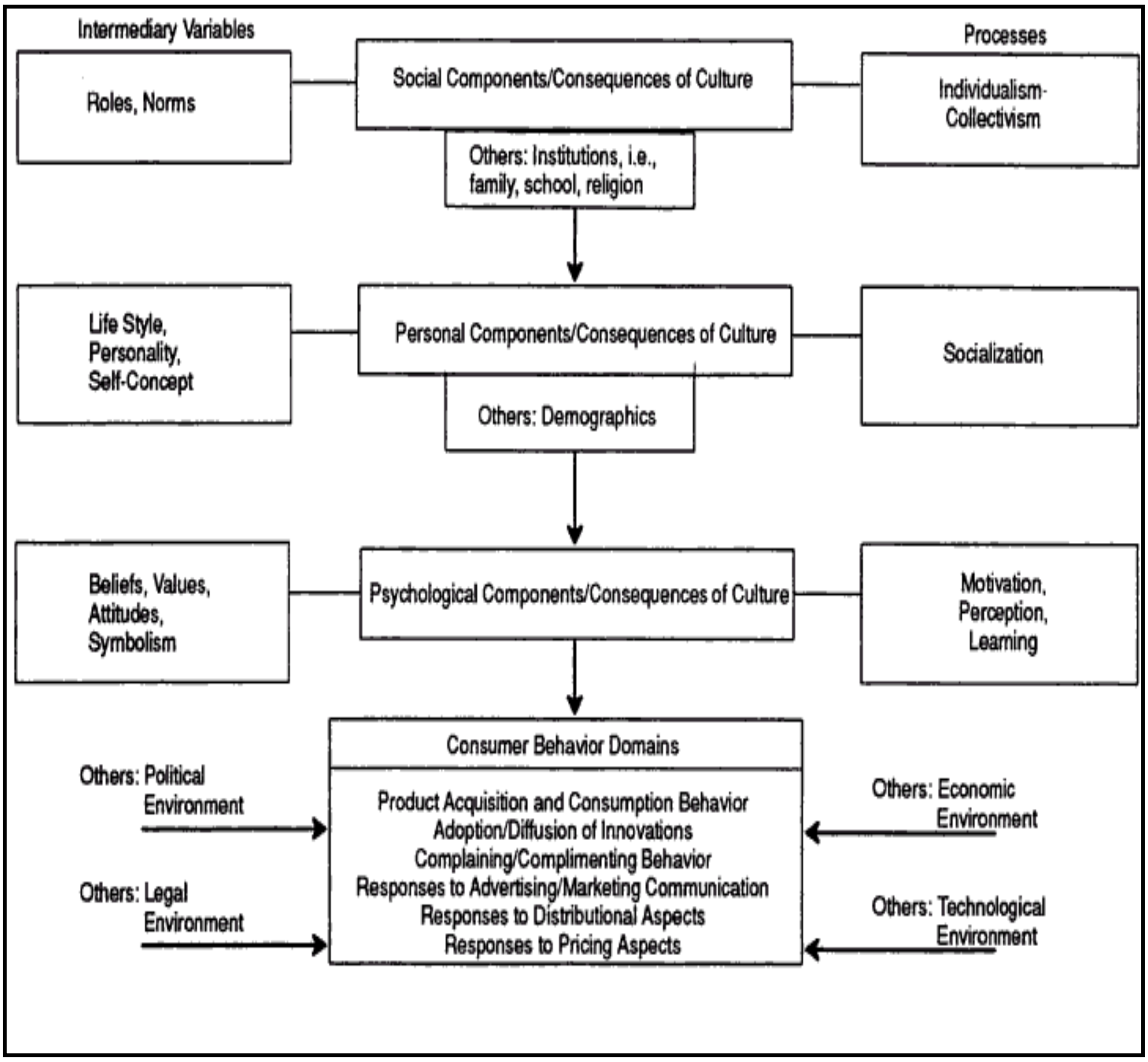

Figure 3.6: The Effects of Culture on Consumer Behaviour: A Conceptual Model (Manrai & Manrai, 1996:15)

Figure 3.6 illustrates the effects of culture on consumer behaviour. This conceptual model has the intermediary variables, which are norms, lifestyle, personality, beliefs, values and attitudes. These variables are then further explained through the different processes such as individualism, collectivism, socialisation, motivation, perception and learning. The different kinds of environments also contribute to effects of consumer behaviour such as political, legal, economic and technological environment.

Consumers are not born knowing the values and norms of their society. They learn from family and friends what is acceptable and what is not. Children for instance learn values that will govern their behaviour from parents, teachers and peers. As they learn to become members of society, they learn to shake hands when greeting someone, for example (Kurtz, Mackenzie & Snow, 2009:132).

Rapid growth in technology world has accelerated the rate of cultural change as well. Cultural norms will continue to evolve because of the need for social patterns that solve various problems (Lamb, Hair & McDaniel, 2008:153). The culture of a consumer will, therefore, be a determining factor when studying the buying decisions of consumers. Marketers are becoming more aware of these factors when planning campaigns and other marketing activities (Lamb, Hair & McDaniel, 2008:154).

Culture was created when people settled in the same environment, and small groups were created. In order for these groups to get along and make a comfortable living environment for everyone, they created rules of behaviour known as 'norms'. These norms are specific guidelines that everyone should follow in different situations in order to do what is acceptable for that group. Norms are normally developed from values that societies might have had for several years (Solomon, 2006:295).

People within the group learn these values by a term known as 'socialisation'. According to Schiffman and Kanuk, (2004:349), "socialisation is the process by which people acquire the skills, knowledge, and attitudes necessary to function in their environment". Parents will teach their children about morals, culture, religion and values, and this can be carried on through several generations. Other factors that determine consumer behaviour within a society are influence of friends, colleagues and, ultimately, culture.

Culture has a strong presence in South Africa, hence determining what consumers spend their money on, the choice of products that they use and decisions that they make when purchasing a product (Lamb, Hair & McDaniel, 2008:155).

Culture could be the most influential factor of consumer's wants and buying patterns. An example of this is that a teenager growing up in society will acquire basic values, perceptions, preferences and behaviour through their interaction with their surroundings, family and friends. This learning curve is achieved through socialisation (Hoyer & Macinnis, 2009:398).

According to Kotler (1994:173), there are four types of influences that shape consumer behaviour, namely cultural, social, personal and psychological. Cultural influence is the "broadest and deepest." The combinations of these influences are complex because influences can be interrelated whereby, for example, a broader influence can influence narrow factors and vice versa. Social, personal and psychological factors can be divided into intermediary variables and processes, which affect consumer behaviour. Illustrated by Kotler (2003:174) under psychological factors, which stipulate that the 'processes' under this section are motivation, perception and learning. While underlying beliefs and attitudes are also identified under psychological factors, these are known as the 'intermediary variables'.

Although there are several other variables that can affect consumer's decisions, those listed above provide a good understanding of how complex the evaluation process is. Some are separated by social or personal factors that divide them into intermediary variables and from there the suggested processes are utilised (Manrai & Manrai, 1996:14).

Culture is a complex whole that includes knowledge, art, law, morals, customs, beliefs and any other capabilities and habits that are acquired by humans as members of society. In other words, it is learned behaviour whose components are shared and transmitted by members of a particular society. It is a configuration of behaviours rather than fragmented isolated behavioural elements. It also implies that culture is interactive and passed from one generation to another (Manrai & Manrai, 1996:15).

3.7 Social stratification

3.7.1 Social class

People in the same social class have similar values, lifestyles, interests and behaviour (Hoyer & Macinnis, 2009:326). In South Africa, the question of how many social classes there are is still being debated, although three dominant groupings are identified, namely upper, middle, and lower.

The most accurate indicator of social class is often educational level and profession, but social class or position can also be influenced by interpersonal skills, culture, family history, looks, involvement in community activities, and status aspirations (Hoyer & Macinnis, 2009:326).

This system of various social classes is a reflection of how society ensures that its needs are met. In order to keep society functioning, several tasks must be performed, and some of these tasks have a higher perceived value than others (Lamb, Hair & McDaniel, 2008:158).

As a result, society has a reward structure, which encourages participation in these important tasks – these rewards are normally desired commodities such as property, power and prestige, and the higher the perceived importance and visibility of the tasks, the higher the rewards for performing them (Hoyer & Macinnis, 2009:326).

Lamb, Hair and McDaniel (2008:45) continue to state that members of higher social classes also buy and use different products and brands than their less affluent counterparts. The higher social classes are also regarded in a more respectful light, and have more prestige and power than the lower classes. And this is the most visible difference among different social classes.

3.7.2 Social class and consumption

Decisions that are made by the dominant group are often imposed on society as a whole, and this authority is only gradually legitimised. There are three forms of social stratification, namely economical, social and political power (cited in Andersen & Taylor, 2006:187).

1) Economic power

Individuals in different social classes have varying access to productive resources and, as a result, their ability to purchase (Andersen & Taylor, 2006:188).

2) Social power

Social power refers to the esteem that individuals hold – some are revered as gods, while others are more easily approached and held in less regard (Andersen & Taylor, 2006:188).

3) Political power

One kind of power can be used to support another kind of power – in the case of political power; economic power can be used to win an election to public office. An individual in this position will be able to exert political influence, as well as enjoy economic power. Political power can be utilised to make money through contacts and settlements, and people who are socially powerful, may make their way into politics naturally (Hoyer & Macinnis, 2009:123).

A definition of social classes is psychosocial, in the sense that individuals who share social class normally have similar socio-economic position, while their political and economic interests are generally similar. Social class refers to families rather than to individuals. A social class is marked by a large group of families who are, as a group, equal to one another in political, economic and social power, and as a group different from other families. It can also be described as a large group within society that have similar lifestyles (Hoyer & Macinnis, 2009:124).

3.7.3 Social Class Indicators

Four social class indicators have been identified namely:

1) Occupation

Some occupations are regarded as worthy professions rather than mere jobs – these professionals are expected to display a sense of performance. Occupation is normally regarded as the most important influence of social class, as this determines income and is determined by the aspirations of the individual concerned (Hoyer & Macinnis, 2009:329).

2) Artefacts

As a symbol for class identification for consumer behaviour analysis, artefacts are probably the most important identifier, as artefacts are materials that individuals can acquire. What one chooses to posses, the house that one builds, and where one lives, are all ways and means, which define one's lifestyle. For example, Clifton is known to be a residential area of the rich, Gardens and Vredehoek is home to the middle class and low-income groups tend to live in Khayelitsha and the Cape flats (Hoyer & Macinnis, 2009:327).

3) Association

Individuals choose to come together with people with whom they have something in common. This is apparent even in the workplace. Dating is also often limited to people from the same social class (Andersen & Taylor, 2006:186-190).

4) Influence

Profession, position, power and authority are all determining factors, which an individual wields. Powerful individuals control the behaviour of others. Power and prestige is the result of their occupation and the position that they occupy. Managers or professionals belong to higher social groups, and have a measure of control over the news and mass media, therefore, fulfilling a gate-keeping role with regard to news that is disseminated to the rest of society. What they visibly consume influences the attitudes and habits of consumption as well (Hoyer & Macinnis, 2009:328).

3.7.4 Social Class Stratification

In South Africa in general there are three types of social classes, which are upper, middle and lower class, but in order to understand the in-depth and theoretical aspects of these social classes all the classes have been discussed.

1) Upper-upper class

This class is born to wealth, and as they are accustomed to money, their style of living is not necessarily ostentatious, although it is rich. Memberships of upper class clubs are limited to people of similar social class. Their occupations are chosen and must be appropriate; it must be respected and are often traditional. These individuals often serve on boards of directors in commerce, culture or foundations that have a philanthropic flair (Andersen & Taylor, 2006:188).

Members of this class do not purchase mass-produced goods, except when they consciously want to influence the purchases of the lower classes. Snobbery and their enviable setting are used to establish that the product is dependable and of high quality.

2) Lower – upper class

This class is also referred to as the nouveau riche. Although they are wealthy, often more so than members of the upper-upper class, they are often not accepted socially by members of the above class. They did not inherit, but made their money, and are achievers – they are owners and chief executives of major companies, and have an entrepreneurial spirit (Hoyer & Macinnis, 2009:329).

Although they are millionaires, they are not as comfortable with their wealth, as it is relatively newly acquired. They regard money as a weapon and tool of influence. Their spending must demonstrate their wealth, and they purchase expensive cars, build modern homes and indulge in other symbols of wealth (Andersen & Taylor, 2006:188).

Many of these individuals have a university education, but did not necessarily attend exclusive private schools like their counterparts in the upper class. Their children are likely to be members of the social elite if they are sent to the right schools and marry individuals from the upper-upper class. Members of this smallish class prefer to purchase specialised and custom-made luxury products (Hoyer & Macinnis, 2009:435).

3) The Upper-middle class

This group displays a perseverance that other groups lack. They are future oriented, professionals and managers who frequently have leadership roles in society. They are security conscious, while achievement and social recognition are important to them. Their position in relation to the other classes is unstable, and this affects their lifestyle. This class of people regard the future as all-important and the past as a prologue. They put all present gratifications on hold to concentrate on the future (Andersen & Taylor, 2006:190).

They are optimistic and believe in a successful future. Competitiveness and industriousness are hallmarks of their professional conduct, and they tend to work long hours. Ensuring that their children have the best possible education is a major concern for individuals in this social class. Males in this group tend to be graduates or may have obtained professional qualifications (Hoyer & Macinnis, 2009:231).

Husband and wife teams are common. Women see themselves as child therapists and intellectual stimulation for husbands and children are regarded as important. For these individuals having bright, active children is a way of being seen to be successful parents. Cleanliness, politeness, orderliness and discipline are emphasised during their children's upbringing (Andersen & Taylor, 2006:190).

Consumer products find a ready market in this social group. Individuals in this group tend to be suspicious and prudent. They care about their appearance, especially in light of the instability of their social position. The appearance of homes, spouses, children and possessions to others are important to them. This group of people tend to have high morals, and believe in doing the right thing. Women in this group dress to keep up appearances, while the demands of their husbands and society influence their style and choices (Hoyer & Macinnis, 2009:534).

4) The Lower – middle class

This group of people can also be described as white-collar workers, although lifestyles are a more reliable measure in which class these individuals fall, rather than their occupations (white/blue collar workers).

The lower-middle class aspires to be respectable, and their goals are to own a home, have a cohesive family and live their lives morally. These individual's lifestyles centre on their homes and churches. A strong desire for a good education for their children is present (Babbie, 2009:98).

Their education levels, which are normally lower than that of the upper-middle class group, may affect their professional mobility. Their occupations include small business owners, junior managers, supervisors, less successful professionals and technicians.

5) The Upper-lower Class

This social class is the largest group, and is often called the working class. Individuals in this group are commonly moderately skilled and semi-skilled workers who perform routine manual jobs. There is limited mobility in this group, as they stay in the same job for long periods of time, afraid to change and lose their seniority. Their wage increases are normally the result of labour union negotiation and not as a result of them developing themselves professionally. Their general outlook on life is simply to "get by" (Andersen & Taylor, 2006:190).

Monotony is a central theme of their lives, jobs and houses, Houses tend to be unexciting, and although many have the option financially to move to better residential areas, they prefer to stay in familiar surroundings within easy commute or close to their jobs. Wives in this social group have busy but dull lives. Adult or older children are normally their helpers in hawking goods, often during school hours.

Social aspirations tend to be limited or low, with little social contact outside of their immediate surroundings and families. They have no or few aspirations to be socially mobile, and sneer at those who do (Babbie, 2009:98).

When modern appliances are purchased it is to keep up with neighbours rather than a purchase to make life easier. Aspirations as far as education is concerned tend to be limited to basic education or secondary school.

This class, in conjunction with the lower-middle class, constitutes the largest consumer group for mass-produced products, making them an important concern for several manufacturers.

6) The Lower-Lower Class

These individuals are disgruntled, which comprise urchins (area boys in South Africa) and the unemployed. Their low levels of education, unemployment, low aspiration levels, frustration, rejection and discrimination against them, cause them to rebel and reject values of the middle classes.

Due to the low buying power of this group, marketers tend to overlook them. In terms of occupations, their work does not receive much recognition by the rest of society. These individuals do not value their own work, and tend to believe that luck plays a bigger role in society than hard work and perseverance.

This group dresses to impress no one; they dress to please themselves, and their time management patterns vary. Most members of this group enjoy television and story-telling activities (Andersen & Taylor, 2006:195).

3.7.5 Marketing strategy and family decision-making

In order to establish a useful marketing strategy for a specific product, marketers should assess how decisions about buying products are made in a family. The way in which decisions are made in a family may vary depending on factors such as where the family is in their life cycle.

Marketers should understand the market that they want to appeal to. In order to do this, marketers should take into consideration how and which family members are involved, and when and where decisions are made about purchases.

What would appeal to different members is also an important consideration. Therefore, the marketing plan should be suitable for all members that take part in the decision making process. The motivation and interests of each family member should also be taken into consideration.

Children will often be the first to ask for a newly advertised product as long as they can identify with the children in the advertisement. They are also likely to ask for a new product if they hear about it favourably from friends. Once they ask for the product from a parent, the parents will become interested. However, their focus will be on how much the product costs and nutritional value. Thus, in order to appeal to the children, the product should seem like something new and interesting and be advertised during time slots when they watch television (Babbie, 2009:41).

In order to appeal to parents, the product should be a good-value-for-money product and advertisements in print media should appeal to them more favourably. Most people's responses and behaviours in a certain situation are based on what the group that they are part of would expect. A group is where individuals learn and socialise. A group can also influence an individual's decisions regarding purchases. Hence, knowing how group's function is important when deciding on a marketing plan.
Individuals have certain groups on which they base their behaviour, opinions, style, and so on. These groups are called reference groups and they act as a guide for individuals. One of the ways in which reference groups influence the individual and how they make decisions, are that they can give the individual a level to which they can aspire (Babbie, 2009:41).

The consumer will feel that by buying a certain product or by using a certain service, they will reach the same type of lifestyle as their reference group. The reference group might also influence the individual to find that only certain services and items are acceptable. Individuals can belong to different groups simultaneously, but they will always have one main reference group. Individual's reference groups and reference groups to which they aspire might also change over time (Jeannet & Hennessey, 2009:345).

In primary groups group members have a high level of interpersonal contact, which means that they spend a large amount of time together. Primary groups can include family members, colleagues, neighbours and friends. Because of the important role that group members play in each other's lives, they have a big influence on each other's buying decisions and social behaviour (Babbie, 2009:42).

In secondary groups there is less interaction between members. Church groups and social clubs are examples of secondary groups. Because interaction between members is less, they will also have a smaller influence on each other's purchasing choices (Jeannet & Hennessey, 2009:345).

Formal groups are made up of associations where members have to meet a certain requirement to be part of the group. For example, an organisation for chartered accountants means that the group will comprise of members that meet the minimum requirement: they are all chartered accountants. Becoming a member of a formal group will influence choices that the individual makes regarding services and products so that they can meet the requirements of the organisation. Informal groups have fewer rules than formal groups and also have no membership requirements. Examples are walking or reading groups (Cravens & Piercy, 2006:456).

For aspiration reference groups there are also no membership requirements, but the members aspire in a positive way to have the same products as members of the group that they look up to. An example would be a product that is marketed by a tennis star and all members who are fans of this sport star will then strive to buy the product that he or she endorses (Babbie, 2009:43).

Dissociative reference refers to groups where non-members associate negatively with products that are used by this group and would avoid it all costs. Marketers should strive to have their target group associate positively with their product, not negatively. An example would be a teenager who shuns music that his/her parents listen to.

Individuals have a choice whether to conform to groups that surround them. Sometimes it is a conscious decision when choosing where to live, for example. Sometimes, even though people do not think of it as conforming, they do it without noticing, for example, dressing the same as everyone else in their group. Reference groups influence buying choices in a wide variety of ways. If people understand how the groups influence their choices, they can decide on a marketing strategy (Cravens & Piercy, 2006:456).

When people conform within a group, this conformity can take one of three shapes: (1) informational, (2) normative, and (3) identification. When people use information, which is obtained from other members of the group regarding products or behaviour, they conform in an informational way.

People use the information because of similarities between certain members and themselves or because they are knowledgeable of a certain subject. Consumers may buy a certain brand because other members recommended it. When consumers conform to be accepted or to avoid ridicule, they are subject to a normative influence. They may buy certain products because the advertisements tell them that they will fit into this group better once they own this product. Once individuals have accepted the values of the group and made them their own, they are guided by an identification influence.

The influence of the group can be used in a marketing strategy for a product. Groups have more influence about the choice of product than they have about choice of brand or shop. There are different ways in which knowledge about group behaviour can be used for marketing strategy. In order to illustrate this, the study has used the Ash experiment to depict this scenario, see Figure 3.7 (Cravens & Piercy, 2006:456).

