

2012 RETAIL Awards

Consumers at the heart of strategy

Receiving accolades seen as providing valuable feedback

DAVID JACKSON

A STRATEGIC thrust to win the loyalty of consumers where it matters most — in their pockets and purses — has paid handsome dividends for peoples' lower-price champion Shoprite.

Shoprite took the prestigious Grand Prix award in this year's Retail Awards for top retail outlet of 2012, with Pick n Pay and Clicks second and third respectively.

Shoprite also scooped the pool in the supermarkets and hypermarkets category, ahead of Pick n Pay, with Spar third.

In other triumphs for the award-winning retailer, the Shoprite Liquor Shop came second in the liquor category, while Shoprite also notched up fourth spot in the household appliances sector. And it took seventh place in the entertainment segment.

'A major factor in Shoprite's success is its huge footprint'

Shoprite marketing executive Neil Schreuder attributed the retailer's success to an "unwavering commitment to provide South Africans from all walks of life with lower prices you can trust, always".

"We understand all too well that we have a big responsibility towards our customers. We focus on delivering the lowest possible prices on those items most important to our customers consistently, further amplified by the tough economic circumstances in the past three to four years. Our success depends largely on the degree to which consumers trust us to deliver on our promise and thus support us. If we judge our success based on this we certainly are South Africa's trusted low-price champion," he said.

Schreuder said Shoprite was not so much trying to appeal to a value-for-money shopper, but rather those who realise that paying the lowest possible prices on the things they buy every day, month-in and month-out, translates



■ **HAPPINESS AT THE RIGHT PRICE:** Shoprite won the Grand Prix award in the 2012 Retail Awards in the supermarkets and hypermarkets category PICTURE: JEREMY GLYN

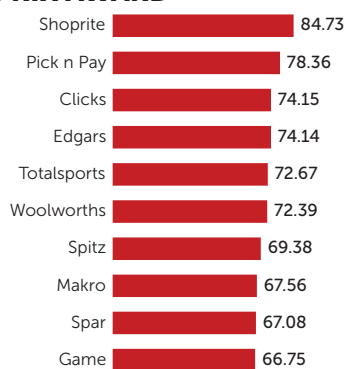
into real savings and more change in their pocket over time.

"We encourage people to shop with us not because of once-off or sporadic deals on limited items, but rather the fact that over time paying less on everything you buy just makes sense. The fact that we have won awards in both this survey and the Sunday Times Top Brands survey for a number of years now is indicative of our ability to remain relevant. But ultimately we're not actively trying to win marketing or brand awards — our customers and their needs remain our greatest focus."

According to Schreuder, receiving accolades such as this is satisfying because they are voted for by consumers rather than a panel of experts. "It is valuable feedback for us."

Neil Higgs, senior adviser and head of innovation for TNS South Africa, said a major factor in Shoprite's success is its huge footprint. "Shoprite is by far the biggest retailer in terms of outlets and locations. Pick n Pay achieves

RETAIL GRAND PRIX AWARD



a higher user score than Shoprite, as does Woolworths. And while Woolworths has a much bigger inspirational pull among non-users — similarly with Pick n Pay compared to Shoprite — shoppers aren't always able to go to these stores because outlets are not always available in their areas of choice. But Shoprite seems to

have a presence everywhere. Shoprite also scores very well on value for money."

Sean McCoy, chairman of the Brand Council of South Africa said Shoprite has built a strong brand proposition through delivery over the years "almost to the point of focusing less on its brand positioning and more on execution of the value proposition — potentially not every marketer's ideal approach, but clearly with massive appeal to consumers... and the bottom line of its business".

"Shoprite's growth has been exceptional over the years and its penetration of the African continent has been significant as a business that has been deeply committed to the region for many years and is clearly ahead of the pack. Its model appears to have built sustainability through the economic cycles — strong value proposition in the downturns combined with loyalty and support in the upturns. It is an enviable position."

McCoy, who is CE of branding strategists HKLM, said the more premium-positioned Spar and Woolworths, for example, "are caught in more niched segments where growth is pressurised, and this is signalled by the aggressive shift toward garage forecourt retail activity as retailers look to combine convenience and new channels to market".

Preston Gaddy, divisional director of Broll Retail Property Management, said: "Shoprite has set the tone from a price perspective and has made no bones about marketing this. Consumers are being squeezed for their rands and need to respond accordingly in their shopping habits."

Shoprite appeals to the mass market, in the LSM (Living Standards Measure) 1 to 6 or 7 range, Gaddy noted. "Stablemate Checkers' 'green line' stores compete in the higher-end, C-income plus segment of the mall market, where their offering has improved from a look, feel and aesthetic perspective," he said.

How Top Retail Awards are compiled

THE Top Retail Awards measures the South African public's opinions of retailers.

And because the research methodology is essentially the same as it was four years ago — when the awards were launched — results can be compared from year to year.

Research partner TNS South Africa analysed how many shops companies had, and their geographical spread. It then weighed up the strength of opinion patrons had of those retailers — as well as the opinions of those who didn't go to those shops, but were aware of them.

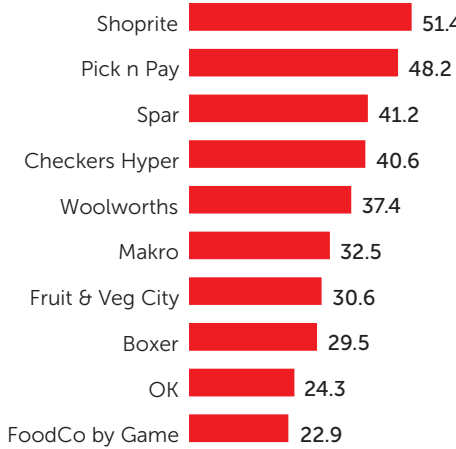
In interviews of 3 500 mostly urban South Africans weighted to represent the population across the country, TNS asked three questions: "Which retailers have you used over a defined period," "Which retailers are familiar enough for you to rate them on a 10-point scale", and the rating.

This allowed researchers to establish how many times shoppers had gone to those outlets in a specific period; the ratings these users gave to the retailer compared to its competition; and how non-users — who didn't shop at the store but were aware of it — rated the brand.

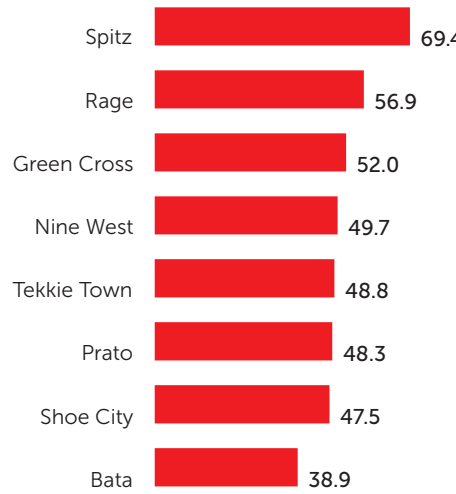
Retailers can win their categories if they have a large footprint and receive above-average ratings from users and non-users. Although footprint size counts, some categories can be won when smaller retailers are loved by their customers, and non-users aspire to shopping there.

In all, 24 categories of retailer were included, some of which only operate at a regional level. In some categories, respondents were also asked to associate key store attributes with retailers to provide more detail on the reasons for their answers.

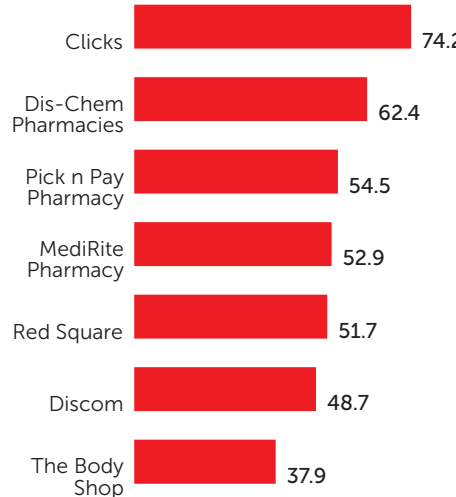
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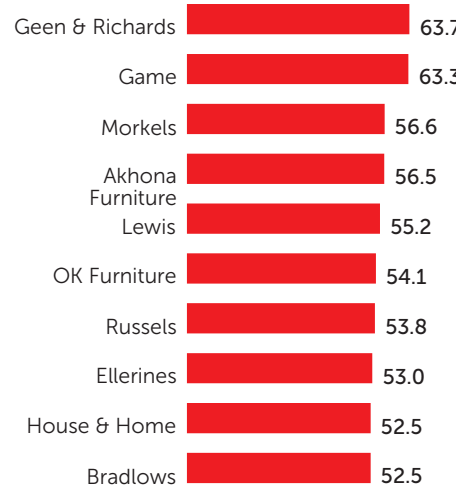
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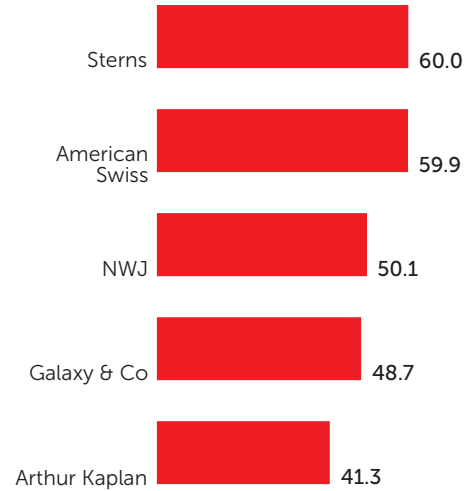
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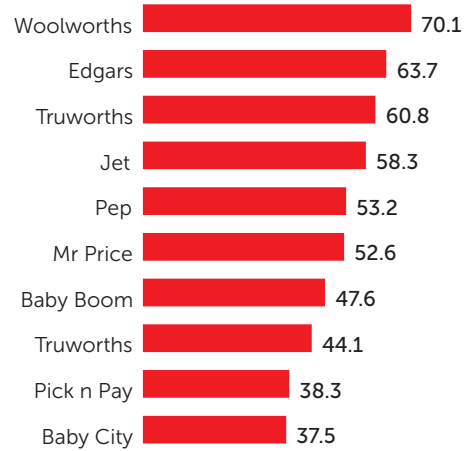
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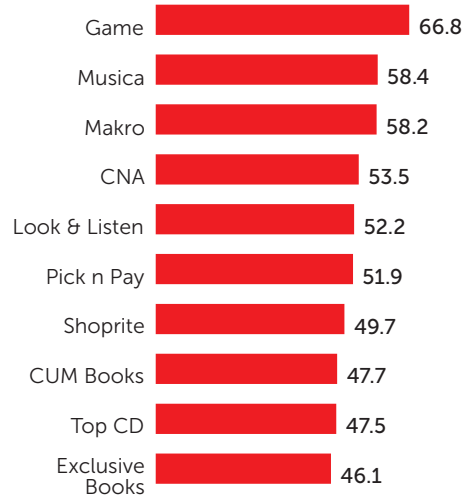
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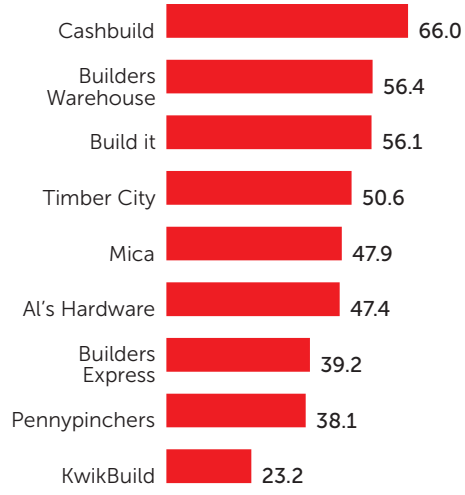
CHILDREN'S & BABIES' CLOTHING



