

*Full Length Research Paper*

# The impact of marketing strategies on profitability of small grocery shops in South African townships

N. Chiliya<sup>1\*</sup>, G. Herbst<sup>2</sup> and M. Roberts-Lombard<sup>3</sup>

<sup>1</sup>Department of Business Management, University of Fort Hare, P. Bag X1314, Alice, 5700, South Africa.

<sup>2</sup>Department of Business Management, University of Fort Hare, P. Bag X1314, Alice, 5700, South Africa.

<sup>3</sup>Department of Marketing Management, University of Johannesburg, P.O. Box 524, Auckland Park, Johannesburg, 2006, South Africa.

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The study argues that a complete “paradigm shift” in the grocery shop business sector is necessary. This will result in interventions which improve the quality of strategic marketing decisions and consequently profitability of the grocery shops. Due to the lack of a model available on how marketing strategy affects the profitability of grocery shops, a comprehensive literature search was done and norms of marketing strategies were developed and subsequently used to benchmark the practices of grocery shops in Mdantsane, East London. The grocery shop owners or managers were asked their manipulation of the marketing mix variables in their effort to attain profitability. A total of 36 grocery shops were examined within the context of the research framework.

**Key words:** Marketing strategies, profitability, Mdanstane, township.

## INTRODUCTION

A marketing strategy is a method by which a firm attempts to reach its target markets. Marketing strategy starts with market research, in which needs and attitudes and competitors' products are assessed and continues through into advertising, promotion, distribution and where applicable, customer servicing, packaging, sales and distribution. Marketing strategy must focus on delivering greater value to customers and the firm at a lower cost. However, quantifying the return on investment from marketing expenditure on activities such as advertising, promotion and distribution is one of the most complex issues facing decision makers. Marketing performance is central to success in today's fast moving competitive markets, and measuring marketing's performance is critical to managing it effectively (Anonymous, 2006a).

In order to measure marketing strategy effectiveness, a business has to break down its marketing function into constituent parts, along with a mechanism through which to analyse the interaction between those parts. By doing this, decision-makers will finally be in a position to relate marketing expenses to shareholder value and to understand how to tie marketing initiatives back into the value

created for the company. Decision-makers will be able to understand the internal motives that propel the marketing value of the business (Anonymous, 2006b). The manipulation of the following marketing variables namely price variation and price promotion, research, advertising, product differentiation, quality, packaging and place will yield increased returns for firms.

The trading environment in South Africa, as is the case globally, has changed dramatically in recent years (Anonymous, 2006c,d). Whether in towns, cities or more rural areas, there has been significant economic and social change which has altered the ability, perception and behaviour of consumers with regard to shopping and retailing. The needs and desires of consumers have changed in different ways, although there are constant needs, in the general sense, such as access to food and clothing. The consumption of products has varied considerably, for example, red versus white meat consumption. The willingness and capability to travel to obtain these needs has also changed. It is probably true that most small shops are less able to satisfy these new demands than are larger outlets and businesses. In the light of the above observation it is necessary to study the mechanisms that grocery shops implement in a turbulent business environment.

Cant and Brink (1999) indicate that the process of accul-

\*Corresponding author. E-mail: [nchiliya@ufh.ac.za](mailto:nchiliya@ufh.ac.za).

turation has resulted in the development of subcultures in the townships, characterized by unique belief systems, dress codes and language patterns. In the black communities they appear to be distinctive social classes which manifested in several ways. The social structure is clearly reflected in the areas where black people choose to live in. There are upmarket areas, middle of the road areas and then the really poverty stricken. Black consumers are also very conscious of their choice of products reflecting the "right" social class in which they wish to be categorized by their friends and peers. The more sophisticated black consumers would buy products such as clothing and furniture at upmarket stores in traditionally white areas while those who are less privileged and thus from a lower social class, would buy from the townships because of their lack of access to the malls, low income and consumption.

Cant and Brink further highlight are greatly influenced by factors such as long traveling distances to work, working long hours and returning home late, many homes are without electricity and home comforts and a high crime rate. Lifestyles are centered mainly on social activities such as sport and music. In the light of the above, one would find that word of the mouth and bill-board advertising plays a crucial role in communicating products to the consumers.

