



**UNIVERSITY OF KWAZULU-NATAL**

**MARKETING MIX STRATEGY ADAPTATION IN RESPONSE TO GLOBAL  
ECONOMIC CRISIS AT WOOLWORTHS IN KWAZULU-NATAL**

**By**

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Management, Information Technology and Governance in the Faculty of Management  
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## DECLARATION

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I **Samuel Mandlenkosi Biyela** declare that

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ii) This dissertation has not been submitted for any degree or examination at any other university.

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Signed.....

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## ABSTRACT

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The retail sector in South Africa is quite dynamic. Given the global commercial recession of 2014, it is not clear whether Woolworths' marketing strategy is changing or how has Woolworths designed its marketing mix strategy to fit the consequences of the recession. The aim of this study is to assess the marketing mix strategy of Woolworths Company and offer solutions to future problems. This study is therefore centred on the marketing mix strategies that Woolworths has created to achieve the company's aims and objectives.

Woolworths was started in 1981 by Max Sonnenberg. Max believed that "success was in providing consumers with superior quality products at reasonable prices". This being a significant factor which has influenced the manner Woolworths brands itself as a key retail outlet in South Africa. Furthermore, this sets Woolworths apart from other retail giants operating in South Africa. The company has an exceptional brand position which attracts the business of upper income customers with the living standards measure (LSM) categories 9 and 10 in terms of food and clothing. In addition, it is a highly desired shopping place for customers who seek LSM 7 and 8.

The prominent research question was how Woolworths managed to provide quality products at reduced prices. The study adopted a case study approach to investigate the research question. Findings from the study point out that Woolworths made some changes during the period of commercial recession. It was ascertained that Woolworths had created innovative ways to circumvent the consequences of recession, they achieved this by increasing stock orders, which has resulted in a decreased pro-rata price per item, and the discounted rates could be directly relayed to consumers. Woolworth's strong relationship with its suppliers and managing logistics was a task that required efficiency and expertise. It was further observed that Woolworths avoided erratic responses to the economic downturn with applied constructed adjustments to their strategies to achieve its goals.

Finding from the research projects is envisaged to give intellectual contribution through identifying forthcoming trials which are faced by the marketplace arrangement, and recognizing resolutions.



## CHAPTER 1: INTRODUCTION

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### 1. Introduction

This chapter introduces the research study by looking at the research background, problem statement, the aims and objectives of the study. It will further look at the literature review on thematic headings in the study, and conclude with the research design, research methodology, sampling techniques, ethical consideration, validity and reliability.

#### 1.1 Background of the study

Economic crisis is a state in which the economy of a country experiences a sudden downturn created by a financial crisis. Countries faced with economic crisis will normally experience falling GDPs, reduction in liquidity and rising/falling prices due to inflation (Fosu and Naude 2009:5). Naturally, the recent global economic downturn is traceable to the United States of America. “In the year 2007, the country was faced by a liquidity crisis that emanated from the collapse of housing credit financing” (Baxter, 2009:105). “In 2008, the downturn reached critical levels, characterised by vehement downward fluctuations in the stock markets with significantly low economic growth and fickle exchange rates” (UNCTAD Secretariat, 2009:5-6). The result was a decline in industrial production and international trade in the USA. “Due to globalization, the crisis rapidly spilled over to many developing countries through reduction in trade finance and a slowdown in bilateral trade flows” (UNCTAD Secretariat, 2009:6). “Most developing countries rely heavily on economic markets; hence, the decline in demand from the latter due to crisis inevitably had a detrimental effect on the former. Thus, the negative effects of the economic crisis in the developing world were seemed to be evident through falling commodity prices, declining remittances and demand driven drops in exports (UNCTAD Secretariat, 2009:6).

“Within the African continent and amongst developing countries, South African economy is by far the most integrated into the global economy” (Marumoagae, 2014: 380). The South African economy is relatively small but very open in transaction with other countries. The economy relies on international trade as well as attracting foreign investments to sustain its domestic investment, thus making it highly vulnerable to the

impacts of global economic crisis (Baxter, 2009:112). The effects of the global economic crisis on South Africa has been the slowdown in vital export markets, 1reduced capital flows and lower commodity prices and key sectors that have strongly been affected by the global economic crisis in South Africa include the automotive, mining and retail sectors (Baxter, 2009:112).

The retail sector in South Africa is quite dynamic, based on statistics by Stats SA (2009). They reported that “the retail sector is one of the highest economic contributors in South Africa accounting for 13.4% of the total GDP of the country” (2009:7). However, the global economic crisis has not spared the retail sector. The global economic crisis brought several challenges to the retail sector, thus challenging retailers to rethink their marketing plans to sustain their organizations whilst ensuring profitability. One South African retailer that bore the brunt of the crisis is Woolworths (Mills, 2011:78). During this period, Woolworths lost a significant percentage of its market share to its competitors like Pick n Pay, Spar and Shoprite. Statistics showed that during this period, consumers limited their supermarket visits and opted for efficient and convenient stores. To retain and gain back market share, Woolworths had to renovate its stores and ensure easy accessibility by consumers (Woolworth 2009:15).

Furthermore, the crisis demanded revision of their existing marketing strategy to reach a larger audience thereby becoming competitive in the market. In response to the global economic crisis, Woolworths formulated an adapted marketing mix strategy. “A marketing mix is a promotional tool that has stood the test of time and proven to be effective” (Kotler, 2015:127). It focuses on four variables which are product, price, promotion and place. The implementation of the marketing mix by Woolworths has seen it recover and on its way to gain a larger market share.

## **1.2 Research Problem**

Given the pending concerns of the global commercial recession of 2014, it is not clear whether Woolworths’ marketing strategy is changing or how it has designed its marketing mix strategy to align itself with the consequences of the recession. Whether Woolworths have altered its marketing mix strategy or its marketing strategy remains the same, the main key point is to discover what adjustments they have made and how they were implemented. All customers need food since it is a necessity, hence

they do not hesitate to buy food. In addition, customers often change where they usually buy to suit their buying behaviour, which is affected by many things. It is thus vital for Woolworths to prepare a sound marketing mix strategy to change customers' perceptions on Woolworths and create a good image in the mind of the consumers. In the retail industry there is a lot of uncertainty hence Woolworths ought to consider flexibility in developing the marketing mix strategy to contest in the unpredictable market challenges. Consumers should be able to acknowledge the value in Woolworths' products as top of the range. According to Singh (2016:30), "customers have been laying complaints regarding professional services rendered by customer care department and products not meeting the perceived value. Woolworths should thus strategize to keep up with its standards despite the recession".

The aim of this study is to assess the marketing mix strategy of Woolworths Company and offer solutions to future problems. The study centres on the marketing mix strategies created and implemented to pursue company's aims and objectives. This research project thus offers the intellectual premise on forthcoming trials which are faced by the marketplace arrangement with prescribed and recognized resolutions.

This research project serves as steppingstone for future investigations on commercial recession by academics and businesspeople alike. Investigating Woolworths as one of the biggest retail firms in this study brings quality data that will be amassed from marketing managers who possess some experience. Discoveries from these experts will be valuable to both the academic and the businesses fraternities. A key benefit which comes with this study is the combined data which can be utilised and added to the body of vision, besides, primary research data ascertained from the research will contribute to the body of existing information on the subject matter, since the issue under investigation has not been fully explored in the KwaZulu-Natal Province of South Africa.

### **1.3 Aim of the study**

The research project aims to assess the marketing mix strategies adapted by Woolworths in response to the global economic crisis.

### **1.4 Research Questions**

1. Is Woolworths changing its marketing mix strategy to adapt to the global economic crisis?

2. If so, what are the changes that Woolworths made to the 4Ps?
3. How were these changes implemented in the marketing mix strategy?
4. What recommendations can be forwarded from the Woolworths case to other retail sector businesses?

### **1.5 Research Objectives**

1. To investigate if Woolworths changed its marketing mix strategy to adapt to the global economic crisis
2. To investigate what changes did Woolworths make to the 4Ps
3. To identify how these changes were made
4. To offer recommendations to other retail sector businesses

### **1.6 Delimitations of the Study**

This study focuses on marketing mix strategy adaptation in response to global economic crisis at Woolworths in KZN, using a case study approach. It does not investigate responses to the economic crises by the general retail sector in South Africa, as it makes specific reference to Woolworths in KZN, which, by extension, covers the corporation at South African national level. In other words, since Woolworths operates across all nine provinces in South Africa, their business management strategies, including the marketing strategy, are developed for the corporation nationally and then implemented in individual outlets. Thus this research deals only with Woolworths and not the entire retail business.

### **1.7 Literature Review**

#### **1.7.1 The global economic crisis**

According to Kotler and Armstrong (2004:15) Global market changes are constantly occurring. Over time the shift has been noted from simple domestic trade to sophisticated international trade. This is due to better transportation systems, good communication channels and minimal trade obstacles; and international trade which was once regarded as luxury has become a requisite in many industries. These authors go on to claim that “the advent of globalisation has expanded the horizons for doing business and opened new channels that allow organizations to carry out business in multiple countries” (2004:17).

In as much as globalisation has brought about many benefits, it has also brought a significant level of risk to economies. “To a certain extent, globalisation has produced

a domino effect in which the collapse of one market inevitably brings negative impacts on other economies linked to it. This is due to the nature of the monetary market” (Werner, 2014:120). The global economic downturn/crisis is a typical example of the domino effect in globalised economies. According to Mills (2009:60), the global economic downturn is “a crisis in the financial sector and the financial markets”.

The global economic downturn/crisis originated from the collapse of America’s housing financial system. “The financial system became vulnerable because of the sophisticated and over-leveraged financial dealings. The downturn did not only affect the banking and credit systems but had a domino effect to monetary markets, forex trading, equity funds, public finance and other various sectors” (Frumkin, 2004:50). Furthermore, “the downturn spread to other countries and affected several economic sectors. The retail sector was heavily affected by the downturn. In response, most retail organizations modified their strategies to meet consumer needs which changed in response to the economic crisis” (Kotler and Armstrong 2014: 97-98).

Prior to the global economic crisis, South Africa was enjoying an era characterised by rapid economic expansion, however the crisis exposed vulnerable sectors within the economy and created inflation. “There was a notable decrease in the monetary value of houses and a reduction in vehicle sales. Moreover; power shortages erupted with recurring blackouts. The unstable political frontier caused by the resignation of President Mbeki further worsened the economic situation in the country” (Finance 24, 2010:11). Some of the key sectors that felt the brunt of the global economic downturn include the mining, automotive and retail sectors.

### **1.7.2 South Africa retail sector**

The South African economy is made up of various sectors. Some of the key economic sectors include the banking, agriculture, education, engineering, health, manufacturing and retail sectors (Stats SA, 2009:19).

The retail sector in South Africa is dynamic and constantly evolving. “It is a vital sector of the economy in terms of transactions and turnover. In terms of employment opportunities, the retail sector is the largest employer in the country, it ranked third in terms of contribution to the Gross Domestic Production (GDP) of the country, contributing 18.2% of the GDP in 2008” (Stats SA.2009:19).

“The retail market in South Africa is growing and has a population of over 46 million people, the sector is supported by modern infrastructure that allows for effective and efficient distribution system of goods. In addition, the financial, legal and energy sectors in South Africa are well-established to promote retail operations” (Mills, 2009:62).

The retail sector in South Africa comprises of a plethora of organizations and offers a wide range of products. It comprises of relatively sophisticated retail outlets such as Shoprite-Checkers, Pick n Pay, Spar, Woolworths and Clicks. It also consists of wholesale outlets, convenience stores, traditional stores, general dealers, forecourts, spaza shops and tuck-shops. These provide differing levels of convenience and accessibility to the consumers. “Although the retail market is quite broad, the major supermarkets account for over 54% of retail transactions countrywide” (Mills, 2009: 63). “The major retail stores and franchised stores stock both local and imported food products thus giving consumers more choices, however, only 10% of the products are imported” (Stats SA 2009:20).

During the economic crisis in South Africa, “Woolworths lost a certain percentage of its customer segment to middle-low income retail outlets including Spar, Pick n Pay and Shoprite. Due to the tough economic environment at the time, consumers were not frequenting supermarkets as much, instead they resorted to shopping at cheaper and convenient stores. This phenomenon characterised with consumer demand for convenience drove Woolworths to modify their supermarkets to position them in accessible locations” (Woolworths 2009:17). The marketing division of the company came up with new strategies that ensured consumers good quality products for good value for money (Woolworths 2009:18). “Considering that Woolworths mainly catered for high income consumers, the economic downturn coupled with a competitive marketplace, pushed Woolworths to alter its marketing strategy to reach a broader target market” (Mills 2009:62).