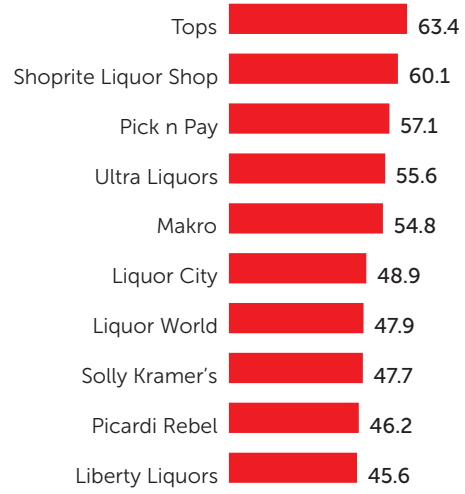
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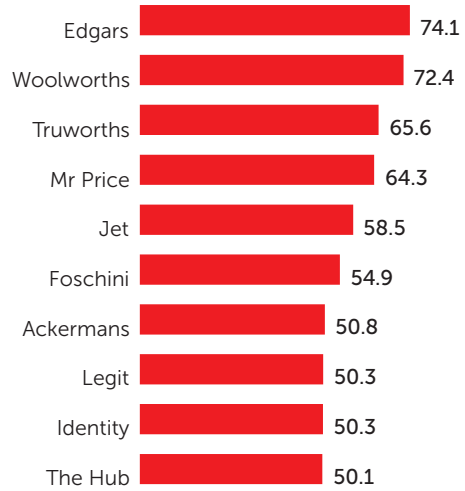
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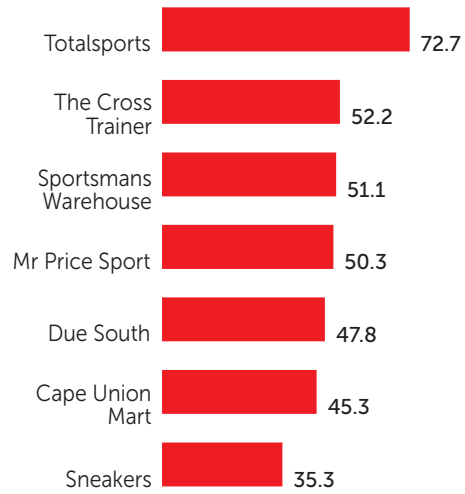
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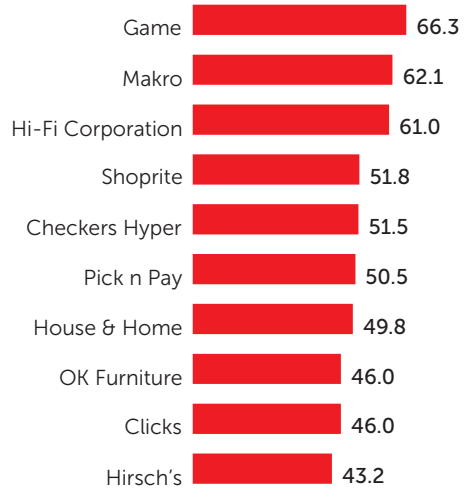
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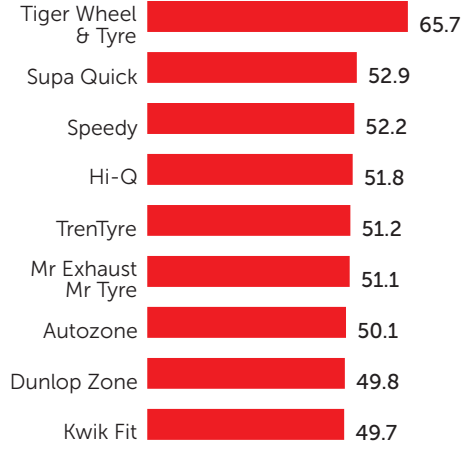
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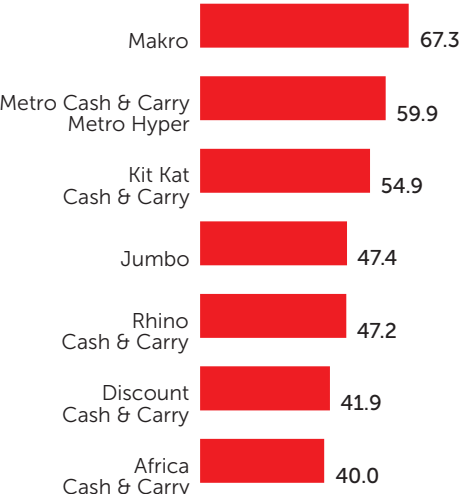
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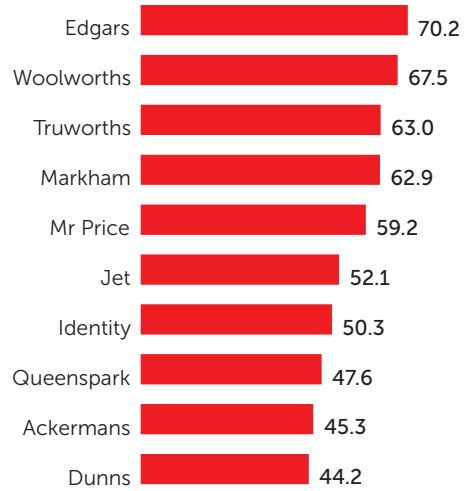
TYRE & AUTO FITMENT CENTRES



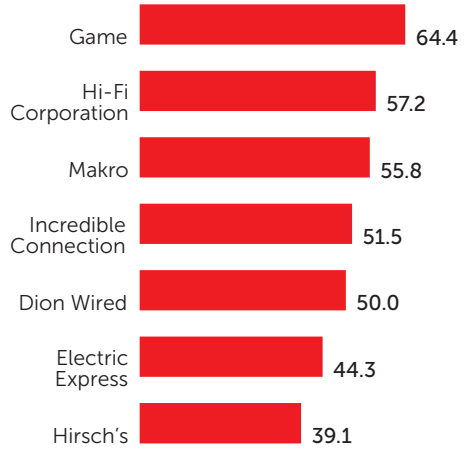
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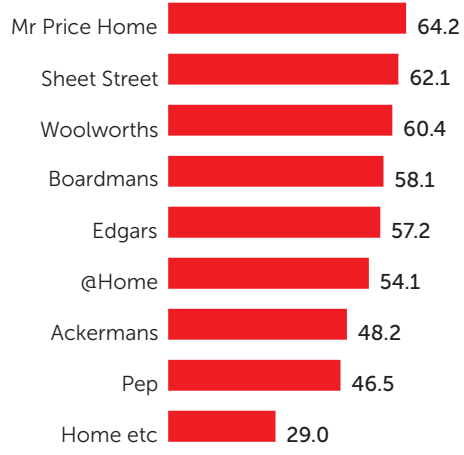
MEN'S CLOTHING



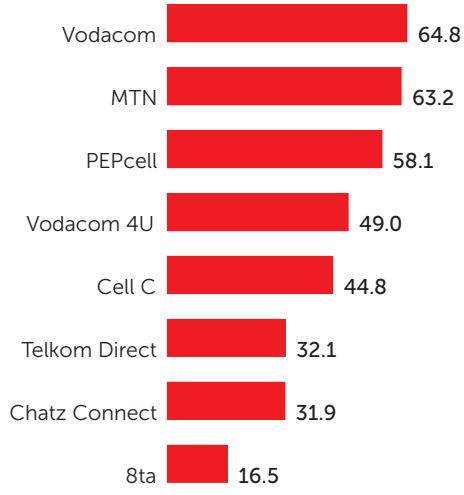
ELECTRONIC, COMPUTER & GADGET



HOME ACCESSORIES & DÉCOR



TELECOMS



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■ Liquor

Tops at Spar tops the liquor category

Still dominating after four consecutive years

PENNY HAW

FOR the fourth consecutive year, Tops at Spar — which celebrated its 10th birthday in August — came out tops in the liquor category of the Retail Awards. It was ranked third in the inaugural event in 2008 but has dominated the category since then.

Overall usage of this category showed a significant increase this year, indicating that consumers have more disposable income than previously, some of which they're spending on alcohol. And, with Shoprite LiquorShop and Pick n Pay Liquor in second and third place this year, the key driver in the liquor category seems to be convenience.

With 25 new stores opening during the first part of 2012, taking the total number of outlets around the country to about 525, Tops has the advantage of having the greatest reach in what it calls "the neighbourhood sector".

In its unaudited interim results for the six-month period ended March 31 2012, the Spar Group reported: "Liquor trading remained very strong with wholesale turnover for the period increasing by an impressive 19.7% to R1.6-billion".

There are 165 LiquorShop stores countrywide, while Pick n Pay has 113 liquor outlets around the country.

Like Tops, LiquorShop and Pick n Pay Liquor haven't replaced the wine departments within supermarkets.

Instead, the stand-alone stores — usually adjacent to a supermarket — provide a choice of beers, ciders, spirits and alcopops.