### **Problem statement**

The Minister of Finance in South Africa, Mr. Trevor Manuel, highlighted that shop owners/managers battle with hawkers and street sellers over space and the fierce competition frequently lead to violence. In almost all the townships in South Africa, butcheries, bakeries, clothing and grocery shops, owned by Asian or Middle Eastern foreign investors, have sprung up. The local businessmen are not happy that foreign investors should venture into businesses that should be owned or managed by South Africans (South African Government, 1995). A businessman in Soweto echoed that "if foreign investors start running grocery shops and butcheries and sell amafongkong (imported clothing), what will South Africans do?" (Competition Tribunal South Africa, 2000). Established retailers such as Shoprite have also entered the township market which will increase the level of competition for the grocery shops in the township area.

Grocery retailing is no longer a business environment characterised by low levels of competition. South African retailers are faced with outlets from some of the best managed businesses in the world e.g. American grocery outlets. Against American established retail outlets, small retailers have to be as effective and efficient as possible, exploiting whatever advantages they can obtain. Many people have a dreamy and nostalgic view of retailing that they use as an impetus for entry into shop keeping; a process made easier by the lack of real entry barriers to the trade. Their expertise, training and capability for opening and then operating a shop have never been tested in many ca-

ses and must be open to question, since many small retailers have often not been adequately prepared for the trade (Cant et al., 2004).

Retailing can be a complicated business, made even more difficult by financial problems and multiple competitions. To cope successfully with these challenges requires a certain level of personal and family commitment and skill, as well as an aptitude for such a trade. Appropriate training and advice could, arguably, enhance this aptitude. A more in-depth study of the marketing strategies adopted by black indigenous businessmen in South Africa was therefore required.

### **Purpose of the study**

Empirical support for the relationship between the marketing strategy and financial performance of a business has been provided by a number of studies. The majority of these studies have been based on the Profit Impact of Marketing Strategy and have focused on company performance in the United States of America (Faria and Wellington, 2005; Kyle, 2004). Various studies by Shim et al. (2004), O'Neill et al. (2002) and Patterson and Smith (2011) have suggested that overall business performance is influenced by the marketing strategy. However, the results of the aforementioned studies are inconclusive. In the South African context, Cant and Brink (1999) studied the marketing perceptions of grocery shop owners whilst Martins (2000) studied grocery retail strategies based on the income and expenditure patterns of consumers. Neither of the studies has, however, attempted to verify the relationship between the marketing strategies and profitability of small businesses in South Africa. It is against this background that the study was undertaken.

### **Objectives of the study**

- i.) To ascertain whether grocery shop owners in Mdantsane, East London, adopt marketing strategies that maximizes their profitability and hence owners wealth.
- ii.) To contribute to a more comprehensive understanding of variables that impinges on the marketing strategy and performance of grocery shops.
- iii.) To determine how a lack of capital impedes on the marketing strategies of the grocery shops in Mdantsane, East London.

### **Research hypothesis**

H<sub>1</sub> : Grocery shop owners in Mdantsane, East London, do not use marketing strategies to maximise their profitability and hence, owners wealth.

H<sub>2</sub> : Variables that impinge on the marketing strategy and performance of grocery shops in Mdantsane, East London, are amongst others, bad debts and excessive withdrawals.

H<sub>3</sub> : A lack of sufficient funds implies that grocery shops in Mdantsane, East London, cannot embark on vigorous marketing efforts which erode profitability.

### **Theoretical hypothesis**

In order to measure marketing strategy effectiveness, a business has to break down its marketing function into constituent parts, along with a mechanism through which to analyse the interaction between those parts. By doing this, decision-makers will finally be in a position to relate marketing expenses to shareholder value and to understand how to tie marketing initiatives back into the value created for the company. Decision-makers will be able to understand the internal motives that propel the marketing value of the business (Anonymous, 2006). The manipulation of the following marketing variables, namely price variation and price promotion, research, advertising, product differentiation, quality, packaging and place will yield increased returns for the firms. Each of the variables are discussed in more detail below

### **Customer service**

The importance of service to the customer is often overlooked from the perspective of the firm. Firms may assume that a competitive advantage centres primarily on price and that the customer focuses on price and will, therefore, only buy the product that is the cheapest. Research has, however, indicated that the following factors also play an important role in customer decision making and could provide a competitive advantage to the firm, namely (Brink and Berndt, 2004):

- i.) The availability of a backup service to the customers.
- ii.) The tailoring of business hours according to the needs of customers.
- iii.) The punctual fulfillment of promises.