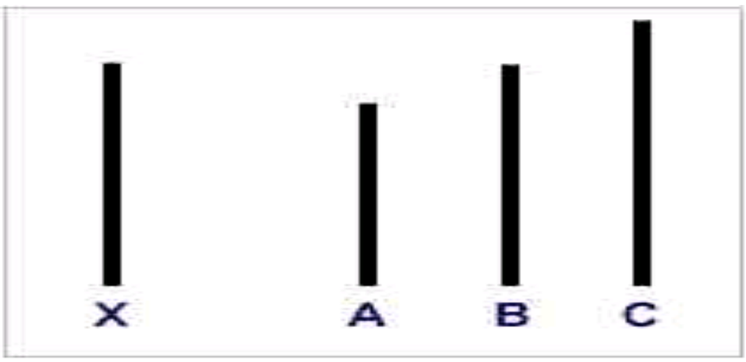

Figure 3.7: The Asch Experiment
(Babbie, 2009:42)

The Asch experiment includes a certain number of participants to identify a pattern in a set of lines on a screen. They have to identify the two lines that are exactly the same. The results of this experiment are that in a small group, people are willing to deny the evidence of their own senses, if other members of the group interpret reality differently (Babbie, 2009:45).

Choosing an obvious wrong answer in a simple experiment is an example of non-rational behaviour. “But as Asch went on to show, experimenters can examine the circumstances that lead more or fewer subjects to go along with the incorrect answer. Thus, it is possible to study non-rational behaviour rationally and scientifically.” (Cravens & Piercy, 2006:456).

Consensus and conformity influence perception and thus limit our ability to know the facts. But even aside from the influence of social pressure, respondents seem limited in their ability to know the facts because of the limits of their own senses. The Asch experiment demonstrates shows that respondents are affected by many other variables such as mental preoccupations, distraction, or varying degrees of alertness in different circumstances (Engel, Warshaw & Kinnear, 2010:78).

More fundamentally, the question of whether social life stands by rational principles at all. “In the physical sciences, developments such as chaos theory, fuzzy logic and complexities have suggested that one may need to rethink fundamentally the orderliness of events in the physical world.” The social world might be no better than the world of physics (Engel, Warshaw & Kinnear, 2010:78).

3.8 Consumerism

Consumerism has been defined in several ways. Some writers see it as a movement by individuals and pressure groups that is designed to ensure that consumer interests are safeguarded. Others see it as a social movement that seeks to augment and enhance the rights and powers of buyers in relation to sellers.

3.8.1 Consumerism movement

Kotler (2003:23) regards it as an organised social movement, which comprises concerned citizens and governments that seek to augment and enhance the rights and powers of buyers in relation to sellers. It aims to protect the consumer by exerting legal, moral, and economic pressure on business. Due to poor marketing practices, consumers have taken the initiative to ensure that business firms serve them properly.

Consumers demand help and advice on weights, advertising claims, and other forms of guaranteed satisfaction through the press and consumer protection movements. Consumerism aims to protect the rights and interests of consumers and help them deal with all organisations with which they have exchanged relationships (Kotler, 2002:35).

3.8.2 Meaning of consumerism

Consumerism is simply regarded as a social movement, which seeks to augment the rights and powers of buyers in relation to sellers. In order to understand the complete implications of the above definition, it is worthwhile to examine these rights, which have traditionally been held by sellers, as presented below:

1) Seller's rights

- To introduce any product in any style or size provided that it is not injurious to health and safety
- To price products at any level provided that there is no discrimination among similar classes of buyers
- To do anything that they like in the promotion of their products and to introduce buyer's incentive schemes provided that these cannot be defined as unfair competition (Hoger & Macinnis, 2009:367).

2) Buyer's Rights

- Not to buy products that are offered to them
- To expect the product to be safe
- To expect that the product be in fact essentially the same as the seller has represented (Hoger & Macinnis, 2009:368).

Appreciation and acknowledgement of the respective rights of the buyer and seller help to put the consumer problem into perspective. Comparing these rights, many believe that the balance of power lies on the seller's side. It is true that the buyer is really without sufficient information, education, and protection to make wise decisions in the face of rightly sophisticated sellers; hence consumer advocates call for the following consumer rights.

- The right to be adequately informed about the more important aspects of the product
- The right to be protected against questionable products and marketing practices
- The right to influence products and marketing practices in directions that will enhance "quality of life" (Engel, Warshaw & Kinnear, 2010:78).

The right to be informed includes aspects such as the right to know the true interest cost of a loan (truth-in-lending); the true cost per standard unit of competing brands (unit pricing); the ingredients in a product (ingredient labelling); the nutritional quality of foods (nutritional labelling); and the proposal related to additional consumer protection, which would strengthen the consumer's position in case of business fraud, requiring more safety to be designed into products, and issuing greater powers to existing government agencies (Engel, Warshaw & Kinnear, 2010:78).

Proposals that relate to quality-of-life considerations include regulating the ingredients that go into certain products (for example, detergents, gasoline) and packaging (for example, soft-drink containers), reducing the level of advertising and promotional "noise", and creating consumer representation on organisation boards to introduce consumer welfare considerations in business decision making (Engel, Warshaw & Kinnear, 2010:78).

3.8.3 Consumer rights as advocated

The stated four basic consumer rights are:

- **The right to safety**
  To be protected against marketing goods, which are hazardous to consumer's lives and health.

- **The right to be informed**
  To be protected against fraudulent, deceitful or misleading information, advertising, labelling or other practices, and to be given facts to make an informed choice.

- **The right choose**
  To be assured, wherever possible access and in those industries in which Government regulations are substituted and assurance of satisfactory quality and services at fair prices.

- **The right to be heard:**
  To be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy and fair treatment in its administrative tribunals (Hoger & Macinnis, 2009:366).

The consumer rights were also used in marketing research as the rights of the respondents in the study. The need to protect consumer rights led to enactment of law in several countries such as the Sales of Goods Act (1893) and creation of government agencies such as Standards Organisation of South Africa (SON), and the National Agency for Food, Drugs and Administration and Control (NAFDAC).

3.8.4 Factors that contribute to the rise of consumerism in South Africa

It is only when business and industry deny consumers their rights that they react negatively. The rise of consumerism in South Africa can be attributed to several factors (Abdi, 2002: 65).

1) Unscrupulous business practice

In the attempt to get rich quick some businessmen and women indulge in unscrupulous business practices. For example, many expired drugs/canned foods are on widespread sale in South African markets. Food poisoning has been incessant in households and educational institutions. This is because spoilt canned foods find their way into the markets instead of being destroyed. Hence, consumers have become helpless in the hands of some businessmen and women.

2) Scarcity

Scarcity of goods and services in South African has resulted in high prices. The continuous increase in retail prices in the face of perennial scarcity has frustrated consumers.

3) Education

Consumers are better educated than their forebears and thus less willing to accept exaggerated salesmanship and misleading advertisements, shoddy goods, even bits of deceit that buyers once considered the natural hazards of commerce. With the Universal Basic Education Programme, the impact of education will be felt more than ever before.

4) Intentionally planned obsolescence

Mass production and mass marketing have placed more products on the market than the consumer is willing to take. This has often led to wild claims by advertisers about what products can do and the use of sophisticated psychological devices in radio and television programmes to get consumers to buy the product.

5) Conduct and social responsibility

With an increase in the level of education and standard of living in South Africa, the public expectation of business conduct has also increased. People are now much more aware of their rights as consumers and demand the same from business. Businesses in South Africa, as in other places, are expected to perform some social responsibilities. Several socialists accuse businesses that operate in South Africa of exploitation and profiteering, for example, the South Africa Delta oil problems, communal clashes, Jesse Fire disasters, and so on.

6) Economic and social dislocation

Consumerism arises as a result of serious economic and social dislocation. This type of situation is marked by a rise in consumer prices and decline in real incomes. The South African economy presently faces such economic and social ills. The minimum wage downturn/strikes are indications of economic/social dislocations in South African society.

7) Wild claims

Consumerism is bound to exist in South Africa because of fraudulent claims, which are rampant in some businesses, namely deceptive promotions, hidden charges, sloppy service and unsafe or impure products. Such claims are rampant for local medicines and herbs that are produced by herbalists (Abdi, 2002:65).

3.8.5 The Importance of consumerism in South Africa

Consumerism is enhanced by several social and economic factors, which were not evident in earlier traditional expressions of consumerism, hence the difficulty of judgment that consumers face. The individual consumer finds it difficult to judge the quality of the product in terms of price, package, content, brand proliferation, planned obsolescence, after sales services and other product features (Hoger & Macinnis, 2009:402).

The average consumer, especially in South Africa, has not been exposed to the level of sophistication that they are now witnessing. The number of illiterates out-numbers the literates. Therefore, the protection of consumers is of paramount importance for the following reasons:

- Information supplied through advertisements is ambitious, sometimes confusing, mainly false and deceptive because the consumer is ignorant of the standards. It is important that the government should step in to protect the consumer
- Consumerism is important because inflation has made purchasing behaviour even more difficult. Rising prices have led consumers to increased quality expectations, which are not achieved, thus again contributing to the frustration of consumers

- The competition that results amongst various producers causes consumers to be confused and this affects their purchases. For example, ordinary petrol that is sold by Mobil and Agip or to distinguish between Benson and Hedges and Rothmans cigarettes, hence the need for protection.
- Advertisements encourage purchase by emotion rather than reason or rationality and, as such, the government, organisations and associations of firms should come to the aid of the consumer (Solomon, 2006:300).

3.9 Conclusion

This chapter has covered the aspect of consumer buying behaviour that are of importance in this study. The chapter looked at the categories that influence the decision making process, the consumer buying process, the importance of the decision rule in marketing strategy, social stratification and overall aspect of consumer buying behaviour. The next chapter covers the in-depth analysis of the global economic downturn.

CHAPTER FOUR
THE GLOBAL ECONOMIC DOWNTURN

4.1 Introduction

In this chapter the global economic downturn will be reviewed and discussed in depth. This chapter will cover the background of the global economic downturn, but the majority of the chapter will look specifically at how Woolworths has been affected by the global economic downturn.

4.2 Marketing strategy in changing environments

According to Ferrell and Hartline (2007:61), the external environment constantly changes and it is important that management understands these changes and know how to act on them. Hooley, Piercy and Nicoulaud (2008:35) explain that the "marketing strategy is supposed to develop effective responses to changing market environments by defining market segments and developing and positioning product offerings for those target markets." Furthermore, in order to be successful in the market, especially a changing one, organisations should use proactive strategies (Hooley, Saunders & Nicoulaud, 2008:35).

4.3 The global economic downturn

First, it is important to understand the concept of global economic downturn. It is not a downturn such as the one resulting from the Wall Street Crash of 1929. While a recession is defined as a period, which lasts for six months or more in which there is a widespread decline in employment, trade sectors and gross domestic production, a global economic downturn is merely a catastrophe within financial markets and the financial sector (Mills, 2009:60).

Although frequently attributed to the America's housing collapse, the global economic downturn in reality had several contributing factors. It was the nature of the financial system itself, which had several complexes, overleveraged financial contracts and operations that made it susceptible to such a breakdown. The downturn, unable to be contained in the banking and credit sector, had a domino effect, which affected markets such as public finance, the insurance sector and foreign exchange (Hooley, Saunders & Nicoulaud, 2008:78).

Worldwide failures of banks to bail out financial organisations such as Lehman Brothers, has only served to hone the economic predicament. As consumer patterns are changing and both businesses and individuals are becoming more reluctant investors, the downturn shows no signs of slowing down (Mills, 2009:60).

4.3.1 The South African economic downturn

Before the global economic downturn, South Africa had been enjoying a period of economic expansion. However, when the global economy began to spiral downwards, vulnerabilities in the country's economy such as unemployment, the poverty gap, and crime became readily apparent. Additionally, the level of household loan debt, owing to low interest rates, coupled with energy shortages and blackouts amid a hostile political environment, resulted in resignation of the country's president, Thabo Mbeki (Finance 24, 2010).

Despite years of economic growth and improvements in macro-economic stability, South Africa found itself affected by the global economic downturn, and in May 2009 it was declared by the national treasury that the country was in a downturn. The decline in important industries such as the automobile retail business led to two consecutive quarters of GDP growth declining. Additionally, decreases in cash flow, which resulted from declining foreign investment, have led to retrenchment in several sectors (Finance 24, 2010).

The rate of unemployment has led to several social impacts such as increases in income inequality, the informal food market, gender disparity, food insecurity and social unrest. Many families are now vulnerable to these social problems. Women, who have always experienced the greatest fluctuations in employment, have been the most affected (Mills, 2009:55).

With the number of families on the increase facing income insecurity, quality of and accessibility to basic services has led to a lack of access to housing, education and healthcare for the country's poor.

A large segment of capital, which enters South Africa, has been invested through portfolio investments, which play an essential role in the country's economy. However, these investments are susceptible to investor sentiments and changes in fiscal policy, which, owing to the tumultuous global markets, have been too conservative to benefit the economy (Mills, 2009:58).

4.3.2 The gross domestic product (GDP supply side)

During the global economic downturn of 2008 the real gross domestic product (GDP) of South Africa had declined and resulted in a contraction and a sharp decline in the first half of 2009. During the third half of 2009 there was marginally positive growth which gained considerable momentum in the fourth quarter, domestic economic activity continued to contract by 1.8 per cent in 2009 as a whole (South African Reserve Bank, 2009:18).

The last quarter of 2009 had a positive growth of 3.2 per cent and further increased to 4.6 per cent during the first quarter of 2010. This steep increase in the real gross domestic product at market prices is expected to experience positive growth during this period (South African Government, 2010:2).

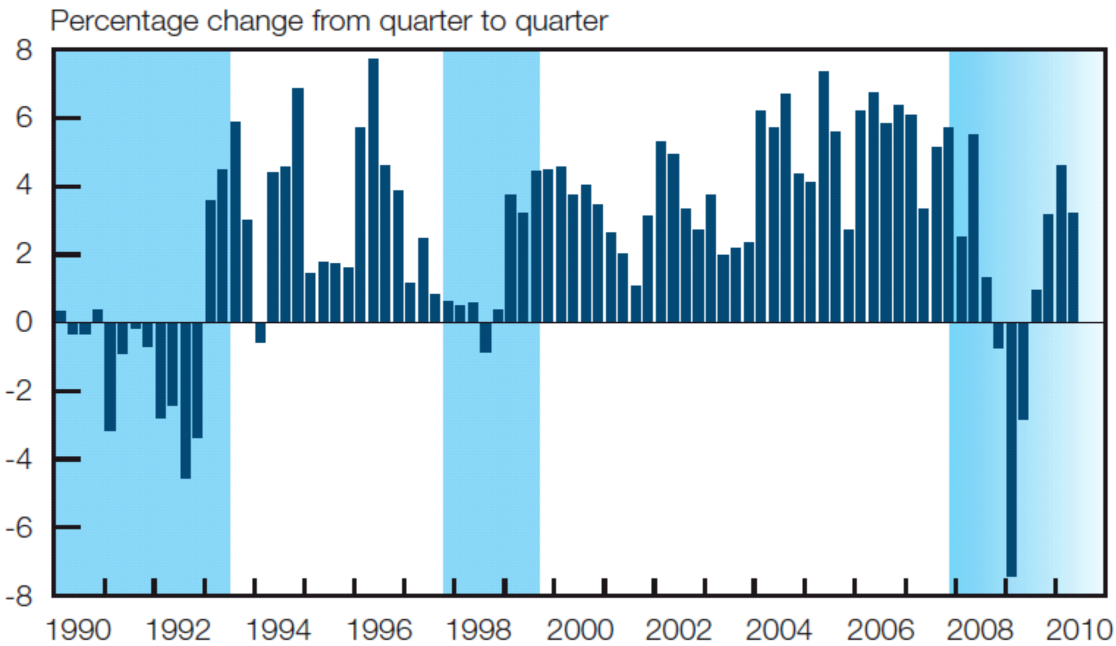

Figure 4.1: Real gross domestic product (South African Reserve Bank, 2010:10:4)

Figure 4.1 illustrates the real gross domestic product and the percentage change from quarter to quarter of 2009. During 2008 and 2009, the real gross domestic product declined by the retail sector but however had increased to 2.5 per cent in the first half of 2010. The result of this increase is due to the improved performance in the agricultural and mining sectors (South African Reserve Bank, 2010:5).

Table 4.1: Real gross domestic product by sector (South African Reserve Bank, 2010:5)

Percentage change at seasonally adjusted annualised rates

Sectors	2008	2009			2010
	Year	1st half	2nd half	Year	1st half
Primary sector	-1,2	-11,3	-2,5	-6,0	2,5
Agriculture	10,9	-5,6	-11,8	-3,2	2,3
Mining	-5,4	-13,6	1,8	-7,2	2,6
Secondary sector	3,4	-14,8	3,6	-7,2	6,9
Manufacturing	2,7	-20,1	3,2	-10,7	8,4
Electricity, gas and water	1,0	-3,7	2,8	-0,5	2,6
Construction	9,3	9,1	6,1	7,8	2,3
Tertiary sector	4,7	0,1	0,6	1,1	2,9
Commerce	1,1	-2,8	-2,3	-2,9	2,9
Transport and communication	3,9	-0,9	0,8	0,5	2,8
Financial and other services	7,9	-0,5	-1,1	1,3	2,5
Non-agricultural sector	*3,7*	*-4,5*	*1,3*	*-1,5*	*3,8*
Total	3,7	-4,6	0,5	-1,8	3,9

Moving on to the sectorial GDP analysis, Table 4.2 shows the real gross domestic product percentage change during 2008 to 2010. The sectors are divided into the primary sector, secondary sector and tertiary sector. The primary sector consists of; agriculture and mining, the secondary sector consists of; manufacturing, electricity, gas and water, and construction, while the tertiary sector consists of; commerce, transport and communication, financial and other services. The final sector stands alone as the non-agricultural sector (International Monetary Fund, 2009:77).

The commerce sector in 2009 decreased by 2.8 per cent in the first half and 2.3 in the second half of the year. The most severe decline for the commerce sector was in the first quarter of 2010 when the real output contracted by 2.9 per cent (South African Reserve Bank, 2010:5).

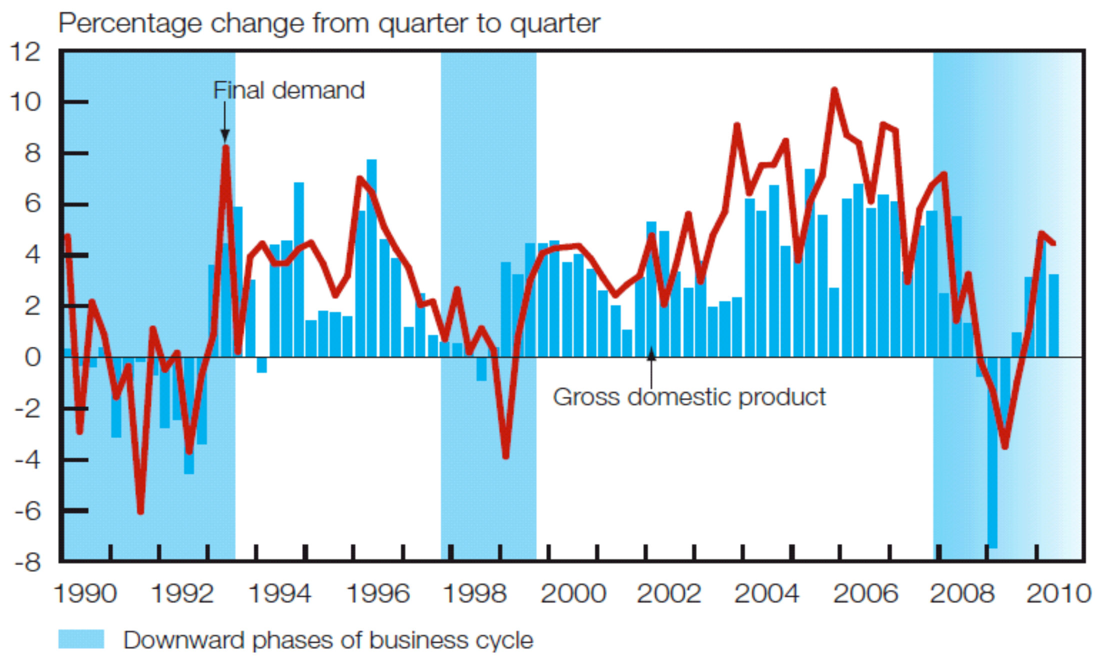

Figure 4.2: Real gross domestic product and final demand (South African Reserve Bank, 2010:6)

Moving on to the real gross domestic product and final demand shown in Figure 4.2, the decline in the production of electricity, gas and water in the first half of 2009 was caused by the decline in the gross production in the manufacturing sector. Since 2004 the secondary sector experienced the first annual contraction in the gross domestic production. This severe contraction in the gross domestic production of the manufacturing sector in 2009 was contributed by the global economic downturn (International Monetary Fund, 2009:79).