The competitive retail marketplace in South Africa has generally resulted in innovative marketing strategies by organizations. “Epoch of economic crisis in South Africa saw many companies close their doors due to bankruptcy hence to survive recession times. Companies **need** sound marketing strategies that are effective than their competitors” (Mills 2009: 63).

### **1.6.3 Woolworths' Competitors**

There are several retail stores that compete for the market share with Woolworths. The two major competitors are Pick n Pay and Shoprite. Pick n Pay Group is regarded amongst the largest retail stores in the African continent. They retail food, clothes and general goods. "In South Africa alone, Pick n Pay holds 40% of the market share for the food retail sector" (Corporate Research Foundation, 2014: 22). Pick n Pay Retailers Pick n Pay branded products and other brands. "In the year 2006, Pick n Pay extended its market share through acquisition of Fruit & Vegetable City stores, a retailer that already owned several corporate and franchise stores countrywide" (Corporate Research Foundation, 2014:22).

Similarly, Shoprite Holdings Ltd has approximately 40% market share in South Africa. The group has several entities that operate with varying names including Checkers and Usave. Other retail stores that form part of Shoprite Holdings include OK, House and Home, Megastore and Hungry Lion. "The Group focuses on middle to low income consumer markets" (Business Report, 2009:14).

It is in the face of such a competitive marketplace and economic downturn that Woolworths had to come up with an effective marketing strategy to increase its market share and ultimately its profitability.

### ***Marketing Strategy in Changing Environments***

According to Ferrell and Hartline (2011:62) "the marketplace is always evolving, hence the need for management to identify the changes and formulate strategies to deal with the changes". Hooley, Piercy and Nicouland (2014:35) have also indicated that marketing strategies should be a response to changes in product positioning. "It should therefore meet the needs of the target group. Moreover, success in the changing market is a result of utilization of proactive strategies therefore organizations should adopt these" (Hooley *et. al*, 2014:35).

Proactive marketing enables organizations to create opportunities out of challenges, for instance, "...organizations that view recession as an opportunity will look for market opportunities and solutions that allow them to benefit from the recession. While other organizations are hesitant and crippled by fear of financial losses during the recession,

proactive organizations invest in brand marketing. This ultimately contributes to their overall success even in the face of economic downturn” (Hooley *et. al*, 2014:37).

During the economic downturn, it is crucial for businesses develop newer and alternative marketing strategies that respond to changes in the marketplace, aggressive competition and changing consumer purchasing patterns. “Marketing strategies that are developed as a reaction to such changes are called adaptation strategies. Adaptation strategies aim to maintain brand positioning of an organization until the market conditions improve” (Nystrom 1979:2).

#### **1.6.4 The marketing mix strategy**

According to Kotler (2015:127), “a successful marketing strategy is based on a marketing mix that truly reflects the desires of the target consumers”. “Marketing mix refers to the set of tools or actions that a company utilizes to promote its brand or product thus influencing sales” (Kotler 2015:128). Marketing mix is amongst the most popular and commonly used strategies in marketing as it blends integral variables encountered in product marketing. Four components that make up the marketing mix include place, promotion, product and price. “These components can be tailor-made to complement the objectives of an organization. It therefore becomes important for an organization to carry out strategic planning and interconnect the organizational marketing strategy with consumer demands” (Kotler, 2015:128).



**Figure 1.1: The Marketing mix**



Source: (Kotler, 2015:23)

#### **1.6.4.1 Product**

The main component of the marketing mix is the product mix. In the absence of a product, marketing ceases to exist. Kotler and Armstrong (2016: 204) define a product as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need”. Kotler (2015:24) has also defined a product as “a bundle of utilities, consisting of various product features and accompanying services”. A product is an organization’s offer to the market place. A product should be able to satisfy the needs of the consumer. “The needs satisfied can range from comfort to simple psychological satisfaction experienced by the consumer through consumption or use of the product. Products can be tangible or intangible” (Kotler and Armstrong 2014:204).

Since product is the most important aspect of the marketing mix, “marketers must invest energy in structuring a sound marketing strategy that clearly explains the value of the product to the market. Some of the key aspects of product mix include the product design, range, quality, packaging, branding and after sale services” (Kotler

and Armstrong 2014:204). Once combined properly, these variables can be a recipe for market success of any product.

#### **1.6.4.2 Price**

The price is the second variable in the marketing mix. According to Kotler (2015:33), “Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.” “Other aspects of the marketing mix such as product and promotion involve spending money, whilst the pricing aspect is the only variable that generates revenue for the organization” (Dominici, 2009:19). Appropriate pricing is therefore a prerequisite for any organization. Pricing is a critical decision area that affects both the market demand of the product as well as the profitability of an organization (Kotler, 2015:33) “Several factors are considered in determining the prices of products and these include the target market, production cost, market competition, government regulations on pricing and price elasticity of demand” (Kotler, 2015:33).

#### **1.6.4.3 Promotion**

A product is only as good as its promotion. “An exceptional product with the right pricing cannot achieve market acceptance and success without proper promotional strategy. The potential consumer must be made aware of the product features, its benefits and pricing through promotion” (Kotler and Armstrong, 2016:41). This makes promotion an equally important aspect of the marketing mix. Promotion is defined as “a process of communication that informs, influences and persuades a potential consumer to buy a product or service” (Dominici, 2009:19). There is a plethora of methods that can be used in promoting products and these “...include advertising, personal selling, publicity, trade fairs, exhibition and sales promotion” (Beamish and Ashford, 2009:103). “The platforms allow for the provision of information to potential customers thereby arousing interest on the product. In the last decades, the proliferation of internet has greatly contributed in product promotion. Effective promotion strategies consider the budget, timing, media type and ensures that the effectiveness of the promotional methods is evaluated and adjusted when needs be” (Beamish and Ashford, 2009:103).

#### **1.6.4.4 Place**

The fourth element of the product mix is the place also known as physical distribution. “An outstanding product, with good pricing coupled by effective promotion will be a waste if it is not transported from the production site to the place of consumption at the right time. Essentially, products are manufactured for consumer consumption therefore they must be availed to the consumers at convenient locations” (Kotler, 2015:33). “Place or distribution activities offer additional value to the products by generating time, distance and possession utilities. Some of the key considerations in the place mix include distribution channels, shipping, and warehousing and inventory control” (Kotler, 2015:33).

When combined and applied appropriately, the four elements of the marketing mix are “a formidable force in achieving the desired levels of success by any organization” (Beamish and Ashford, 2009:106). However, it is also important for organizations to “constantly evaluate and revise the marketing mix to maintain profitability in changing marketing environments. Consumer needs and preferences are constantly evolving which affects the marketing environments. Revision of the marketing mix thus allows organizations to retain and attract new customers hence thriving even in the face of economic crisis” (Beamish and Ashford, 2009:106).

#### **1.7 Research Design**

According to Creswell (2015:4) “research design represents a design that is utilized to answer questions”. Yin (2014:13) states that “a research design provides a rational sequence to a researcher that will generate a connection to the aims and goals, inquiries of a study which will lead to the conclusions”. This study’s research design is in the form of a case study. Silverman (2011:16) states that a “Case study mentions to a research on an arrangement confined in space and period and implanted in a specific physical and sociocultural context”. “A case study involves studying phenomena across methodical research of an individual situation” (Cooper and Schindler 2012:212).

The case study technique “...depends on the fact that across such methodical research, generalizations can be utilized for supplementary cases that are comparable to the one under investigation. It offers a chance to examine the connection amongst countless aspects of data” (Cooper and Schindler 2012:218). “Case studies give

regard for specificity, eliminations and completeness of the study. It is functional after searching for outlines of associations' actions inside each marketplace nature" (Cooper and Schindler 2012:218). A qualitative research strategy was utilized to gather data, making use of in-depth interviews to obtain data for this study.

### **1.7.1 Research methodology**

Creswell (2015:3) states that "...A qualitative study is structured by employing words and is entrapped by employing open concluded inquiries". This research is qualitative in nature. "Qualitative research method allows prominence on processes and meanings that are not carefully examined and measured in words of number, quantity or intensity" (Cooper and Schindler 2012:215).

In addition, qualitative approach "can adapt to the quality of data that is being collected" (Struwig and Stead 2013:52). "If the available data does not seem to be providing any results, the research can immediately shift the direction and framework of research to be revised quickly as fresh findings emerge. This provides more opportunities to collect vital clues about any subject instead of being narrowed to a limited and often self-fulfilling perspective. Moreover, qualitative research embraces the gut instinct as it is based on human experiences and observations and the data that can be collected is often better for it" (Yin 2014: 13).

### **1.7.2 Sampling Method**

According to Look, Leedy, Tomich and Bayraktaglou (2010: 212), "when a target population is diverse a sample to represent the total target population should be chosen". Sekaran (2003:16) also alludes that "sampling is a procedure of choosing a representative part from the target population. In non-probability sampling the representative part is chosen depending on the subjective judgement of the researcher rather than random selection" (Carmo, Infante and Mendes, 2014: 478). Purposive non- probability sampling provides the chance of selection for each element in a population which is unknown and for some elements is zero. Winn et.al (2011:236) supports the idea that "purposive non- probability sampling is an ideal sampling method when developing interview schedule, exploration and theory development". The sample was selected amongst higher management within the company based on their job responsibilities, position and involvement in the subject. In this research, eight (8) respondents were selected from Woolworths' head office in

Durban City Centre to provide a wide understanding of the research problem, as well as to widen the accuracy of feedback given.

### **1.7.3 Data collection**

In-depth interview was employed to collect data from the participants. In-depth interview refers to "...an interview which is conducted with people whose knowledge on a subject matter or a phenomenon will shed substantial light on the matter being investigated", according to Stacks (2017:196) Stacks (2017:196) goes on to observe that "in-depth interviews offer rich detail and the skill to understand the thoughts of the interviewee about the subject and adding the interviewer's insight and opinions to enhance data". Moreover, in-depth interviews provide the interviewer with understanding of both the problem being researched and the interviewee. In addition, "in-depth interviews allow for introspection on the part of the interviewee and can also allow the interviewer to keep control over the type and order of the interview questions and keeping the interviewee on the most important questions" (Sismanoglou and Tzimitra-Kalogianni 2011:171). According to (Weiss 1994:115), "it is vital to contemplate on the questions when creating an interview guide".

### **1.7.4 Data Analysis**

The researcher examines and analyses the data collected from the respondents via thematic analysis. Vaismoradi *et.al*, (2013:398) state that "thematic analysis emphasizes discovering, scrutinizing and record themes across data sets that are critical to the description of a phenomenon for a specific analysis question". In addition, "...thematic analysis is a data analysis method that identifies and analyse patterns of meaning in a dataset" (Farr and Moscovici 2004:143).

Thematic analysis was utilized because it illustrates themes that are important in the description of the phenomenon being researched. Moreover, "it highlights the most salient constellations of meanings present in the dataset" (Farr and Moscovici 2004:143). It also highlights the most noticeable collection of meanings presented in the data set. According to Braun (2013:78), "thematic analysis enables the collection of knowledge of the meaning made of the phenomenon being researched or studied and offers the needed ground work for creating effective models of human thinking, sensitivity and behaviour. This method of analysis holds both the prevalence of significant themes, without forgoing the depth of analysis.

### **1.7.5 Validity and Reliability**

Validity deals with the extent to which a set of data is considered credible, believable, trustworthy and reliable. Bonds-Raacke and Raacke (2012:84) claim that “validity is the skill of the researcher’s measurement instrument to precisely compute what it is hypothetical to measure”. “Reliability represents the productivity of stable aftermath of a measurement under the same conditions” (Leedy and Omrod 2010:93). “Qualitative researchers must salvage the obligation for reliability and validity by requesting strategies, integral across the conduct of the study” (Kothari 2005:45). The researcher approved the concept of dependability which is a word that corresponds to the notion of reliability. The consistence of data was attained after the steps of the study were confirmed across examination of such items as raw data, data reduction analysis and interview notes.

### **1.7.6 Ethical Considerations**

Neuman (2011:33) states that “moral and professional responsibilities should be guided through ethics despite participants’ awareness of it”. The researcher was prudent and subtle of the replies across the sequence of data collection and fieldwork. The researcher further safeguarded truth, uprightness and respected the opinion of respondents ‘across the research process with the intention to create honesty in the research. The researcher also ensured the autonomy of respondents to leave at any period from the research process, without causing harm either to themselves or to the study results. These ethics were followed to give procedures to the researcher in relation to the participant’s privileges across the study.