The following aspects are important when a personal service is delivered to the customer, namely (Gummesson, 1999):

- i.) Know the names of your customers.
- ii.) Care for the needs of the customer and prove it by the owner's presence in the business.
- iii.) Try to make the availability of the products to your target market as convenient as possible. Site and supply points are very important in this regard.
- iv.) Good service is to listen to the comments of customers. In this way, an advantage over competitors is created.
- v.) Select people orientated employees to serve customers.
- vi.) Train employees to render superior service to customers.

### **Price variation and price promotion**

Price variation policy represents the firm's price position, one that can range from stable pricing, featuring consistent, everyday prices and few price discounts, to highly promotional pricing, featuring frequent price discounts. Price variation and price promotion is a set of pricing and promotional decisions designed to communicate a price position to consumers and influence short term sales response and overall market performance (Lal and Rao, 1997). Price promotion advertising volume is the volume of advertising dedicated to communicating a price position. This dimension is independent of price variation policy in that retailers can elect to advertise everyday prices that promote a stable price position or sale events that emphasize discounted prices. The pricing policy that is favoured by customers will stimulate repeat purchases and eventually profitability. It has been observed that many retailers who operate in South Africa's informal settlements have been accused of charging exorbitant prices (Cant and Brink, 1999).

### **Research**

Consumers vote with their purchases in the grocery store everyday. The interest in cost and taste by discerning consumers has led to a greater demand for quality and higher principles towards production standards (Food Marketing Institute, 2005). It is against this background that consumers can and do "drive" research programs that can ultimately improve on a retailer's profitability. The key to understanding how consumers would "drive profitability" is to understand issues around research and development. Investment is needed on research into consumer factors affecting the production, dissemination and adoption of new ideas, new technologies and new products in the grocery shop market as this affects the product offering by a particular retailer (Food Marketing Institute, 2005).

### **Advertising**

Advertising is the paid promotion of goods, services, companies and ideas by an identified sponsor. Marketers see advertising as part of an overall promotional strategy. Other components of the promotional mix include publicity, public relations, personal selling and sales promotion (Anonymous, 2006). Advertising allows a company to tell the benefits of a product to a potential customer. Advertising can be in a newspaper or magazine, on radio or TV, a billboard, internet or a variety of other means. Advertising is generally paid for, as opposed to publicity, which is usually free.

### **Product differentiation**

Product differentiation is the modification of a product to

make it more attractive to the target market. This involves differentiating it from competitors' products as well as the firm's own product mix (Bennet, 2002). The changes are usually minor; they can be merely a change in packaging or may include change in the advertising theme. The objective of a product differentiation strategy is to develop a position that potential customers will see as unique. If the target market of a business views the product as different from the competitors', the firm will have more flexibility in developing its marketing mix. A successful product differentiation strategy will move the product from competing primarily on price to competing on non-price factors such as product characteristics, distribution strategy or promotional variables.

### **Quality improvements**

Research by Gilmore (1999) and Koskinen (1999) has, consistently, determined that consumers value highly the quality, choice and convenience offered by major supermarkets. They also want access to a wide range of goods at competitive prices and a convenient time, regardless of whether they live in a major city or suburban, regional or rural centres. Arnould et al. (2002) defined perceived quality "whether in reference to a product or service" as "the consumer's evaluative judgment about an entity's overall excellence or superiority in providing the desired benefits".

### **Packaging**

Packaging is a crucial component of the "marketing mix" for a product. It is the "least expensive form of advertising" and is of particular importance at the point of sale, as the package is the manufacturer's last chance to convince the customer to purchase the product (Anonymous, 2006). Packaging plays a central role in promoting the appeal of products to first time users. The package serves as a strong image identifier among residents of townships. Blem (1995) stipulates that customers expect their goods and services to be packaged and presented conveniently. Attractive packaging, before purchase, is an aid to sell-ing. However, after purchasing a product, the packaging becomes an aspect of service. The customer needs packaging that is suitable for transporting and storage and that is easy to remove.

### **Place (Distribution)**

Place is also known as channel, distribution or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer/service provider to the user or consumer (Meggison et al., 1997). Grocery retail stores sell all kinds of products, and provide services needed to sell those products. Most retail firms buy their products from wholesalers or other distributors in the form which they will sell to the consumer. The function of the retailers is to give products utility, that is, to add value

by making them available to the consumer at a convenient location.