In the first half of 2009, the manufacturing output accounted for 15.1 per cent of the gross domestic product, however as seen in Table 4.2 the first half of 2009 decreased to a 20.1 per cent. A decline of 20.1 per cent in the first half of 2009, the manufacturing sector increased by 3.2 per cent and 8.4 per cent in the second half of 2009 and the first half of 2010 respectively (Boell, 2009:14).

The manufacturing sector however also played a key role in assisting the economy with recovery from the global economic downturn and since 2009 the manufacturing sector increased to 8.4 per cent. The increase in gross domestic production during the global economic downturn was particularly influenced by the European imports, which constitute about one-third of South African manufactured goods (South African Government, 2010:2).

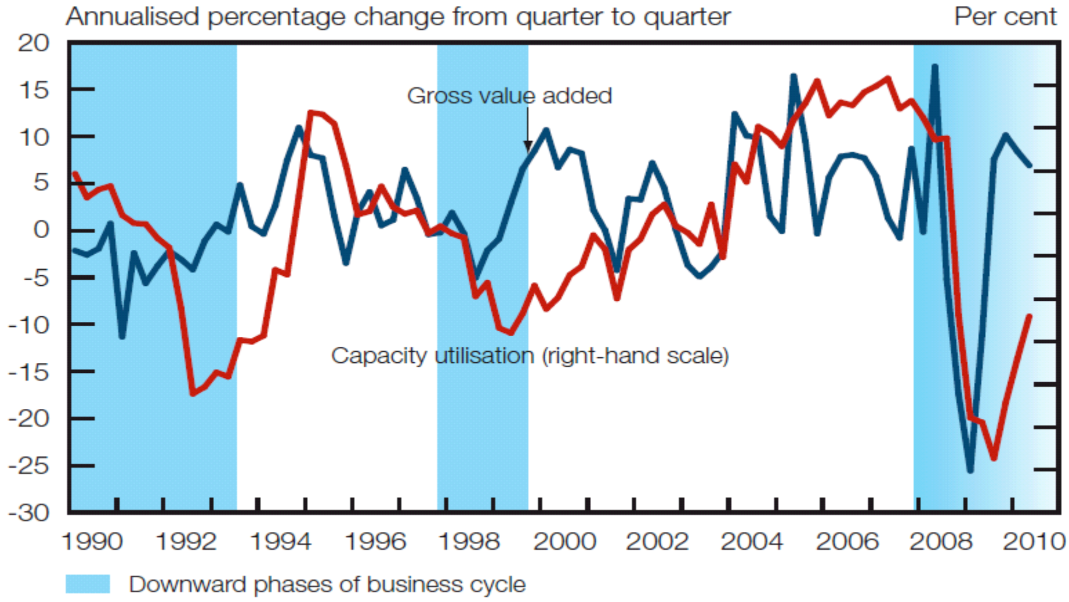

Figure 4.3: Real gross value added and capacity utilisation in manufacturing (South African Reserve Bank, 2010:7)

Figure 4.3 is a graph, which illustrates the real gross value added and capacity utilisation in manufacturing. In the third quarter of 2009, the capacity utilisation in manufacturing reached an all-time low of 77.2 per cent. This is the lowest percentage decrease ever experienced in the manufacturing sector. The slow growth in output volumes was a result of the low rate of capacity utilisation in manufacturing, which was directly affected by fixed capital formation as a result of the global economic downturn (International Monetary Fund, 2009:77).

The gross production in electricity, gas and water declined by 0.5 per cent in 2009, when prior to that in 2008; there was an increase of just 1 per cent. The decrease in production of electricity, gas and water led to reduction in electricity supply and periodic load shedding. In the first half of 2009 the real output of the electricity sub sector decreased moderately due to a decrease in production activities by a number of electricity intensive production units in response to the downturn induced a decline in energy demand (Boell, 2009:16).

The construction sub sector increased at a rate of 9.3 per cent in 2008, which was an artificial situation caused by the “FIFA World Cup”, but however in 2009 a slower growth as from the previous year was observed to 7.8 per cent. The decrease in construction output was adversely affected by the slowdown in the private sector demand for residential and non-residential buildings (South African Government, 2010:2).

The finance, insurance, real-estate and business services sector also slowed down to 1.3 per cent in 2009 following an increase of 7.9 per cent in 2008. The output of the general government grew at a rate of 4.2 per cent in both 2008 and 2009 as service delivery was expanded, before losing some momentum in the first half of 2010 (International Monetary Fund, 2010:77).

Throughout 2009 the commerce sector reflected a lack of consumer confidence and spending and a further decline in aggregate domestic demand. This decline in confidence of the consumer was a result of the global economic downturn because people try to save as much as possible during a downturn (South African Government, 2010:2). Hence the focus shifts now to the demand side of the GDP.

4.3.3 Gross domestic expenditure

During the period of 2002 to 2007 the gross domestic expenditure exceeded growth in gross domestic product. Consequently there was a decrease in the growth of gross domestic expenditure, which slowed down more than the gross domestic product. Both the gross domestic expenditure and the gross domestic product contracted at a rate of 1.8 per cent in 2009. In 2010 the gross domestic expenditure increased to 7.8 per cent, exceeding the growth in gross domestic product by 3.9 per cent (South African Reserve Bank, 2010:8). This is depicted in Table 4.2.

Table 4.2: Real gross domestic expenditure
(South African Reserve Bank, 2011:8)

Percentage change at seasonally adjusted annualised rates

Components	2008	2009			2010
	Year	1st half	2nd half	Year	1st half
Final consumption expenditure:					
Households	2,4	-4,7	-1,9	-3,1	4,4
General government	4,9	4,4	4,8	4,7	6,0
Gross fixed capital formation	11,7	2,6	-4,1	2,3	0,1
Change in inventories (R billions)*	-7,7	-27,6	-47,6	-37,6	-8,0
Gross domestic expenditure	3,3	-1,9	-2,4	-1,8	7,8

* At constant 2005 prices

Change in inventories decreased by 27.6 billion in the first half of 2009 and 47.6 in the second half of 2009. In 2010 it further decreased by 37.6 billion as shown in Table 4.3. The change in the inventories meant that organisations used up more stock than what they were selling which resulted in a reduction in manufacturing.

4.3.4 Final consumption expenditure by households

In 2009 the final consumption expenditure by households contracted at a rate of 3.1 per cent as households experienced the deteriorating prospects of income growth. Additionally, the relatively high levels of household debt, asset values came under pressure, which further impaired household wealth, consequently providing underlying decrease in consumer spending. From the first half of 2008, the value of household assets in particular residential properties and equity holdings, started to decline. As a result, the household predisposition to consume was adversely affected (United Nations, 2009:45).

In the first quarter of 2009 the consumption expenditure by households contracted at a rate of 4.7 per cent and 1.9 per cent in the second half. Although spending declined in all expenditure categories in the first half of 2009, for the most part, large reductions were recorded in expenditure on durable and non-durable goods. (South African Reserve Bank, 2010:8). This is demonstrated in Table 4.3.

Table 4.3: Real final consumption expenditure by households (South African Reserve Bank, 2010:9)

Percentage change at seasonally adjusted annualised rates

Components	2008	2009			2010
	Year	1st half	2nd half	Year	1st half
Durable goods	-7,1	-13,5	-1,0	-11,3	21,5
Semi-durable goods	4,2	-0,8	-5,0	-1,5	16,1
Non-durable goods.......................	1,5	-6,2	-3,3	-4,4	7,2
Services..	5,1	-2,5	0,0	-0,6	-3,9
Total	2,4	-4,7	-1,9	-3,1	4,4

From Table 4.4 the household consumption expenditure on durable goods contracted sharply at annualised rates of 13.5 per cent and 1.0 per cent in the first and second halves of 2009 respectively. However in 2010 the consumption of durable goods increased robustly at a rate of 21.5 per cent (Boell, 2009:65).

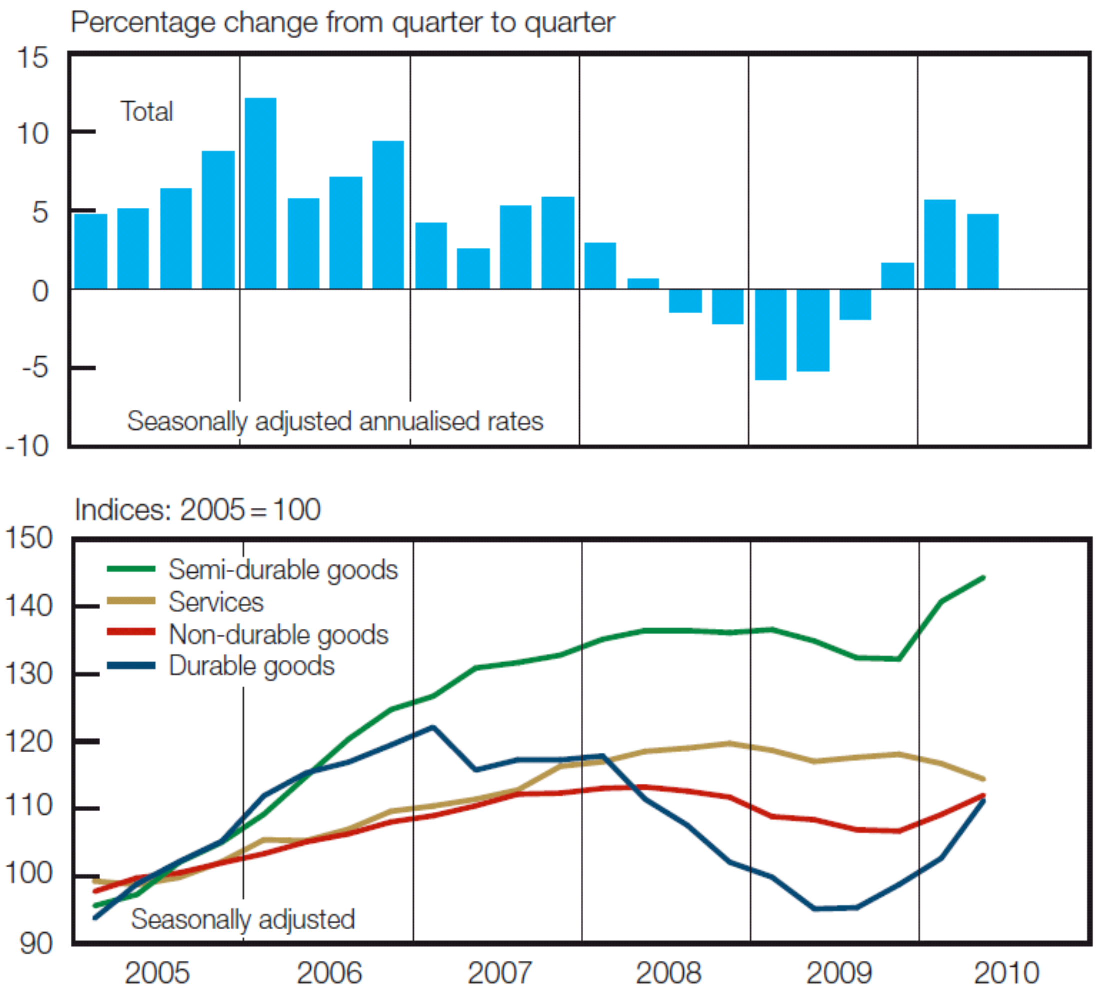

Figure 4.4: Quarterly final consumption expenditure by households (South African Reserve Bank, 2010:9)

Figure 4.4 depicts a graph of the real final consumption expenditure by households. In the first half of 2010 the growth of household expenditure on semi-durable goods accelerated quickly following negative growth throughout 2009. Increases in spending were observed in all expenditure categories, except for spending on motorcar tyres, parts and accessories. Spending on clothing and footwear and on household textiles, furnishing and glassware increased by 20 per cent and 9.9 per cent respectively in the first half of 2010. Consumers took advantage of the decrease and discounts in the prices of clothes (South African Reserve Bank, 2010:9).

4.3.5 Consumption expenditure by general government

The consumption expenditure by government restrained from 4.9 per cent in 2008 to 4.7 per cent in 2009. The growth of government consumption expenditure increased to a rate of 6.0 per cent compared with a rate of increase of 4.8 per cent in 2009. The increase in government spending was a result of higher spending on non-wage goods and services, which increased to 10.9 per cent. As part of the government's defence procurement programme, aircrafts were purchased which also contributed to the increase in government expenditure in the first half 2010. At the same time, growth in consumption of government employees increased from 3.5 per cent in the first half of 2009 to 3.6 per cent in the first half of 2010 (Stats SA, 2010:22).

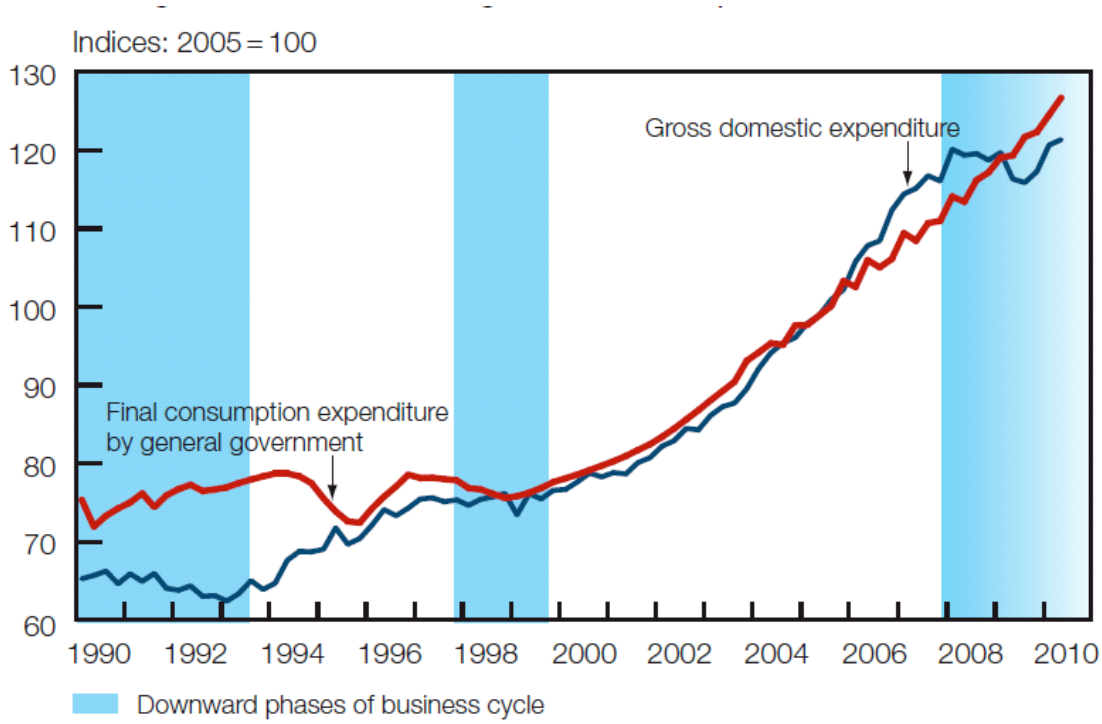

Figure 4.5: Real gross domestic and government expenditure (South African Reserve Bank, 2010:11)

Figure 4.6 is a graph of the gross domestic and government expenditure. The ratio of consumption expenditure by general government to gross domestic product subsequently continued to move upwards, increasing from 19.1 per cent in 2008 to 21 per cent in 2009 and further 21.2 per cent in the first half of 2010, this was largely due to the FIFA World cup tournament (South African Reserve Bank, 2010:11).

In 2010 the growth in consumption expenditure by government outpaced growth in all other expenditure components, therefore lending support to the economic recovery of the global economic downturn (South African Reserve Bank, 2010:11).

During the end of June 2010, growth in the real final consumption expenditure by government outpaced growth in all other expenditure components, thereby crowding out private final consumption expenditure. The ratio of final consumption expenditure by general government to gross domestic product subsequently continued to move upwards, increasing from 19.1 per cent in 2008 to 21 per cent in 2009 and further to 21.2 per cent in the first half of 2010 (Stats SA, 2010:30).

An increase in travel related costs largely affected by the hosting of the 2010 FIFA World cup tournament in South Africa in the second quarter of 2010 also impacted spending on services, as foreign spending in South Africa exceeded South African consumer spending in the rest of the world during the period (United Nations, 2009:47).

4.3.6 Gross fixed capital formation

The gross fixed capital formation is defined as, "a measure of gross net investment (acquisitions less disposals) in fixed capital assets by enterprises, government and households within the domestic economy, during an accounting period such as a quarter or a year. It is a component of expenditure approach to calculating the gross domestic product." (Stats SA, 2009:17).

The rate of change in capital expenditure declined from an annualised rate of decline of about 0.6 per cent in the downward phase of the business cycle from 1996 to 1999 to an increase of 9.2 per cent in the upward phase of 2007. The rate of increase in gross fixed capital formation receded again during the subsequent global economic downturn.

Table 4.5: Gross fixed capital formation
(South African Reserve Bank, 2010:12)

Percentage change at seasonally adjusted annualised rates

Components	2008	2009			2010
	Year	1st half	2nd half	Year	1st half
Private business enterprises..........	5,6	-10,9	-10,3	-7,0	-0,8
Public corporations........................	41,0	64,6	16,0	40,7	7,5
General government	13,4	-2,3	-7,5	-1,2	-8,3
Total	11,7	2,6	-4,1	2,3	0,1

Table 4.5 depicts the gross fixed capital formation from 2008 to 2010. In 2007 the gross fixed capital formation increased by 14.2 per cent and 11.7 per cent in 2008, before narrowing in the second quarter of 2009, which is the first time in 29 quarters. The level of real fixed investment spending broadened in the first half of 2010, while

in 2009 the fixed investment increased at an annualised rate of 2.6 per cent and a decline of 4.1 per cent in the second half of 2009. However the ratio of fixed capital formation to gross domestic product declined to an average of 21.1 per cent in 2010 which is lower than the rate of 22.6 per cent registered for 2009 as a whole (Stats SA, 2010:22).

4.3.7 Manifestation of the global economic downturn

Factor income is defined as, “an income derived from selling the services of factors of production. In case of labour, this means wages, plus the part of the incomes of the self-employed which is a reward for their labour” (International Monetary Fund, 2009:45).

In 1999 the aggregate factor income increased at a compound annual rate of 12 per cent during the upward phase of the business cycle. However from the first half of 2010, to the first half of 2010, the compound rate of growth slowed to 9.7 per cent. In 2009 the nominal factor income decelerated to 5.7 per cent, following an increase of 14.9 per cent. In 2009 the nominal factor income decelerated to 5.8 per cent following an increase of 14.9 per cent in 2008. In the first half of 2010 growth accelerated to an annualised rate of 9.0 per cent supported by stronger growth in the operating surpluses of business expenses (South African Government, 2010:5).

In the upward phase of the business cycle the annual growth in compensation of employees was 10.5 per cent from the third quarter of 1999 to the final quarter of 2007. The slowdown was recorded in all the industries and reflected job shedding, a reduction in working hours and smaller bonuses paid to workers, given weak sales volumes (South African Government, 2010:6).

The ratio of compensation of employees to factor income was 49.7 per cent recorded in the second half of 2009, but higher than the ratio of 49.4 per cent recorded in 2008. The resilience of compensation of employees, regardless of job losses, was partly due to wage increases in excess of inflation and business enterprises willingness to retain scarce skilled employees in anticipation of the likely of adverse business conditions (International Monetary Fund, 2009:45).

4.3.8 Employment

In 2005 an increase in the employment cycle commenced, over a period of almost four years and adding a total of 771 000 formal job opportunities. However, since the global economic downturn in the third quarter of 2008, the level of formal agricultural employment started to contract, shedding a total of 385, 700 employment opportunities up to the first quarter of 2010 (International Monetary Fund, 2010:46).

In the first quarter of 2009 the number of employed people in South Africa decreased from 13.64 million to 12.80 million in the first quarter of 2010. Between the two quarters under consideration, the number of jobs lost was 833 000, which is lower than the corresponding job losses reported in the last quarter of 2009 (Congressional Research Institute, 2009:10).

During the same period the Black African population lost 717 000 jobs, the Coloured and White populations lost 50 000 and 81 0000 jobs respectively, and the Indian/Asian population gained 15 000 jobs. The unemployment rate increased from 23.5 per cent to 25.2 per cent during the same period (Congressional Research Institute, 2009:11).