The researcher applied for ethical clearance from the University of KwaZulu-Natal, and obtained the gatekeeper’s letter from Woolworths Company to conduct the interviews at Durban Woolworths Head Office.

## **1.8 Outline of the study**

The study is structured as follows:

**Chapter One: Introduction;** Chapter one outlines the introduction of this study, aim of the study, objectives, the problem statement and the methodology.

**Chapter Two: Literature Review:** This chapter reviews related literature on the concepts from the insight of other authors regarding the economic crisis, the marketing mix, the retail sector and Woolworths as a retailer.

**Chapter Three: Research Methodology:** This chapter outlines the research design, sample size, sampling method, data collection method, data analysis and ethics of this study.

**Chapter Four: Woolworths Case Study:** This chapter covers the context of the case study, Woolworth's overview, Woolworth's retail strategy, advancing change in South Africa, employee assistance programme, packaging and the allocation of resources.

**Chapter Five: Interpretation and discussion of findings:** This chapter presents the results and the findings obtained from the survey undertaken.

**Chapter Six: Recommendations and Conclusions:** This chapter discusses the summary of the main findings, the conclusions and the recommendations of the study. Conclusions are drawn from the research findings. The limitations of the study are noted and areas for further research are suggested.

## **1.9 Conclusion**

Chapter one presented the problem statement of the research. The significance of the study has also been discussed in this chapter. This chapter also outlined the aim, objectives, research methodology and delimitations of this study. Chapter two will cover the literature review of this study.

## CHAPTER 2: LITERATURE REVIEW

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### 2.1 Introduction

Chapter one above presented the problem statement of the research. The significance of the study was also discussed. That chapter also outlined the aim, objectives, research methodology and delimitations of this study. Chapter two will cover the literature review of this study.

This review of literature discovered a gap in investigating effective and efficient marketing mix strategy adaptation in response to the global economic crisis at Woolworths in KwaZulu-Natal. Prior researches focused on one or more tools or have studied marketing mix strategies in different industries or specified cases of the retail industry. This chapter reviews literature on the concepts, arguments, developments and findings from the insight of different scholars and researchers about the marketing mix, the global economic crisis, effects of growth and inflation, South African retail sector, Woolworths' competitors and the marketing strategy in changing environments. The chapter ends with a conclusive note.

### 2.2 The global economic crisis

The global market is constantly changing. According to Kotler and Armstrong (2016:15), "over time there has been a notable gradual shift from simple domestic trade to sophisticated international trade." In the face of better transportation systems, good communication channels and minimal trade obstacles, international trade has become a requisite in many sectors yet was once regarded as a luxury. The advent of globalization has expanded the horizons for doing business and opened new channels that enable organizations to carry out business in multiple countries".

In as much as globalization has brought about many benefits, "it has also brought a significant level of risk to economies. To some extent, globalization has produced a domino effect in which the collapse of one market inevitably impacts negatively on other economies linked to it, which is due to the nature of the monetary market" (Werner, 2014:120). The global economic downturn/crisis is a typical example of the domino effect in globalized economies. According to Mills (2009:60) the global economic recession refers to "a disaster in the financial sector and the financial



markets”. “This global economic crisis was born from the collapse of America’s housing financial system. The financial system became vulnerable because of the sophisticated and over-leveraged financial dealings” (Mills 2009:60).

“The downturn impacted the banking systems, monetary markets, forex trading, equity funds, public finance and various other sectors” (Frumkin, 2004:50). Furthermore, “the downturn spread to other countries as it affected several economic sectors, including the retail sector which was also heavily affected by the downturn. However most retail organizations modified their strategies to meet consumer needs that also changed as an adaptation to the economic crisis” (Kotler and Armstrong 2014:97).

Prior to the global economic crisis, South Africa was enjoying an era characterised by rapid economic expansion, however the crisis exposed vulnerable sectors within the economy and created inflation. “There was a notable decrease in the monetary value of houses and a reduction in vehicle sales. Moreover; power shortages erupted with recurring blackouts. The unstable political frontier caused by the resignation of President Mbeki further worsened the economic situation in the country” (Finance 24, 2010:10). Some of the key sectors that felt the brunt of the global economic downturn include the mining, automotive and retail sectors.

“A struggling economy creates its own downward spiral fearing worse days ahead, with consumers and businesses become very careful about using money hence spending less, with demand for products also dropping immensely” (Kurtz and Boone 2012:74). In other instances, “less demand compels employers to take astonishing steps just to stay in business thereby reducing working time salaries or their work force. During a downturn a marketer needs to stress value in their products, some cut their prices or offer sales promotion to assist consumers stretch their budget” (Kurtz and Boone 2012:74). Furthermore, markets need to reconsider their approaches and concentrate on favorable products, however, they need to perceive how customers used to reduced prices and sales promotions will respond when the economic crisis is over” (Kurtz and Boone 2012:75).

Over and above this, “during times of global economic crisis unemployment increases thus declining customers’ buying power. When a customers’ buying power decline they become more price conscious and value sensitive, hence, they look for basic affordable products” (Kurtz and Boone 2012:77). Also, “in such situations, marketers

should not reduce their marketing efforts since it damages their survival, rather they must consider changing their marketing strategies because customers are more worried about the functionality of the product. Marketers should escalate their marketing research to ascertain factors that influence consumer's buying behaviors. Their promotional significance should highlight value and utility", as alluded to by Hurt, Pride and Ferrell (2010:65). In addition, some of the global economic crisis results are discussed below.

### **2.2.1 Resource shortages**

Resource shortages, either permanent or temporary, result from numerous conditions, including lack of raw materials or labor etc. According to Kurtz and Boone (2012:76), "the global economic crisis attached with adverse weather conditions like drought signals the likelihood of food shortages. When there is a shortage, it is essential to de-market to reduce the demand for the product to a level that the company can manage its supply. This can happen even in developed countries as well. "During the period of shortage, marketers have a challenge, they have either to share limited supplies or apply different marketing strategies from the traditional marketing with the aim of increasing sales volume" (Kurtz and Boone 2012:76). "Marketers must decide whether to spread the limited supplies over all customers, or limit purchase by some customers, so that the company can totally satisfy others" (Kurtz and Boone 2012:76).

### **2.2.2 Effects on growth and inflation**

"Economic growth is vital for development even if it is not a perfect indicator of progress" (Fosu and Naudé, 2009:81). "In the early stages of the economic crisis, there was the view that the effect on African countries would be low possibly because of their low integration into the global economy. However, presently, there is significant proof of the negative impact of the crisis in the continent. The crisis caused serious obstacles for African countries because it happened at a time when the region was making developments in economic performance and management" (Fosu and Naudé 2009:81).

"The impact of the global crisis came on the heels of the food and fuel price shocks of 2007-08. The growth of the global economy that was average 4.1% drastically dropped after the beginning of the crisis in 2008" (Truman 2009:70). "The unanticipated drop in African economic growth rate has scared the prospect of the

region to meet one of the Millennium Development Goals of splitting the number of people living on less than one dollar a day. It is projected that African countries must have economic growth of around 7% per annum to meet this goal however, none of the countries have its economy growing at this percentage and the percentage change of gross domestic product (GDP) per capita which became worse in 2009 exacerbated the situation” (Fosu and Naudé 2009:82).

“The decline in economic growth rate has been blamed on the direct drop in export demand and tourism revenues, decreasing product prices, decrease in the availability of credit and trade finance, fewer inflows of payments, private portfolio movements and foreign direct investment” (Ratha and Xu 2008:54). Moreover, “factors such as higher unemployment and poverty, increases in infant mortality rates, and adverse coping with long-lasting effects such as higher school drop-out rates, decreases in healthcare, environmental degradation, and political instability cannot be ruled out of the causative factors” (Naude and Fosu, 2009:82). Furthermore, “the global economic slowdown is decreasing the flow of payments to the region as African migrant workers in Europe, North America and the Gulf States are laid off and return home”. Recent data released by the World Bank indicate that the economic crisis has reduced remittance inflows to sub-Saharan Africa by close to between \$1 billion and \$2 billion dollars in 2009 relative to 2008 (World Bank, 2010:36).

### **2.2.3 Inflation**

Inflation is increasing prices caused by combination of extra demand and growth in the costs of raw materials, employees and other factors of production. “It diminishes the value of money by reducing the products it can buy through price rise. The increase in prices also affects marketing expenses thus decreasing sales” (Kurtz and Boone 2012:75).

### **2.2.4 Effect on commodity prices and trade**

The economic crisis also has a negative impact on trade in African countries. “There has been a major decline in the prices of main commodities exported by African countries since the second half of 2008. The same author observed that though commodity prices shown an overshooting behavior before the crisis, the current global crisis could not bring the prices to a balanced level. Findings indicate a downward

trend in prices of commodity groups (food, fuel, agricultural materials and metal) since the second half of 2008” (Fosu and Naudé 2009:83).

### **2.3 South Africa retail sector**

The South African economy is made up of various sectors, some of the key economic sectors include the banking sector, agriculture, education, engineering, health sector, manufacturing and retail sector (Stats SA, 2009:56).

The retail sector in South Africa is dynamic and constantly evolving, it is a vital sector of the economy in terms of transaction and turnover. “In terms of employment opportunities, the retail sector is the largest employer in the country. It is ranked third vis-à-vis the role it plays to the Gross Domestic Production (GDP) of the country, contributing 18.2% of the GDP” (Stats SA.2009:56).

“The retail market in South Africa is growing and has a population of over 46 million people. The sector is supported by modern infrastructure which allows for an effective and efficient distribution system of goods” (Mills, 2009:62). In addition, “the financial, legal and energy sectors in South Africa are well-established to facilitate retail operations” (Kotler, 2015:62).

The retail sector in South Africa comprises of a plethora of organizations and offers a wide range of products. It comprises of relatively sophisticated retail outlets such as Shoprite-Checkers, Pick n Pay, Spar, Woolworths and Clicks. It also consists of wholesale outlets, convenience stores, traditional stores, general dealers, forecourts, spaza shops and tuck-shops. These provide differing levels of convenience and accessibility to the consumers. “Although the retail market is quite broad, the major supermarkets account for over 54% of retail transactions countrywide” (Mills 2009: 63). “The major retail stores and franchised stores stock both local and imported food products thus giving consumers more choices, however, only 10% of the products are imported” (Stats SA 2009:20).

During the economic crisis in South Africa, “Woolworths lost a certain percentage of its customer segment to middle-low income retail outlets including Spar, Pick n Pay and Shoprite. Due to the tough economic environment at the time, consumers were not frequenting supermarkets as much, instead they resorted to shopping at cheaper and convenient stores. This phenomenon characterised with consumer demand for convenience drove Woolworths to modify their supermarkets to position them in

accessible locations” (Woolworth 2009). The marketing division of the company came up with new strategies that ensured consumers good quality products for good value for money (Woolworths 2009:33). “Considering that Woolworths mainly catered for high income consumers, the economic downturn coupled with a competitive marketplace, pushed Woolworths to alter its marketing strategy to reach a broader target market” (Mills 2009:62).

The competitive retail marketplace in South Africa has generally resulted in innovative marketing strategies by organizations. “Epoch of economic crisis in South Africa saw many companies close their doors due to bankruptcy hence to survive recession times. Companies needs sound marketing strategies that are effective than their competitors” (Mills 2009: 63).

## **2.4 Woolworths’ Competitors**

### **A. The Pick n Pay Group**

Pick n Pay is a large conglomerate and a serious business concern. According to past research, “The Pick n Pay Group has been one of Africa’s largest retailers of food, clothing and general merchandise for the past three decades. Pick n Pay has 40 percent of the South African retail food sector. The Retail Division manages Pick n Pay branded products such as food, clothing and general merchandise in hypermarkets, Supermarkets, Family Franchise Stores, Mini Markets Franchise, Clothing, Butcheries and Meat Markets, Home Shopping and Gas Centres” (Corporate Research Foundation, 2014:22).

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

“In July 2006 Pick n Pay (South Africa) acquired Fruit & Vegetable City stores. Fruit & Vegetable was established as a family business in 1993 and operates a total of 86 corporate and franchise stores in South Africa. The 86 corporate franchise stores are excluded from the 706 Pick n Pay stores mentioned earlier” (Corporate Research

Foundation, 2014:22). Traditionally, “Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away. Pick n Pay is the most modest of high-end super market chains” (Business Standard, 2009:4).