The Tops brand, said Spar Group liquor manager Mark Robinson, is "all about fun, entertainment, socialising and discovering new things." With a significant presence at key wine events — Tops is the headline sponsor for the Soweto and Guguletu wine festivals — and by developing exclusive ranges like Olive Brook and Carnival wines, the chain has taken the opportunity "to introduce the Tops brand as the preferred wine supplier", Robinson said.

The Spar group has developed a lively social media strategy for Tops on Facebook and Twitter. This might, at least in part, explain why consumers surveyed



■ CHEERS: Tops at Spar workers celebrate the rapid growth of the supermarket's liquor outlets, which have grown to about 525 nationwide PICTURE: JEREMY GLYN

for the Retail Awards assigned it the best-advertised liquor brand.

Advertising, sponsorship, social media and wide reach notwithstanding, convenience is probably the biggest factor influencing the success of the liquor outlets belonging to supermarket brands. After all, it's handy to wheel a trolley of groceries directly into the adjacent liquor store and stock up on drinks.

Wine industry expert, Michael Fridjhon, said pricing was a major factor in the rise of liquor stores linked to supermarkets. "The aggregated buying power of the big groups and their focus on the items they know people buy most means that, within a narrow-ish range, they can really meet the demand/value nexus."

Fridjhon also pointed to research confirming that an increasing percentage of liquor purchases are made by women. One such study says women make 65% to 70% of the alcohol-purchasing decisions. And while previously stand-alone bottle stores may not have been female-friendly, national retail outlets are positioned

in key locations within safe environments and with convenient parking.

"Finally, there is the question of the demise of smaller, independent liquor outlets. Many have been battling to make a profit and several of the chain licences are the result of the acquisition of mom-and-pop stores or small chains where the owners have elected to exit unprofitable businesses," added Fridjhon.

Woolworths, which in May 2010 introduced its Wine & Spirit stores that stand as separate concession stores within Woolworths stores, is yet to make an appearance in the top 10 stores.

Another potential future challenger is Market Liquors, which is the result of a recent RMB Corvest and Fruit & Veg City deal. Fruit & Veg City has acquired a stake in RMB Corvest's Diamonds Discount Liquors, which will become Market Liquors and be positioned near Food Lover's Market stores. If national retail chains continue to dominate the liquor market, Woolworths Wine & Spirit and Market Liquors could be names to watch.

Small stores struggle as big players boost range

GREG GORDON

AS A growing number of big retailers expand the range of goods they sell, shoppers are benefiting but smaller retailers are finding it difficult to compete.

Gavin Tagg, owner of Retail Network Services, said larger retailers are growing their range of merchandise and this is a great drawcard for shoppers that are increasingly cost-and-convenience-conscious.

"Big-name retailers like Game, Pick n Pay and Shoprite, for example, have expanded the range of goods they sell by adding categories like food, liquor, optometrists and pharmacies," he said. "So shoppers are able to get everyday items at a greatly reduced cost under one roof."

Larger retailers are able to use their influence and buying power to negotiate the best prices on items they sell. There's not a great deal of value any retailer can add to selling a bar of soap, for instance, so there's no incentive to buy it at a particular location other than one that offers it at the lowest price, he said.

"Smaller businesses on main streets in communities were absorbed into retail malls," said Tagg. "Now the same trend is occurring within malls themselves. Larger retailers are making better use of their space by incorporating a greater range of products and services."

"Some shopping-centre developers are starting to resist tenants that take the all-in-one approach — they feel the offering is diluted in the retail environment."

"Shoppers' buying decisions, particularly on day-to-day items, is increasingly driven by price — if they can save a few cents here and there it adds up at the end of the month. It means any extra money can be saved or spent on luxuries."

While the rise of the all-in-one retailer is now a given and they're here to stay, Tagg said there's still strong demand for specialist stores.

"Fashion items and consumer goods are different — people like to be in specialised environments when they buy these goods and have experts on hand to advise them on choices. People like variety too — it's convenient to buy goods under one roof, but an important component of the modern retail environment is the ability to choose what you buy from several sources."

"For people's daily needs it's difficult to beat the all-in-one retailer, and they will continue to expand their range of goods. But the role of the independent retailer is safe — there's room in the retail market for both," said Tagg.

ALF JAMES

RETAILERS' footprints, customer experience ratings and affordability influenced the Top Retail Award results, according to the 2012 Top Retail survey.

It was conducted among 3 000 people in metropolitan regions and 500 in non-metropolitan areas to paint a representative view of opinions about 24 retail categories.

"The outstanding example of a big retail chain whose footprint is huge, but whose ratings are not as good as other outlets, is Shoprite," said Neil Higgs, senior adviser and head of innovation at TNS in South Africa.

"In the supermarkets and hypermarkets category Shoprite took the top position followed by Pick n Pay and Spar," he said.

"Shoprite has a huge footprint and that is why it does well, even though its rating by users and the pull among non-users is nothing like as big as some of its competitors," Higgs added.

He said that the barrier to Shoprite customers shopping elsewhere is either price or convenience.

Quality-cost equation is key in SA

"Another example is Ackermans and Jet, which have big footprints, but indifferent ratings compared to competitors when it comes to customer experience and pull among non-users," he said.

For example, Higgs said Woolworths won the children and baby clothing category despite having a footprint of only 9%. Ackermans and Jet each have footprints of 24% and 23%, but the Woolworths ratings by users and non-users is very high.

The findings of the Commitment Economy, a TNS global survey of more than 39 000 people in 17 markets, showed that UK retail chains could increase their share of shopping visits by addressing the needs of "shallow shoppers" — consumers who would love to shop at a better-quality retailer but cannot because alternatives are too far away or too expensive.

These findings are reflected in the Top Retail awards survey,

which indicated that a number of local retailers might fall behind if it were not for cost and convenience factors.

According to the UK data, Waitrose and Marks & Spencer are in the strongest position to convert this type of shopper, who is currently most likely to shop at the big four: Tesco, Sainsbury's, Asda and

'This makes them an easy target for competitors'

Morrisons. The premium retailers emerged as the most desirable grocers among the shoppers surveyed, regardless of where they shopped themselves.

Together, Waitrose and Marks & Spencer stand to gain more than £14-billion of new business from customers who would switch retailers if they could.

Judith Passingham, CEO at TNS Northern & Eastern Europe, said: "Waitrose and Marks & Spencer are in the enviable position of being desired by millions of 'shallow shoppers' ... The opportunity can be realised by making their products accessible to those people."

TNS said the findings prove that even in tough economic times, quality and a fulfilling consumer experience are still a high priority for UK shoppers. Speciality retailers such as bakers, butchers and fishmongers emerged as having the growth potential behind Waitrose and Marks & Spencer. These smaller players could gain up to £5.4-billion collectively by offering fresh, local produce and a more intimate shopping experience.

What is the lesson for South African retailers?

Jan Hofmeyr, chief researcher into behaviour change at TNS, said: "Many of the biggest names in the retail sector enjoy

unrivalled market share, but this does not secure their long-term growth if consumers have little or no commitment to the brand."

"They may continue to part with their money for reasons beyond their control, but the minute more attractive options are available they are likely to switch. This makes them an easy target for competitors looking to steal a march."

Hofmeyr said ambivalence in the minds of consumers represented a significant risk to the market leaders in retail. "So in the case of Tesco, a dual focus on hearts and minds will help it retain its dominant market share," he added.

Tesco's key strengths of convenience and affordability have helped it to retain its leadership position, but a need to connect with customers through a good experience is also key. To this end the chain recently deployed 20 000 new staff to ensure every shopper receives excellent customer service.

PENNY HAW

RECENT growth in the apparel sector of South African retail has been supported by the ongoing burgeoning of the middle-income group, according to research by Euromonitor International.

The rate of growth, however, is unlikely to continue as consumers come under pressure due to rising costs and limited job creation, which are expected to curb spending on so-called “aspirational” brands and compel consumers to focus on purchasing clothing perceived as “value for money”.

This could explain the appearance of long-established SA discounter Ackermans among the top 10 clothing retailers in both the men’s (where it was placed ninth) and women’s (seventh) categories

Ackermans pops up in top 10

this year. While the top seven places in men’s clothing remained unchanged from 2011, Ackermans this year replaced Stuttafords, which disappeared from the top 10 altogether.

But, said Ackermans marketing director Louise Hamman, there are other factors aside from increased demand for value that may also have influenced the brand’s improved performance in the survey.

“Certainly, Ackermans has been well established as a value retailer in South Africa for many years — we celebrated our 95th birthday last year — and the value equation continues to be vital to us,” she said. “However, we’ve also undertaken a number of significant re-

cent initiatives which have begun showing positive results.”

Ackermans — which is part of the Pepkor group and operates more than 450 stores in southern Africa, including Botswana and Namibia — has

‘The value equation continues to be vital to us’

long been a leading retailer of clothing for children and babies. It overtook Edgars to go into second place behind Woolworths in the children’s and babies’ clothes category of the awards this year, recording an

increase in its user base.

But the chain is determined to broaden its reach and customer base beyond clothing for little ones. Hamman said by refreshing its brand identity earlier this year, the retailer not only reminded customers that it caters for the whole family, but confirmed that it is prepared to move with the times and keep up with customers’ changing values and needs.

Having briefed its advertising agency, Ninety9cents, to “refresh and update” the logo, Ackermans set out to affirm its status as a retailer that caters not only to value-conscious consumers but also fashion-conscious ones.

“The more contemporary lo-

go works well alongside all Ackermans product ranges,” said Hamman.

“We also created a new tagline, ‘The look for less’ and, in terms of fashion, took a close look at what is important to our customers,” she said.

Ackermans also sells home-ware, cellular phones and financial services, all of which attract more customers.

Information gathered from customer behaviour and purchasing patterns, product performance and customer research, helps get the product mix as accurate as possible, said Hamman.

“Price is not enough and we’re determined to get the combination of affordability, fashion and durability right in all instances. We’re working hard to improve our customers’ experiences in-store.”

■ Game

Walmart lustre rubs off on winner

DAVID JACKSON

SOUTH African consumers’ preoccupation with gadgetry, entertainment and all things electrical is borne out by the surge in user popularity at relevant retail outlets this year — with Game coming up trumps in three separate categories.

Neil Higgs, senior advisor and head of innovation for TNS South Africa, said Game’s performance this year had been exceptional.