The unemployment rate among Blacks in the first quarter of 2010 was 29.7 per cent, while among Coloureds, Indians/Asian and Whites it was 21.8 per cent, 9.2 per cent and 6.1 per cent respectively (International Monetary Fund, 2009:66).

In the first quarter of 2009, the agriculture, forestry, fishing and hunting sector employed 738 000 people, and this declined to 650 000 in the first quarter of 2010. The sector remained the second largest loser of jobs between the first quarter of 2009 and 2010 (11.9 per cent in job losses), while the utilities sector is the largest loser of jobs (30 per cent) (Congressional Research Institute, 2009:14).

On the other hand, the rate of job losses by the sector is lower than the year on year job losses of 19.5 per cent in 2009 while between the last quarter of 2009 and the first quarter of 2010, the sector employment increased by 5.7 per cent. Other sectors, such as transport, community and social services and private households, also experienced quarter on quarter job recoveries of 3.8 per cent, 1.1 per cent and 3.0 per cent respectively (International Monetary Fund, 2009:56).

The changes in the level of private sector employment generally move in tandem with phases of economic expansion as shown in Figure 4.7. The relationship has been acutely evident during the most recent global economic downturn, characterised by a marked decline in the level of employment especially n 2009 (South African Reserve Bank, 2010:18)

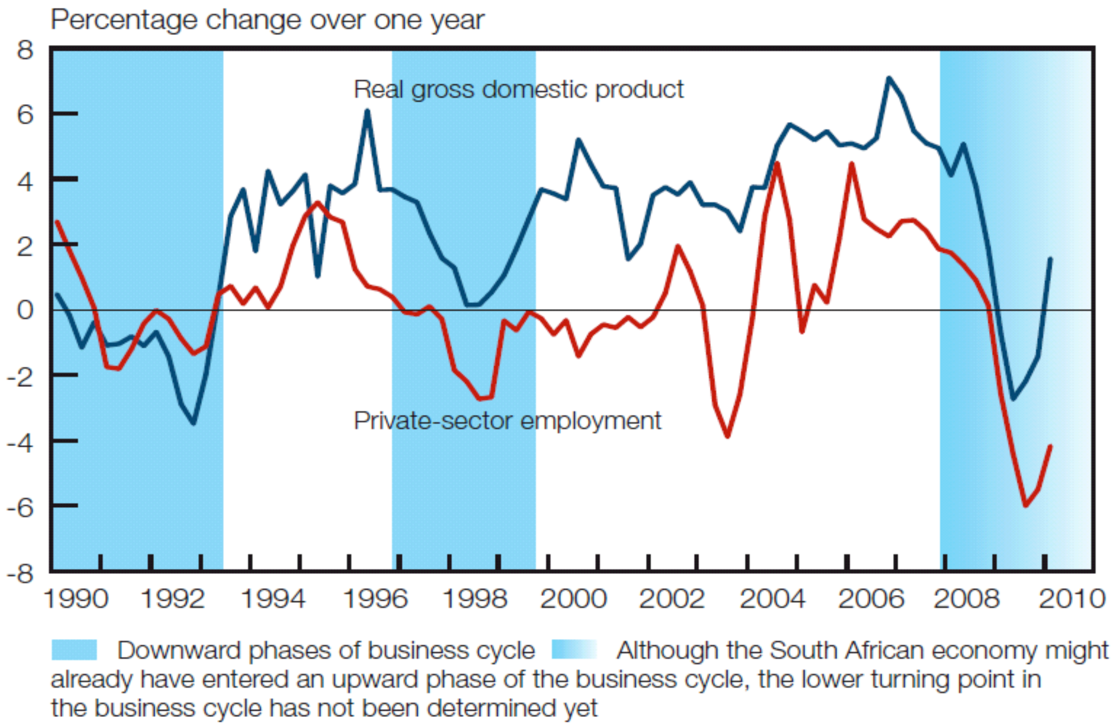

Figure 4.6: Private sector employment and real gross domestic product (South African Reserve Bank, 2010:18)

Figure 4.7 shows a graph of the private sector employment and real gross domestic product. Due to investment led employment creation in the construction and mining sectors, consumption led employment increased by augmented investments, which resulted in an upward phase in the employment maturing. The expansion in the mining activity was encouraged by a surge in international commodity prices and occasional bouts of depreciation in the exchange value of the rand. Employment creation took place mainly in the non-gold mining sector, which accounted for just more than 67 per cent of the total mining sector employment in 2008 (South African Reserve Bank, 2010:18).

According to the quarterly employment statistics survey conducted by statistics South Africa (Stats SA, 2010), approximately 8.1 million people were employed in the formal non-agricultural sectors of the economy in 2010. This reflects an annual decrease of 2.9 per cent or about 244, 400 shed job opportunities since March 2009. Previously, a further 141 000 jobs were lost in the six months to March 2009. The decrease in employment in the finance, insurance, real estate and business services sectors accounted for almost half of the number of jobs lost over the year to march 2010 (International Monetary Fund, 2010:45).

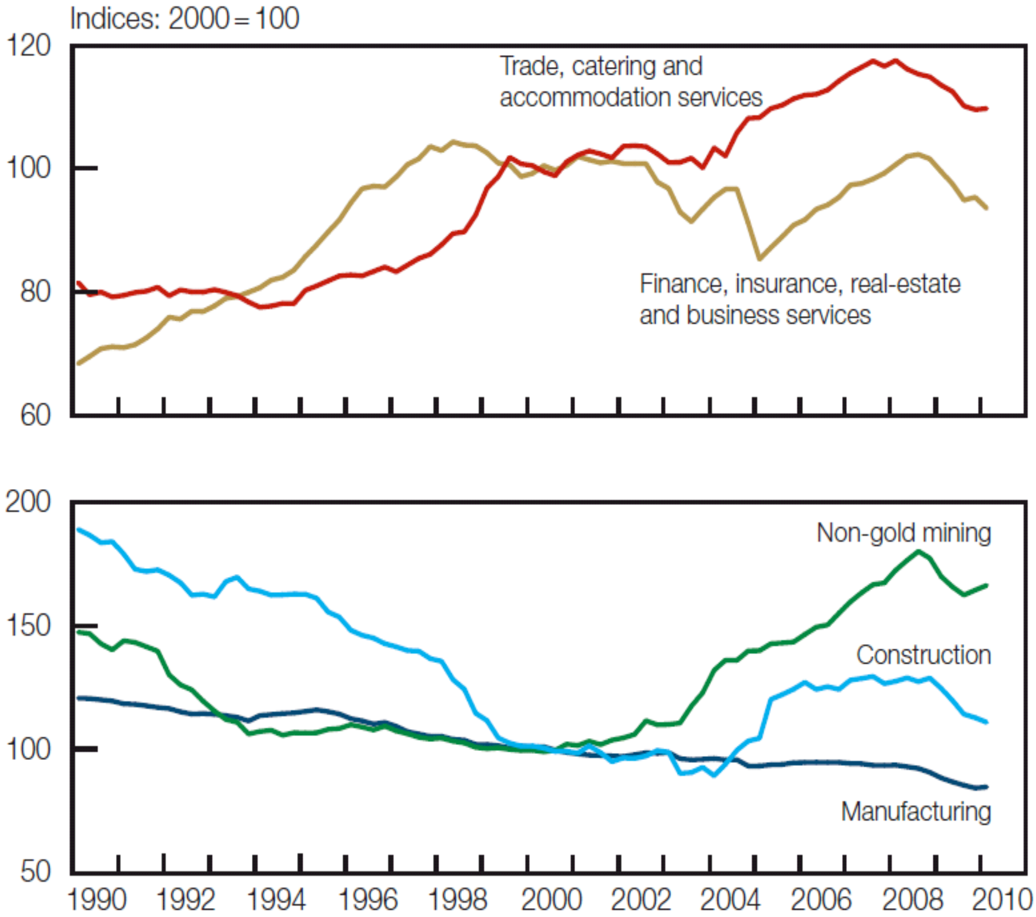

Figure 4.7: Employment in selected industries (South African Reserve Bank, 2010:19)

Figure 4.8 illustrates the further job losses in manufacturing, construction, and trade catering and accommodation services, collectively shedding around 158 600 job opportunities. The public sector, increased by 1.4 per cent of total employment in the formal non-agricultural sector, increased by 1.4 per cent in the year to March 2010, as opposed to a decrease of 4.2 per cent in the private sector. Over the year to the first quarter of 2010, all private sub sectors recorded employment losses except for the community, social and personal services sector (South African Reserve Bank, 2010:19).

Table 4.5: Change in enterprise-surveyed formal non-agricultural employment in the four quarters (South African Reserve Bank, 2010:19)

Sector	Over four quarters	
	Number*	Percentage change
Mining	-9 000	-1,8
Gold mining	-1 800	-1,1
Non-gold mining	-7 200	-2,1
Manufacturing	-51 600	-4,2
Electricity supply	-3 200	-5,4
Construction	-50 500	-11,0
Trade, catering and accommodation	-56 400	-3,3
Transport, storage and communication	-1 100	-0,4
Financial intermediation and insurance	-111 400	-6,0
Community, social and personal services	12 900	3,2
Total private sector	-270 400	-4,2
National, provincial and local government	38 800	2,4
Public-sector enterprises	-12 800	-5,1
Total public sector	26 000	1,4
Grand total*	-244 400	-2,9

* Components may not add up to totals due to rounding

The total employment in the manufacturing sector declined by as much as 131 000 jobs over the two year period to the fourth quarter of 2009, as these employment losses started to occur at a much earlier stage. However, a steady recovery in export and domestic demand resulted in a moderate increase in manufacturing production from the second quarter of 2009. Higher production levels eventually led to a marginal increase in the number of people employed in the manufacturing sector in the first quarter of 2010 when 6000 jobs were created (South African Reserve Bank, 2010:19).

Even though South African financial institution were not directly affected by the global economic downturn, the economic downturn had a bearing on the financial sector through a depressed residential property market, a rise in impaired advances and a lack of demand for credit. The finance, insurance, real estate and business services sector, which is the largest job creating sector in the South African economy collectively provides jobs for about 22 per cent of the non-agricultural sector that shed an estimated 111 000 jobs during the year end of 2010 (International Monetary Fund, 2009:39).

The global unemployment rate had decreased for four consecutive years, increased in both 2008 and 2009. The number of unemployed persons in 2008 amounted to 212 million, reflecting an increase of almost 34 million compared with the previous year. The global unemployment rate in 2009 stood at 6.6 per cent, but would have been significantly high, had it not been for intensive policy actions taken by governments to counter the impact of the economic downturn and to minimise the negative impact on labour markets. The estimated South African labour participation rate, defined as the economically active population as a share of the working age population, was 54.3 per cent in the second quarter of 2010, substantially below the average global labour participation rate of 65 per cent (South African Reserve Bank, 2010:20).

The unprecedented pace of employment decline during the global economic downturn prompted several policy actions aimed at curbing the impact and extent of job losses observed in the economy. The budget review 2009, announced a public-sector investment initiative worth R787 billion over the following three years, this is to improve the competence of public service delivery and creating an enabling environment for sustained economic growth (Stats SA, 2009:21).

The private sector fixed investment and support employment creation in the construction sector in particular has the potential to counter decreased affects of the initiative. The industrial development corporation and the unemployment insurance fund had a loan facility of R2 billion aimed at creating and sustaining jobs (Stats SA 2009:22).

4.3.9 Inflationary pressures

The global economic downturn influenced the price developments in the domestic economy during the past year and a half to a large extent. As the global economic downturn affected the economy with its associated inflation effects, it resulted in a decrease in international commodity prices. During 2009 commodity prices slowly improved as the global economic downturn gained momentum. As a result this contributed to a positive reception in the exchange value of the rand, which in turn, assisted in restraining imported goods price inflation. Domestic consumer price inflation restrained considerably from August 2008 to 2010, with the targeted measure of inflation re-entering and remaining within the 3 to 6 per cent inflation target range during July 2010 (South African Reserve Bank, 2010:23).

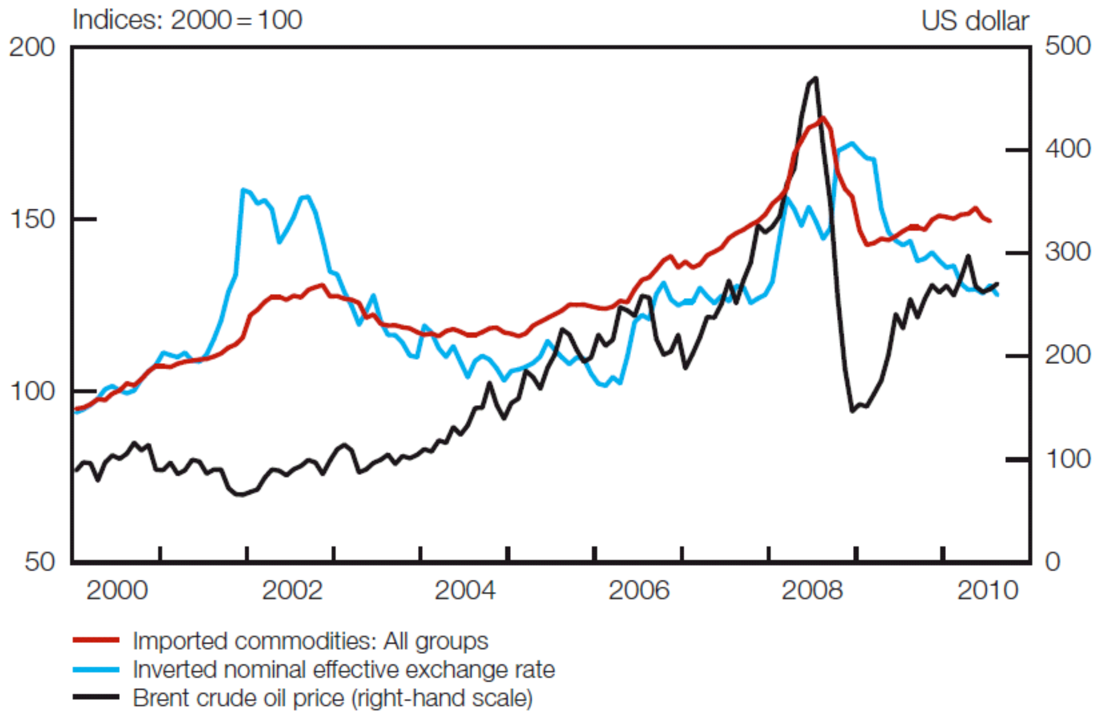

Figure 4.8: Imported producer prices, nominal effective exchange rate and foreign prices
(South African Reserve Bank, 2010:24)

Figure 4.9 illustrates the imported producer prices, nominal effective exchange rate and foreign prices. The price inflation increased to a peak rate of 19.1 per cent in 2008, consequently decreasing considerably to a rate of decrease of 4.0 per cent in 2009, which was enhanced by international commodity prices. The lower international price of Brent crude oil during the latter part of 2008 and into 2009, caused a decline in producer prices of domestic output resulted from lower commodity prices as global demand contracted (Stats SA 2009:88).

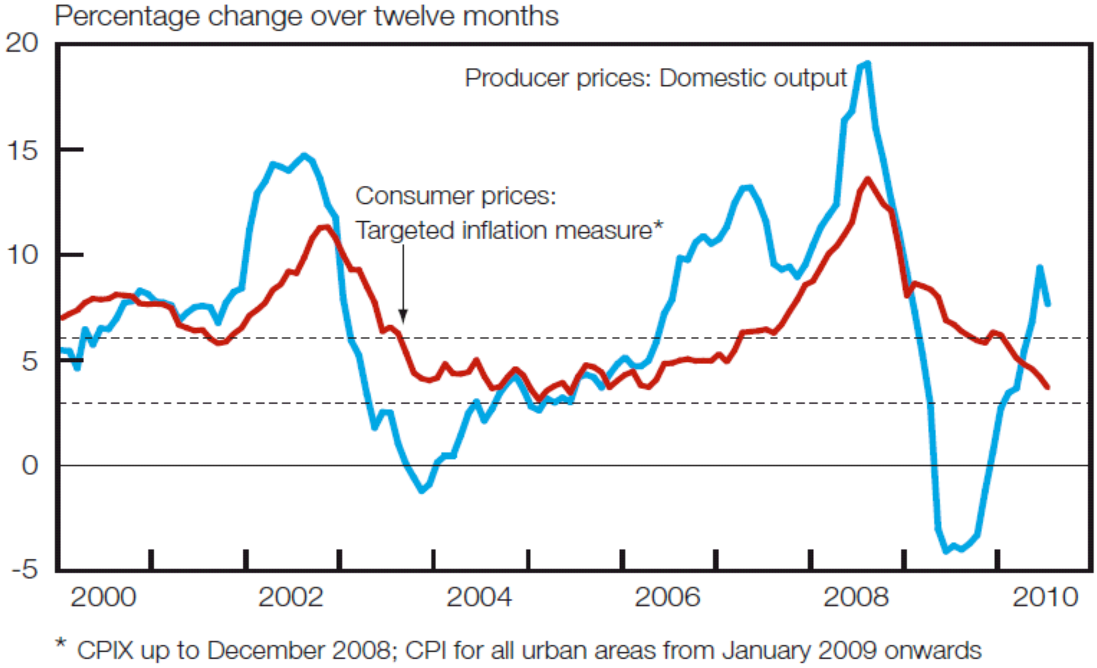

Figure 4.10: Inflation
(South African Reserve Bank, 2010:24)

Figure 4.10 illustrates a graph of the producer prices of domestic output and consumer prices of targeted inflation measure. According to the graph, the annual rate of increase in the producer prices of domestic output decreased from 14.3 per cent in 2008 to zero in 2009. The high prices of mining and quarrying products, as well as of manufactured goods, electricity, gas and water caused the subsequent increase in the prices of domestically produced output. Lower producer prices of agricultural and manufactured food products assisted in restraining producer price inflation in recent months as a partial offset to these price increases. In subsequent period, the global economic recovery contributed to an increase in commodity prices and hence imported producer prices (Stats SA 2009:87).

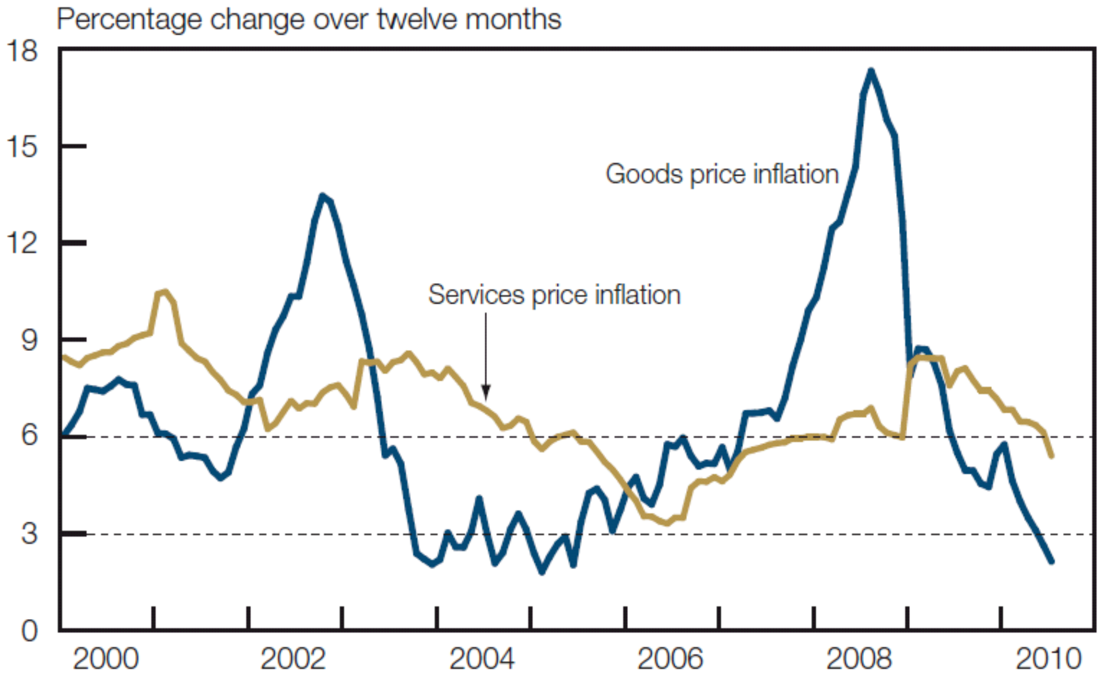

Figure 4.10: Prices of consumer goods and services
(South African Reserve Bank, 2010:25)

Figure 4.11 illustrates a graph of the prices of consumer goods and services. Year after year the consumer food price inflation averaged 15.8 per cent in 2008, decreased to 9.2 per cent in 2009 and further to 1.1 per cent in 2010. A considerable moderation in consumer food price increases in the early months of 2010, as producer price decreases of food at both the agricultural and manufactured levels (South African Reserve Bank, 2010:25).