### **B. Shoprite Holdings Ltd**

“Shoprite Holdings Ltd on the other hand has about 40 percent of the market, focusing on the broad middle to lower-end of the market, and include the following entities; the Shoprite Checkers Supermarket Group, which consists of 348 Shoprite supermarkets, 110 Checkers Supermarkets, 24 Checkers Hyper, 92 Usave stores, 20 distribution Centers supplying group stores with groceries, non-foods and perishable lines, 158 OK Furniture outlets, 13 OK Power Express stores, 27 House & Home stores, and 74 Hungry Lion fast food outlets. Through its OK franchise division, the Group procures and distributes stock to 31 OK minimarket convenience stores, 24 OK Food supermarkets, 52 OK Grocer stores, 59 Megasave wholesale stores and 91 Sentra, Value Stores and buying partners” (Business Report, 2014:33).

“Checkers Hyper has a special section devoted entirely to imported foods as well as Kosher, a halaal section. It caters for middle to higher income groups. Price points are also comparable to the United States. Shoprite stores are similar to a super Wal-Mart or a Food Warehouse type of shopping experience. Shoprite have volume growth of 20 percent in the prepared food category. The overall growth of 11 percent in frozen prepared food sales, and meals solutions 8 percent” (Business Report 2009:12)

It was in the face of such a competitive marketplace and economic downturn, that Woolworths had to come up with an effective marketing strategy to increase its market share and profitability.

### **2.5 Marketing strategy in changing environments**

According to Ferrell and Hartline (2011:61) the external environment is constantly changing and it is important that management understands these changes and act decisively. Hooley, Piercy and Nicoulaud (2014:35), explain that the “marketing strategy is supposed to develop effective responses to changing positioning product offerings for those target markets” Furthermore, to be successful in the market, especially a changing one, an organization has to use proactive strategies” (Hooley, Piercy & Nicouland 2014:35).

Proactive marketing can be a tool for any organization to turn challenges into opportunities. “Organizations that view recession as an opportunity attempts to find solutions and gaps in the market. As a result, they invest in marketing when competitors are hesitant and continue to invest, trusting in their brand”. “The opposite is true for organizations that view a downturn as a threat” (Hooley, Piercy & Nicouland, and 2014:37).

During the economic downturn, it was crucial for organizations to develop newer marketing strategies, which adapts to the changing environment, fierce competition, and changing consumer buying patterns. A marketing strategy developed in response to such changes is known as an adaptation strategy. This strategy aims “to maintain the position that the organization needs to gradually improve, as the market environment improves” (Nystrom 1979:2). The marketing strategy consists of the 4Ps which are explained below.

**Figure 2.1: The marketing mix**



Source: Kotler (2015: 36)

### **2.5.1 Promotion**

A product is only as good as its promotion. “An exceptional product with the right pricing cannot achieve market acceptance and success without proper promotional strategy. The potential consumer must be made aware of the product features, its benefits and pricing through promotion” (Kotler & Armstrong, 2016:41). This makes promotion an equally important aspect of the marketing mix. Promotion is defined as “a process of communication that informs, influences and persuades a potential consumer to buy a product or service” (Dominici, 2009:19).

There is a plethora of methods that can be used in promoting products and these “...include advertising, personal selling, publicity, trade fairs, exhibition and sales promotion” (Beamish and Ashford, 2009:103). “The platforms allow for the provision of information to potential customers thereby arousing interest on the product. In the last decades, the proliferation of internet has greatly contributed in product promotion. Effective promotion strategies consider the budget, timing, media type and ensures that the effectiveness of the promotional methods is evaluated and adjusted when needs be” (Beamish and Ashford, 2009:103).

Promotion can also be defined as “communication that builds and maintains good relationships by notifying and encouraging customers to see an organization in an optimistic way and accepts its products or services” (Kurtz and Boone 2012:478). “The components of promotion are personal selling and non-personal selling which include advertising, sales promotion, direct marketing, public relation and guerrilla marketing”. (Kurtz and Boone 2012:493). “The platforms allow for the provision of information to prospective customers thus developing interest on the product. In the last decades, the increase of internet has greatly contributed in product promotion. A proper benefited promotional activity should be well planned, implemented, coordinated and controlled” (Hurt *et. al*, 2010:480).

Promotion has always been a cardinal core of Woolworths operations, and “...it keeps getting innovated. The store offers various loyalty schemes to its customers. The store uses online media, magazines and newsletters for effective promotion. Woolworths offer extensive deals and offers to its shoppers. The store also gives away gifts cards” (Anon. 2017:23).



### **2.5.1.1 Personal selling**

According to Kurtz and Boone (2012:494) “personal selling is the oldest form of promotion. It is done on a person to person basis with the buyer. It can be done on the phone, video or computer with the consumer interacting with the seller”. Furthermore, Kotler and Armstrong (2016:441) ascertain that “personal selling is effective on certain stages of the buying process. It is more effective when the customer wants to develop preferences, opinions and actions. This form is very personal, with personal interaction between the buyer and seller”.

#### **2.5.1.1.1 Non-personal selling**

Non-personal selling includes “...advertising, product placement, sales promotions, direct marketing, public relations and guerrilla marketing. Advertising and sales promotion are regarded as the most significant types of non-personal promotion” (Kurtz and Boone 2012:494).

#### **2.5.1.2 Advertising**

Advertising is a paid non-personal communication by a company. “...It allows the company to repeat its message over and over again. It can reach a lot of people at the same time at a low cost. When a company advertises its products, they are considered legitimate compared to those not advertised. Advertising helps companies build a long-term image and make the products or services popular” (Kotler and Armstrong 2014:440). In addition, “advertising involves mass media such as newspapers, radio, television, billboards and magazines (Kurtz and Boone 2012:494). However, “advertising is impersonal and cannot be used to directly persuade consumers. It is also a one-way communication with no response from consumer” (Hurt *et al.* 2010:444).

#### **2.5.1.3 Sales promotions**

“These are promotional activities which stimulate consumer immediate purchases. Sales promotions include displays, trade shows, coupons, contests, premiums, samples and product demonstrations. These give consumers a shorter-term incentive. Sales promotions are done with other promotions to market more effectively” (Kurtz and Boone 2012:495). In addition, “sales promotions attract consumers by offering strong incentives. While advertising says, ‘Buy our Product’ sales promotion says ‘Buy it now’. However, it is only for a short time” (Kotler and Armstrong 2014:441).

#### **2.5.1.4 Public relations and publicity**

Public relations and publicity is “a company’s communication and how it relates to its numerous stakeholders. The stakeholders include customers, suppliers, employees and many others. The communication can either be done formally or informally” (Kurtz and Boone 2012:495). It is mostly done via news, stories, features and sponsorships. It is more authentic and believable compared to advertisement. “It also spreads to many people who will be avoiding sales people and advertisements. The information gets to customers as news rather than as sales directed communication” (Kotler and Armstrong 2016:441).

#### **2.5.1.5 Direct marketing**

Direct Marketing Is “the use of direct communication to customers or businesses to generate a response in the form of an order or any feedback. Direct marketing includes tele-marketing, direct-response advertisement, infomercials, electronic media and direct-response print” (Kurtz and Boone 2012:495). In addition, Kotler and Armstrong (2014:441) state that “it includes direct mail, catalogs, telemarketing, online marketing and it is directed to specific customers and each message can be tailored to appeal to different customers. It is interactive in that it allows a two-way communication between the company and customer.

#### **2.5.1.6 Promotion strategies**

There are two promotion strategies (Kotler and Armstrong 2016:442):

Push Promotion, or

Pull Promotion.

##### **A. Push strategy**

In the push strategy “the seller promotes the product only to the next level down the marketing channel. Each channel member promotes the product to the next, for example, by producer to wholesaler”. This strategy mostly uses personal selling and sometimes sales promotion and advertising are used with personal selling (Hurt *et al.* 2010:489). This involves pushing the product through marketing channels to final customers. “The producer directs marketing activities towards channel members to

persuade them to carry the product and promote to final customers” (Kotler and Armstrong 2016:442).

## **B. Pull strategy**

According to **Hult, Pride and Ferrell** (2010:489) pull strategy “promotes directly to customers to create a strong customer demand for the products. This strategy uses sales promotion and advertising. It pulls the product down through the channel by creating demand at the customer level. Producer directs its marketing activities towards the final customer to encourage them to buy the product. “The customer thus pulls the product through the channels” (Kotler and Armstrong 2010:442).

### **2.5.1.7 Promotion influences**

According to Kurtz and Boone (2012:401) “advertising, sales promotions, sales people and publicity can influence consumer’s perceptions of products, what thoughts they experience when buying and using them, and what actions they show, including shopping in certain stores and buying specific brands”. Meanwhile customers get so much information from marketers and screen out a good deal of it. It is important for marketers to plan communications that:

- offer regular messages about their products;
- are placed in media that consumers in the target market are likely to use;
- keep loyal customers
- enable reseller support
- reduce sales variations
- inspire product trial
- stimulate demand
- generate awareness

Marketing communications play a serious part in telling consumers about products and services, including “where they can be found and in making positive images and views of the product” (Doyle and Stern 2006:89).

In crisis situations promotion frequently experiences many changes because of the decreases in investor figures. Marketing costs can decrease more readily and quickly than other costs. However, “retailers which invest in their communication keep being

close to the consumer and increasing their share of voice in the periods of crisis could capture market share from their competitors” (Quelsh 2009:96).

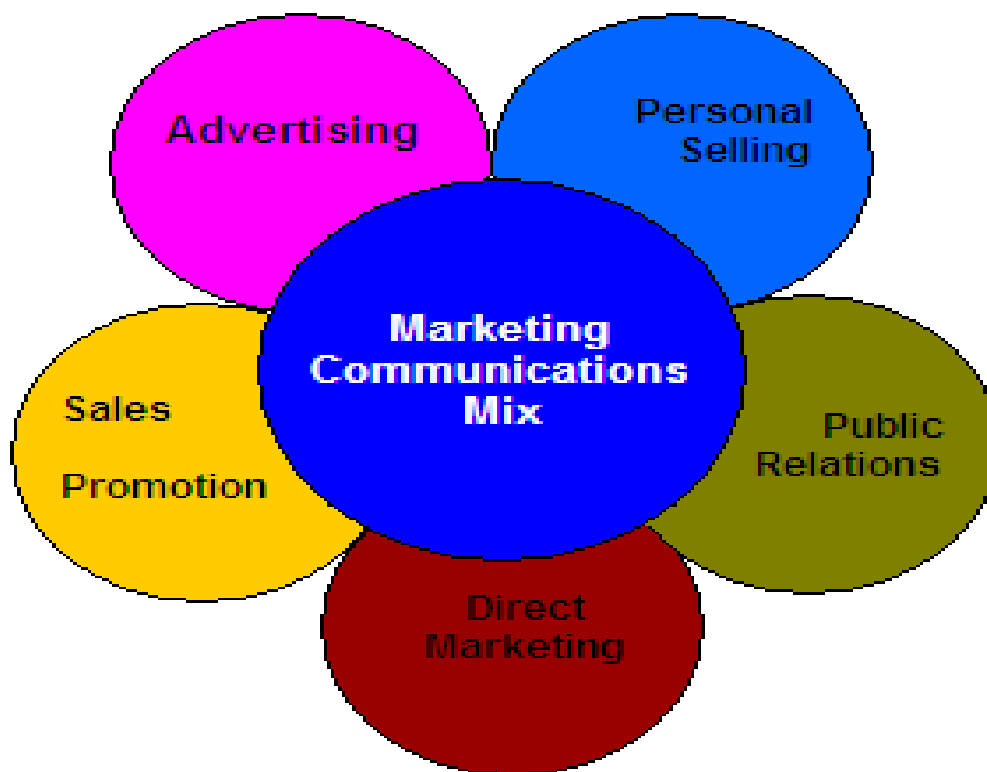
In their study on the relationship of marketing strategies and performance in an economic crisis, Köksal and Özgül (2007:87) indicated that unceasing communication with customers is of great importance. This is because “customers, during crisis, have a tendency of changing their preferences when it comes to products and brands. Therefore, it is important for companies to be flexible, so that they keep their old customers, and perhaps attract new customers”.