## **METHODOLOGY**

### **Population and sample**

A list supplied by the Food Marketing Institute revealed that there are approximately 300 grocery shops owned by black individuals in the Mdanstane area of East London (Food Marketing Institute, 2004). Spaza shops, hawkers and street vendors were not included in the list. The selection of grocery shops in Mdantsane was done according to two of the following criteria as provided by the Food Marketing Institute, namely (Food Marketing Institute, 2004).

- i.) Shop space, on average, should be between 50 - 300 square meters in order to eliminate spaza shops and mini- supermarkets in access of the given area.
- ii.) Turnover of not less than R150 000 annually.
- iii.) Assets less than R500 000.
- iv.) Less than 10 employees, including the owner if he/she is self employed in the shop.

Although there are more complex formulae, the general rule of thumb is that no less than 50 participants for a correlation or regression are required. The researcher used a sample size of 50 respondents because of the time constraints and availability of respondents most of the respondents due to their aversion of tax were not willing to participate in the survey.

### **Research instrument**

The empirical research component of the study consisted of a self administered questionnaire. The questionnaire designed used several questioning techniques. The study employed five point Likert scaled questions, multiple choice rating questions, dichotomous questions, open ended questions and open ended and single answer questions respectively. Categorical scaled and dichotomous questions provided easiness of understanding and flexibility. The questionnaire was pre-tested amongst five of the respondents identified in the sample to ensure reliability and validity.

### **Data gathering**

The researcher visited grocery shops owned by black individuals in Mdanstane, East London and administered questionnaires to the shop owners/managers. The researcher covered the area of study in 4 weeks, whilst approximately 30 min were required to complete the questionnaire.

### **Data analysis**

The researcher was able to use statistical techniques of inference to test the hypotheses. This was primarily based on the software package MINITAB Release 14. MINITAB Statistical Software is a comprehensive statistical tool for managing, analysing and displaying information. Among the features available are the management and manipulation of data and files, producing graphs, analysing data, assessing quality design, experiment and generate reports (Anonymous, 2005). Based on the distribution of the descriptive statistics for this study, a normal distribution was used to perform the inferential analysis such as 'ANOVA (analysis of variance) one way. The statistical analysis that was mostly used in this study is 'ANOVA One Way'. Trochim (2004) explains that 'ANOVA' is used to determine whether there is a significant variation among groups within an experiment. The 'ANOVA' procedure produces a p-value, the probability of which enables the researcher to reject or fail to reject the hypothesis, that is, to conclude whether or not an inde-

pendent variable has an effect on the dependent variable. The 'ANOVA one way' test was used to test for association between variables. As in the case of this investigation, the researcher intends to assess whether marketing strategy has an effect on profitability, which is the dependent variable. The research also intends to investigate whether the retailers combine marketing mix principles into a marketing strategy that ensures profitability and customer satisfaction.

The most commonly used relational statistic is correlation ( $r$ ) and it is a measure of the strength of a relationship between two variables, but not causality. Interpretation of a correlation coefficient (A correlation coefficient is a number between -1 and 1 which measures the degree to which two variables are linearly related. If there is a perfect linear relationship with a positive slope between the two variables, it is a correlation coefficient of 1. If there is a positive correlation whenever one variable has a high (low) value, so does the other. If there is a perfect linear relationship with a negative slope between the two variables, there is a correlation coefficient of -1. If there is a negative correlation, whenever one variable has a high (low) value; the other has a low (high) value. A correlation coefficient of 0 means that there is no linear relationship between the variables (Valerie and McColl, 2005) does not even allow the slightest hint of causality (In statistics it is generally accepted that observational studies (e.g. counting the number of retailers performing badly) can provide hints, but can never establish cause and effect (Anonymous, 2005b).

The most a researcher can say is that the variables share certain characteristics in common; that is, they are related in a specific way. The more two things have certain characteristics in common, the more strongly they are related. There can also be negative relations, but the important quality of correlation coefficients is not their sign, but their absolute value. A correlation of -58 is stronger than a correlation of 43, even though with the former, the relationship is negative.

## RESULTS AND DISCUSSIONS

### Major findings

Retailers in Mdantsane, regarded price as the most important aspect when applying the marketing strategy mix. This implies that retailers, in Mdantsane, compete primarily based on price, but according to the study findings, the retailers in Mdantsane need to adopt the other 3 Ps of the marketing strategy, namely product, place and packaging in order to be more profitable. A discussion on key findings follows.