In 2009 and the first half of 2010, the consumer price inflation declined substantially, amounting to 2.1 per cent in July 2010, after having accelerated during 2008. The lower rates of price inflation in clothing and footwear products, recreation and cultural products, as well as in miscellaneous goods aided the moderation of price inflation for goods that was brought about by a prominent decline in food price inflation. On the other hand the prices of alcoholic beverages and tobacco products as well as electricity kept on increasing, while the petrol price changes inverted their deflationary trend from December 2009 and increased at a rate of 18.8 per cent in the year to May 2010 and moderated sharply to 4.9 per cent in July (Stats SA, 2010:35).

4.4 Conclusion

The global economic downturn did not affect South Africa as much as in developed countries, however it still affected different sectors within the economy. Various sectors were affected differently during the economic downturn for example the manufacturing decreased exponentially whereas the construction sector increased due to support from the FIFA World cup. Government spending although assisted unemployment; overall the unemployment was much higher resulting into less factor income and less consumption expenditure due to less disposable income. Organisations presently still find themselves having to adapt to constant changes and pressures within an unpredictable market. They will need to possess an acute awareness of the changing market, including policy revisions, hiring practices and knowledge of consumer needs in order to survive (Mills, 2009:75). The next chapter will look at the research methodology of the study.

CHAPTER FIVE
RESEARCH METHODOLOGY

5.1 Introduction

One of the objectives of the practical aspect of the study was to understand Woolworth's adaptive strategies towards the global economic downturn. In order to achieve this, a qualitative research strategy was used to collect evidence, making use of in-depth interviews to attain results.

5.2 Research approach

In marketing research there are three research methods that can be used to conduct research, namely: quantitative, qualitative and mixed methods. This is shown in Table 5.1. According to Creswell (2009:3), qualitative research is structured by using words and is framed by using open-ended questions, while quantitative research is structured by numbers and is framed by closed-ended questions (Creswell, 2009:4).

Table 5.1: Methods of research
(Creswell, 2009:13)

Quantitative	Qualitative	Mixed Methods
Experimental designs	Narratives	Sequential
Non-experimental designs such as surveys	Phenomenology	Concurrent
	Ethnographies	Transformative
	Grounded theory	
	Case studies	

The research problem dictated the research design. Therefore, on the basis of the research problem of the study, which was to investigate Woolworth's response to the global economic downturn, the appropriate research design was exploratory using the qualitative method. The research problem identifies the discovery of the adaptive strategy of Woolworth's resulting from the global economic downturn. Table 5.2 provides a more detailed view of the research methods that can be used.

Table 5.2: Research methods

(Creswell, 2008:17)

Quantitative research methods	Qualitative research methods	Mixed methods research methods
Predetermined instrument based questions	Emerging methods	Both predetermined and emerging methods
Performance data, attitude data, observational data, and census data	Open-ended questions	Both open and closed-ended questions
Statistical analysis	Interview data, observation data, document data and audiovisual data	Multiple forms of data drawing on all possibilities
	Text and image analysis	Statistical and text analysis
	Case studies	

5.3 Methods of reasoning

Normally when doing qualitative research, there are three methods of reasoning. First, an "inductive approach" is generally used when performing qualitative research. Inductive reasoning is when a theory is developed to explain already existing information. The study will make use of the induction approach (Bryman & Bell, 2008:14).

Second, quantitative research often uses a deductive approach; this approach looked at getting to the core of the research topic in order to realise a specific confirmation of results. A disadvantage of using the deductive approach is normally the background theory in several situations, which makes the structure more conceptual and the foundation weak.

The third approach is called the "abduction approach". This approach is based on empirical facts, which are similar to the "inductive approach", but includes a theoretical framework (Bryman & Bell, 2007:15).

5.4 The qualitative approach

The study covered the topic by using the qualitative method in a form of a case study. Data that was collected and the research was analysed, and information that was gathered was re-assessed. This allowed for decisions to be made after learning more about the issue. Qualitative research was used to obtain an in-depth view of the issue at hand and to obtain interviewees opinions about the topic.

According to Creswell (2009:8), during research of a qualitative approach the relationship between the researcher and the interviewee becomes closer, creating trust that leads to gaining deeper and more precise information than using the quantitative approach.

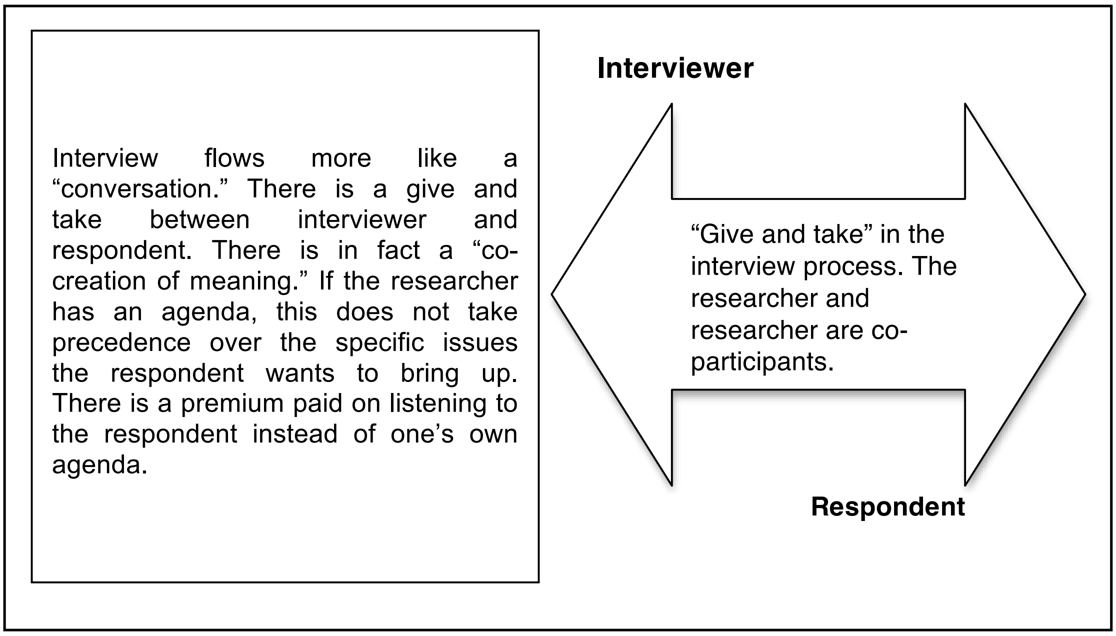

Figure 5.1: Model of Qualitative Interview Process
(Creswell, 2009:12)

Figure 5.1 demonstrates that the interview process is a "give and take" means of communication, in such a case the researcher and researched are co-participants. The interview process is a conversation, which is mutually beneficial for both parties as the interviewee is not restricted on what opinions to give. Listening is a valuable skill to have when doing this form of research, as the researcher aims to gain as much knowledge from the respondent as possible.

When using a case study method, the study will describe a certain situation that is valid for a limited period of time, for example, similarities or differences at a given time (Parasuraman, Grewals & Krishna, 2009:67). To be able to describe the situation, the researcher needed to get a better understanding and knowledge about the studied area and, therefore, used an exploratory design.

Qualitative research, according to Cooper and Schindler (2006:215) state that qualitative implies an emphasis on processes and meanings that are not rigorously examined and measured in terms of quantity, amount, intensity, or frequency.

5.4.1 Limitations of quantitative research

There are several factors that dissuade the study from using the quantitative method. First, attempting to have interviewees provide a score to a marketing strategy is an assumption that the respondents all have the same or at least similar knowledge of marketing strategies.

Second, research shows that senior executives in retail organisations are targets of many business researchers. Due to their workload, they often ignore many questionnaires (Wiid & Diggines, 2010:86).

Third, because of the competitive nature of the organisation's environment, much of the economic marketing, advertising and promotion information of an organisation is considered confidential and is not available to outsiders.

Fourth, mailing and follow-up with hundreds of organisations are time and resource consuming. Given the limited time frame and resource availability for this research, a case study strategy seemed more suitable (Bryman & Bell, 2007:16).

5.4.2 Limitations of qualitative research

A qualitative method can be time consuming; this is owing to the in-depth research that is required in this kind of study. It also required more resources to undertake a research investigation of an organisation that faces an economic downturn, as organisations are hesitant to disclose information of this nature.

5.5 The case study method

The research was conducted by using the qualitative method, more specifically in the form of a case study. A case study is a method of studying phenomena through detailed analysis of an individual situation (Cooper & Schindler, 2006:212).

The case study method rests on the fact that through such thorough analysis, generalisations that can be used for other cases that are similar to the case under investigation. It provides an opportunity to test the relationship among several aspects of findings, as well as changes that have taken place over different periods of time. Case studies look for specificity, exceptions and completeness of a research study. It is useful when looking for patterns of organisations behaviour within any market environment (Cooper & Schindler, 2006:218).

5.5.1 Limitations of case study method

When examining a case, Cooper and Schindler (2006:215), suggests that the term refers to an event, an entity, an individual or even a unit of analysis. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context by using multiple sources of evidence. Anderson (2006:55) sees case studies as being concerned with how and why things happen; allowing the investigation of contextual realities and the differences between what was planned and what actually occurred. The focus of the study is to identify marketing mix elements that can be used as a tool to address challenges of the global economic downturn.

The case study method can sometimes lead to a problem of "generalisation", whereby the researcher decides whether concepts should be coded exactly as they appear, or if they can be recorded in some altered or collapsed form. An example can be when terms express the same idea; they could be grouped together as one item. A frequent criticism of using this method is that its dependence on an individual case makes it difficult to offer a generalising conclusion (Cooper & Schindler, 2006:65).

Dul and Hak (2007:27) describe the case study method as "microscopic", because it lacks an adequate amount of cases. This may be the limitation of a case study method; however, as the aim of this research topic is to understand the marketing adaptation strategy of a retail organisation during an economic downturn, choosing a suitable sample size for an intensive analysis, is more important (Cooper & Schindler, 2006:196).

Another limitation of this study is that interviewers can influence the respondent's feedback, either by body language, voice tone or behaviour towards an opinion. With the help of an interview guide the study was able to achieve a comfortable and engaging interview with all six respondents (Creswell, 2007:17).

A problem may occur when interpreting analysed data. The researcher will ensure that the information is interpreted correctly and accurately without involving the researcher's opinion (Cooper & Schindler, 2006:68). Therefore, instead of researching a number of organisations, the researcher chose to conduct an in-depth analysis of Woolworths. The study focused on the marketing mix elements of a single organisation and investigated the relevant adaptation strategies used within a limited time frame (Dul & Hak, 2007: 28).

5.5.2 Validation

In order to find out if the research measured what it intended to measure, and whether the research was strongly linked to the sources from which the data was collected, the study interviewed employees within Woolworths who form part of the decision making process of their marketing efforts (Ritchie & Lewis, 2003:285). For this reason, the chosen candidates who were interviewed are familiar with the studied area.

It was also possible to get back to the interviewees once the interviews were complete, if more information or any explanation was needed. This opportunity does, according to Ritchie and Lewis (2003:281), increase the validity of research. In order to insure feedback was accurate the researcher requested respondents to sign a disclosure of honesty for all their information. The researcher made use of annual reports which are available for the use of shareholders, and compared charts and tables to demonstrate the decline in turnover for Woolworths during the global economic downturn (Ritchie & Lewis, 2003:285).

In order to measure how trustworthy the results of the study were, interviewees were not asked for any confidential information and the answers that they gave were compared with secondary data from Woolworth's annual report.

With qualitative research it is normally difficult to generalise the data since it is an intensive study of a small group with certain people that have certain characteristics, and in a certain situation (Mills, 2006:80). Nevertheless, according to Mills (2006:81), it is possible to conduct an analytical generalisation, which means that the results can serve as guidance if a similar situation occurs. For this, again the choice of sample is important. The researcher tried to find organisations that could best represent the market, and the people within them that could provide apt answers to the questions (Ritchie & Lewis, 2003:286).

5.6 Research execution

5.6.1 Primary data

Primary data comes directly from the source. There are a few different ways to collect qualitative data, for example, through interviews, focus groups and documents studies (Walter, 1995:33).

For this research the semi-structured interview was found as the most suitable. In a semi-structured interview the study has an interview guide with prepared questions or topics that should be answered. These do not, conversely, have to be followed in the exact order if it does not feel natural in the interview. New questions may be added and the interviewee is free to answer all questions in his/her way (Walter 1995:38).

5.6.2 In-depth interviews

The most commonly used method of data collection by qualitative researchers is in-depth interviews. In-depth interviews use individuals as the point of departure for the research process and assume that individuals have unique and important knowledge about the social world, which is ascertainable through verbal communication (Hague, 2002:69).

In-depth interviews are a particular kind of conversation between the interviewer and the interviewee that require active asking and listening. The process is a meaning-making endeavour embarked on as a partnership between the interviewer and his or her respondent. The degree of division and hierarchy between the two collaborators is typically low, as researchers are placed in the same situations when variations occur (Hague, 2002:69).

Typically, researchers that conduct in-depth interviews seek patterns that emerge from the "thick descriptions" of social life that are recounted by their participants. In this sense, qualitative interviews are designed to get at "deep" information or knowledge about the topic (Johnson & Scholes, 2001:104).

In-depth interviews yield large amounts of data in the form of interview transcripts, which are later reduced through the analytical and interpretive process. Qualitative interviews thus differ from quantitative interviews, which consist of standardised questions (often closed ended, which means that they have a finite range of possible answers) in search of standardised data (Cooper & Schindler, 2006:23).

In-depth interviews are "issue-oriented"; in other words, this method is useful when the study has a particular topic and wants to focus on and gain information about the problem from individuals. The in-depth interviews lasted about an hour to an hour and a half. The choice of semi-structured interviews rather than structured interviews was employed because it offers sufficient flexibility to approach respondents differently, while still covering the same areas of data collection. The interviews were audio-recorded to secure an accurate account of the conversation and to avoid losing data, since not everything can be written down during an interview.

5.6.3 Sample

Purposive sampling was used in this research as a sampling strategy. The names of respondents were initially determined by higher management within the organisation through their job responsibilities, position and involvement in the subject that was studied.

The research execution was conducted via six in-depth interviews. Interviewing those that work in the marketing department was a vital part of this study in order to gain an understanding of what really happens in an organisation that deal first hand with the global economic downturn. All the in-depth interviews took place at the head office of Woolworths in Cape Town. Six respondents were chosen to give a broader understanding of the research problem, as well as to broaden the accuracy of feedback given. The time span for this study was three years.

Table 5.3: Profile of respondents

Participant 1	Head of Customer Relationship Management	Vast experience in strategy, CRM operations, customer services, collaboration and sensing.
Participant 2	Head of Brand Communication	Responsible for implementing comprehensive communications strategy, strategic management, media communication, corporate and public relations, media events and press conferences.
Participant 3	Division Director Marketing	Vast experience in marketing, service systems development, strategic planning, market research, promotions and problem solving.
Participant 4	Market Research Manager	Experience in market research techniques and methodology, interpreting data, writing reports and making actionable recommendations.
Participant 5	Head of Brand Communications	Experience in brand promotions, advertising, and media relations, marketing communications and events.
Participant 6	Head of Customer Marketing	Responsible for strategic planning, marketing plans, stakeholder relationship building, sales direction and customer relationship management.

Respondents were also selected on the basis of the researcher's individual judgment, where permitted, on the grounds that they could provide necessary information that was required for the research. Most of the fieldwork involved interviewing by using semi-structured questions with respondents from Woolworths (Cooper & Schindler, 2006:215).

According to Crouch and Housden (2003:150), a population is the whole group that the study wants to say something about by way of the study. In this study the population consists of one organisation, namely Woolworths. While Bradley (2007:324) states that, the required number of interviewees depends on the purpose of the study Jacobsen (2002:36) states that, it is about the chosen participants and how relevant they are for the study. The purpose of this research was to investigate a retail organisation regarding how they change and adapt their marketing elements to the global economic downturn.

The research was conducted in the form of six in-depth interviews with six people from Woolworths. Secondary data was found on the organisation's website, annual reports and articles.

5.6.4 In-depth interview process

The Figure 3.2 is a diagram model of the interview process:

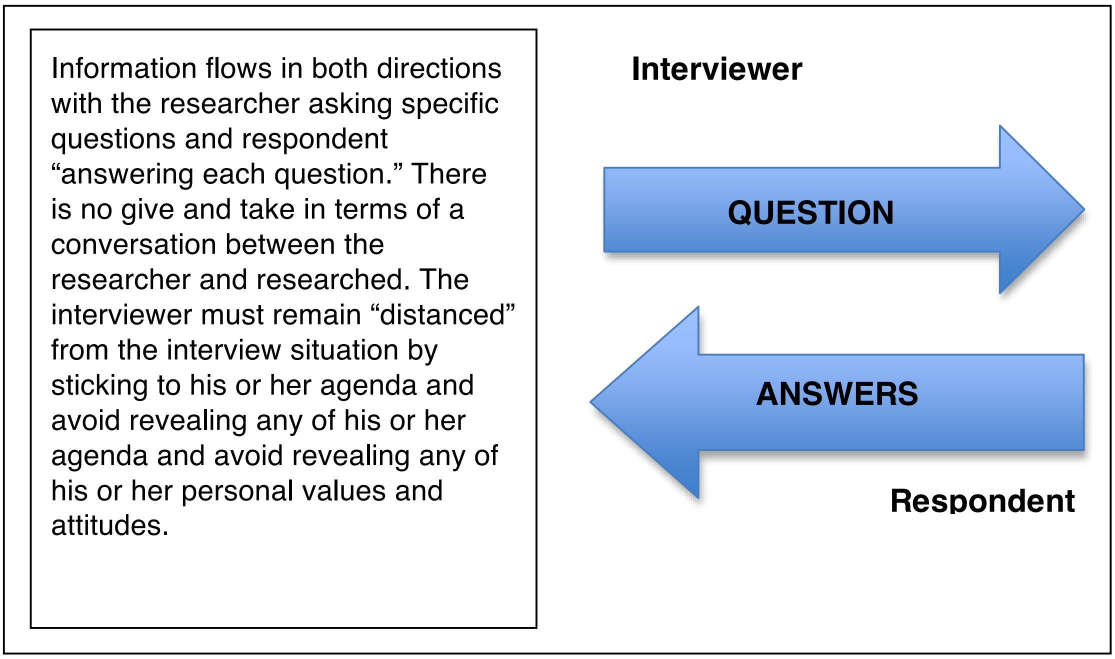

Figure 5.2: Diagram model of the interview process

(Biber & Leavy, 2008:385)

Figure 5.2 illustrates the model of the interview process. The interview process has to flow in both directions, with the researcher guiding the interview process. The researcher has to remain distanced from the interview situation by remaining focused on the research objective and avoid revealing any personal attitudes or preferences (Biber & Leavy, 2008:385)

As mentioned earlier, the interview is often seen as a co-creation of meaning. The researcher's job is to listen intently to what the interviewee has to say and be prepared to exclude his or her agenda in response to what takes place during the interview (Biber & Leavy, 2008:518).

5.6.5 Secondary data

The researcher made use of secondary data as well. This is the data that does not come directly from the source, but from previous researchers on this field (Crisp, 2000:84). The data collected for this research comes mainly from the Internet, textbooks and journals. Information was also obtained from the company's website, annual reports and other related articles (Crisp, 2000:83).

For the theory, further relevant databases mainly found via the Cape Peninsula University of Technology's website were used including Emerald and Ebscohost. In addition documents including annual reports, newsletters, and journals were collected from Woolworth's headquarters for the purpose of this research (Cooper & Schindler, 2006:212).

The document sources were important to supplement as well as to compensate for the limitations of other methods. Documentary evidence acts as a method to cross-validate information, which is gathered from interviews guidelines to assist the interviewer during the interview.

5.7 Measurement instrument

5.7.1 Measurement structure

It is important for the researcher to structure the questions in a way that allows the conversation to flow more naturally; making room for the conversation to go in new and unexpected directions. Interviewees often have information or knowledge that may not have been thought of in advance by the study (Bryman & Bell, 2007:15).

When such knowledge emerges, the study that uses a semi-structured design is likely to allow the conversation to develop, while exploring new topics that are relevant to the interviewee. While the study has a particular topic, the interviewer allows the conversation to go wherever the research participant takes it, and each interview becomes highly individual. The data produced from these kinds of interviews are non-standardised (Bryman & Bell, 2007:15).