In periods of economic crisis, it is vital to know that “...customers are people that matter in the retail business; that they have feelings, opinions and views, which must be influenced in the right way” (Marconi 1997:66). In times of economic downturn “customers deserve information instead of advertisements; therefore, businesses should deliver them with clear information including reasons as safety, durability and overall quality insurance, to gain their trust” (Shrager, 1991:55).

Nonetheless, Ferrell and Hartline (2011:96) have indicated that “customers love sales promotions, and this is reinforced by the research done by the Nielsen Company (2009), which shows that “customers favor different promotions and becoming members of shops to get discounts, instead of switching to discount chains. Mainly retailers often offer customer sales promotions in form of coupons, rebates, loyalty programs, premiums etc.” (Ferrell and Hartline 2011:96).

Quelch (2008) studied the impact of changes in promotional strategies due to economic crisis. The results indicated that “...by increasing or keeping the level of advertising, sales income and market share increased during and after the downturn”. However, when the advertising budget was decreased during a crisis, customer performance also decreased. Furthermore, “retailers can also benefit from the increasing number of the social media users and of different and innovative ways of low-cost online advertising” (Quelch and Jocz 2009:101). In addition, many promotion methods in which customers gain value directly and personal selling can affect retailers’ performance completely during a crisis. Figure 2.2 below illustrates the promotional mix.

**Figure 2.2: Promotional mix**



Source: (Kotler 2015: 23)

### **2.5.2 Place**

The other element of the product mix is the place, which is also known as physical distribution. “An outstanding product, with good pricing coupled by effective promotion will be a waste if it is not transported from the production site to the place of consumption at the right time. Essentially, products are manufactured for consumer consumption therefore they must be availed to the consumers at convenient locations” (Kotler, 2015:33). “Place or distribution activities offer additional value to the products by generating time, distance and possession utilities. Some of the key considerations in the place mix include distribution channels, shipping, and warehousing and inventory control” (Kotler, 2015:33).

When combined and applied appropriately, the four elements of the marketing mix are “a formidable force in achieving the desired levels of success by any organization” (Beamish and Ashford, 2009:106). However, it is also important for organizations to “constantly evaluate and revise the marketing mix to maintain profitability in changing marketing environments. Consumer needs and preferences are constantly evolving

which affects the marketing environments. Revision of the marketing mix thus allows organizations to retain and attract new customers hence thriving even in the face of economic crisis” (Beamish and Ashford, 2009:106).

As has been noted earlier, Woolworths currently operates 217 stores in South Africa. It has food stores most of which are attached to department stores. It also has stand alone and others which are at petrol stations. Some of the Woolworths stores have a restaurant inside where they offer ready meals to customers. In South Africa “Woolworths stores are also located in malls and in elite areas of the cities” (Woolworths Holdings Limited 2015).

### **2.5.2.1 Place influences**

The marketer’s strategy for distributing products can influence consumers in many ways. Doyle and Stern (2006:95) mention about three of these:

- Firstly, products that are convenient to buy in a range of stores increases the probability of consumers finding and buying them. When consumers look for low-involvement products, they are unlikely to involve in wide search, therefore the need for product availability in stores is essential.
- Secondly, consumers may perceive products that are sold in elite outlets as being of a higher quality. Thus, one of the ways in which marketer’s form brand equity that is favorable, in terms of consumer perceptions of brands, is by selling them in high-status outlets.
- Thirdly, offering products in non-store techniques such as on the Internet or in catalogues can create consumer perceptions that the products are innovative, exclusive, or tailored for target markets (Doyle and Stern 2006:95).

Ang *et al.* (2000) and Koksai and Ozgul (2007) all propose that if a company chooses to change its distribution policy, the removal of unsuccessful channels and intermediaries and the rearrangement of limited resources is the best strategy during crisis.

### **2.5.3 Product**

The main component of the marketing mix is the product mix. In the absence of a product, marketing ceases to exist. Kotler and Armstrong (2016: 204) define a product as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need”. Alderson (1957: 214) has also defined a product as “a bundle of utilities, consisting of various product features and accompanying services”. A product is an organization’s offer to the market place. A product should be able to satisfy the needs of the consumer. “The needs satisfied can range from comfort to simple psychological satisfaction experienced by the consumer through consumption or use of the product. Products can be tangible or intangible” (Kotler and Armstrong 2014: 204).

Since product is the most important aspect of the marketing mix, “marketers must invest energy in structuring a sound marketing strategy that clearly explains the value of the product to the market. Some of the key aspects of product mix include the product design, range, quality, packaging, branding and after sale services” (Kotler and Armstrong 2014: 204). Once combined properly, these variables can be a recipe for market success of any product.

#### **2.5.3.1 Product mix**

According to Dominici (2009: 17) product mix refers to the collection of all products offered on the market by a company. “The breadth and depth makes the product mix structure. The breadth consists of the number of product lines in a company and the depth refers to variety of sizes, colors and models offered within every product line”. For instance, Woolworths has many products lines such as food, clothes, stationary, houseware, accessories, beddings, furniture to name a few. Humayun (2016:1) states that “Woolworths provides a large variety of products relating to brand, local produce, and international cuisine”. “Provision of a large variety of products is crucial in the retail industry” (Cant, Kallier and Wiid 2016: 12).

A product line refers to a group of closely related product items based on their technical end–use consideration. According to Hult, Pride and Ferrell (2012:295) “a product mix refers to the composite or a group of market offerings a firm makes available to the customers”. “Moreover, in the retail industry products are also classified into two groups which are explained below” (Akman and Ozcan 2016:18).

### **2.5.3.2 Classification of products**

Products can be classified into two general categories which are consumer's products which refers to:

- "The products bought for personal or family consumption" (Inui and Miyakawa 2017: 218).
- Business products refer to all products purchased for a firm's operations or to manufacture other products (Dadzie, Amponsah, Dadzie and Winston 2017:256). "Consumers buy products for personal consumption, whereas firms purchase products to satisfy the goals of other firms at a profit".

However, a product can be classified as both consumer and business product. "Only the buyer can determine whether the product can be classified as a consumer product or business product based on the purpose for buying" (Iwaloye and Shi 2016:100).

According to Sharma (2016:7) "product classifications are very crucial because classes of products are aimed at a target market, whereas marketing targeting impacts the marketing mix decision". Moreover, appropriate marketing strategies differ according to classes of consumer and business products. "Product classification allows the examination of the characteristics of consumer and business products and the assessment of the marketing activities associated with some of these products" (Hamzah and Sutanto 2016:5).

#### **A. Consumer Products**

Yildirim and Ozdemir (2016: 563) observe that "consumer products are classified based on the characteristics of consumer buying behavior". The characteristics of this buying behavior divide the consumer products into four categories which are convenience products, shopping products, specialty products and unsought products. Sharma and Sharma (2017:760) define convenience products as "...those consumer products which are relatively inexpensive, frequently purchased with minimal shopping effort". For instance, "Woolworths sell convenience products such as chocolates, soft drinks, milk, chewing gum, bread, sweets, cakes to name a few" (Woolworths Holdings Limited 2015). Consumers usually buy convenience products regularly. "The retail industry markets the convenience products effectively" (Woolworths Holdings Limited 2015).



Due to high inventory turnover, per unit gross profits are relatively low. In addition, “packaging is the main element of the marketing mix of the convenience products. The packaging sells the product on shelves, as most of the convenience items are only available on a self-service basis at a retail level, according to Steenkamp (2017:76). Lamb, Hair and McDaniel (2007:225) have categorized convenience products into three subgroups namely:

- **impulse products** that consumers buy routinely without much effort, for example cigarettes. Impulse products are bought quickly with little effort and without planning. Impulse buying happens on sight of the product in response to a strong need that was not anticipated (Luo, Roach and Jiratchot 2016:2). For instance, buying ice cream at the beach can be an impulse purchase. For instance, in Woolworths at the cashier point, chocolates and sweets are displayed to attract shoppers who are waiting on the check-out queues as these products are on-sight impulse purchase.
- According to Mintz, Gilbride, Currim and Lenk (2016:563) “emergency products are usually purchased in situations where a customer is under duress due to the existence of a great need”. There is no time to shop around or to plan for the purchase.

## **B. Shopping products**

West, Schmitt and Kujawski (2016:1) alluded to the fact that shopping products “are more expensive as compared to convenience products and are not found in many shops as convenience products”. Many consumers consider the product attributes such as, the price, reliability, performance, style and lifestyle compatibility when comparing different brands and stores. Consumers are willing to put efforts on research prior to purchase, these authors continue to argue.

## **C. Specialty Products**

“Specialty products are those products which are bought occasionally, unique nature and customers are willing to expend considerable effort to obtain them” (Ebina and Matsushima 2017:38). “Customers do not compare options instead they are mainly

concerned with finding an outlet that has the preselected product available, the authors conclude.

#### **D. Unsought Products**

These are products which are only purchased when a certain problem arises, people do not necessarily think of buying them, for instance, machinery parts and emergency medical services. In these cases, “speed and solving the problem are much more important than price and product features” (Chen and Sheu 2017:248). There is no much time for decision making for purchasing when it comes to unsought products. In addition, “it is also paramount to create the best image of the products in the consumers’ minds”, these authors argue.

#### **2.5.3.3 Product Positioning**

It is very important for “...marketers not to leave their brand’s positioning to chance. Marketers should create unique positions that will raise products to the highest advantage in selected markets as compared to competitors, according to Lamb and Boshoff (2007:189). The same authors continue to observe that product positioning refers to “...the creation of a marketing mix which can influence potential customer’s perception and create the best image in the mind of customers”. In addition, the product position created by marketers must be sustained by an effective marketing mix. For instance, “Woolworths is positioned as the high-quality organic brand and the range of Woolworths products are tested and approved by Woolworths experts, to maintain the quality” (Woolworths Holdings Limited;2009).

Effective and efficient brand positioning can be attained when the competitor’s product is accurately assessed, according to Levinthal (2016:3). “This is done to create a unique brand position which is different and much appreciable as compared to the competitors” (Levinthal, 2016: 3). For instance, in the retail sector firms position products on different aspects such as affordability or quality depending on the nature of the product. Positioning strategy is of greater importance to the success of the product in the market considering the wider business environment (Matsushima and Pan 2016:100). If the product positioning is not chosen properly in the market and well sustained, it may result in product failure. Product positioning is also complimented by product differentiation which is discussed below.

#### **2.5.3.4 Product differentiation**

According Mukhopadhyay and Ye (2017:15) product differentiation refers to “a positioning strategy that firms use to distinguish their products from the competitor’s products”. “Product positioning means creating the most appealing image in relation to competitive products and to the company’s other products” Mukhopadhyay and Ye (2017:15). Regardless of which positioning strategy is used, the target market must always be considered for the positioning to be sustainable (Ebina and Matsushima 2017:38). The differences can be real or perceived. A product can be different through its performance, durability, reliability, reseller brands etc.

##### **A. Performance**

This refers to the levels at which a market offering functions. For instance, it is believed that “Woolworth’s products perform very well and satisfies the customers’ perceived value (expectations)” (Woolworths Holdings Limited, 2009). Moreover, consumers of retail products are willing to compare the performance features of various brands and are prepared to pay more for the best performance (Humayun 2016:1).

##### **B. Durability**

This refers to “the measure of the market offering expected functional life”. “Woolworths clothing products are believed to be durable, thus having a longer operating life as compared to other brands” (DeToni, Milan, Saciloto and Larentis 2017:130). Consumers are prepared to pay more for durable products as it brings more value to the product.

##### **C. Reliability**

Hult *et.al* (2010:295) state that reliability means “a measure of the probability that the market offering will not malfunction within the stipulated period”. For instance, machines have a guarantee of 1 year, 3years or 6 months. The machine should perform well over the guaranteed time.

##### **D. Reseller brands**

This refers to a Company’s intention to develop sustainable own-brands that enable continuity at a quality level. **Woolworths (2017:32)** state that “Woolworths clothing

fashion brands offer the consumer fashionable variety of merchandise at a constant value for money price”.

#### **2.5.4 Pricing**

The price is the second variable in the marketing mix. According to Kotler (2015:33), “Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.” “Other aspects of the marketing mix such as product and promotion involve spending money, whilst the pricing aspect is the only variable that generates revenue for the organization” (Dominici, 2009: 19). Appropriate pricing is therefore a prerequisite for any organization. Pricing is a critical decision area that affects both the market demand of the product as well as the profitability of an organization (Kotler, 2015:33) “Several factors are considered in determining the prices of products and these include the target market, production cost, market competition, government regulations on pricing and price elasticity of demand” (Kotler, 2015:33).