It had set the benchmark in the electronic, computer and gadget stores category — in which there was a significant increase in category usage — entertainment stores; and household appliances.

Game remained top in the electronic, computer and gadget stores segment, with its increased index score being driven by a notable increase in users.

HiFi Corp overtook Makro to fill the number two position, while Hirsch’s entered the top 10, based on the number of users. The category for entertainment stores, which had a significant increase in custom, was also won by Game.

Setting benchmark in three categories

The most notable shift was Exclusive Books, which dropped from fourth to 10th place, driven by decline among users and non-users.

In the household appliance category — which also had more buyers — Game remained at the top, while Makro recorded the most notable increase, from 10th place to second.

Game won in the household appliances category for the second year running, and this year has increased its scores for footprints, users and non-users.

Game was also a new entrant in this year’s grand prix awards for South Africa’s top retail outlets in 2012, making its debut in 10th spot.

Said Higgs: “Clearly Game is doing something right, and one wonders whether this might be the influence of Walmart’s presence in South Africa through its owner, Massmart.

“Game in particular seems to



■ GLEAMING: One of Game’s newer shops. The supermarket, which has won three categories, mainly to do with gadgets and appliances, now stocks fresh food as well PICTURE: JEREMY GLYN

be much less of a down-market mishmash and far more organised than it used to be, as regards store layout and presentation.

“Game also scores well on product range and is definitely upping its performance in general,” Higgs said.

HiFi Corp also rose from third to second place in the electronics category this year.

Sean McCoy, chairman of Brand Council South Africa, said that in a recent Nielsen’s shopper trend report, findings suggested that South Africans had become increasingly store- and brand-loyal as rising prices and continued economic uncertainty undermined confidence.

“Perhaps this trend supports the Game success, which is underpinned by a good value-for-money, no-frills proposition. The Wal-

mart-Massmart results were deemed disappointing by their own CEO recently, but this has not hampered their growth ambitions,” McCoy said.

The company projected its growth from a R9-billion to a R20-billion business. Although the target date had not been specified, “this signals a clear intent, and they will remain a serious contender in the retail segment”, said McCoy.

S’bu Manqele, an executive director of branding and design agency Switch, said that for the consumer, Walmart’s involvement exposed who was where in the pecking order, and enabled Game to reclaim its space as a supplier of accessible, affordable goods.

Manqele said there was a perception among some consumers that “Game is for everybody”,

while its stablemate Makro is seen as more of an exclusive club because of the membership card — although free of charge — that is required on entry.

Game CEO Jan Potgieter said: “As a subsidiary of the second-largest retailer of general merchandise in South Africa, Massmart, we continuously strive to give our customers what they want at the most competitive prices.

“Game is proud to have remained number one in the electronic, computer and gadget stores category as well as the entertainment stores category. Having achieved this position only motivates us to continue providing our customers with the best variety and service in South Africa.”

Potgieter said the TNS survey provided insight into what South Africans were looking for.

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South Africa



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THANK YOU SA

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SHOPRITE

LOWER PRICES YOU CAN TRUST *Always*



■ **EASY ACCESS:** Viane van Rooy works on his smartphone. The invention of smartphones has introduced online shopping and changed the way retailers do business
PICTURE: JEREMY GLYN

■ Technology

Online shopping gaining traction

GREG GORDON

TECHNOLOGY is transforming the retail landscape, giving consumers more choices than ever and providing retailers with some challenges — most notably testing their ability to change and adapt to comparative shopping.

Traditional retailers are having to incorporate their customers' online behaviour into providing more compelling physical shopping experiences.

The biggest trend re-shaping the retail sector is the rising importance of the so-called mobile economy. While online commerce is growing at around 30% a year, it's being increasingly being driven by the use of smartphones, which allows shoppers to make more intelligent buying decisions, on the move.

"We are seeing such a rapid rise in smartphones and this is giving consumers more power in the store," said Karin Du Chenne, managing director of TNS SA.

Internet analyst and managing director of research firm World Wide Worx, Arthur Goldstuck, said around 10 mil-

Increased use of buying by smartphone

lion phones are sold in South Africa every year.

"It is expected that by 2013 smartphones will account for half of this number. Smartphone users eventually become internet users and the number of experienced users will begin accelerating in 2013. It will continue to do so for the next five years," he said.

The result is that an internet economy worth R59-billion in 2011 and making up 2% of the South African economy will grow to as much as 2.5% of the economy by 2016.

Goldstuck said many major consumer brands and chains have not yet devised comprehensive online retail strategies.

"This makes the scope for future growth even greater," he said.

However, retailers are going to have to react swiftly to tech advances that could see competitors benefit, particularly in an online environment that encourages comparative shopping

— from within a physical store.

Andre de Wet, CEO of PriceCheck, an online price comparison service, said consumers could compare prices of goods between supermarkets, while standing in one of them.

"You can scan the barcode of a product in one retail outlet and immediately check comparative prices in other stores using an smartphone app," he said.

"Half of all consumers are spending more than half of their total shopping time researching products online or using their mobile devices. Retailers are protected from comparative advertising outside of their stores but shoppers can now see competing brands while standing right in their own aisles. The information is coming up on their own phone as a result of their own actions — it's far more trusted than 'push' advertising in the retail environment," said De Wet.

Google SA's statistics show that around 62% of smartphone users have used their mobile phones to do a product search, and over 26% of users having changed their mind as a result of the information obtained while shopping in-store.

Brand soul sets shoe-store pace

ALF JAMES

SPITZ maintains its top position in the shoe-store category, while Rage moves up from fourth to second place with an increase in non-user awareness of the brand and a subsequent increase in non-user ratings. Tekkie Town, a new entrant in 2012, sits in fifth place.

Anna Dodds, marketing executive at Spitz, said Carvela, Kurt Geiger, Tosoni, Lacoste, and J Reneé — the brands which have become synonymous with Spitz — had enhanced the image of the brand and created a point of difference from the competition.

She said: "In South Africa, luxury products tend to tap into three key elements: firstly, consumers subscribe to the idea of brand soul or history; secondly, they value the quality, authenticity and exclusivity of luxury brands; and, finally, luxury products are acquired because of their 'must-have' nature and their current appeal."

Another boost to the stores has been their premium menswear retailer, Kurt Geiger — which rewards its customers with free tailoring but, more importantly, with a loyalty programme, Kurt Geiger VIP. Customers were put on various levels, depending on how much they spent, Dodds said.

"One thing is certain — special VIP treatment and great benefits, such as free tailoring, are available at every level, while Velvet-tier members qualify for free delivery of tailoring and consignment merchandise."

For no extra charge, Black and Velvet-tier customers could take advantage of free membership to a concierge service, she said.

"This opens up a world of special treatment, including travel benefits, discounts and special access to events such as music concerts and festivals."

Furthermore, VIPs could shop online, 24 hours a day, with Suitcase.

"Becoming a Kurt Geiger VIP member literally puts fashion at your fingertips by providing access to an online selection of merchandise through which members can browse at their leisure and put aside what they like," Dodds said.

"Their selection will be placed for safekeeping in their suitcase and ready for them to try on before buying at their convenience."

Dodds said, however, that the

greatest challenge faced by luxury brands such as Spitz, was the "classes-to-masses" cycle.

"As soon as high-income earners are seen to be partial to a particular brand, even people who are not traditionally categorised in this income bracket will aspire to purchase the same luxury goods," she said.

As a result, top brands had to be regularly assessed and constantly monitored.

Jeffrey Gochin, CEO of Rage, attributed his brand's climb in the results ladder to affordability, and delivering high-fashion shoes and clothing with the added embellishments its customers loved.

Other factors were the look and feel of the stores; Rage's innovative management style; and the hands-on service required for the buying of shoes.

Despite shoppers being under economic pressure, Rage was expanding: it now had a total of 227 shops, having opened 179 new ones in the past four years.

Year-on-year profitability also

Top brands had to be regularly assessed and constantly monitored

grew from 83% in 2011 to 142% in 2012 by the financial year end.

Gochin said: "We only stock own-brand shoes and clothing, ensuring a consistent brand image."

"Consequently, customers know what to expect from a pair of Rage shoes or an item of clothing, and this builds trust and loyalty."

He said credit sales were close to 50% of total turnover, making credit a significant factor in Rage's success. This percentage was likely to keep growing, which made it an important area for the retailer.

Gochin said that, in the past few years, Rage had become a destination store — meaning that while a great position in a shopping centre was always good, it wasn't critical to success.

"What's more important to us is that we take the brand closer to where people actually live and play, so while flagship stores in super-regionals and regionals are important, we have opened many stores in convenience centres both in suburbs and rural areas," Gochin said.



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■ Shopping Malls

Consumer habits shift as malls flourish

New media is also influencing choice

GREG GORDON

THE Aisle of Man is not a typing error. It is a term used by retail space designers to describe a convenience aisle at a supermarket for men. It's a single strip where men can quickly find pretty much all they need from the shop without having to negotiate and browse the entire store. Apart from casinos, there are few places as carefully designed with the psychology of their inhabitants in mind as retail shopping malls. Until shopping malls appeared about 40 years ago, people shopped within their communities, in the local shopping centre. Robert Silke, design director at Cape Town architecture firm Louis Karol, said about four decades ago shopping centres started emptying out into shopping malls as urban dynamics changed. "It still happens. Business in Main Road in Sea Point just about collapsed when the V&A Waterfront opened. Locals, as well as tourists and Capetonians from further afield, found it easier to shop under one roof without the hassle of looking for street parking or walking great distances," Silke said. Nowadays many of the functions of a town or city's main street take place in a shopping mall — everything from going to a movie to shopping at several stores or visiting a travel agent. "Obviously one of the retail imperatives is to keep shoppers in a mall," said Silke. "So we see things like prayer rooms for devout worshippers and improvements in parent and child facilities. Some malls even have daycare centres