### Customer care

In the study at hand there was strong agreement (61% strongly agree, 33% agree) by respondents with the statement that customer interests should come first. The respondents believed in the saying that "the customer is king". This is also in line with a study done by Chandler (2002) who established that hawkers in the East London Central Business District prioritised their customer's interest first before their own. However, a cause for concern is that when it comes to researching about their customer preferences it becomes clear that grocery shops in Mdantsane do not put into practice what they preach because 61% do not measure their customer satisfaction levels on a regular basis. There are variations between what

what owners/managers believe is the guiding philosophy in their business and what the grocery shop implement in order to achieve that guiding philosophy since they do not constantly measure the needs and wants of their customers.

### Pricing

A total of 69% of the grocery shops, in Mdantsane, do not follow a constant mark up policy. This implies that the product prices in the grocery shop can vary on a day to day basis. The fact that grocery shops in Mdantsane do not practice constant pricing policies may imply that two different consumers may buy the same commodity within a few minutes of each other at a different price. This results in customer defection as customers may feel cheated. A total 67% of the respondents agreed that they offer discounts to their customers on a regular basis. A further 33% indicated that they, at times, offer discounts to loyal customers. A logical approach to pricing is, in effect, a comparison of the impact of a decision e.g. the effect which a 10% discount will have on the profits of the retail firm. It involves the increase or decrease in revenue not just of the product under consideration, but of that of the entire business. If the proposed price change leads to a greater increase in total receipts than in total costs, it will, therefore, lead to increased profits.

### Research

A total of 8% of the respondents consult customers at least once per year. A further 17% meet customers 2 to 3 times per week. Furthermore, 22% indicated that they consult their customers every month. A further 11% meet their customers every 2 to 3 months. In addition, 17% of the respondents also indicated that they consult their customers at least once a year. However, a cause for concern is the 25% of the retailers that do not consult their customers. Product preferences change within a short space of time, and such grocery shops will not be able to match up with the changes in customer preferences. This implies that 25% of the respondents are not offering products on the basis of market driven demand. This negatively affects the financial performance of the small retail firm because 25% of the grocery shops in Mdantsane who do not meet the needs and wants of their customers, may find themselves with stock that is outdated because customers do not buy those products.

### Advertising

In the study word-of-mouth communication was ranked as the most important form of product advertising by 93% of the respondents. The findings of the study imply that grocery shops in Mdantsane rely much on physical contact methods such as word of mouth and touts to convey information about their product offering to their customers rather than non physical methods such as community radio,

where there is no direct contact with the customer. This implies that retailers in Mdantsane they wait for customers to approach instead of the retailers stimulating demand from their customers.

### **Product differentiation**

With regard to the variety of products offered, it is important to consider the black consumer's shopping habits. Monthly shopping is done in the major supermarkets in the towns and cities, where the consumer is offered a multiple-choice-selection of brands at very competitive prices (Morris, 1992). This is important to the consumer who does not have a high cash flow owing to low disposable income. For this reason, the consumer is perceived as being brand insensitive. This could explain why grocery shops in the townships are not completely dissatisfied with the variety of products which they stock. Only 20% of the respondents are unhappy with the level of variety of products which they offer. This finding is comparable to what the Triple Trust Organisation (2004) established, namely that 90% of the spaza shops in Cape Town keep a limited range of products.

### **Quality**

All of the grocery shop owners/managers in Mdantsane agree that quality work should be valued. However, what grocery shops in Mdantsane believe in and what they practice differ. These small retailing firms in Mdantsane do not measure the expectations of customers on a regular basis which makes it difficult for them to deliver according to customer expectations.

### **Packaging**

A total of 89% of the respondents agreed that most of the grocery shops in Mdantsane divide some of the items that they buy in bulk into smaller sizes. The majority of respondents also (78%) agreed that they do not have the right packaging. This aspect should be given consideration taking into cognisance that some grocery shops were using recycled bottles of cooking oil to sell paraffin. This exposes the commodities being sold to contamination. Manufacturers of products can also come in with small packing that is usually sold in townships. Only 8% of respondents agreed that they check the expiry dates of their products before dividing. This is a serious cause for concern when a majority of the respondents had agreed that they divide the items that they buy into smaller quantities.