Pricing is very important element of the marketing mix. Pricing has always been a war between customer and sellers in the sense that the seller wants to sell the product at the highest possible price and the customer wants to pay as little as possible. “It is the responsibility of the markets to convince the customers and prospects that the products represent the value for the money spent” (Zhu et al. 2016:148). According to Sen and Joseph (2016:43) setting pricing objectives is the first step in the process of setting prices. Objectives refer to “the goal that the firm aims to achieve through pricing”. “The pricing objectives should be clear, short, precise and attainable” (Sen and Joseph, 2016:43). It is the duty of marketers to assess if the pricing objectives are in line with the company’s marketing objectives. “A firm can have short or long-term pricing objectives and one or more objectives can be employed. The pricing objectives include survival, profit, market share, return on investment, status quo and product quality. Some of the pricing objectives are discussed below” (Sen and Joseph, 2016:43).

##### **A. Survival**

According to **Bogomolova, Szabo and Kennedy** (2017:189) “survival is one of the key pricing objectives”. All firms can go an extra mile, even if it means some short-term

loses are incurred. “Pricing is a flexible variable; therefore, it is sometimes used to keep a firm afloat by increasing stock turnovers to levels that match expenses” (Bongomolova *et al.* 2017:189).

### **B. Profit**

Companies also aim to maximize profits. “Profit objectives can be set in monetary value or as a percentage of sales revenues” (Cant, Wiid and Sephapo, 2016:1737). However, Cant *et. al.* (2016:1737) continue to argue that profit maximization objectives are usually set at the level that the top management and the owners consider as satisfactory”. Most companies set an objective of the return on investment.

### **C. Return on investment**

This is when “a company set an objective to achieve a specified rate of return on the company’s investment”, according to Datta *et al.* (2017:18). The authors reiterate that most objectives are on the return on investment.

### **D. Market Share**

“Many companies aim to achieve high market share or maintain their market share, thus the product’s sales in relation to total industry sales” according to De Toni *et al.* (2017:130). The same authors argue that “a company can still maintain or increase its market share without depending on growth in industry sales. However, a company’s sales volumes may increase while its market share decreases if the market is growing.

### **E. Status Quo**

Hamzah and Sutanto (2016:5) allude to the fact that “status quo is when a company is in a favorable position, desiring nothing more; hence Status Quo objectives will be the best pricing objectives.” “Status Quo objectives include beating competitors’ price, price stability and maintain a favorable public image. This objective is very useful when a firm prefers to reduce its risks and stabilizes its product’s demand on the market” (Sharma 2016: 7).

### **F. Product Quality**

According to Chen and Sheu (2017:248) a company may have an objective of leading its industry in product quality. For instance, in the retail industry the Woolworths

Company maintains this as one of its pricing objectives. Woolworths usually charges high prices to signal the high quality of its products. Dominici (2009:17) added that "...the brands that customers perceive to be of high quality are more likely to survive in a competitive market place". "High quality usually goes with acceptable high prices". In addition, "customers seem to be price inelastic to high prices on quality products". "Price inelastic thus when customers do not react to a change in price of quality products" (Hamzah and Sutanto 2016:7).

## **2.6 Conclusion**

This chapter has discussed relevant literature on marketing strategy of the retail industry, including the review of literature which has highlighted gaps in marketing mix strategy adaptation in response to the global economic crisis at Woolworths. **Furthermore, the Woolworths case proves to abide by these marketing principles as they changed the mix of the four Ps and managed to get the downturn to work to their advantage, while competitors were feeling the negative consequences of the downturn.** The chapter also touched on effective and efficient marketing strategies for the retail industry. The marketing mix was also discussed, with emphasis on the point that the effectiveness of the marketing strategy also depends on the type of the market offering and the timing. Communication was also one of the main concepts discussed. It was ascertained from the review that an effective marketing strategy of an organization is represented by a well and adequately conveyed marketing mix. **It is crucial that these principles be adhered to in order for a retail organization to achieve its goals and ambitions.** The research methodology of the study is discussed in the following chapter.

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## CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

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### 3. Introduction

The first chapter acknowledged the research problem and the objectives of this study. Secondary research was presented, which served as background information for formulating the research problem and identifying the research objectives and questions. This chapter denotes the overview of the research methodology implemented in this study. This chapter describes the research design, research approach, target population, size of the sample, sampling method, questionnaire design, data collection method, data analysis, reliability and validity implemented in this research project.

It does these against the backdrop of the following research objectives:

- To investigate if Woolworths changed its marketing mix strategy to adapt to the global economic crisis
- To investigate what changes did Woolworths make to the 4Ps
- To identify how these changes were made
- To offer recommendations to other retail sector businesses

### 3.1 Research Design

According to Creswell (2015:4) research design refers to “a plan which is used to answer questions”, and Yin (2014: 13), assumes that research design gives a logical sequence to a researcher which in turn creates a connection between the aims and

objectives, questions of a research to eventually lead to the conclusion. **This study's research design is in the form of a case study, as it was deemed appropriate as the study looks at one organization, Woolworths.** Silverman (2011:16) states that a Case Study refers to “a research on a system confined in space and time and implanted in a physical and sociocultural context”. A case study is a method of studying phenomena through detailed analysis of an individual situation” (Cooper & Schindler, 2012; 212).

The case study method rests on the fact that through such thorough analysis, generalizations to other cases that are like the one under investigations, are possible to make. Cooper and Schindler (2012; 218) had this to say about the case study method:

It provides opportunity to test the relationship among several aspects of findings, as well as changes that have taken place over different periods. Case studies look for specificity, exceptions and completeness of a research study. It is useful when looking for patterns of organizational behaviour within any market environment (Cooper and Schindler, 2012; 218).

One of the objectives of the practical aspect of the current study is to understand Woolworth's adaptation strategies towards the global economic downturn. To achieve this, a qualitative research strategy was used to collect evidence, making use of in-depth interviews to collect data.

### **3.2 Research methodology**

In marketing research, there are three research methods that can be used to conduct a study namely,

- quantitative,
- qualitative and
- mixed methods.

Nani (2011:200) claims that “quantitative approach delivers well established statistical methods for data analysis and data can be easily summarised to give meaning, and facilitate communication of findings. Moreover, quantitative method facilitates



comparison of data as data can be collected from large numbers of respondents, settings and times”.

According to Creswell (2009:3), **however**, “qualitative research is structured by using words and is framed by using open-ended questions, while quantitative research is structured by numbers and is framed by closed-ended questions” (Creswell, 2009:4). This study is qualitative in nature. According to Cooper and Schindler (2012:215) “the qualitative approach allows for an emphasis on processes and meanings that are not rigorously examined and measured in terms of quantity, amount, intensity, or frequency”.

In addition, “qualitative approach can adapt to the quality of data that is being collected” (Struwig and Stead 2013:52). “If the available data does not seem to be providing any useful results, the research can immediately shift the direction and framework of the research to be revised quickly as soon as fresh findings emerge” (Yin 2014:13). He continues to say that “this provides more opportunities to collect vital clues about any subject instead of being narrowed to a limited and often self-fulfilling perspective”. Moreover, “qualitative research embraces the gut instinct as it is based on human experiences and observations and the data collected is often better for it” (Yin 2014:13).

### **3.3 Sampling**

Sampling is “a process that draws conclusions about an entire population based on information gathered from only a portion of the population” (Sigmund and Babine 2010:58). It includes selecting a small number of elements called a sample from the total population and expecting that the information gathered from this sample will allow conclusions to be made about the entire population.

Sampling was used for this research because it would have been expensive and very time consuming to carry out a census, which is collecting data from the whole target population. In addition, it would have been difficult to analyse the vast amounts of data generated from a census, and the physical volume of hard copy questionnaires would have proven difficult for the researcher’s ability to yield correct and high-quality results. Thus, only a small group of the population was nominated to participate in the study. In effect, eight (8) Woolworths managers were selected and requested to participate in the study. **Sampling strategies usually used in most studies include, and are limited to:**

- Probability sampling, and
- Non-probability sampling strategies

### **3.3.1 Probability sampling**

According to Burns and Bush (2014:354) “probability sampling is when the chance that any member of the population can be determined that he or she will be involved in the sample. Probability sampling is the one in which every unit in the population has a probability (greater than zero) of being nominated in the sample, and this likelihood can be correctly determined. The chance of each participant of being selected is known and is alike for all the participants. This type of research is usually used for surveys and experimental research”. There are different types of probability sampling and these include:

#### **A. Simple random**

Simple random involves the researcher choosing the sample at random from the sampling frame. This can be done either using random numbers or a computer. According to Zikmund and Babin (2010:58), “For a researcher to use this method they need to number each of the cases in the selection frame with a unique number”. “The researcher then starts selecting those unique numbers until the actual sample size is reached” (Zikmund and Babin 2010:58).

#### **B. Systematic sampling**

Systematic sampling involves the researcher “selecting the sample at regular intervals from the sampling frame”. Each element in the sampling frame should be uniquely numbered. The researcher then picks the first number at random and start calculating the sampling fraction. Lastly, the researcher starts selecting the numbers using the sampling fraction” (Zikmund and Babin 2010:58).

#### **C. Stratified random sampling**

This is when “the population is divided into two or more strata based on one or more characteristics. After dividing, the sampling frame elements are selected randomly from the subsets” (Burns and Bush 2014:354).

#### **D. Cluster sampling**

Cluster sampling “is like stratified sampling since the researcher must divide the population into distinct groups. These groups are named clusters and the sampling frame is made up of clusters and not individual elements within the population” (Saunders, Lewis and Thornhill 2009:167).

However, the foregoing study did not include any of these approaches as it utilised non-probability sampling. The latter is discussed below.

#### **3.3.2 Non- probability sampling**

This is when the chances of individual elements of the population cannot be specified in that some elements have zero chance of being selected. “Non-probability sampling consists of selecting a sample in a non-statistical manner that is not based on chance or randomness. Rather, the sample is selected by means of an essential predisposed selection procedure which is based on the researcher’s knowledge, intuitive judgement or convenience” (Burns and Bush 2013:254). Non-probability sampling uses any sampling method where some elements of population have no chance of selection, or where the probability of selection cannot be accurately determined. It includes the selection of elements based on norms regarding the population of interest, which forms the methods for selection.

Therefore, “because the selection of elements is non-random, non-probability sampling does not allow the estimation of sampling errors” (Zikmund and Babin 2010:59). This form of sampling is mostly used when doing a case study type of research. There are different types of non-probability sampling, which include:

#### **A. Quota sampling**

According to Burns and Bush (2014:355), quota sampling “is purely non-random and is usually used for interview studies. It is based on the principle that your sample will represent the population since the sample for different quota variables is the same with the whole population”.

## **B. Purposive sampling or Convenience sampling**

Purposive/**convenience** sampling allows the researcher “to judge and select circumstances that will enable the best results from the research questions, which meets the study objectives. This type of sampling is used when working with small samples and mostly in case study surveys or when dealing with informative cases” (Saunders, Lewis and Thornhill, 2009:175). **Convenience sampling strategy was employed in the current study.** According to Saunders et al. (2007:234) “Convenience sampling involves choosing respondents that are easier to get from the sample frame”. The researcher usually selects and surveys those people convenient and close to them at that time. The researcher continues this process until their targeted sample is enough to conduct the study data collection.

Look et al. (2010:212) also claims that “when a population of interest is diverse, a sample for the study must be selected conveniently”. According to Sekaran (2010), “this sampling refers to an act, process, or technique of selecting a representative part of a population for determining parameters or characteristics of the whole population”.

Purposive non-probability sampling is used in this study. A key characteristic of non-probability sampling techniques is that “...samples are carefully chosen based on the subjective judgement of the researcher, instead of random selection” (Carmo et al. 2014:478).

Purposive non-probability sampling provides for the chance when selection of each element in a population is unknown and for some elements is zero. Winn et al (2011:236) assume that “purposive non-probability sampling is an ideal sampling method when developing interview schedule, exploration and theory development”. The selection of respondents was determined by senior management within the Woolworths through their job responsibilities, position and involvement in the subject that was being studied.

### **C. Snowball sampling**

Snowball sampling is mostly used “when it is difficult to identify members of the preferred population. So, the researcher contacts one or two members of the population and asks them to identify more members and further ask the new members to identify others as well” (Welman and Kruger 2005:63). The researcher only stops when the sample size is enough, or is representative, as in the case of quota sampling.