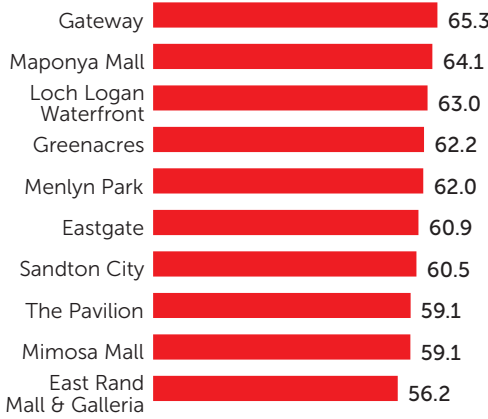
■ TIME SAVING: Malls have become a one-stop shopping experience for your convenience
PICTURE: JEREMY GLYN

where parents can leave their children in a dedicated, safe environment while they get on with the business of shopping." The design philosophy of modern shopping malls is influenced by many sources. The thinking behind customer retention owes a lot to casino design where every moment of a person's journey through the building is steered by designers. In some of them it's very easy to get in but not as easy to find an exit, for instance. Retail space is a little less crude but there are devices employed to influence behaviour in certain spaces. "This is no accident. In many retail outlets designed for women's clothing, all the seating has been removed. The message is clear — men are not wanted here. It's an envi-

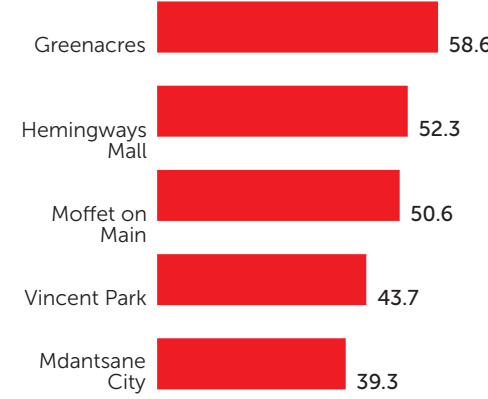
ronment where women can shop for clothes in an place that's designed to make them more comfortable," said Silke. He said environmental concerns and technology will influence the design of retail malls in future. "Although malls have got bigger over the years — jumping from 15 000m² to some as large as 150 000m² — economic and environmental imperatives have seen authorities starting to replace restrictions on development, particularly in the US and UK near small towns. "Strip malls, which are mostly uncovered, are less expensive to develop in depressed economic times and are cheaper to run. You don't need as many air conditioners because the pathways between shops are in the open air," said Silke.

While consumer technology doesn't have any significant effect on actual architecture, it is changing the way people shop. "Social media and location-based mobile services mean people are able to broadcast their presence at malls and hook up with friends," he said. "Shopping centres and retailers are starting to explore opportunities for marketing by plugging into social networks like Facebook, Twitter and Foursquare. Technology is also influencing the way people shop for media." There remains, however, strong demand for physical retailers — people want to see the food they buy and try on clothes — they want to see these items in front of them and make comparisons before making buying decisions.

TOP SHOPPING CENTRES



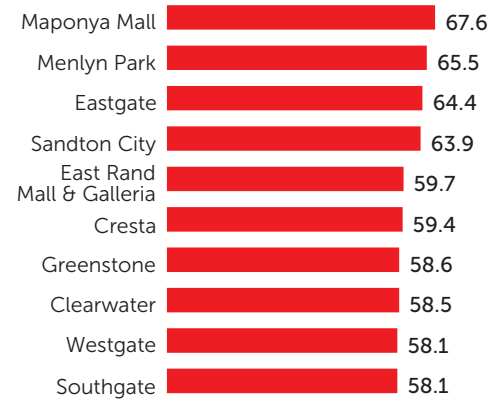
EASTERN CAPE MALLS



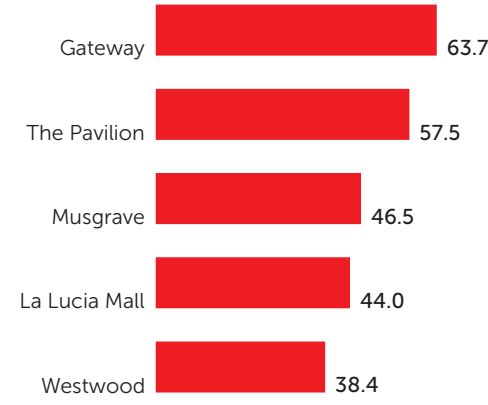
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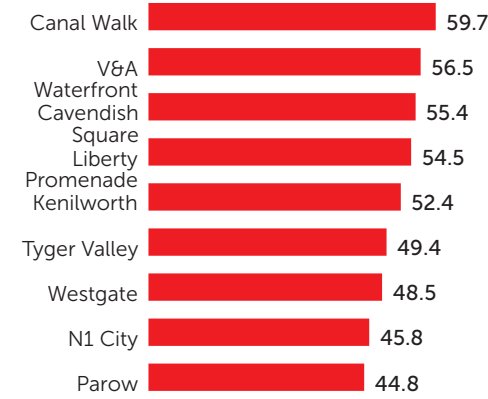
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KWAZULU-NATAL MALLS



WESTERN CAPE MALLS



ERICA WEBSTER

THE American author Bill Bryson once wrote: "We used to build civilisations. Now we build shopping malls." Will we ever have enough shopping malls? Apparently not, if South Africa and the rest of the Western world is anything to go by. Mel Urdang, director of retail and leasing for Liberty Properties, said though smaller suburban malls were springing up, the attraction of super-regional malls (industry speak for megamalls) remains prevalent for both shoppers and retailers. "That does not mean there is a need for another 10 megamalls but they continue to play a significant role in the retail space and are a thriving category in their own right." How do megamalls differentiate themselves? Not an easy task, he said. "People tend to walk around malls and say: it's the same old, same old in every mall. However, when you're building something big or it has grown to a particular size, it's extremely difficult not to have the major chains take

SA malls rank with world's best

that area. This is not necessarily a negative, provided that the nationals are the familiar, sought-after traders, providing flagship stores." Urdang said small shops that differentiate were all very well, but needed an entrepreneur behind them who has the capital, the know-how and the experience. "When you introduce an additional 100 line shops into a centre, you have to find 100 traders." He said large chains, as the life blood of major malls, had to create an exceptional shopping experience in all the centres in which they operated. "A store such as Woolworths, Edgars or Truworths will look just as good in the Liberty Promenade in Mitchells Plain as it would in Greenacres, Eastgate or Sandton." SA retail is world class, Urdang said. "We've done some benchmarking abroad and

there's no question about it, our retailers are superb in what they do and would rank highly in Sydney, London or New York. "The look or feel of the stores, for a start, is very good; the merchandising and display of goods, generally speaking, is of a high quality; and the articles themselves, depending on the market one is targeting, often provide value." There were some nuances that were distinctive of the SA retail space, he added. "In some parts of the world, a supermarket or fresh food offering is not necessarily linked to a centre, but here, people feel comfortable with being able to do both in one destination. "Another element that is not found to the same extent abroad is banking institutions within shopping centres; they are more high-street based,

whereas within the South African context, people feel it's more secure to have them located within malls." Urdang said a notable trend emerging in SA was the increase of foreign traders taking residence in both larger and smaller malls. "We've been extremely fortunate — one thing the global financial crisis has done is to highlight to these companies the need to enter new markets. "South Africa as a destination in its own right, and in terms of its magnetism and convenience to the balance of Africa, is a perfect entry point for these companies. We see that clearly, particularly at Sandton City, Nelson Mandela Square and Eastgate, where a decent proportion of shoppers are tourists. "People come here from the rest of the continent as a shopper tourist, not necessarily to visit our museums; they will literally come here for three days with no other intent than to eat well and enjoy the benefits of being here and the retail opportunity it affords them."

OCTOBER 2012

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■ Telecoms

Vodacom's star is rising rapidly

Re-branding draws in local users

DAVID JACKSON

THE battle of the mobile phone retail outlets has seen a big surge from Vodacom this year, overtaking MTN for first place in the Telecoms Stores category — with Cell C some distance behind the two front runners.

Vodacom moved up from third place in 2011 and this year also took fourth spot with Vodacom4u, ahead of Cell C store in fifth place. 8ta also entered the top ten this year with a fairly large user base, but did not fare as well as the other players overall.

Said Neil Higgs, senior advisor and head of innovation for TNS Africa: “Vodacom have bounced back this year, gaining a number of new users in the process. Their scores have also risen considerably compared with last year. It appears that Vodacom has put in a lot of effort after the 2010 Fifa World Cup, when MTN was dominant, and have now made up for lost ground.”

He added that Vodacom had scored higher this year both in terms of its footprint and with a dramatic improvement in user scores. “Their attraction to non-users has also improved. So, clearly some of their above-the-line advertising has been paying off,” said Higgs.

Zunaid Dinath, managing executive Consumer for Vodacom, said that in April last year the company's brand changed from blue to red. “This provided us with an opportunity to revisit retail branding and move towards absolute customer-centricity. We reduced the clutter and simplified the overall retail customer experience.”

Dinath said Vodacom was more welcoming in the new red. “The look and feel of our stores has also been simplified and our stores are now more customer-orientated. We also ask our customers a lot more about what they like before we do things.

“The strength of our extensive retail distribution also played in our favour and continues to do so. Our retail staff have embraced our goal to make every customer smile, which has transformed the retail culture. In addition, we have fo-



■ SURGING AHEAD: Poovesni Iyannu and Evelyn Mabe at a Vodacom store. The company has amassed more users in the past year and is topping the telecomms list PICTURE: JEREMY GLYN

‘The look and feel of our stores has also been simplified’

cused on speed and simplicity as key drivers in our in-store process design and we ensure that the spirit of consumerism is a focal point,” he added.

Dinath said simplified in-store processes were key to any successful interaction in retail. “Our new in-store Tech Zones in selected stores offer customer support on all technical-related aspects. Once our customers have made their purchase, we offer a ‘perfect start-up’ that provides them with immediate setup and support on their devices. Our repair offering has also been extended to include more devices and short turnaround times on warranty repairs.”

S’bu Mangele, executive director at the Switch design company, said Vodacom's rebranding, in line with its Vodaphone parent, has made an impression on consumers. “Typically with handsets that incorporated a sub-branding of Vodaphone to prepare consumers for the new branding space they are now in. Vodacom in South Africa remains bigger in numbers than MTN, but they had lost their way in branding and positioning. By having the opportunity to rebrand, they were able to address areas where they had lost ground, and the new red colouring does tend to make them more visually attractive,” said Mangele.

In his view, Cell C is unlikely to become a major player in comparison to MTN and Vodacom and “will tend to be seen as the other cousin.” Others think the company (Cell C) would be interesting to watch under its new leadership.

Frontrunners maintain the lead

ALF JAMES

STERNS and American Swiss have maintained first and second positions in the jewellery stores category, with NWJ Fine Jewellery moving into third position, overtaking Galaxy and Co, now in fourth place. Arthur Kaplan enters the category this year in fifth place.