### **Distribution**

A defining feature of the grocery shops in Mdantsane was that they are not able to influence their operating environment in the same way as larger retailers. Afuah (1998) points out that one of the major advantages that small re-

tail firms have over their larger rivals is the ability to respond more rapidly to changing signals from the market place. However, this is no sharp contrast to the findings of this study. A total of 22% of the respondents disagreed with the statement that they know their competitors very well. A total of 36% neither agreed nor disagreed with the statement. Only 42% of the respondents in Mdantsane indicated that they know their competitors very well. This implies that their marketing mix is not based on competition and this renders them more vulnerable as they are likely to keep obsolete stock.

## **The acceptance or rejection of the hypothesis**

### **Hypothesis 1**

Grocery shop owners do not use marketing strategies to maximise their profitability and hence owners wealth. ANOVA (Analysis of variance) as well as a regression analysis were employed to test statistically, the significance of this assertion. When tested at a 5% level of significance, it was discovered that marketing strategies, in general, do play a significant role in determining profitability. This can be seen from the p - value of 0.01 in Table 1 (significance is indicated by p - values less than 0.05).

Table 1 further indicates that variables (marketing strategies) such as the promotion of products ( $p = 0.035$ ), price (0.037), customer service (0.036), customer interest (0.046) and customer requests (0.038) play a significant role in the profitability of the grocery shops in Mdantsane. Hence, this implies that the non adoption of the above mentioned factors results in poor profitability.

The hypothesis which states that grocery shop owners in Mdantsane, East London do not use marketing strategies to maximise their profitability and hence owner's wealth is therefore accepted.

### **Hypothesis 2**

Variables that impinge on the marketing strategy and performance of grocery shops are amongst others, bad debts and excessive withdrawals. ANOVA, as well as a regression analysis, was employed to test statistically, the significance of this assertion. When tested at a 5% level of significance, it was discovered that financial management on the overall plays a significant role in determining profitability. This can be seen from the p - value of 0.00 illustrated by Table 2 above.

In Table 2 the following factors, namely the keeping of separate bank accounts (0.008), application of loaned funds (0.032) and the management of a budget (0.017) were found to have a significant effect on net profit as an indicator of business performance. The study results indicate that prudence in the management of cash resources, the keeping of separate bank accounts and which retailers of any size can, accurately, forecast cash flows and track performance. The overall regression model shows a significant relationship between net profit and the

**Table 1.** ANOVA results for the relationship between marketing strategy and business performance.

**ANOVA<sup>b</sup>**

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	3.92E+11	21	1.869E+10	5.468	0.001 <sup>a</sup>
Residual	4.79E+10	14	3418431648		
Total	4.40E+11				

a. Predictors: (Constant),DIVIDE, REQUEST, SHIFTS, DISCOUNT, CINTER, VARIETY EXPER, DIFFER, PROMO, MEET, PRICE, QUALITY, QUAL, TOTPROD, ERRFREE,PRODPREF, MARKUP, COMPET, CUSTFOC, CUSTOMS, CUSTINFO. b. Dependent Variable: NETP

**Coefficients<sup>a</sup>**

Model	Unstandardised		Standardised	t	Sig.
	Coefficients		Coefficients		
	B	Std. error	Beta		
1 Constant	-1244662	458464.1		-2.715	0.017
PROMO	110734	47355.376	1.423	2.338	0.035
QUALITY	-90617.4	52541.057	-0.895	-1.725	0.107
PRICE	-158573	68769.654	-1.129	-2.306	0.037
EXPER	220822.1	129000.9	1.344	1.712	0.109
CUSTOMS	376455.5	162055.9	1.882	2.323	0.036
VARIETY	-50138.9	44261.932	-0.405	-1.133	0.276
CUSTINFO	-162562	109230.5	-1.449	-1.488	0.159
COMPET	-234032	118662.8	-1.771	-1.972	0.069
CUSTFOC	-115486	84322.063	-0.81	-1.37	0.192
DIFFER	-3576.957	15206.903	-0.34	-0.235	0.817
CINTER	372958.2	169911.7	3.448	2.195	0.046
TOTPROD	-53792.4	84015.398	-0.269	-0.69	0.532
ERRFREE	-25776.2	32461.707	-0.183	-0.794	0.44
QUAL	942.361	50113.621	0.004	0.019	0.985
REQUEST	244476.5	106583	1.657	2.294	0.038
MEET	9597.795	45405.675	0.063	0.211	0.836
PRODPREF	-21213.5	11311.938	-0.421	-1.875	0.082
SHIFTS	78378.984	51090.726	0.561	1.534	0.147
MARKUP	-101837	82532.743	-0.632	-1.234	0.238
DISCOUNT	-127842	87856.892	-0.363	-1.455	0.168
DIVIDE	-122590	73941.313	-0.461	-1.658	0.12