#### **3.3.3 Sample size**

Sample size is the number of elements involved in a study. “It is important to ensure that the sample selected appropriately represents the whole population, as a correct sample size, since it helps to produce results that can be generally applied to the whole study population” (Hair, Wolfinbarger, Oritinau and Bush, 2013:137). It is also important to have a high response rate because it gives a good representation of the population such that when the results come they fairly represent the population (Hair *et. al.*, 2013: 137)

The sample size usually depends “on the research questions of the study or what the researcher needs to find out or what is useful to him and what will have credibility and what will be the use of the results” (Saunders, Lewis and Thornhill, 2007:171).

For this study, eight respondents were chosen from Woolworths in Durban City Centre Head Office to give a broad understanding of the research problem, and to increase the accuracy of feedback received and data collected.

#### **3.4 Data collection**

This study used the in-depth interview method of data collection. All interviews are used to collect data or information from the participants. In-depth interview refers to an interview “which is conducted when one or more people whose knowledge in an event will shed significant light on the problem of interest identified, according to Stacks (2017:196). In-depth interviews provide rich detail and the ability to understand the thoughts of the interviewee about the subject and adding the interviewer’s insight and opinions to enhance data, Stacks (2017:196) continues to observe. Moreover, “in-

depth interviews provide the interviewer with understanding of both the problem being researched and the interviewee. In addition, in-depth interviews allow for introspection on the part of the interviewee and can also allow the interviewer to keep control over the type and order of the interview questions and keeping the interviewee on the most important questions” (Sismanoglou and Tzimitra-Kalogianni 2011:171). This method of data collection was employed in the current research.

### **3.4.1 The Interview Guide**

An interview guide/schedule is relevant in qualitative studies, such as this one. In preparing the interview schedule, Weiss (1994:115) suggests “beginning with a ‘substantive frame’ and then using that to create a guide. When thinking about constructing an interview guide it is helpful to think topically prior to creating specific questions.” In the construction of the guide, “guides can be constructed by beginning with broader, more abstract areas of inquiry from which questions are developed. An interview guide is essential to a successful interview and the preparation of an interview guide is particularly helpful for novice interviewers” (Weiss (1994:115). Once sampling and structural decisions have been made and an interview guide has been constructed, data collection can begin. Interview guides are prepared with in-depth research questions, for interviews. “In-depth interviewing is a skill and craft and, as such, one gets better with experience” (Burns and Bush 2014:125). This method was employed to gather the requisite data from the Woolworths managers. The advantage of preparing an interview guide with few in-depth questions is that this allows for more lengthy discussions of the themes that are interesting to the researcher, and also allows for probing in case the researcher requires more clarity or elaboration on a particular response. This indeed was the case when the Woolworths study interview guide was constructed.

### **3.5 Data analysis**

Qualitative data analysis can be described as “the process of deriving meaning from research participants’ views and opinions of situations, corresponding patterns, themes, categories and regular similarities” (Zikmund and Babin 2010:70). According to Saunders et al. (2009:178) qualitative data analysis is “a process of transformation

of collected qualitative data, done by means of analytic procedures, into a clear, understandable, insightful, trustworthy and even original analysis". Qualitative researchers thus use a more personal, literary style, and they often include the participant's own language when conducting data analysis. The type of qualitative data collected has implications on the analysis. The researcher in the current study adopted thematic analysis to analyse data collected to comprehend the interpretation and patterns which emerged.

### **3.6 Validity and Reliability**

Validity means the extent to which the data is plausible, credible and trustworthy. Bonds-Raacke and Raacke (2012:84) explain validity as "the ability of the researcher's measurement instrument to accurately measure what it is supposed to measure", while reliability refers to "the productivity of steady results of a measurement under the same circumstances" (Leedy and Omrod 2010:93). Qualitative researchers "must salvage responsibility for reliability and validity by implementing strategies, integral during the conduct of the research" (Kothari 2005:45). In this study, the researcher endorsed the concept of dependability, which is a term that closely corresponds to the notion of reliability. The consistence of data was achieved when steps of the research were verified through examination of such items as raw data, data reduction analysis and interview notes.

### **3.7 Ethical Considerations**

Ethics in a research study are important. Ethics are rules or principles of conduct that differentiate between right and wrong. They help "to determine the difference between suitable and unsuitable behaviours on the part of the researcher". Ethical considerations are important in research because issues or research aspects involving integrity, reliability and validity of the research findings depend seriously on adherence to these principles. The readers and the public want to be certain that researchers followed the suitable guidelines for issues such as human rights, animal welfare, and compliance with the law, conflicts of interest, safety, health standards and many others (Zikmund and Babin 2010:58).

“The conduct of these ethical issues greatly influences the truthfulness of the research project and can determine the funding of a project” (Kothari, 2005:45). Examples of some of these issues include voluntary participation and informed consent. The codes address issues such as honesty, objectivity, respect for intellectual property, social responsibility, confidentiality, non-discrimination and many others. These codes and guidelines give basic guidelines, but researchers will still be faced with extra issues that are not specifically addressed and this will need decision-making on the part of the researcher to avoid unethical conduct, according to Cresswell (2013:73) The resources on this page address many of those issues and the case studies used in these resources provide excellent examples of these types of issues (Creswell, 2013:74). These include the following:

- Voluntary nature of participation and the right to withdraw partially or completely from the process;
- Consent and possible deception of participants;
- Maintenance of the confidentiality of data provided by individuals or identifiable participants and their anonymity;
- Confidentiality of possible and actual participants;
- Responses of participants in the way in which you seek to collect data;
- Effects on participants of the way in which you use, analyse and report your data; and
- Behaviour and impartiality of the researcher.

Welman and Kruger (2005:160) state that “there are numerous reasons why it is important to follow ethical standards in research”.

- First, research customs encourage the aims of research such as knowledge, truth and prevention of error.
- Secondly, since research regularly involves a great deal of collaboration and direction among many different people in different disciplines, ethical values encourage the standards that are vital to co-operative work, such as trust, responsibility, common respect and objectivity.
- Thirdly and finally, many of the ethical procedures help to ensure that the researcher can be held answerable to the public.



According to Saunders et al. (2009:199), “respondents’ have rights to self-determination and full exposure should be reinforced by the researcher. Respondents are completely knowledgeable on the nature and significance of the research and each respondent is in a place to choose whether to participate in the study”. Respondents also have power to withdraw from the study at any time without justifying themselves to the researcher.

“Research has ethical dimensions that require the researcher to maintain both moral and professional obligations to be guided by ethics even when the participants are unaware of the ethics” (Neuman 2011:33). “The researcher must be careful and sensitive of the responses during data collection or fieldwork. The researcher ensures truth and honesty and respecting the respondents’ morals throughout the research process for integrity in the research”. The researcher ensures that, the participants are made aware that they can withdraw at any time from the research process. “Ethics are there to give guidelines to the researcher in relation to the respondent’s rights during the study” (Solomon, 2004:18).

In this study, the researcher observed all these ethical principles governing human and organizational behaviour as set by the University of KwaZulu-Natal. The researcher obtained the gatekeeper’s letter from Woolworths Company to conduct the interviews at Woolworths Durban Head Office. The researcher obtained ethical clearance certificate from the university to ensure the observance of these above mentioned ethical considerations.

### **3.8 Conclusion**

This chapter has presented an outline of the methodology and procedures that were employed in the study. It showed the research design and approach used in the study. Moreover, it explored the sampling techniques and data collection methods and procedures that were used to gather data to accomplish the research objectives. Furthermore, it has described the aspects of validity and reliability giving insights of the measures that were taken to increase these. It also explained the ethical considerations for the study. The next chapter is the data analysis which outlines and

describes the results obtained from the data gathered, and it will give an in-depth summary and discussion thereof.

## CHAPTER 4: BACKGROUND INTO THE WOOLWORTHS COMPANY

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### 4.1 Introduction

This chapter explores Woolworths' history, objectives, and retail strategy, social and environmental duties. It will also discuss the organisation's general business structure and lay a foundation for better understanding of the organisation including vital issues that are related to the study.

The retail sector is rapidly and repetitively changing and it signifies a vital sector in an economy. The retail sector is highly competitive and complicated because of its multifaceted nature. Retailers continually observe changes in the economy so that they can manage shifting developments in the sector with the aim to recognize and identify changing customer needs. Customers buying behaviours change frequently making it difficult for retailers to determine their tastes and preferences, thus their buying behaviour. Since the inception of international trade, via imports and exports, consumers have become more sensitive regarding many and diverse products they desire which has increased competition in the sector.

Furthermore, scientific developments which led to the onset of World Wide Web have given consumers extra choices and opportunities to purchase online. It is simple to use and offers a wide variety of products and brands to choose from. The Internet has been essential in retail shopping since it has led to cost savings and improved accessibility to products in one well-located, convenient, simply and reachable point. It saves customers the time and energy to visit retail stores. Consumers now have a platform to select and procure products, however, this has also put loyalty to the same product on a downward spiral due to the existence of many substitutes for one product. In such an environment, if companies are to survive, they must use innovative marketing and production strategies to reach the markets for their products in order to generate an exclusive demand for their products and to ensure that they are conscious of their consumers and their decision-making processes in terms of product selection (Peng 2008:77).

### 4.1 Woolworths overview

Woolworths was started in 1981 by Max Sonnenberg. Max believed that "success was in providing consumers with superior quality products at reasonable prices". This is a significant factor in the way that Woolworths brands itself as a key retail outlet in South

Africa. Furthermore, this sets Woolworths apart from other retailers. It has an exceptional brand position which lures the business of upper income customers with the living standards measure (LSM) categories 9 and 10 in terms of food and clothing. In addition, it is a highly desired shopping place for customers who seek to LSM 7 and 8 (Woolworths, 2016:10).

Woolworths Holdings Limited is a venture acquisition organisation and appears on the list of the 100 high-flying organisations listed on the JSE. Its prime focal point is on the provision of vending and monetary facilities to middle and upper-income groups within South Africa. The group also provides these services to other countries within Africa, Australasia and the Middle East (Woolworths 2017:9).

#### **4.2 Woolworth's retail strategy: Corporate responsibility**

According to Smith (2009:10), the ethics of an organisation, also known as corporate responsibility, is an essential characteristic to take note of in every organisation's economic structure. It gives an organisation the opportunity to exemplify itself by communicating its main values and cultural codes to customers on a distinctive basis. To appreciate decisions made by the Woolworths team, the research tries to clarify Woolworth's core principles. The researcher has completed this by investigating Woolworth's annual reports to obtain appropriate information about Woolworth's marketing strategy during the global economic downturn of 2008 and 2014.

In 2007, Woolworths implemented its 'good business journey' strategy as a mechanism that assisted the company in nurturing its customers and trade partners, as reasonably as possible. The 'good business journey' follows an outline of intercontinental vendors. Woolworths sticks to the above-mentioned strategy using Woolworth's Sustainable Index (WSI) as a model outline to configure its trading. The WSI is a trader's index customised to deal with sustainable challenges disturbing the business. In April 2017 the good business journey celebrated its 10 years of success.

Woolworth's marketing plan is vital to the company's success as a retail trader. This marketing plan's characteristics are intended to cumulatively generate a multiplier effect. The most important aspect of this multiplier effect will result from the growing communication of Woolworths with its customers and suppliers. Woolworth's trading

system, in which every trading partner is evaluated before Woolworths starts to engage in business with, enhances business input and encourages consumers to make use of buying influence where it builds change within South Africa (Smith, 2009:13).

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

- Woolworths can recognise when it is able to reduce expenses as well as cure any inefficiencies
- Woolworths is structured in such a way that it is accountable towards business within South Africa
- Woolworths can contribute to alterations in its trade market (Woolworths 2015:11)

Woolworths' growth regarding the carrying out of its corporate governance is best represented by the word 'journey' – hence the materialization of 'the good business journey' as a strategy. "Woolworths has put down precise five-year objectives and has made clear its commitment to accomplish these objectives following standardised approaches" (Woolworths, 2009:9). To realize its crucial goals, Woolworths restructured its approach to customer behaviour and traditions, which are continuously changing. In this way, "the 'good business journey' incorporates Woolworths' consumers along with its traders in guaranteeing that while striving to get to its goal, the company will also chip in towards remedying various development, societal and ecological challenges that impact South Africa currently" (Smith, 2009:13).

### **4.3 Advancing change within South Africa**

Two key plans that have been started by Woolworths are the Employee Black Economic Empowerment Share Incentive Scheme and 'the good business journey' strategy, these plans have turned out to be an essential part for running the organisation. The organisation has earned many national and global rewards for implementation of these two plans. "Woolworths has advanced towards achieving its 2012 goals and has reached more than 80 per cent of the 'good business journey' objectives that it laid down for itself" (Woolworths, 2009:12).