According to Mélanie Bekker, The Foschini Group Jewellery marketing manager, Sterns has continued to grow through the recent challenging trading conditions in which the tough economic situation and high gold price made it difficult for customers to afford luxury products.

She said Sterns' sustained success was largely due to its reputation for quality and reliability, which had been trusted through the generations and was the cornerstone of the relationships it had built up with loyal customers over the years. “We offer a range of flexible credit plans and our prices are geared to offer brilliant value for all customer pockets — from R500 to R50 000.

“Our in-store experience is personal and rewarding. Professional and caring customer service is a foundation of the business, so we continually offer staff training programmes to ensure staff members are aligned with our customer focus and core values.”

Bekker said Sterns' stores were located in leading shopping centres throughout Southern Africa. “We recently expanded into Zambia, and one of our top stores is in Gaborone in Botswana, proving that the power of the Sterns brand is an African phenomenon.”

Second-placed American Swiss, the largest jewellery chain in Southern Africa and like Sterns part of TFG, achieved double-digit growth for this trading period, according to Margot Rudolph, marketing director at TFG Jewellery.

Rudolph said American Swiss — being the market leader — had to stay ahead and constantly challenges the way it does things and the media used.

“More and more resources are being shifted to the digital arena and we have had some wonderful success stories with social media,” said Rudolph.

“We have 40 000 Facebook fans and recently launched a Twitter account. In 2011 we had 854 000 visits to our website — proof indeed of the ex-

citement and interactivity offered on our website,” she said.

According to Rudolph, another way American Swiss stays ahead in its market is through tongue-in-cheek billboards in Johannesburg and Cape Town. They are also featured on its website and Facebook page, and fans can vote for their favourite.

“The most popular billboards recently have been ‘Finger looking good’ and ‘Thrill one bird with two stones’. American Swiss is all about combining fashion trends, status and fine jewellery, aiming its marketing message at the independent and confident woman who is buying jewellery to spoil herself and to make a statement,” said Rudolph.

She said the economic downturn and high gold price had led to innovation in metal combinations and this was key to American Swiss's ability to offer affordable prices.

Sterns continues to grow despite challenging trading conditions and high gold price

Bernie Madden, marketing manager at third-placed NWJ Fine Jewellery, confirmed the tough trading conditions but said NWJ had been able to adapt to the changing market conditions effectively through its vertical integration and broad market selection.

This would ensure strong performance in the foreseeable future and the company would be able to continue to offer customers good value.

Madden said NWJ had enjoyed steady growth over the past few years, which had ensured a gain in market share. The launch of NWJ Credit in July this year had been well received by customers and had reinforced this growth.

“NWJ differentiates itself from competitors through its own manufacturing division and the ability to offer the best shopping environment for customers in new-look stores. Our franchise model also provides the opportunity for motivated entrepreneurs to join our brand and offer a personalised and unique customer experience,” Madden said.

ALF JAMES

A NUMBER of shifts have taken place in the furniture stores category from 2011, with only Geen & Richards maintaining its leader position.

Game shot up from fifth to second place due to an increase in usership and favourable user ratings, as well as an increase in non-user ratings. Morkels dropped from second to third and Akhona Furniture has come into the rankings at fourth.

Lewis climbed from sixth to fifth and OK improved three places from ninth to sixth.

Russells — unplaced last year — has come into the rankings at seventh place and Ellerines, also unplaced last year, has arrived at number eight, leap-frogging House & Home and Bradlows (who drop from third and fourth to ninth and tenth respectively) as a result of lower user ratings.

While the furniture stores comprise an old, well-established

Credit drives furniture stores

and competitive sector and account for significant employment, the future outlook seems promising, with demand kicking in from the low to middle-income households. Opportunities for niche markets remain open for local retailers and prospects for growing their footprints both locally and in other African countries are up for grabs.

However, in a retail sector that is highly priced and credit-competitive a word of caution has been sounded with reports of a rapid growth in unsecured credit.

Johan Schalkwyk, marketing manager at Ellerines, confirmed the importance of credit as an important driver in the furniture store sector. He said the majority of Ellerines' sales were on credit. “The innovative credit offers

facilitated via African Bank have enabled the brand to make furniture purchases more affordable for customers,” he said.

Schalkwyk said market conditions have been tough in

‘Opportunities for niche markets remain open for local retailers’

recent years, with consumers under pressure to make ends meet.

“Due to the competitiveness of the business environment the brand had to present innovative products and credit solutions to customers, in order to attract the

available spend in the furniture market.”

Schalkwyk said the ability to offer customers the lowest monthly instalments on quality furniture products as well as cash loans via African Bank differentiates the company from competitors.

“Ellerines has opened a number of new stores during the past few years and we now have a national footprint in excess of 600 stores in South Africa, with additional outlets in five countries in the rest of Africa.

“Our sales and overall profitability have also shown strong growth during the last three years,” he said.

No matter how innovative the products, there remains concern about the amount of unsecured credit available in South Africa. According to African Bank,

contribution of steadily increasing unsecured lending book to total lending has virtually doubled over the last two years and cannot simply be ignored, although the rate of growth has slowed this year.

It was recently reported by I-Net Bridge/BusinessLIVE that the Lewis Group's chief executive, Johan Enslin, joined a number of industry players when he said that there was a rapid growth in unsecured credit of the group's lower and lower-middle-income target market.

The National Credit Regulator recently commissioned research on the spike in unsecured lending in South Africa. PricewaterhouseCoopers (PwC) reported that the regulator has warned there is a danger of customers being over-indebted. This was particularly the case if the loans were being used for consumption. Two of the biggest players in unsecured lending are Capitec and African Bank.

Woolies stays top of the pops

ERICA WEBSTER

WHEN it comes to children's clothing, Woolworths has maintained its first place for the second year running.

Neil Higgs, senior advisor and head of innovation at TNS South Africa, said Woolworths won the category because of its "exceptional experience and exceptional aspirational pull".

"Despite a much smaller footprint — 9% compared with Jet and Ackermans each at 24% — its ratings are through the roof, at 0.8 points above average for its users and 1.0 above average for non-users," he said.

Edgars and Ackermans have swapped places from last year, with Ackermans climbing to the number two spot and Edgars slipping to number three. And while Edgars' ratings have not dropped much (only 0.4 points), Ackermans has managed a significant jump of 3.6 points.

Both Ackermans and Jet are ahead of Edgars in terms of footprint, which Higgs found surprising considering Edgars' size.

"Ackermans and Jet are doing well by virtue of very good distribution and outlets, but both could do something to improve the customer experience. And they could do some above-the-line advertising because their aspirational pull is quite low — they're still very much what-you-see-is-what-you-get," said Higgs.

But what is it about Woolworths that has kept it top of the pops? "Woolworths is first or second in all the clothing categories so they must be doing something right in clothing which they weren't doing right about four years ago," said Higgs.

Amanda Bromfield, Woolworths group head for kidswear, said: "For instance, our colourfast and hard-wearing fabric keeps any wardrobe's good looks for longer as well as our easy-care, easy-wear clothing. As always, value remains a focus for us."

ERICA WEBSTER

OVER the past three years wholesalers have witnessed an almost exponential increase in consumer support. Between 2011 and 2012 alone, usership rose from just over a quarter to more than a third.

Makro has fared particularly well in this year's retail awards, jumping from 61.8 points in 2011 to 67.3 points this year.

"On our index, 5.5 points is a significant leap," said Neil Higgs, senior adviser and head of innovation at TNS South Africa.

"Makro has a massive footprint — 17% — far higher than any of the others; its nearest competitor is Metro Hyper at 11%."

While Metro Hyper (formerly Trade Centre) has maintained its position in second place, its score has also increased — from 56.6 to 59.9. The third, fourth and fifth spots show a fair amount of movement,

'Makro's high score means it even compares favourably with some malls'

with a new player: Africa Cash & Carry.

Chris Nezar, marketing director for Makro, said wholesalers gave customers access to low-price goods by keeping costs low and volumes high. "We are able to pass on these savings to our customers . . ."

There was no question that price was a key driver in shoppers' move to wholesalers, said Higgs, but it was not the only factor.

"Nowadays, wholesalers have become a more acceptable place for the ordinary person to go. In the past, the wholesaler concept conjured up images of dim and dusty warehouses, manned by people who didn't know what they were doing.

"Looking at the Makros of this world disproves that view," Higgs said.

Nezar attributed much of Makro's success to getting the basics right.

"It's about fulfilling our commitment to our customers. That means having the best brands at the right price, having enough

■ Makro

Gone are dim, dusty warehouses

Now shopping experience is 'exciting and rewarding'



■ GREEN: Makro has improved its energy efficiency over 40% in the past five years

stock to ensure that customers aren't disappointed, and creating a shopping experience that is exciting and rewarding."

Nezar said: "We've tried to bring to retail customers the value associated with a wholesaler, while retaining the element of surprise that keeps customers coming back to our stores to see what deals we have on offer."

He said Makro had invested a lot of time and money in making their stores more efficient, and reducing the impact on the environment.

"Technologies such as natural-light harvesting; energy management systems that generate and store thermal energy at night when demand is low, and then deploy it during higher-demand periods; as well as condensate reclamation projects, contribute to an energy efficiency improvement of over 40% in the past five years."

Even among its non-users, Higgs said, Makro had massive pull — 0.8 above average. Makro's rating of 8.8 among its customers is 0.4 above average. "Makro's high score means it even compares favourably with some malls. It's right up there with Gateway, which at 8.9 is the highest-scoring megamall.

"There's no question that Makro has come into its own as an extremely attractive place to shop," Higgs added.

Nezar said customers liked the addition of fresh fruit and vegetables in some stores.

"Our promise of high quality, combined with our efforts to reward our customers for buying more or bigger, have positioned us as a retail destination where customers can complete their shopping.

"The upgraded butcheries have also contributed to this view and we've seen exciting growth in this area."

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■ **ROBUST MODEL:** Cashbuild CEO Werner de Jager believes selling quality material at lowest prices is their best trait PICTURE: JEREMY GLYN

■ Cashbuild

Cashbuild still leading pack with good results

ALF JAMES

WITH 4 453 employees and 191 stores in South Africa, Namibia, Lesotho, Botswana, Swaziland and Malawi handling 14.4-million customer transactions over the last year, Cashbuild remains first in the hardware and building stores category.