a. Dependent variable: NETP

**Table 2.** ANOVA results showing the relationship between marketing strategy and financial management.

**ANOVA<sup>b</sup>**

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	3.06E+11	7	4.374E+10	9.126	0.000 <sup>a</sup>
Residual	1.34E+11	28	4792658360		
Total	4.40E+11	35			

a. Predictors: (Constant), BUDGET, FINIFO, BILLS, FINFOP, ESYAC, APPLIC, BANK ACC

b. Dependent Variable: NETP

Coefficients<sup>a</sup>

Model	Unstandardised		Standardised	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1Constant	402459	129313.3		3.112	0.004
FINIFO	-9666.839	5873.283	-0.184	-1.646	0.111
FINFOP	-16938.1	10598.104	-0.188	-1.598	0.121
BANKACC	30616.294	10711.737	0.428	2.858	0.008
BILLS	52471.258	27389.135	0.231	1.916	0.066
APPLIC	-47979.5	21289.179	-0.315	-2.253	0.032
EASYAC	4686.667	8763.319	0.066	0.535	0.597
BUDGET	-63405.2	25039.956	-0.335	-2.532	0.017

and the three variables mentioned above; namely the keeping of separate bank accounts, the application of loaned funds and the management of a budget. This implies that the hypothesis which states that variables which impinge on the marketing strategy of the grocery shops in Mdantsane, East London such as bad debts and excessive debts are statistically significant and is accepted.

### Hypothesis 3

A lack of sufficient funds implies that grocery shops cannot embark on vigorous marketing efforts, and this erodes profitability. ANOVA as well as a regression analysis were employed to test statistically, the significance of this assertion. From the variables that were loaded into the regression model (Table 3) none of the variables computed has a p value of less than 0.050. This implies that there are more cost effective mechanisms (e.g. good customer service, till slip promotions) which can be used to carry out marketing strategies that do not need huge capital injections. The hypothesis which states that a lack of sufficient funds implies that grocery shops cannot embark on vigorous marketing efforts and that it therefore erodes profitability is rejected.

### Managerial implications

The study reveals important shortcomings in the marketing knowledge and practices of black grocery shop owners/managers in Mdantsane, East London. The following recommendations can be provided to achieve sustainable profit levels.

Black retailers need to be educated in the importance of the marketing strategy. They should make an effort to establish the needs of their customers and train all employees in their tasks, especially in the field of customer service. Furthermore, many grocery shops lack time, resources, technology or expertise to research and develop new business ideas and innovations. Higher Education Institutions (HEI) can potentially provide access to

expertise, technology and resources that could be of assistance to grocery shops. Working in partnership with research departments at HEI, can lead to new commercial developments that a grocery shop could not have achieved on its own. Black retailers should engage in marketing research on their customers in particular. They should research the level of sophistication of their customers so that they will be in a position to cater for the needs of those niches. Sophisticated customers demand better quality and more luxurious products and to those at a less sophisticated are perhaps mainly interested in basic necessities and less interested in quality. Research on their customers' perceptions of price and quality is, also, necessary. This will facilitate their market segmentation and target market selection process, enabling them to focus on and develop their particular niche in the township. The management of grocery shops in Mdantsane would seem to realise that the customer is the key to their business success. There is, however, a lack of understanding about how to create customer loyalty or what really lies at the heart of a customer care program. The following guidelines could be considered to improve the quality of service within the grocery shop sector in Mdantsane:

- i.) A complete "paradigm shift" in managerial thinking, in terms of service quality deliverance through the continual education and training of staff in fields such as customer care, customer satisfaction and customer service.
- ii.) The product offering needs to be more consistent and reliable, ensuring that an overall perception is created within the minds of consumers. Attention needs to be given to details (such as checking expiry dates) in delivering services and products.
- iii.) Grocery owners/managers need to spend more time building "relationships" with their customers. This will assist in receiving regular feedback from customers in terms of customer satisfaction. It helps to develop customer loyalty as customers enjoy personalized attention. Grocery shops in Mdantsane should, therefore, be more sensitive to the unique needs of their customers.
- iv.) The pricing policy of the grocery shops in Mdantsane

**Table 3.** ANOVA results showing how a lack of sufficient funds can impair on marketing efforts with the resultant erosion of profitability.