In low structured interviews the study asks a few, broad questions and allows the respondent to take the discussion in whatever direction the study wants. This approach is highly congruent with the tenets of the qualitative paradigm. “Open ended interview research explores people’s views or realities and allows the study to generate theory. In this way it complements quantitatively oriented, closed ended interview research that tries to test hypothesis (Biber & Leavy, 2010:96).

5.7.2 Interview guide

An interview guide was developed to guide the interviewer and flow of conversations. An interview guide is a set of topical areas and questions that the interviewer brings to the interview. Weiss (1994:115) suggests beginning with a “substantive frame” and then using that to create a guide. When thinking about constructing an interview guide it is helpful to think topically prior to creating specific questions. In other words, guides can be constructed by beginning with broader, more abstract areas of inquiry from which questions are developed.

The process of developing an interview guide, even if it remains unused, is important preparation for the interview, because it helps the study to identify key issues and think about the kinds of things that the study may like to ask respondents (Weiss, 1994:116).

An interview guide is essential to a successful interview and the preparation of an interview guide is particularly helpful for novice interviewers. Once sampling and structural decisions have been made and an interview guide has been constructed, data collection can begin. In-depth interviewing is a skill and craft and, as such, one gets better with experience (Weiss, 1994:125).

The interview guide was developed as a semi-structured interview guide and is attached to Appendix A. The more structured a guide is, the easier it is to analyse the collected data, and the more controlled the interview process is (Luck, 1992:408).

The interview guide comprise of 36 open-ended questions that were designed to lead the interview in the right direction, but still allow the respondent to speak freely and give as much information as possible from his or her point-of-view. The 36 questions were based on the theoretical framework and were structured in a way that was easy for the reader to follow and connect to the theory and empirical findings.

The interviews began with a brief introduction, followed by a general open-ended question about the topic. Then more specific questions about the four marketing elements followed. Luck (1992:399) states that when there are no fixed questions or answering alternatives, it is completely up to the interviewee in terms of what and how they choose to answer. This leads to a higher internal validity of the study.

5.8 Conclusion

This chapter investigated the research methodology and the different research design methods, which include the quantitative research design, qualitative research design and mixed research design. A qualitative research design was used for this study.

In addition the qualitative method was discussed in detail. The research was conducted making use of a case study. The research execution made use of six face-to-face in-depth interviews. The six face-to-face in-depth interviews conducted with the help of an interview guide, which included open-ended interview questions.

CHAPTER SIX
WOOLWORTHS CASE STUDY

6.1 Introduction

This chapter investigates Woolworths regarding their history, objectives, retail strategy, social and environmental responsibilities as well all the organisations overall business structure. The chapter aims to lay a foundation and better understanding of the organisation as well as cover the most important aspects that are related to the study.

6.2 Context of case study

Retail is a rapidly and constantly changing sector of commerce and represents a primary division in the market. Competition within this sector is aggressive, because of its highly competitive nature, and complex, because it is so multifaceted.

Retail organisations are continuously observing transformations in the economy to identify changing tendencies within the sector with the intention to meet changing consumer demand. Consumer spending inclinations change frequently and thus it has become an increasingly difficult task to keep consumers happy and committed to buying a particular product.

The introduction of global trading, via import and export, has allowed consumers to be more discerning in the choice of brands that they demand and, as a result, competition exists between world traders. In addition, technological advances – such as the introduction of the World Wide Web – have given consumers the opportunity to shop online, which assists in ease and diversity of product selection. The Internet has been influential in retail trade as it locates cost and availability of products in one convenient, easily accessible location. It simultaneously saves consumers the time and effort of physically having to visit a store – which cannot guarantee to have stock of the desired product in the first place.

The public now has the liberty to select products freely and ubiquitously, and so have a decreased commitment to any one specific product. This is particularly so when numerous alternatives of the same class of product is accessible within the economy. In this climate, if organisations are to survive, they must use initiative and creativity in marketing their products in order to create a unique demand for their brand and to ensure that they are familiar with the consumer and their decision-making processes when it comes to product selection (Peng, 2008:77-80).

The American housing bubble of 2008 advanced the economic downturn – largely owing to consumer behaviour. In a chain of events comparable to that of the Great Depression of the 1930s, over-lending from banks caused the economy to plummet. The last 30 years have seen a global shift in the consumer mind-set – from a tendency towards saving and accumulating wealth to spending and accumulating debt instead. In fact, it has become the status quo to owe money to multiple parties at any given time (for example, bonds for houses, car loans and store credits). Research has shown that disposable income per family has not escalated in the last decade, while the number of purchases made from traders has increased notably – to around 180 per cent. Simultaneously, money owed to creditors has increased from 50 per cent of a family's total income to 120 per cent in the Unites States of America. Clearly, there has been a large-scale deviation in mind-set towards money borrowing, and it is this – rather than the lending done by banks – that is responsible for the recession (Smith, 2009:6).

6.3 Introduction to Woolworths

Max Sonnenberg incorporated Woolworths in 1981. He believed that "success lay in providing consumers with superior quality products at reasonable prices", and this is a significant factor in the way that Woolworths brands itself as a primary vendor within South Africa. Further, these ideals are at the core of the 'Woolworths difference'. Woolworths occupies a unique brand position: it attracts the business of upper-income consumers in the living standards measure (LSM) categories 9 and 10 in respect of food and clothing. It is also a highly desirable shopping destination for consumers who aspire to LSM 7 and 8 (Woolworths, 2008:10).

Woolworths Holdings Limited is a venture acquisition organisation and appears on the list of the 100 prominent organisations listed on the JSE. Its principal focal point is on the supply of vending and monetary facilities to middle and upper-income groups within South Africa. The group also provides these services to other countries within Africa, Australasia and the Middle East (Woolworths 2009:9).

6.3.1 Subsidiaries of Woolworths

- Woolworths (Proprietary) Limited

  This subsidiary comprises more than 330 vendors and over 150 franchisees, which proffer a specialised variety of superior garments, consumables, household goods, cosmetics and monetary facilities while using its own brand name.

- Country Road Limited

  This subsidiary is situated in Australia and supplies garments and household goods to its own shops, while introducing a large Australian vendor to sell its products at vendor's stores. Country Road Limited is part of the Australian Stock Exchange and trades in Australia, New Zealand and South East Asia.

6.3.2 Woolworth's retail strategy

According to Smith (2009:10), the ethics of an organisation, otherwise known as corporate responsibility, is a fundamental aspect to consider in each organisation's economic structure. It allows an organisation the opportunity to characterise itself by relaying its principal creeds and traditional codes to consumers on an individual basis. An incorporated business accountability plan provides an organisation with an opportunity to manage its public, ecological and fiscal risks, and while doing all this, the organisation has the ability to further product development by finding niches within the market that should be filled (Smith, 2009:11).

In order to understand decisions made by the Woolworths team, the study looks first to understand Woolworth's core principles. The study has done this by investigating Woolworth's annual report to gain valid information about Woolworth's marketing strategy during the global economic downturn of 2008. The section below covers the essence of the Woolworths annual report of 2008.

In 2007, Woolworths implemented its 'good business journey' strategy as a device that pledges the company will nurture its consumers and trade partners, as far as reasonably possible. The 'good business journey' follows an outline of intercontinental vendors (one of which is Marks and Spencer), Global Reporting Initiative (GRI) guidelines, JSE's Social Responsible Investment (SRI) index criteria and further parliamentary obligations.

Woolworths adheres to the abovementioned strategy by using Woolworth's Sustainable Index (WSI) as a model outline to structure its trading. The WSI is a trader's index customised to manage sustainable problems affecting the business. There are almost 200 gauges, which each has between 1 and 5-year objectives in place, and these objectives are each built on four main concerns, namely:

- Furthering change within the country
- Improving societal expansion
- Ecological developments
- Dealing with frequent erratic weather changes (Woolworths, 2008:8).

Woolworth's marketing plan is essential to the company's success as a retail trader. This marketing plan's characteristics are designed to cumulatively create a multiplier effect. The principal facet of this multiplier effect will result from the increasing communication of Woolworths with its consumers and suppliers. Woolworth's trading system, in which every trading partner is evaluated prior to Woolworths engaging in business with them, enhances business input and also encourages consumers to utilise buying influence where it creates transformation within South Africa (Smith, 2009:13).

There are numerous benefits to the Woolworths marketing plan and some of these are listed below:

- Woolworths is able to recognise when it is able to reduce expenses as well as cure any inefficiencies
- Woolworths is structured in such a way that it is accountable towards business within South Africa
- Woolworths is able to contribute to alterations in its trade market (Woolworths 2008:11)

Separately, every trade organisation within Woolworths has a particular objective, and it assesses achievement of that target bi-annually for each of the 200 indicators. This provides management with an assessment of yearly progression, as well as development with regard to 2012 objectives. The plan is administered centrally from an authoritative commercial trade unit (Woolworths 2009:5).

In addition, Woolworths incorporates particular gauges in the organisation in its entirety it allocates an overall evaluation, as well as separate evaluations, to each trade unit. This ensures that liability is properly distributed according to the separate assignments within each trade unit. A board suitability committee is convened a few times a year to ensure that development is maintained (Woolworths 2009:7).

Woolworth's development surrounding implementation of its corporate governance is best represented by the word 'journey' – hence the emergence of 'the good business journey' as a strategy. Woolworths has laid down specific five-year objectives and has made apparent its dedication to achieve these objectives following standardised approaches (Woolworths, 2009:9).

In order to achieve its ultimate goals, Woolworths restructured its approach to consumer behaviour and traditions, which are constantly altering. In this way, the ‘good business journey incorporates Woolworth’s consumers as well as its traders in ensuring that, while striving to reach its ultimate goal, the company will also contribute towards remedying various development, societal and ecological problems that impact South Africa at present (Smith, 2009:13).

6.3.3 Furthering change within South Africa

Two key plans that have been initiated by Woolworths are the Employee Black Economic Empowerment Share Incentive Scheme and ‘the good business journey’ strategy. These plans have become an integral part of the functioning of the organisation. The organisation has earned several national and global rewards for its work in developing these two plans. Woolworths has made progress towards accomplishing its 2012 goals and has reached more than 80 per cent of the ‘good business journey’ objectives that it set for itself (Woolworths, 2009:12).

Woolworth’s main aim is to hasten development within South Africa, paying special attention to furthering Black Economic Empowerment (BEE), the effective progression of resident’s abilities within the community and the implementation of structures to distribute wealth. This is affected by Woolworth’s undertaking on a joint effort with traders and parliament to attain the objective of placing South Africa at the forefront of the retail industry. Woolworths is an appreciative South African organisation and is known within the country for its modernisation and attention to detail regarding its products (Woolworths, 2009:13).

Woolworths furthers economic development by acquiring the majority of its products from suppliers within the country, while additional benefits for this purchasing method are that consumer’ requirements are still met and the products are acquired more easily (Woolworths, 2008:15). Because Woolworths emphasises the quality of its products, Woolworths will acquiesce to importing goods when it cannot find locally produced alternatives of an adequate standards in terms of class, cost and industrial development (Smith, 2009:15).

Woolworths has positioned itself within the market in such a way that it is able to steer specific endeavours in organisation expansion, and internally has allocated specialists who are connected with emerging product providers. Woolworth’s places paramount importance on the furtherance of talent within South Africa, ensuring that it grants talented individuals the opportunity to reach higher-ranking positions within the company. Woolworths has instituted three provincial education hubs to further this objective, which allows students to obtain recognised qualifications relating to trading requirements that are necessary in modern markets (Corporate Governance, 2009:20-21).

The idea behind Woolworth's plans is to ensure that the 'good business journey' reaches a large number and range of people, and the entrenchment of Black Economic Empowerment within this plan elevate this. Woolworths is dedicated and loyal to South African product providers; however, Woolworths must maintain profit levels, and, as mentioned above, where South African-made products are inadequate with regard to superiority, cost-effectiveness and scientific modernisation, Woolworths will consider international product providers (Woolworths, 2009:22).

Woolworth's endeavours to change the way that it does business completely and has implemented a national planning and enhancement plan to guarantee that development of society is an integral part of the organisation's objectives. The development draws on two aspects; first, it shows that Woolworths is willing to cooperate collectively with franchise associates, product providers and consumers as a whole (this includes regulatory functions within South Africa) to enhance development, and second, it shows that Woolworths is altering its organisation's method of dealing with the Department of Trade and Industry (Corporate Governance, 2009:23).

6.3.4 Improving societal expansion

The next objective of Woolworths is to further societal expansion as a lack of funds enhances ecological devastation, which, in turn, creates fewer funds, and this is detrimental to the environment. In order to aid in the acquisition of funds, Woolworths plans to broaden the design of the Woolworths Trust and to look at the design in relation to developmental objectives that further the industry as a whole (Smith, 2009:14). According to Participant 3 (2009), Woolworths spends a large amount of its power and raw materials on ensuring that the changing societal and ecological requirements of South Africa are achieved by expansion. Woolworths generates a sustainability statement in addition to its annual statement, and has initiated the five-year 'good business journey' programme that specifies the objectives and promises that Woolworths makes in connection to overseeing that expansion is conducted in a way that is conducive to the environmental needs of the country.

6.3.5 Escalation in the number of donations made

Woolworths has made an impact in South Africa by donating excess consumables and garments to the less fortunate population of South Africa and by venturing into particular corporate social investment (CSI) projects, which the implementation of the Woolworths Trust and school projects has made possible. Participant 3 (2009) notes that Woolworth's objective is to increase the number of donations to South African citizens and impact on citizen's lives in an even greater proportion. To achieve these objectives Woolworths has established the following goals:

1) "To donate more than R300 million by the year 2012 to the South African community
2) To develop an education plant to intensify sustainability and increase the range of citizens aware of the programme, as well as the number of citizens benefitting from it
3) To better the division of consumables and garments by following a more structured plan, if at all possible, by following an organisation-enhancement endeavour
4) Assist over 20 000 members of staff within each of their neighbourhoods by making corresponding finances available that broaden the distribution, particularly among the people who need it the most" (Woolworths, 2009:15).

6.3.6 Ecological developments

Woolworth's imperative is to minimise the effect of its carbon footprint. The main considerations in this objective are the manufacturing of raw and pure items, preservation of the environment and advancement in product-covering and packaging materials (Woolworths, 2009:15).

Woolworths is at the forefront regarding the manufacture of consumables and garments made from natural products and those available in their purest form. The projection given by Woolworths is that by 2012 consumers will purchase five times the number of raw and pure consumables than they are purchasing, and over R1-billion's worth of garments containing these pure materials. The South African public will also benefit from the decreased use of dangerous insect killers and other destructive substances, as well as purer water (Corporate Governance, 2009:23).

To help reduce the water shortage, Woolworths aims to cut the organisation's water usage by 30 per cent and implement public awareness measures. This course of action will simultaneously promote the idea of water conservation among other traders. Woolworths has initiated several other plans to promote the protection of South Africa's biodiversity, which include:

- Setting up farms so that the effect on global warming is diminished

- Implementing a firm set of guidelines prohibiting the trade of products that are detrimental to endangered animals
- Incorporating additional ecologically sensitive agricultural methods used by its product providers (Woolworths, 2009:16)

Woolworths strives to preserve resources that are exclusive and in short supply; these include water, lamb that is not exposed to the harsh environment of the wild, and potatoes that are grown without interrupting the growth of other plants (such as fynbos). It also guarantees to obtain the ingredients that make up the substance of their products from resources that can afford to be subjugated (Woolworths, 2009:17).

"One of the methods to ensure that one's product is bought is to brand it in such a way that it looks irresistible." The problem with this is that as branding and packaging becomes more elaborate or cost-effective, it has increasingly detrimental ecological side effects. Woolworths has addressed this issue by developing the ideal to diminish, re-use or create fertiliser from packaging, albeit a challenging task. Woolworths has also implemented a system to condense packaging in such a way that it only relays vital product specifications, which are legally required, on the product. Woolworth's plan is to begin with diminishing harmful branding products and then to progress towards dealing with recyclable packaging and packaging that it can transform into fertiliser. Woolworths aims to reduce 33 per cent of its packaging on garments and 20 per cent in the packaging of consumables. Furthermore, Woolworths urges its consumers to make use of non-disposable carriers, eliminating the need for plastic carrier bags. For those consumers still using the latter, Woolworths is incorporating a higher portion of recycled matter into its plastic carriers, to such an extent that by 2012 they should be 100 per cent biodegradable. Woolworths also plans to collaborate with commercial and parliamentary colleagues to ensure that recycling becomes as hassle free as possible for the public (Woolworths, 2009:19-20).

6.3.7 Dealing with frequent and erratic weather changes

Woolworth's aim is to minimise the output of harmful gasses and omissions during production that lead to fast changing weather patterns. Underlying this initiative is Woolworth's awareness of the urgency of this phenomenon, as erratic weather patterns have a harmful effect on the earth, particularly on its fruitfulness (Corporate Governance, 2009:23).

Woolworth's aim to minimise the destructive impact on the earth by 30 per cent by the year 2012, they plans to do this by following processes that curtail power usage by 30 per cent (by using it in a more resourceful manner) and reduce the release of harmful chemicals created by different modes of carriage by 20 per cent (by lessening the total kilometres travelled to deliver products) (Woolworths, 2009:22).

By following these processes Woolworths is able to save capital, which it will then invest into researching further business methods to assist in saving the environment (Woolworths, 2009:21). Woolworths holds the idea of balance between the releases of carbon emissions with other substitutes, but its primary goal is to grow more trees to neutralise the excess carbon in the atmosphere. Woolworths achieves this by planting extra foliage in educational establishments, as part of the school and education plant programmes (Corporate Governance, 2009:25). Woolworths also collaborates personally with its consumers and product providers, giving consumers the necessary knowledge, encouragement and ability to reduce their impact on the environment. In addition, Woolworths no longer stocks ordinary light bulbs in their stores; only power-saving lights are supplied (Smith, 2009:18). Woolworth's accomplishments in dealing with changing weather patterns include the following:

- Woolworths has achieved numerous advances in attempting to ensure that its impact on the environment is as minimal as possible. Some of these include: monitoring power usage in over 50 branches by using a metre system that can be evaluated via the Internet; decreasing power usage by 10 per cent against the 2004 yardstick; introducing electrical power-saving fittings and ballasts in stores; re-using old cooking oil to produce a 5 per cent bio-diesel blend, which is used in the Cape Town and Gauteng armadas and reduces the emission of over 1 500 tons of carbon dioxide per year; and advancement of the refrigeration system, which aids in saving of 35 per cent in power usage within participating stores.
- The Midrand branch has minimised travelling and has thus reduced kilometres driven to deliver products by 9 370 kilometres per week. Woolworths is achieving this saving by sending consignments that are delivered to two separate stores in one truck, as well as by mixing consumables and garment products in single trucks. This has further assisted Woolworth's effort to decrease its release of harmful products into the environment (Corporate Governance, 2009:26).

6.3.8 Effects of the Woolworths marketing plan

Woolworth's marketing plan is a critical model across all of Woolworth's industries. Within this plan, several facets correlate to produce the overall outcome of salvaging power and diminishing the company's harmful impact on the environment. As mentioned these include minimising the distance that Woolworth's products travel by increasing national suppliers and minimising the packaging materials used in Woolworths products (Woolworths, 2008:13).

Consumers have also been more inclined to buy cloth carriers, introduced by Woolworths, rather than traditional plastic carriers. The decrease in demand for plastic carriers has several advantages both economically (since consumers and Woolworths are paying less for carriers) and ecologically (as the harmful effects of producing plastic carriers on the environment are reduced). Further, this initiative also enables job creation and skills acquisition, as over 100 women living in rural areas are employed to make these cloth bags (Woolworths, 2008:20).

The multiplier effect has a substantial impact on the operations of an organisation, the greatest of which is likely to be the increase in communication between consumers and product merchants. Woolworth's tries to alter public perceptions by expressing the importance of the way product merchants conduct their own organisations, as well as facilities that are available to the public, and consumers in particular. In doing so, Woolworths increases consumer's awareness of environmental changes and educates them about how they, as individuals, can help to prevent climate change (Corporate Governance, 2009:26).

Following this approach, Woolworths believes that it can persuade all users within the demand and supply arena to be wary of societal and ecological problems that affect South Africa. The sheer size of Woolworths (20 000 employees, over 300 stores, 6 million consumers and a network of 1 000 product providers) means that Woolworth's observations are taken seriously (Woolworths, 2009:21).

Woolworths is aware that a project of this size will require a significant capital injection; however, it does expect to see a return on this capital injection once the objectives outlined begin to be realised. The objectives will create innovative prospects, give Woolworths a chance to set further objectives and assure that its 'journey' will address problems that face South Africa (Corporate Governance, 2009:27).