There were no movements among the top three players from last year's results. Cashbuild is followed by Builders Warehouse and Build It, while Timber City and Mica have swapped places, with Timber City now in fourth place. Pennypinchers and KwikBuild are the new entrants.

In a tough economic climate, Cashbuild's two-year compound operating profit of 24% is impressive, which chief executive Werner de Jager attributes to the retailer's focus on one business only — selling quality building material at the lowest prices.

"We have a robust business model. Our processes and procedures are our guiding light — we call it 'The Cashbuild Way'. With over 30 years in the market Cashbuild is a well-trusted and respected brand. This is not something that we take lightly as the trust and loyalty of the brand has been built up over many years and can be negatively impacted in a flash if you're not careful," said de Jager. He said an important contributing

Customers keep faith in quality, low prices

factor to the company's success was its predictable offering: "You will not pay a price for an item and then a few days later find the item is being sold at below cost. Our prices are valid for at least a month.

"We understand our customers and markets, which enables us to offer a focused range of products and services suited to the needs of each of these markets," De Jager said.

Critical to Cashbuild's ability to serve its customers and markets are the locations of its stores. "We have seen in the past when we relocate stores in a town to the correct location a substantial jump in turnover and transactions in those stores."

It's not all about hardware. "Cashbuild is also filled with excellent people. People that succeed in Cashbuild are people with a passion for people. Our business is about serving customers — externally and internally.

"The work ethic among the majority of people in Cashbuild is second to none. We focus on working smarter and not just harder. We employ excellent people who take responsibility for their daily tasks.

"It is not possible to run the company from the support office, so we

rely heavily on our divisional managers and store managers to oversee the daily running of the business. At a corporate level we keep focused on the exceptions and assisting the operators to implement corrective actions," De Jager added.

The last ingredient to Cashbuild's winning recipe is its VIC Loyalty, which plays an important role — in the region of 10% of turnover is from VIC customers with potential to improve on the contribution.

De Jager said Cashbuild provided very little credit itself — about R10-million a month in turnover value. Nedbank provides the credit for their HomeAccount card. He said only R400-million to R500-million a year out of the total R6-billion turnover was a result of credit extension.

De Jager said market conditions were "tough at the moment" with very little happening on the housing delivery front. "Consumers are seemingly under more pressure. Competition in the market has also increased and there are a number of players that are debasing the market with what we believe are irresponsible specials — selling way below cost."

However, inflation in building materials is around 3%, which helps maintain affordability.

Cashbuild's biggest challenge is to find suitable sites to roll out stores as well as good managers to run them.

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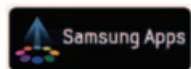
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■ Gadgets

RODNEY WEIDEMANN

THE 2012 edition of the Top Retail survey has indicated a marked increase in the usage of electronic, computer and gadget stores. This suggests the popularity of new age entertainment is growing fast. The question is whether this will mean the death-knell for traditional forms of entertainment.

Console gaming and handheld devices have captured a large share of the entertainment market, but the interesting issues are around the new wave of e-readers. The potential of these devices suggest the traditional printed book may soon be a thing of the past.

According to Sean Bacher, editor of Gadget.co.za, the popular gaming consoles — Sony's PlayStation, Microsoft's X-Box and Nintendo's Wii — hold a large percentage of the market already, and continue to grow.

“Both Nintendo and Microsoft have consoles that promote more physical activity in gaming, while also encouraging the family to play games together. This has certainly led to an increase in popularity for this form of entertainment,” Bacher said.

“The usage of smartphones is also growing all the time, as more games and applications become available for these devices. Another advantage these devices have is that it costs a lot less to purchase a game for one of these, compared to a game for a console. However, it is important to realise we are dealing with two different gaming markets here: the hard-core console gamers will never switch to gaming on a

Traditional entertainment on the way out

E-readers overtaking printed books

smartphone, and vice versa.”

Arthur Goldstuck, MD of research company World Wide Worx, said it remains interesting to see how console gaming platforms remain popular, despite the rise of the tablet and smartphone.

“Instead of these devices — particularly tablets — replacing the console as a means of gaming, it is fascinating to see that they have instead introduced gaming to a whole new generation of gamers,” he said.

“In SA the earlier feature phones were traditionally heavily used for gaming. Ironically, the introduction of the smartphone has actually seen the amount of gaming conducted on these devices taper off,” Goldstuck said.

Is all this bringing about the demise of more traditional forms of entertainment? Amazon reported earlier this year that their sales of e-books through Kindle had exceeded their sales of both soft and hardcover printed books.

Furthermore, far from the Kin-

dle fading away once the iPad came to the market, the two devices have been shown to serve two very different markets. Unfortunately for the traditional bookstores, both types of device are intruding on the printed domain.

Bacher suggested that initially the advent of the iPad did wipe away some of the thrill of the plainer e-readers. However, Kindle has since brought out the Fire, which is Amazon's answer to the tablet, offering far more usability.

Asked whether he thought e-readers and tablet-type devices are a threat to the traditional book store, Bacher said the threat may be exaggerated.

“When iTunes was launched, people predicted the demise of the CD, but it hasn't had that impact, at least not yet. However, that is not to say that these devices will have no impact on traditional sales, and they may even force a change to the more traditional business model.”

Goldstuck agreed to a point, suggesting that while there will remain a place for the printed book for many years to come, the same cannot be said for the traditional bookstore.



■ FUTURE SHOCK: Editor of gadget.co.za Sean Bacher believes South Africa is in the grip of the new trend of electronic gaming

PICTURE: GLYN JEREMY GLYN

“There are two words that strike terror into the hearts of anyone running a book, music or video rental store, namely Tower Records. This chain of stores was ubiquitous in the US just a few years ago. It was renowned as the music store with most extensive range of CDs and DVDs of any large retail chain.

“This failed to save it from the digital revolution — today there is not a single Tower Records store in the US. I believe that in our local music industry, there is some

recognition of the change that is coming. We are starting to see the music moving further back into the store, while accessories are taking over in the front. These stores are starting to become electronics retailers,” Goldstuck said.

Goldstuck believes this will befall book stores. If they are to survive, he said, they will need to transform into shops that focus more closely on the sale of e-readers and peripheral content-related electronics, as well as of the electronic content itself.

... possible. Edgars, Boardmans and Red Square have stitched up 5 nominations in the Top 5 of the Sunday Times Retail Awards: Men's Clothing, Women's Clothing, Baby & Children's Clothing, Home Accessories & Decor and Health & Beauty. Thank you South Africa.

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■ Home and decor

Making a statement

Outlets that fared less well in Retail Awards coming into their own

ERICA WEBSTER

AS PEOPLE become more aware of which home décor and accessories outlets offer good value, some retailers which fared less well in the past are now coming into their own. Mr Price Home is a case in point, having leapt to top spot with a massive seven-point improvement in its score.

Sheet Street takes second place, pushing Woolworths, Boardmans and Edgars — last year's top three — into third, fourth and fifth positions respectively.

Last year Mr Price Home finished third, tying with Edgars. Last year was interesting because Woolworths was a winner in the category. In fact, last year's Retail Awards were very much a Woolworths story, with Woolworths going up or leading in most categories.

Neil Higgs, senior adviser and head of innovation at TNS SA, felt part of the reason for this year's change-up lay in increased consumer confidence and a general willingness to experiment with a bigger range of brands.

Mr Price Home featured in two categories: furniture and home décor and accessories. In the furniture category, it's not yet a big player and its ranking reflected that, but in the home décor and accessories category it dominated the ranking algorithm, which looks



■ **VALUE PROPOSITION:** Mr Price Home is this year's top home décor and accessories outlet

PICTURE: JEREMY GLYN

at three facets of store usage.

"The first is how many people use the outlet within a specified time period. On that note, Mr Price Home and Sheet Street were at the top of the list, with Mr Price Home at 20% and Sheet Street at 21%. But then our algorithm goes a stage further and also looks at how people feel about the store in terms of those who shop there and for those who don't shop there, how they would feel about going there. So we add an attitudinal, mind dimension as well as a simple incidence of use," Higgs said.

"It does pretty well on the user rating — it's well above average; only Boardmans gets near it and Sheet Street doesn't do as well. And then in terms of the nonuser

pool, Mr Price Home is number two behind Woolworths — that's probably aspirational pull. But Mr Price Home isn't doing badly and that combination of a high footprint and above-average user and nonuser score are what push it into the top slot," Higgs added.

Arn de Haas, MD of Mr Price Home, felt the retailer hadn't done anything differently over the past two years. "But we've been more focused. We've always aimed towards what we've termed delighting our customer.

He said in a tough economic environment, the value in Mr Price Home was hard to match in the market. "Our key elements were first and foremost value — we try and drive that hard."

DAVID JACKSON

THE rise of discount retailers continues to be a prevalent theme this year, as hard-pressed consumers fight back against rampant inflation and a surge of price increases across basic commodities.

This is epitomised by the impressive showing of the new breed of discount retailers in this year's Retail Awards.

Retail industry analyst Preston Gaddy, divisional director of Broll Retail Property Management, said constraints on consumers' pockets are one of the key driving factors in the rise of discount stores in SA.

"Ten or 15 years ago you never saw a Mr Price in your major shopping centres but now their footprint is extensive. As a result, landlords are taking a different view. Whereas a decade or more ago discount stores such as these might not have been considered suitable for malls, that has changed dramatically," Gaddy said.

"What used to be viewed traditionally as 'factory shops' are now coming into some of the malls and establishing a presence, the likes of Meltz and Choice Clothing, among others," he said.

Gaddy said the model Mr Price used had been replicated by others, with quality merchandise at competitive prices. "In the initial stages some of these discount outlets had a reputation for what was tagged 'throw-away fashion', but not any more. They have upped their quality and are certainly

Discount retailers flourish

much stronger."

The entry in recent years of "multi-product" discount warehouses such as Builders Warehouse, Builders Express and Cashbuild has also opened up a new dimension to the traditional retail market.