**ANOVA<sup>b</sup>**

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	5.33E+11	22	2.425E+10	2.742	0.032 <sup>a</sup>
Residual	1.15E+11	13	8843238456		
Total	4.40E+11	35			

a. Predictors: (Constant), DIVIDE, BUDGET, QUAL, EASYAC, COMPET, DIFFER, VARIETY, ERRFREE, DISCOUNT, QUALITY, PRICE, TOTPROD, PRODPREF, MEET, SHIFTS, REQUEST, EXPER, CUSTINFO, CUSTOMS, CUSTFOC, CINTER, SERVECUS

b. Dependent Variable: OWNCAP

**Coefficients<sup>a</sup>**

Model	Unstandardised		Standardised	t	Sig.
	Coefficients		Coefficients		
	B	Std.Error	Beta		
1 (Constant)	-987079	746510.9		-1.322	0.209
EASYAC	-180355	116953.6	-2.092	-1.542	0.147
BUDGET	154055.4	135607.2	0.671	1.136	0.276
QUALITY	296559.4	196728.6	2.415	1.507	0.156
PRICE	-35010.3	76769.685	-0.205	-0.456	0.656
EXPER	-147573	90520.666	-0.74	-1.682	0.127
CUSTOMS	395082.2	234837.7	1.627	1.682	0.116
VARIETY	-44856.7	81515.914	-0.299	-0.55	0.591
CUSTOMERINFO	409361.2	266609.3	3.006	1.535	0.149
COMPET	-184745	134488	-1.152	-1.374	0.193
CUSTFOC	267734.4	291803.2	1.547	0.918	0.376
DIFFER	-17295.5	24861.85	-0.136	-0.696	0.499
CINTER	15787.494	126321.6	0.12	0.125	0.902
TOTPROD	399850	219166.3	1.647	1.824	0.91
SERVECUS	-477889	325401.9	-3.88	-1.469	0.166
ERRFREE	-54179.6	48273.707	-0.318	-1.122	0.282
QUAL	29811.107	81219.303	0.105	0.367	0.719
REQUEST	-83670.4	185761.4	-0.467	-0.45	0.66
MEET	-100548	89907.541	-0.544	-1.118	0.284
PRODPREF	4002.009	21003.742	0.065	0.191	0.852
SHIFTS	-83643.8	146099.7	-0.493	-0.573	0.577
DISCOUNT	-98084.3	108037.5	-0.23	-0.908	0.38
DIVIDE	-384880	217327.5	-1.192	-1.771	0.1

should also be based on accepted accounting procedures and not only on intuition.

Against the background that 2 of the 3 formulated hypotheses were validated, the following conclusions have been drawn. Owners/managers of grocery shops in Mdantsane indicated low levels of adoption of the marketing strategy concept. This suggests that an opportunity exists for these owners or managers to be educated on how to adopt marketing strategies that enhance profitability. Furthermore, grocery shop owners/managers also

regarded price as the most important aspect when applying the marketing strategy mix. This implies that grocery shops in Mdantsane compete primarily based on price. According to the study findings, these grocery shops also need to adopt the other 3 Ps of the marketing strategy, namely product, place and packaging in order to be more profitable. The owners/managers of grocery shops did, however, indicate that they lack the necessary funds to embark on extensive marketing practices.

Grocery shops in Mdantsane also did not frequently measure the satisfaction levels of their customers regarding

their service or product range. In the same vein, the majority of the respondents did not indicate increases in new customer acquisition and did not recognise that it is their duty to stimulate the need in customers to purchase from their respective shops. The majority of the respondents also replied negatively to actions which would indicate the adoption of promotion as a marketing tool. Their responses indicated that the majority of grocery shops in Mdantsane do not allocate part of their budget to promotion. The owners/managers of grocery shops further indicated that they do not attempt to differentiate themselves from other businesses offering similar products. This implies that grocery shops in Mdantsane do not compete primarily on product differentiation and henceforth, they offer a limited variety of products.

Conclusively, it can be argued that grocery shops in Mdanstane do not display behaviour that could reflect on a high degree of marketing orientation. The fact that they offer discounts to loyal customers was a desperate aim of getting turnover rather than a long term orientation focus on the needs and wants of customers. Furthermore, grocery also does not apply the principles of marketing strategy to enhance profitability to a significant degree.

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