6.3.9 Allocation of resources

Woolworth's marketing plan has addressed several issues thus far and has gained a number of advantages. The most important of these are the effective allocation of resources so that money is not wasted and the establishment of procurement processes so that minimal funds are lost (this will eventually relay into a reduction of prices for consumers too, and not only for Woolworths). An accumulation of R10 million has been attained through Woolworth's power-saving efforts, its minimised branding, its use of re-usable materials in product branding, and an in-depth look into the way that products are consumed and expenses are dealt with (Smith, 2009:13-14). A larger amount was expected to be recovered through future advancements in innovative refrigeration equipment, water and power cutbacks, the increase in the diminution of branding products and the further decline in consumer's willingness to use plastic carriers (Woolworths, 2009:27).

6.4 Consumer behaviour during a recession

Once the effects of the recession had been felt, consumers were forced to make considerable changes in there spending patterns. Banks and lending institutions were reluctant to grant additional credit to consumers, while consumers either were forced to pay back their loans or were approaching banks themselves to request a reduction in their own credit limits on their credit cards (Smith, 2009:6).

Seemingly, consumers no longer want to live with large amounts of debt. They have started to look negatively at products sold on credit, as they would prefer to buy items using cash. Similarly, traders are no longer finding credit repayment options to be advantageous, a fact that is represented in the volume of sales in for example, the automobile industry. Consumers are seen to be following a quantitative approach in their purchasing choices rather than the qualitative approach that they previously held. Consumers are becoming more aware of budgeting as a whole and are looking to purchase more cost-effective items for which they actually have the capital, rather than items bought on a repayment plan.

Alternative communications media – in particular, television – is also indirectly responsible for this new consumer responsiveness. The media has drawn awareness to consumer rights, heightening sensitivity surrounding this issue. Another contributing factor is the availability of imported goods. International trade has made consumers aware that they can acquire better quality products without needing to travel abroad, and they have come to expect the goods available to them to be of an internationally comparable standard. And while there is a widening gap between middle-income earners and high-income earners, a concurrent phenomenon is that their basic demands are no longer notably distinct.

6.5 Conclusion

This chapter has covered the introduction and overview of Woolworths including the way they do business, core values, marketing strategies, objectives and goals. This chapter emphasised the underlying objectives that keep Woolworths competitively active as well as an understanding of what differentiates Woolworths from its competitors. The next chapter presents the findings, results and outcome of the research and highlights areas for further research.

CHAPTER SEVEN
PRESENTATION OF DATA AND ANALYSIS

7.1 Introduction

This chapter reports on the findings of the investigation into how Woolworths adapted its marketing mix strategies in response to the global economic downturn during the period 2008 to 2010. The findings were collected from six in-depth interviews with members of the marketing department of Woolworths. The findings will primarily be related to the marketing mix elements namely, product, price, place and promotion. This chapter will also cover the impact of the global economic downturn and the strategies Woolworths has used to combat them.

7.2 Woolworths target market

Although at first glance it seemed that everyone was affected by the global economic downturn, consumers who were in debt were the most affected by the recession. It appeared that the living standard measurements (LSMs) 7 to 10 were spending less by a standard 7.3 per cent in 2008; this could have been a result of lack of confidence in the market and the need to reduce unnecessary spending (Woolworths, 2009:82).

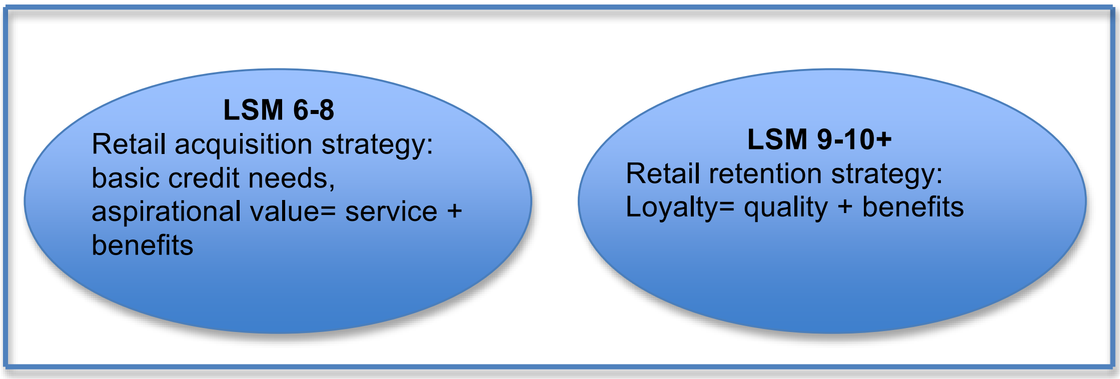

Figure 7.1: Target market analysis
(Woolworths, 2009)

Figure 7.1 shows the target market analysis. LSMs 9 and 10 are "disconcerted consumers at present". These consumers "shop according to confidence". LSMs 7 and 8 are on the boundary of those consumers who shop when they need something or when cash allows it. The relationship between the two has been considered by Woolworths and the aim to understand these different groups become critical in keeping consumers loyal to a certain product, brand and store (Corporate Governance, 2009:52).

Participant 4 (2010) assumed that, when the economy recovered, consumers would stabilise, although she was not sure when this would happen. Woolworths had a difficult time dealing with the result of the wider economic problem. With organisations dwindling and consumers demanding a reduction in cost of products, Woolworths negotiated with suppliers to find alternative solutions to a global problem that was affecting almost every sector and business in the market.

"Woolworth's made its decisions based on consumer feedback in their stores. The truth about the business is in the stores," according to Participant 3 (2009). They relied on information from consumers to determine their business strategies, developments, plans of action, as well as technology and operations. Consumers were the forefront of the planning process and strategies to incorporate consumer feedback and communication with consumers had become even more crucial during the economic downturn (Participant 3, 2009).

7.3 Impact of the global economic downturn on Woolworths

Consumers made a 'flight to value' as food prices soared during the economic downturn of 2008. Woolworths lost a foothold on their market share to competitors such as Pick 'n Pay, Shoprite Checkers and Spar, which before the recession was the other way around. This resulted in a 'cut-throat' industry where every organisation was fearlessly competing to gain a bigger portion of the retail market share (Business Report, 2009).

Woolworths was constantly innovating and had segmented its food lines into four clear segments: 'every day the difference', 'health', 'gastronomic adventure' and 'reasons to celebrate' (Woolworths, 2009:78). The continued re-engineering for innovation and value had resulted in 824 new lines launched and 444 lines upgraded from July to December 2008 (Woolworths, 2009:79).

During the period 2008 to 2010, consumers demonstrated increasingly erratic buying patterns in consumable trading. This was largely due to the effect of the recession on the world economy, which initiated a decline in capital spend on consumables. As a case in point, Woolworth's consumers would not allow for excessive spending, and its reports inferred that consumers became both more aware of what they were spending and arduous in their financial decision-making: consumers had become more prone to scrutinise products before making a purchase (Smith, 2010:5).

Throughout the recession consumers altered their purchasing practices. Woolworths had since analysed these changing consumer decisions and had implemented policies aimed at meeting consumer demands. Woolworths used a costing approach to view the economic downturn; it offered consumers more cost-effective product options so that they remained loyal to the Woolworths brand. Some of Woolworth's achievements were a result of its positioning and quality, since it was a responsible organisation within a larger group of influential organisations. Market research conducted among consumers demonstrated an influential backing for the Woolworths marketing plan, while in-house evaluations that were conducted by Woolworths have proven to increase Woolworth's employee attentiveness to the problem of dwindling resources and had encouraged a structure of fair industry behaviour (Smith, 2009:7).

According to Participant 4 (2010), during times of recession it is unwise to implement structures that will cause the prices of products to increase, as most consumers were worried about saving and were unable to afford these commodities that were regarded as luxury. Woolworths however, maintained the viewpoint that their marketing plan would make a difference. Strategically it showed the unyielding determination of Woolworths to uphold its standards within the industry (Smith, 2009:26).

7.4 Financial services

According to economists, two consecutive quarters of negative growth means that an economy is technically in recession. During 2009 South Africa's Gross Domestic Product was 6.4 per cent in the first three months, while consumer expenditure was 4.9 per cent less than in 2008. This decrease in consumer expenditure was the largest in over 10 years. The second quarter of 2009 showed an improvement in expenditure although it was incurred at a decreased rate. During the second half of 2009 consumers began to increase expenditure as interest rates started to stabilise (Business Standard, 2009).

In 2008 ABSA bank acquired 50 per cent plus one share of Woolworth's monetary lending division. This amalgamation caused Woolworths to become a major player within competitive markets. In addition, the merger allowed ABSA to use its capabilities in the banking sector to empower the functioning of Woolworths, and the introduction of a new Barclaycard means that both new and active consumers will be in a better position to use these finances (Woolworths, 2009:30).

Since January 2007 the number of debtors that were unable to repay creditors had increased, while the red tape brought about by the National Credit Act meant that Woolworths became stricter when it came to granting credit to consumers, and simultaneously increased attempts to recover money from debtors. The number of debtors for the last six months of 2007 was, therefore, minimal compared to other organisations within the market (Woolworths, 2009:31).

In April, May and June of 2009, while South Africa was in the process of emerging from the recession, Woolworths trading maintained itself, even though trading was limited. Woolworths relied on its reputation within the market and the public, which enabled them to stand out during the recession because of its ability to attract the type of consumer that more conscious of spending on value for money products (Woolworths, 2009:33). Results of this initiative reflected in financial figures from the last quarter of 2009, and Woolworth's strategy of offering cost-effective quality products proved to be an effective means of attracting new consumers (Participant 6, 2010).

There was a 5.5 per cent increase in earnings in 2009 of the Woolworths group and this was largely owing to the decrease in credit granting allowed to consumers, as well as the amount of consumer expenditure. Woolworths recorded a return of 0.4 per cent in the garments and all-purpose products range, while a return of 9.3 per cent relating to consumables was recorded. The consequence of this was a decrease in market distribution amongst consumables, garments and all-purpose products (Woolworths, 2009:28).

In contrast, the monetary-lending division of the organisation has concentrated on two essential focal points: first, limiting overdrawn debtor's accounts and, second, negotiating with ABSA and drawing up a contract for the takeover (Woolworths, 2008:39). The partnership between ABSA and Woolworths commenced in April 2009. Woolworths already had first-hand experience with regard to implementation of a store credit card and the introduction of ABSA and Barclays global client management abilities and a broader range of cards available supplemented this knowledge. The combination of the improvement of the recession and ABSA's experience in the credit industry afforded Woolworths a distinct advantage for continued development (Woolworths, 2009:39).

Several organisations changed their business structures and implemented plans to become moneylenders, and Woolworths is one of those organisations. It had also ensured that its product selection was varied enough to remain a step ahead of its competitors. One of Woolworth's biggest opponents was Pick 'n Pay, which invested capital funds into the development of debit cards and an easy-pay link (Woolworths, 2009:55).

During July to December 2009 Woolworth's trade earnings grew by only 8.1 per cent as a result of the decelerated expenditure of consumers, which was primarily amongst upper and middle-class consumers. Participant 6 (2009) believed that it was still difficult to obtain normal business levels. Within the trade sector, purchases by consumers increased by 5.3 per cent. Woolworths had implemented cost-effective prices without settling for inferior, out-of-style or un-modernised products because it wanted to adhere to the same standard to which its consumers had grown accustomed.

By refusing to expand new credit, Woolworths maintained profits in the second half of the year in comparison to the first six months when amounts overdue decreased from 8.0 per cent to 7.9 per cent, or R451 million of the total debtor's book. Fewer consumers were buying goods with Woolworth's cards, which meant that the percentage of card sales fell from 32.2 per cent for the year in June 2007 to 27.2 per cent for that same time in 2008 (Woolworths, 2009:86).

Woolworth's profits increased from 11.6 per cent or R2.1 billion, making proceeds higher for the year by 16.7 per cent at R21.8 billion. In 2007 increasing amounts overdue meant that Woolworth's income fell from 9.9 per cent to 9.5 per cent. During the second half of the financial year, improved management of payments meant that profits improved (Woolworths, 2009:87).

Food inflation had been as high as 13.1 per cent, but Woolworths had still managed to grow its total sale of food to R10.4 billion, up 18.8 per cent, which made up 52 per cent of the total turnover for Woolworths, out of R20.1 billion. By its year-end in June 2008, Woolworths sustained its 9.2 per cent share of trade in food (Woolworths, 2009:80).

7.5 The effect of the global economic downturn on Woolworths

According to Participant 4 (2010), "market environments were constantly changing and in order to stay at the forefront of market trends, Woolworths needed to make regular changes to their products to meet consumer expectations and more importantly to exceed them. Woolworth's endeavoured to do so by persisting with its efforts to provide its consumers with exclusive brands – something that almost all of Woolworth's products were aiming to do, as the majority of its goods were self-branded."

The recession brought with it elevated interest rates, a global lack of finances, and a national increase in petrol costs and declining property prices. However, largely thanks to the timely incorporation of the National Credit Act, South Africa was able to survive the downturn and did not need to implement most of the procedures that were necessary in more economically advanced countries like America (South African Reserve Bank, 2010:30).

The recession had been referred to as more of an "economic downturn" than a "financial downturn", since it did not affect South Africa as severely as it did other countries, for example, the United Kingdom and United States of America (Woolworths, 2009:28). Within South Africa, the economic downturn's influence on the unemployment rate affected lower-income households far more than middle and higher-income households.

The recession had placed pressure on management to evaluate their plans in responding to the market's needs as most consumers were making price-conscious decisions when it came to brand selection. In South Africa, however, the Rand had gained strength against other currencies, which seemed to have alleviated some of the pressure (Participant 5, 2010).

7.6 Changing demand

Participant 1 (2010) stated that, the organisation needed to concentrate on consumer's demands, and supply them with products that could meet these demands, for example, all-natural foods and pre-made convenience meals. The demand for all-natural and national products remained on the increase; however, consumer's priorities had shifted somewhat and they were also considering marked-down or cheaper products (Participant 1, 2010).

Even though consumer's purchases were enthusiastic during the first three months of 2008, Woolworths saw a definite shift in purchasing decisions in comparison to previous years. This change influenced large-scale suppliers globally; the 'flight to price' comeback by consumers affected a number of them. Consumer decisions to purchase different products became increasingly influenced by the global recession and all the elements that arose from it (Woolworths, 2009:32).

Fast-paced lifestyles during the nineties were given the name ‘99 lives’, denoting the fact that consumers had ‘many shoes to fill’, and were accountable for all of these roles. This meant less leisure time available to consumers. The needs of consumers had therefore shifted to a demand for convenience meals, or meals that could be prepared with ease, as less time in the kitchen meant more leisure time for that particular consumer (Dowling, 2006:79).

Data had proven that consumers were increasing the frequency, on average, at which they shop for consumables. That meant consumers essentially choose the store that was the easiest to reach and had the fastest service. This had been instrumental in Woolworth’s plans to position more stores around the country. “In order for retailers to satisfy their consumers, it was crucial to understand not only what consumers wanted, but to understand consumer dynamics and why consumers behave the way that they do” (Participant 4, 2010).

7.7 Strategy

During 2009, Woolworths concerned itself largely with initiatives to decrease its expenditure. The group focused on doing so while simultaneously creating new products and becoming more cost-effective in pricing new products (Woolworths, 2009:33). The purpose of this price restructuring was never to let Woolworths develop into a large store that offered reduction in prices and sacrificed quality; however, Woolworths identified that consumers were calling for reasonable prices, which was feasible during the recession (Woolworths, 2009:30). Apart from the alterations in Woolworth’s approach to combat excess expenditure, restructuring of core administration persons within Woolworths has also taken place (Woolworths, 2009:34).

While the recession did not affect Woolworths to the extent that it did other sectors (for example, the automobile trade), Woolworths realised that these other sectors affected its consumers nonetheless, which thereby resulted in an indirect impact on Woolworth’s trade. Because Woolworth’s stores operated unconventionally within the marketplace, they were able to rapidly alter their direction of sales when consumer’s inclinations change (Participant 4, 2010).

Ensuring that consumers were loyal to the Woolworths brand required extensive, continued consideration of consumers and further liaison with them. One example of changing consumer trends that reinforced this need for constant monitoring was the way in which consumers were becoming sceptical about the benefits of being part of a loyalty scheme– something Woolworths had to offset through more innovative developments (Woolworths, 2009:56). The Clicks loyalty card initiative, for example, has seen great success and had high returns. However, these schemes were usually costly to initiate and did not ensure brand loyalty across the consumer base – there was a division of consumers who did not want to be contacted by organisations to promote their marketing efforts. As a result, promotional methods were evaluated to detect which consumers wanted to be part of the brand loyalty programmes (Business Standard, 2009).

7.8 Internet strategy

The Internet had provided Woolworths, like many other retailers, with a new channel of marketing products as well as aiding in the liaison between consumers and Woolworths as an organisation. The Woolworths website afforded the public an opportunity to gain knowledge regarding the group; some of the available data included the organisation's configuration regarding higher supervision, monetary policies and agreement policies (Participant 1, 2010).

The public could also find information on Woolworth's website regarding Woolworth's stores, such as where they are located, as well as promotions that the stores were offering. Online shopping had created a channel for consumers who still wanted Woolworth's products, but could not get to the store. Consumers were able to order goods via the website and Woolworths then delivers these to the buyer's chosen location. The importance of Internet trading was the reduced risk of losing stock or of stocks becoming obsolete; which translated into amplified turnover and brand loyalty from consumers (Participant 1, 2010).

Woolworths used the Internet simultaneously with their Intranets to improve time-based objectives, product control and division within the organisation's branches. The procedure was such that electronic funds transfer could be used to facilitate payment, while debtors found it easier to pay their creditors. As a supplementary advantage, working in paper-less surroundings diminished expenditure in the form of office supplies and management (Participant 4, 2010).

A major benefit of the Internet was the process of facilitating communication between suppliers and retailers. It was much easier to obtain a new product, control the quantity and quality of a product and even do an electronic funds transfer to pay for a product all via one portal (Fast Moving, 2010). The use of online ordering and compensation methods diminished unnecessarily incurred expenditure, made operations easier to perform and was advantageous for all users of the system. Using business-to-business Internet trading had put traders and product providers 'on the same page', furthering understanding and resulting in a highly successful relationship. This had resulted into structures becoming more efficient, rather than containing more controls (Business Standard, 2010).

7.9 Woolworth's marketing mix

7.9.1 Products

In South Africa, Woolworths was seen as a store that offered quality, easily accessible products; its products were advertised as being healthy, wholesome, and suited to consumers who were more inclined to attach health to this high end product. Woolworths understood the importance that consumers placed on costs and further understood that consumers placed value on Woolworth's private labelled products. The private label afforded Woolworths an opportunity to present its consumers with superior, pioneering and cost-effective goods during the recession. All Woolworth's products underwent quality control to ensure that they adhered to the great value expected from every aspect of each individual item, from flavour to method of manufacture to substance (Participant 2, 2010).

Thus, the importance of 'the Woolworths difference' was noted. Consumers affected by the economic downturn began to purchase items that were more economical or discounted and, even then, only the bare necessities were in demand. Woolworths noticed that consumers were becoming more vigilant in their purchasing decisions and in that way; Woolworths could concentrate on reaffirming their reputation to advertise its products (Participant 4, 2010).

7.9.2 Price

The costing approach followed by Woolworths was done periodically and did not require a large capital injection. Woolworths used different methods to bring in consumers by offering promotions, small reductions in price and specials. An advantage of the costing approach was that by reducing the cost of each item, Woolworths had an opportunity to broaden consumer outreach and in turn, they would exert a pull on consumers who were previously uninterested in the Woolworths brand (Participant 3, 2009).

Two key ways in which Woolworths had implemented the costing approach were, first, by offering quality products at reasonable prices and, secondly, by increasing its consumer base by offering cost-effective rates on standard products. Even though Woolworths was not reduced to a discount store and did not plan to be part of the price war, its innovative methods of offering value to the consumer during the recession set it apart from its competitors. An example of this was its 'R100 meal for four', which communicates value and not discount (Participant 3, 2009).

Most organisations that were faced with a downturn in the economy attempted to implement quick-fix solutions by reducing the cost of their products. Apart from offering this reduction in price, Woolworths had also attempted to increase turnover and consumer base, and planed to continue to monitor expenditure. Within the last seven years Woolworths had managed to develop the consumables division of its organisation. Divergence in expenditure capabilities had forced the evolution from a high-end exclusive store to a 'supermarket' that had not compromised on quality and continued to develop products in a cost-effective manner. During 2008 Woolworths needed to re-evaluate its prices, and specific importance was placed on developing different segments of the business (Participant 3, 2009).