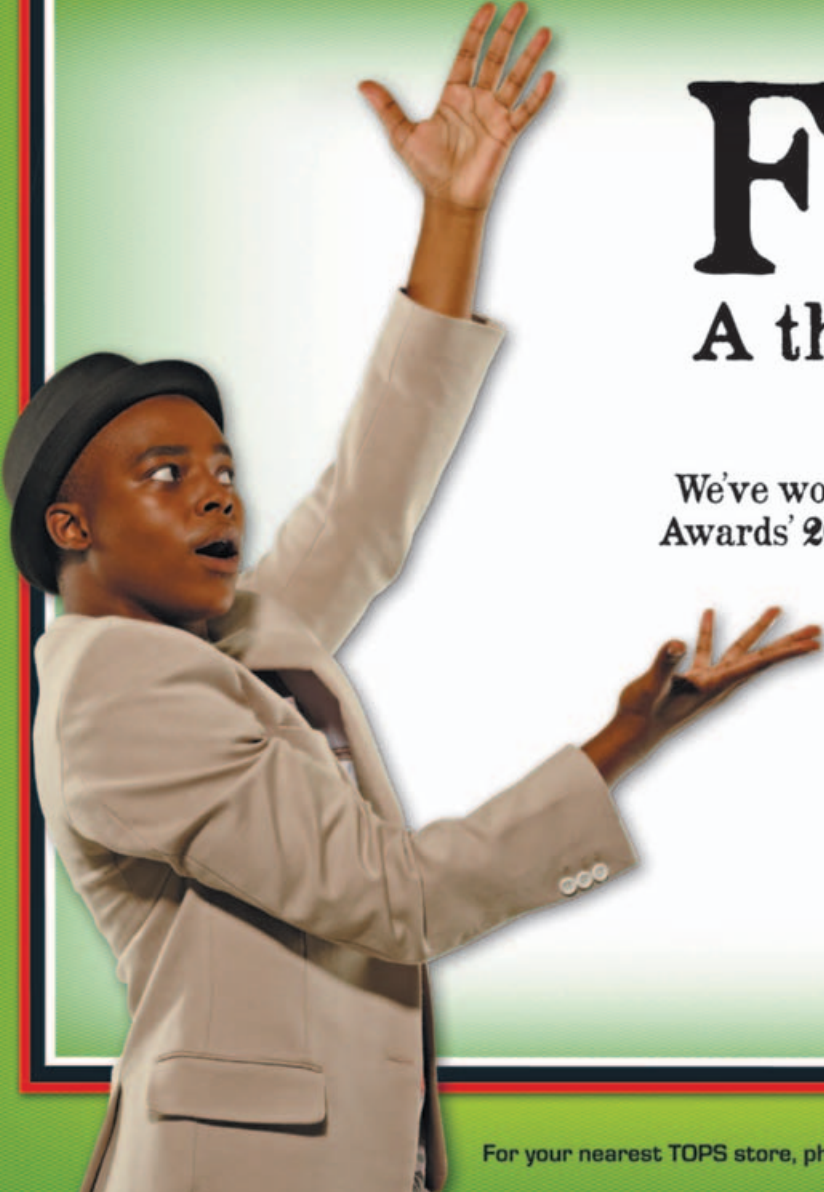
"These types of outlets appeal to a broader cross-section of the market because you can buy their house brands — in some cases up to 10% or 15% cheaper — while you can also access the more recognised brands," Gaddy said.

S'bu Manqele, an executive director with the Switch group, believes that the quality of goods in discount stores has improved significantly.

"People now believe they can buy goods at these stores without them being regarded as being cheap and nasty."

Neil Higgs, senior adviser and head of innovation for TNS Africa, agreed: "The 'cheap and cheerful' image of some of these value outlets has been replaced by one of considerably more substance."

Sean McCoy, chairman of the Brand Council of SA, said while shoppers will trade up and trade down through the economic cycles, certain discount brands would remain relevant for the local market and would continue to flourish.




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■ Clothing

Attractive mix of brands wins hearts

PENNY HAW

EDCON'S drive to breathe life into its Edgars chain is working — for the second consecutive year, Edgars beat Woolworths in the men's clothing category of the 2012 Retail Awards.

The brand also unseated Woolworths at the top of the list in women's clothing this year, showing growth in its user base and winning consumer hearts by providing a wide range of merchandise.

While it's not a big surprise — the company has been hard at work giving stores a face-lift, upgrading its merchandising and changing the mix between international brands and the Edgars private label during the past year — the early signs of achievement are encouraging.

"It is thanks to our customers that Edgars has been recognised as one of South Africa's most popular shopping destinations. Recognition like this encourages us to constantly drive to understand and serve the needs of our customers," said Edcon CEO Jurgen Schreiber. "Edgars aims to provide customers with the choice, value and fashion."

The brand has worked on building customer loyalty in recent months with the launch, in February, of a new customer reward programme, Thank U, which — for the first time — covers all Ed-

Edgars surges ahead in clothing power drive



■ FRESH FACE: Edgars has, over the years, improved its brand to be relevant to ever-changing trends
PICTURE: JEREMY GLYN

con retail brands including Edgars, Edgars Active, Red Square, Boardmans, Jet, JetMart, Legit and CNA.

The Thank U programme is one of South Africa's largest loyalty initiatives, with more than 7.2 million members. Edgars also has one of the retail sector's largest credit books, with more than 3.8-million active accounts. Although it announced the sale of its private-label store-card portfolio to

Absa in June, Edcon will continue to manage all related customer activities, including sales and marketing, customer service and collections.

Schreiber said the Edcon-Absa transaction was an important part of the retailer's strategic plan for growth by allowing for a greater focus on core retail operations and providing a more efficient funding structure to grow credit sales. It also follows the trends set

by leading global retailers: partnering with third-party providers for the provision of credit.

About a year ago, Edgars introduced its Great Price initiative, stepping up its marketing and promotional calendar to give customers access to discounted prices throughout the year. The idea was to increase sales by constantly communicating price points and value to customers.

Edgars also recently expanded

its speciality chain, Edgars Active, which focuses on branded active wear including active footwear, active clothing and branded denim for the "cool urban customer, who mixes active wear and branded denim to create a unique street look". Edgars Active sales have exceeded expectations, Schreiber said.

Since October 2011 Edgars has opened 92 new Edgars and Edgars Active stores and recently undertook extensive customer research in women's clothing "to better understand and respond to what our Kelso customers truly want".

Kelso is the retailer's biggest-selling women's wear label, which includes clothing, footwear and accessories. Other private label brands include Free2BU, Stone Harbour and JX, while popular international brands are Guess, Levi, Polo, Pringle, Pierre Cardin, Nike, Billabong, Accessorize, Steve Madden, Aldo and Forever New.

Schreiber said Edgars wants to offer more international brands. Earlier this year Edgars partnered with US cosmetics retailer Kiehl's to bring its premium skin, hair and body care products to South Africa. The first Kiehl's store is in the Edgars at Sandton City, with roll-outs planned for other parts of the country in 2013.

Leading UK fashion brands Topshop and Topman, which includes a range of clothing designed by Kate Moss, will be launched by Edgars (also in Sandton City) at the end of November. This will be followed by further Topshop and Topman launches in the Gateway Shopping Centre near Durban before the end of the year. Stand-alone shops are also in the pipeline.

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RETAIL AWARDS

15

Woolworths

Consumers' search for value sees it lose some of its ground

DAVID JACKSON

THE pecking order at the top of the highly competitive retail sector is as volatile as ever, with indications that one or two established players may be under some pressure as consumers switch allegiances in the quest for value and quality.

Neil Higgs, senior advisor and head of innovation at TNS South Africa, said that Woolworths, while retaining its reputation for merchandise of exceptional quality, appeared to have lost some of the momentum in user ratings it achieved last year.

"In men's clothing, the distance last year between Woolworths and Edgars was very close, while this year it has widened. Edgars has pulled away from Woolies to some extent, in terms of their overall index."

Edgars also beat Woolies this year in women's clothing. "Woolworths is ahead on quality and overall look and feel, but not so competitive on value for money, according to the market feedback," Higgs added.

In this year's various categories, Woolworths was in fifth place in the supermarkets and hypermarkets segment. Shoprite, Pick n Pay and Spar took the first three places.

In children's and baby clothing

stores, where there was a significant increase in category usage, Woolworths remained in first place this year, despite a decline in its index score, with lower ratings from both users and non-users. Edgars shifted from second to third place, being overtaken by Ackermans.

Woolworths was also second in women's clothing stores, behind Edgars — and also took second place in men's clothing, where Edgars retained its top spot.

In the home accessories and décor stores category, where there was another notable increase in category usage, Woolworths shifted from first to third place, with lower ratings noted among users and non-users.

Finally, in the grand prix award rankings of the top 10 retail outlets in 2012, Woolworths was ranked in sixth position.

Higgs said, generally speaking, "Woolies seems to have had a tough year — one that has not been helped by one or two public relations mishaps and slowness on the uptake."

Chairman of the Brand Council of South Africa, Sean McCoy, said Woolies had indeed been under pressure given its PR challenges, and had been the subject of occasional consumer boycott sentiment in certain quarters as a result. "One has to admire the clarity of the Woolworths positioning and its unwavering stance on this, backed up by exceptional quality,



■ PICKY, PICKY, PICKY: Tough times like ours make customers more demanding and discerning PICTURE: JEREMY GLYN

albeit at premium prices. Clearly there are still market segments that are happy and willing to part with their cash for this."

McCoy went on to say the obvious challenge was growth. "The question is whether this niche segment will grow in line with the expansion of the economic elite in South Africa, or will continue to be under threat of consumers trading down and in search of improved basket value across the

board. The economic climate remains challenging, but it will surely turn and potentially position Woolies well in the long haul. Time will tell," McCoy said.

In the meantime, he suggested, pursuit of growth in the convenience channel through its forecourt strategy may buffer this. "It was first to market in its partnership with Engen and currently has 42 Food Stop stores, with plans to open another 34 sites

over the next three years."

Executive director at Switch, S'bu Manqele, argued that Woolworths needed to rethink its position in the market and to define "not only what they are but what they are not, particularly as they expand into bigger stores".

Manqele said: "In the big stores it needs to maintain and manage that overall feel of individuality and personal service that is important for consumers. It also needs to deal with some PR issues and to manage the brand more closely. Nothing is sacred and one always has to be careful about niche markets, because niches could be perceived as being 'small' — and I don't believe Woolworths want to be smaller."

Manqele said Woolworths had certain values it was not communicating to consumers that well. "Therefore consumers are often making decisions based on issues such as price alone."

Hannah Ross, head of customer marketing at Woolworths, said: "Our customers are very important to us and we constantly listen to their feedback on what we do well and, more importantly, what we can improve.

number of ways of measuring our own performance in the eyes of our customers, some of which are independently run.

"We are always looking to improve. Any insights this research can give us will be very useful," she said.

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