Woolworths claimed to be effectively ready to gain advantages from trade and industry improvements that would commence once the recession passed. Woolworths amplified its investment of capital into its operations to guarantee that it was prepared for the turnaround from the recession. At the heart of this was a consideration of pricing, as well as the supervision of products. These two facets proved invaluable to Woolworths during the recession (Participant 6, 2010).

Woolworth's promotion-investigation division analysed sales data from its stores and evaluated the results so that it could make its promotions more effective. (Woolworths, 2009:36). During an economic downturn it was essential for Woolworths to change consumer's perceptions, especially if the perception was that products from Woolworths were expensive. Participant 4 (2010) asserted that, the South African public responded to low prices; however, Woolworths followed the view that "price is not everything". Stores have made losses due to reduced prices, while an investigation had proven that reductions in price were not essential. One could therefore ascertain that the approach of offering constantly cost-effective products was more economical (Participant 4, 2010).

7.9.3 Place

The placement of an organisation was imperative to all traders and Woolworths had location experts to deal with this facet of trading. Woolworths did not need to change its positioning throughout the recession, although Woolworths did realise how important the positioning of a business could be and how it affected profits. During an economic downturn the vital feature was not where the branch was situated, but whether it met the demands of its consumers (Participant 4, 2010). For this reason, Woolworths had implemented shops that coupled with local filling stations. The stock held at these Woolworths stores were ready-to-go meals for consumers who still wanted the excellence of Woolworths, but did not have the time to visit one of its larger supermarket stores. The larger standard Woolworths branches were also placed strategically to receive a large volume of walk-in consumers who seek quality, and easily accessible products (Participant 3, 2009).

According to Participant 3 (2009), the format of the shop was also just as important, since most consumers not only wanted to be in and out of the shop, but wanted the full shopping atmosphere to match their needs. Thus, Woolworths had to plan store environments and choose a strategy that would allow convenience as well as a supply chain to promote fresher quality products on their shelves.

Participant 3 (2009) said the refurbishments already done in a number of the branches echo how serious Woolworths is about changing its brand, as well as the public's misconceptions about Woolworths being a store for high earners. Woolworth's store refurbishments were inspired by the design of globally renowned brands and smaller boutique outlets. Woolworth's eventual goal was to shift the image of branches in such a way that the shopping experience was filled with character and technological innovation (Participant 6, 2009). The refurbishments were also aimed at assisting Woolworths during harsh buying and selling circumstances due to the recession. Woolworths believed "It's all about presentation", and Woolworths branches had been planned so that power saving was enhanced and the cooling systems within the stores used less power (Woolworths, 2009:76). Participant 3 (2009) believed that Woolworth's design was convenient for the new generation of consumers who required easy access to stores and fast service. The branches had been modernised so that they could highlight products that consumers were demanding and emphasised consumer-purchasing behaviour. The results would be taken and used to methodically evaluate and eventually meet consumer's demands more effectively.

Organisations generally regarded the recession negatively, but Woolworths decided to use the economic downturn to its advantage and re-examine the way it did business. Participant 4 (2009) also mentioned that it might have been the 'wake up call' they needed. In doing so, it found many areas of improvement and subsequently expanded its business in innovative ways (Participant 5, 2010).

7.9.4 Promotion

Throughout the recession it was important for organisations to understand they could not reduce the amount of capital that they spent on marketing. Woolworths remained constant in the media that it used to market its products, but slightly altered its marketing strategy in an attempt to persuade new consumers to follow the Woolworths brand. Some media communications included television, locally circulated newspapers, weekly periodicals and direct marketing (Participant 1, 2010).

During the recession it was essential to create a steady conversational process with consumers so that they felt at ease with making a purchase, otherwise they would more than likely not make that decision. During pressing economic times, consumers wanted to know that the product they were buying adhered to the quality that they required (Participant 3, 2009). The consumer was more likely to purchase goods from a well-known and dependable vendor than an unknown entrant into the market. The use of printed advertising media became pertinent because of the fact that consumers liked to have time to make their ultimate decisions (Participant 5, 2010).

Print was a more cost-effective means to attain more consumers. Woolworths used regular circulatory publications such as newspapers as well as internal store publications to make consumers aware of products on offer and particular promotions that Woolworths had on offer. Most consumers would rather pay a reduced price for a product in the form of a sale or payback promotion, rather than change to a completely new store. Woolworths had used television and direct marketing as its main advertising platforms during the economic downturn (Participant 4, 2010).

Before the recession, Woolworths would only advertise in premium magazines and other high-end media to reach its target markets more effectively. However, the recession had brought about a few lessons to which Woolworths had to adjust. Television had allowed Woolworths to advertise to a broader market reach, putting the brand in front of many more consumers than before (Participant 2, 2010). Table 7.1 illustrates the summary of participant's feedback regarding the marketing mix elements.

Table 7.1: Summary of participant's responses to changing marketing mix elements

	Product	Price	Place	Promotion
Participant 1	Increased the sizes of their products to bulk options	Offered bulk purchases at reduced prices	Demand for convenience, opened more stores at filling stations and high foot traffic locations	Used several mediums of communication including television, print media and radio
Participant 2	Emphasised private labels affording Woolworths the opportunity to alter their own packaging	Instead of changing the price of individual items, Woolworths approach was to offer combination of products at a special price	Restructured the interior of stores, improving the consumers shopping experience	Introduced television advertising to target a broader target market
Participant 3	Expanded product lines by including standard products to products portfolio	Woolworths offered value for money specials by making use of the bargaining power of suppliers, who they have built loyal relationships with	Supplying convenience ready-made meals at convenient store locations	Did not change their marketing budget, and remained true to their core values and business strategy throughout the recession
Participant 4	Woolworths continued to support ecological, environmentally and sustainable products	Price reductions on specials were specific to seasonal products, which could be sold for less by economies of scale	Found areas of improvement and expanded by opening more stores in efficient locations	Promoted the message of good value for money by retaining the same quality and negotiating with suppliers to reduce costs
Participant 5	Conveniently packaged different products together for example chicken roast, vegetables and potatoes	Increased consumer base by offering cost-effective rates on standard products	Shifted the image of branches in such a way that the shopping experience was filled with character and technological innovation	Messages targeted towards changing the perception of consumers towards Woolworths as an expensive store
Participant 6	Introduced more product options to choose from	Innovative methods of offering value to the consumer during the recession set it apart from its competitors for example the family promotion, feed a family for R100	The branches have been modernised to highlight products that consumers are demanding	Made use of more information based means of communication to educate the public about Woolworth's products

Consumer product selection was informed by various decision-making criteria that most consumers employed before settling on a specific product. Both personal and non-personal factors affected their decisions, but the most dominant of these that consumers endured had been outlined by the economic downturn. The economic downturn had affected both the intended and unintended purchasing power of consumers. The highly unstable surrounding that the recession had created was recognised as a test for Woolworths, especially with regard to the way they promoted their products (Business Standard, 2009).

From observation, it was evident that the organisation's most authoritative and lucrative mode of promoting its products was to draw and maintain consumer's brand loyalty. This was achieved by means of a product promotion that combined and effectively used different criteria to attract prospective consumers. Some of these included price, product, location, marketing, users and promotions (Fast Moving, 2010).

A successful promotional plan would be one that did not focus on a single aspect of the consumer's purchasing system but rather considered multiple facets and analyses the market in this way. By focusing on different methods of making sales, special offers, packages and services, Woolworths management were willing to adopt planning techniques to better assist consumers and add value to the overall shopping experience in order to ensure business development and growth (Participant 1, 2009).

7.10 Woolworth's changes during the economic downturn

During the global economic downturn, several changes were made within Woolworths, including:

- Increased focus on value and quality while strengthening innovation
- Improved availability of products and services
- Utilisation of consumer information to drive promotions and store catalogues
- Tightly managed stock
- Improved margins
- Continued management of cost growth
- Increased value placed on employees
- Strong relationships with suppliers (Woolworths, 2009:91)

CHAPTER EIGHT
CONCLUSION AND RECOMMENDATIONS

8.1 Introduction

The study found that Woolworths did indeed adapt its marketing mix strategy in response to the global economic downturn. The strategy adaptation findings to the marketing mix elements found that Woolworths effectively adapted its marketing strategy with a value for money approach, not compromising on quality but by finding intelligent ways to market their products. Even though these findings could not be statistically generalised to the population the findings can be used in similar case studies or theoretical generalisations, depending on homogeneity.

8.2 Recommendation

The recession forced Woolworths to adapt to consumer's demands. Woolworths shifted its focus to concentrate on specific premeditated marketing proposals in contrast to erratic responses to the economic downturn. Consumers were not brand loyal and once presented with a quality product that cost less, they would move to this product. The number of products that people consumed before the recession was substantially more than the number of items they were consuming during the recession (Participant 4, 2009).

The key for Woolworths would be to supply value-added products that kept the same quality as in the past. As consumers became more price conscious, Woolworths found it difficult to alter consumer perceptions and prove to consumers that Woolworths was not just expensive but was offering good value for money. An important message for Woolworths during the recession was that of consistent value and not occasional discounts.

The factors that Woolworths should concentrate on in order to ensure success during the economic downturn include value for money, well-built product perceptions, marketing and brand loyalty. Consumers would make uninformed choices if they were not educated about product's key characteristics. An example of this was a comparison of two brands of honey, which can be purchased from Pick 'n Pay and Woolworths respectively. At a glance, both honey products were essentially the same, and if consumers were not made aware regarding the content of the honey, a consumer would choose the more cost-effective option if all else appeared equal. However, the Woolworths honey would, in all likelihood, are organic (contain a honeycomb), while the Pick 'n Pay honey may not have any additional advantages.

Hence, the products are not the same, which is the reason that it was imperative to inform consumers about the difference of value offerings.

8.2 Conclusion

A comparison between Pick 'n Pay's and Woolworth's prices showed that most domestic items (such as bottled water and washing powder) were sold at similar prices, whereas convenience meals and pre-made meals were slightly more expensive. However, considering the quality of Woolworth's products, it was reasonable to expect a slightly higher price for its products (Participant 1, 2009). Throughout the recession even loyal consumers were considering buying products elsewhere. The need to save money became such a priority that even the middle to upper class consumer was hesitant to over-spend. Stores like Pick 'n Pay and Checkers began campaigns directed towards this market and, as a result, Woolworths lost a portion of its market share (Woolworths, 2009:96).

It became prevalent for Woolworths to make changes to reach their target market and one of the ways Woolworths did this was to conveniently place their stores in high traffic areas and easily accessible to their consumers. These stores were relocated to filling stations and high foot traffic locations. Changes were also made to the interior of their stores to create an enjoyable shopping experience with a user-friendly layout and clearer labels.

Throughout the economic downturn, Woolworths continued to invest in advertising; Woolworths concentrated on the types of media of communication that would have had a broader outreach to potential consumers (such as television advertisements). This differed from Woolworth's advertising strategies of the past, which targeted an elite handful of consumers. This meant Woolworths was reaching a broader target market, while using promotions both to attract consumers and to shift their perceptions. The broadening of the target market to lower living standard measurement consumers, meant that Woolworths could not only depend on their previous high income groups alone to survive the economic downturn. The goal for Woolworth's promotional strategy was to change the perception that consumers had of their stores from an expensive store to a good quality value for money store (Participant 3, 2008).

According to Participant 1 (2009), there were still many changes that needed to be made to Woolworth's presence on the World Wide Web. Although the organisation used the Internet as a tool to market itself to a major extent, improvement to their website would be something the department could consider investing more time and money in. The website itself offered the option to buy products online, but the lack of a proper strategy to push Internet sales resulted in fewer people visiting the website and minimal customers buying online.

While Woolworths felt the effects of the economic downturn early, this assisted Woolworths in being the first to see an upswing from the recession. The recession was an opportunity to grow for the organisation, and this resulted in some essential changes to the way it did business (Woolworths, 2009:93).

The argument of who was really affected by the recession was still under debate; however, one thing was certain and that was the people most affected were those with mortgages or debt. Interest rates went up, the disposable income that people depended on lost its value due to the weakening of the Rand and, most of all, the uncertainty and negative publicity added to the panic of consumers (Participant 1, 2009). Even though a handful of consumers were not financially distressed by the recession, the media hype surrounding it led to consumers becoming more price conscious and most consumers were saving costs even though they had the financial stability. Traders and vendors were still experiencing effects of the recession even though the South African economy was recovering (Woolworths, 2009:42). “The hype around the recession that was created on television and in newspapers instilled a panic in consumers to be cautious about where they spent their money, even though the economy affected a wide range of people, from the poor to the rich (Participant 4, 2009). One of the reasons many consumers were not spending more was their fear of buying products when other consumers were cutting back (Participant 1, 2009).

If the public assumed that certain products were costly, short-term promotions would not be successful in attracting consumers who would be loyal to the brand. The number of consumers who bought goods from Woolworths decreased in 2009 and continued to decrease during the harsh economic downturn (Participant 3, 2009).

The reason Woolworths coped throughout the recession was that they did not change their objectives but remained steadfast in the policies that they implemented to reach a broader consumer base. Hence, Woolworths injected funds into mass marketing and improved business by having a presence through media like television (Woolworths, 2009:94).

Stores such as Woolworths are part of a market that is continuously changing, so while other organisations were competing to ensure price reductions, Woolworths used more innovative ideas to maintain its consumer base. Refusing to participate in the price war, Woolworths had to find ways to offer value for money to its consumers without being perceived as a discount store. Its family meal specials became popular and consumers were split between staying with a good quality product that cost more, and buying substitute products of a lower quality. Although this was true for many consumers, there was still a segment of the market that would not budge: quality was of paramount importance and would not be compromised (Woolworths, 2009:63).

The organisation's core marketing focus was to rise above the rest with regard to the quality of products, its conduct of trade, the products on offer and the entire process from the moment consumers enter the store until they leave. A range of quality items was imperative to Woolworth's plan to "stand out from the crowd". Throughout the economic downturn Woolworths remained determined to concentrate on its strengths, reaching its objectives and supplying consumers with a quality range of products at reasonable prices (Woolworths, 2009:98).

Woolworths based its business strategy on a valuable equation, namely cost + quality is equal to, value for money. A survey that evaluated consumer's purchasing trends showed that most consumers perceived Woolworths as a good quality store of a higher standard to competitors. Woolworths had achieved this through its consumer relationship model strategy. The aim of this strategy was the following:

- Price repositioning to change consumer perception
- Competitive pricing
- Quality remaining key (Woolworths, 2009:102)

Even Woolworth's corporate governance structure was altered during the recession and several employment contracts were not renewed, while some divisions of Woolworths that were not making money were closed down and stringent cost limitations were implemented. These were some of the changes that Woolworths prompted to ensure that it remained a strong competitor within the retail field (Woolworths, 2009:104).

The prominent question was how Woolworths managed to provide quality products at reduced prices. Woolworths had created innovative ways to circumvent the consequences of the recession. Woolworths achieved this by increasing its stock orders, which essentially resulted in a decreased pro-rata price per item, and the discounted rates could be directly relayed to consumers. Their strong relationship with its suppliers and managing logistics was a task that required efficiency and expertise. Woolworths preferred not to make erratic responses to the economic downturn but rather applied carefully constructed adjustments to their strategies in order to achieve this (Participant 3, 2009).

Woolworth's also followed structured policies to deal with a shift in the economy. Although it implemented specific advertising methods to deal with the economic downturn initially, Woolworths still tried to be a strong competitor by conducting trade in ways that incorporate protecting the environment, while assisting consumers by offering healthy, value for money products (Participant 3, 2009).

Woolworths did not attack its competitors within the market; they preferred instead to pilot a new approach of conducting business. Woolworths understood that consumers were essentially in control, and meeting consumer's demands was what was necessary to succeed. The concept of demand and supply was therefore amplified during the economic downturn. Woolworths maintained the support of consumers by continuing to offer quality products and services as well as building strong relationships with their suppliers in achieving their targets and goals. Another part of Woolworth's success was that they invested in science and technology. These included the repositioning of price points and investments in product planning systems that were expected to assist volume growth, reduce wastage and markdowns in order to improve gross margins (Woolworths, 2009:107).

The key message that the study had found to hold true throughout, was that the consumer was at the top of the hierarchy and if an organisation did not meet the needs of the consumer it would inevitably lose market share. The need for organisations to identify changing patterns in the market and adapt effectively to suit the consumer remained key. On the other hand, consumers were becoming better informed, educated and curious towards living a better life, without compromising their financial standing, health and overall wellness. The synergy between these two is what Woolworths needed to identify and meet, in order to survive in this competitive and ever-changing market (Woolworths, 2009:110).

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APPENDIX A: Woolworths letter of permission to do research

WOOLWORTHS

Woolworths (Proprietary) Limited Reg No 1956/000518/07
A registered credit provider - NCRCP 51
Woolworths House 93 Longmarket Street Cape Town 8001 PO Box 680 Cape Town 8000
Telephone +27 21 407 9111 www.woolworths.co.za

5 November 2009

Cape Peninsula University of Technology

ATTENTION: MR/MRS STEENKAMP

Dear Mr/Mrs Steenkamp

I met with Shireen Khan on 8 October to discuss her thesis on adapting marketing strategies to the global economic crisis.

I am happy to give Shireen permission to research Woolworths as she will not require any confidential information that will jeopardise our company.

Please do not hesitate to contact me on 021-407-2596 should you require any further confirmation.

Yours sincerely

CHARMAINE HUET
DIVISIONAL DIRECTOR OF MARKETING

Directors: SN Susman (Chairman) AR Jennings (British) Z Rylands NW Thomson Company secretary: CL Lowe

Appendix B: Face-to-face in-depth interview guide

Interview Guide

Topic: Marketing mix strategy adaptation: a retail organisations response to the global economic crisis.

Name: ______________________

Position: ____________________

1. How do you in general feel about the financial crisis?
2. To what extent do you think the retail sector has been affected by the recession?
3. What causes from the recession have affected the retail the sector the most e.g. inflation, consumer behaviour confidence, sales, loyalty?
4. How has your competition reacted to the crisis?
5. What would you say has been the biggest challenge for your company during the recession?
6. What would you say are the key success factors that got you through the recession?
7. The annual report portrays Woolworths as a reasonably priced company; some segments of the market perceive Woolworths as expensive? Why is this?
8. What would you say the Woolworths slogan, “the difference” actually portrays?
9. Is quality a big part of your primary message to consumers? How important is quality to the consumer? And against your competition?
10. What did you invest in most during the economic crisis?
11. Where there any internal changes made during the recession? Company structure? Motivating staff? More meetings?
12. During the recession, who is in charge of making the marketing changes within the organization?
13. What did you focus most on during the recession? Better opportunities? Threats? Strengths?
14. Have there been any innovations as a result of the recession?
15. What is the balance within your company when it comes to short term and long-term strategies during a recession?
16. With the changing dynamics in the market e.g., consumer changing buying behaviour. Can you say that you have an advantage because you are a bigger organisation with bigger budget, so you have a better chance of taking advantage of these changes? (Could these challenging times benefit you more, seeing a gap in the market?)
17. Would you perceive this time of the recession as an opportunity to de-clutter? Staff, overspending, resources? What drains your company resources?

18. Would you say that you used an aggressive or defensive positioning approach during the recession against your competition?
19. Is there anything you have learnt during this economic crisis?

Product

20. Have you seen any differences in turnover of your company, e.g. different brands have become more or less popular during the last year?
a. Other changes you have recognized…
21. Have you taken any special actions because of these changes?
a. If yes, what kind?
22. Are own-branded products something that you think works to your advantage?
a. Have any changes been made to your products because of the crisis?
b. Why-explain more….

Price

23. Have you made changes to your pricing strategy?
a. How do consumers perceive price during the recession in general?
b. How do you think consumers perceive the pricing of your products?
24. Do you try to attract more people through discounts in these times of crisis?
25. Do you think that customers prefer lower prices or free gifts during a recession?

Place

26. Do you think that the location of the store plays any role now?
27. Do you use Internet-for promotion or selling?
a. How popular are your online business?
b. Do you deliver products to customer's houses?
c. What benefit does the Internet have during the recession?
d. Do you find that people buy more from Internet in these tough times?
28. Do you have Self-service checkouts?
a. If the answer is yes; do you focus them more now and are there more popular during a recession?

Promotion

29. In what ways do you promote yourself/which media do you use?
30. Do you try to do more promotion now compared to before the crisis? Or maybe in different ways/different media?
31. Do you have any membership or club that the customers can join?
a. What benefits do the members have?

32. Are more people becoming members now?
33. If the answer is NO on the previous question, are people leaving?
34. Do you have more campaigns now than at this time previous years?
35. Is there anything else you would like to ad?
36. After the crisis, is your company in a better position than before the crisis?

Thank you for your time!