Woolworth's main aim is to quicken development within South Africa, focussing on furthering Black Economic Empowerment (BEE), the effective progression of resident's abilities within the community and the carrying out of structures to reallocate wealth. This is affected by Woolworths' undertaking on a joint effort with traders and parliament to achieve the objective of placing South Africa at the front of the retail industry. Woolworths is an appreciative South African organisation and is known within the country for its modernisation and attention to detail about its products (Woolworths, 2009:15).

WSA continues to build up significant strategies and set enhanced targets as a sign of its pledge to effect the proposed transformation through the BBBEE Codes framework and scorecard. Woolworths' transformation strategy intends to make an impact focusing largely on: People transformation, Supply chain transformation and Social development.

"The transformation strategy takes a long-term analysis with constant capacity building and education, particularly on the Enterprise and Supplier Development Strategy" (Woolworths, 2017:11). "Woolworths furthers economic expansion by procuring most of its products from suppliers within the country, while supplementary benefits for this purchasing method are that consumer needs are still met and the products are acquired more effortlessly" (Woolworths, 2017:15). "Since Woolworths emphasises the quality of its products, Woolworths goes along with importing goods when it cannot procure locally produced alternatives of satisfactory standards in terms of class, cost and industrial development" (Smith, 2009:15).

Woolworths has placed itself within the market in such a way that it is capable to guide specific endeavours in organisational development, and on the inside, has allocated specialists who are linked with rising product providers. Woolworth's places paramount significance on the furtherance of talent within South Africa, ensuring that it gives talented individuals the chance to get to higher-ranking positions within the company. "Woolworths has instituted three provincial education hubs to further this objective, which allows students to get hold of recognised qualifications relating to trading requirements that are crucial in modern markets" (Corporate Governance, 2009:20)

The idea behind Woolworth's plans is to ensure that the 'good business journey' reaches a large number and range of people, and the entrenchment of Black Economic Empowerment within this plan promotes these ideals. "Woolworths is devoted and loyal to South African product providers; however, Woolworths upholds profit levels, and, as mentioned earlier, where South African-made products are inadequate about superiority, cost-effectiveness and scientific modernisation, Woolworths will turn to international product providers" (Woolworths, 2017:22).

Woolworths' endeavours to modify the way that it does business totally and has implemented a national planning and enhancement plan to ensure that expansion of society is a fundamental part of the organisation's objectives. The development draws on two aspects:

- First, it reveals that Woolworths is keen to cooperate collectively with franchise associates, product providers and consumers (this includes regulatory functions within South Africa) to improve development.
- Second, Woolworths is changing its organisation's method of conducting business with the Department of Trade and Industry (Corporate Governance, 2009:23).

#### **4.3.1 Employee assistance programme**

Each functioning company inside the Group gives an Employee Assistance Programme (EAP), open to all employees, consisting of professional and confidential counselling services, intended to help with individual concerns that may or may not affect productivity or work performance. These concerns comprise of, but are not restricted to health (including mental health), relationships and family, financial and legal, alcohol and substance abuse, grief and bereavement, trauma and critical incidents. "In FY2017, 2 389 (FY2016: 1 652) Country Road Group and Woolworths employees made use of the EAP programme" (Woolworths, 2017:13).

#### **4.3.2 Donations and sponsorships**

To deal with the issue of food safeguarding, the organisation established a system whereby it redirects the excess food from going to waste from every single Woolworths Foods store. Woolworths gives away this food to disadvantaged communities via structured charity organisations. In the last year, the company

donated over R556 million worth of food to the needy. In addition, R44.7 million worth of left-over clothing was donated to charities through the Clothing Bank. In addition, the organisation's sponsorship policy intends to facilitate the company's activity as a vibrant role player and deliver to its business strategy. Some of its key sponsorships consist of Design Indaba and the Cape Epic mountain bike race. However no political donations were made, in line with the company's policy.

### **4.3.3 Packaging**

Woolworths uses recycled material and it is dedicated to decrease material usage. The retailer supports the expansion of green economy via their waste recycle initiatives and they make it probable for customers to recycle more easily. In 2017, packaging reduction was a vital environmental factor that the retailer was trying to address. However, this issue should be balanced because the company's products should continue to be safely protected by the packaging. Furthermore, it is crucial that the shelf life of food items be prolonged to decrease or eliminate food wastage, this means using packaging correctly. However, there are still some problems and the packaging policy wishes to achieve the following:

- Using the lightest weight of materials to do the job
- Purchasing packaging materials from certified, renewable sources wherever possible
- Encouraging the use of packaging materials which contain recycled content to help create a market for consumer waste and help build a recycling economy
- Designing packaging holistically with the product in mind to optimise overall environmental performance and considering the opportunities for recycling at the end of its life
- Working with various industry bodies to encourage the development of recycling facilities to make recycling even easier
- Printing clear, simple labels on all our packaging to help customers identify the packaging material used and know if it can be recycled

In 2016 Woolworths launched the 'green' milk bottles which contains 30% plant-based substrate which is made from sugarcane waste. This was a very important initiative for Woolworths packaging. The renewable polymer replaces typical oil-based plastics and



is 100% recyclable in South Africa. This had a very great impact of approximately 8.5 million plastic bottles being diverted from landfill each year through this process (Woolworths, 2016:35).

#### **4.4 Dealing with regular and unpredictable weather changes**

Woolworths' aim is to reduce the emission of harmful gasses and omissions during production that lead to fast changing weather patterns. Underlying this plan is Woolworth's awareness of the importance of this phenomenon, as inconsistent weather patterns has a harmful consequence on the earth, particularly on its fruitfulness (Corporate Governance, 2016:23). Woolworths' aim to reduce the negative impact on the earth by 30 per cent by the year 2012 is underway with the company having some initiatives. At present, they can check over 97% of their facilities in South Africa using Metering Online, a programme used to aid them in detecting areas that have need of consideration about energy efficiency (Woolworths 2017:14). Woolworths also collaborates personally with its customers and product providers, offering consumers the necessary knowledge, encouragement and ability to decrease their impact on the environment. In addition, Woolworths no longer stocks ordinary light bulbs in their stores; only power-saving lights are supplied (Woolworths 2016:36).

#### **4.5 Effects of the Woolworths marketing plan**

Woolworths' marketing plan is a vital model across all of Woolworths' Industries. Within this plan, numerous facets correlate to generate the overall result of salvaging power and abating the company's harmful impact on the environment. As mentioned earlier, these include minimising the distance that Woolworths' products travel by increasing national suppliers and reducing the packaging materials used in Woolworths products (Woolworths, 2016:13).

Customers have also been more inclined to buy cloth carriers, introduced by Woolworths, rather than traditional plastic carriers, the drop off in demand for plastic carriers has many advantages both economically (since consumers and Woolworths are paying less for carriers) and ecologically (as the harmful effects of producing plastic carriers on the environment are reduced). Further, this initiative also enables

job creation and skills transfer, as over 100 women living in rural areas are employed to craft these cloth bags (Woolworths, 2016:20).

#### **4.6 Allocation of resources**

Woolworths' marketing plan has addressed numerous issues thus far and has gained a number of advantages. The most significant of these are the effective distribution of resources to avoid wasted and the establishment of procurement processes so that the smallest amount of funds is not lost (this will eventually relay into a decline of prices for customers too, and not only for Woolworths). An accumulation of R10 million has been attained through Woolworths' power-saving efforts, its minimised branding, its use of re-usable materials in product branding, and an in-depth consider the way that products are consumed and costs are dealt with (Smith, 2009:13). A bigger amount was likely to be recovered through potential advancements in innovative refrigeration equipment, water and power cutbacks, the boost in the shrinking of branding products and the further decline in consumer's enthusiasm to use plastic carriers (Woolworths, 2017:27).

#### **4.7 How consumers behave during a recession**

During the recession period customers change their buying behaviour, since they generally do not have sufficient money to spend. "Invariably some go to banks to seek loans which are often declined. Some customers also request reduction in their credit limit so that they do not accrue a lot of debt" (Smith, 2009:6). Since customers want to avoid lots of debt, they customarily start looking disapprovingly at products sold on credit since they benefit more by purchasing items with cash. Customers become more conscious of budgeting and seek to acquire more cost-effective items for which they have the capital, rather than items bought on a repayment plan.

Substitute communications media had an impact on consumer's behaviour particularly television. It is inversely responsible for this new consumer reaction because it attracts customer attentiveness to consumer rights, heightening sensitivity surrounding this issue.

A supplementary causative factor is the ease of accessing imported goods. This has made customers alert that they can get better quality products without needing to

travel overseas. Furthermore, they look forward to the goods available to them to be of an internationally equivalent standard.

#### **4.8 Conclusion**

This chapter gave comprehensive introduction and overview to Woolworths including their business undertaking as well as business procedures, their core values, marketing strategies, objectives and goals were also discussed. The chapter mentioned the main objectives that keep Woolworths competitively active including factors that differentiates Woolworths from its competitors. The next chapter presents the findings, results, outcome of the research and areas for further research.

## CHAPTER 5: INTERPRETATION AND DISCUSSION OF FINDINGS

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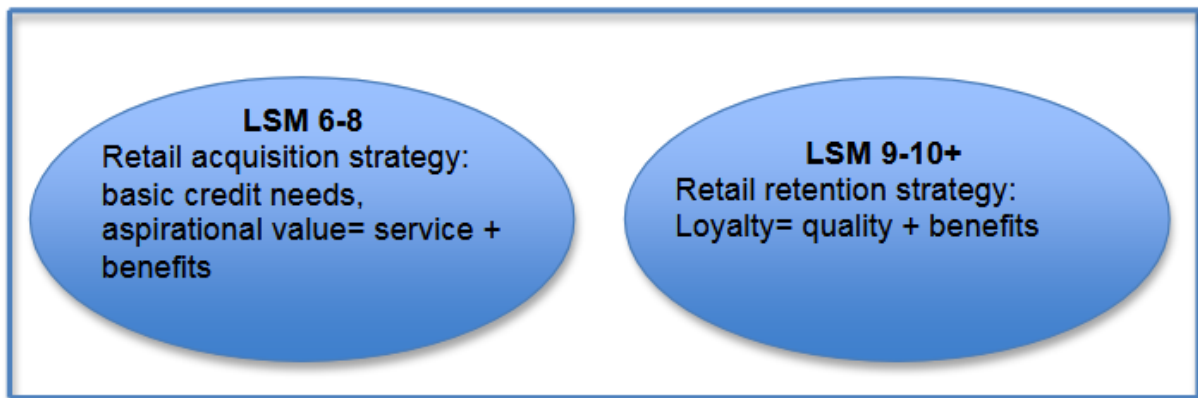
### 5. Introduction

This section presents the findings obtained from the investigation vis-à-vis the way Woolworths adapted its marketing mix strategies in response to the global economic crisis in 2008-2010. In-depth interviews were used to collect data. The findings are mainly connected to the marketing mix components which are product, price, place and promotion. This chapter also discusses the effects of the global economic crisis and the strategies that Woolworths employed to curtail its impact.

#### 5.1 The target market

According to Woolworths (2009:82) the living standard measurements (LSM) 7 to 10 were spending less by 7.3 percent during the economic crisis. This resulted from lack of confidence in the market and the rise in the need to reduce impulse spending. It appeared that the most affected group were consumers who were in debt. Woolworths current target market comprises of the high-income earners and the LSM group 8 to 10. Woolworths has a plan to include two markets which are the lower LSM groups and the growing black middle class. Woolworths is doing this because they envisage that in few years to come these groups will be buying food and clothes from their stores. Woolworths have 637 stores that they operate from in South Africa. They have stores in all 9 provinces, including in KZN. Woolworths are using suppliers for their product, and they also have its own farms which deliver most of their food products. This is done to maintain consistency in quality (organic) and to create environmental awareness. Woolworths have many competitors in South Africa such as Shoprite, Pick and Pay etc. Woolworths maintains its competitive advantage through sharing different values, vision and mission with its competitors which enable them to give their customers value for their money.

Figure 5.1: Target market analysis



(Woolworths, 2009:33)

Figure 5.1 presents the target market analysis for Woolworths. LSMs 9 and 10 are "unsettled consumers currently". These customers "shop depending on confidence". LSMs 7 and 8 are those customers who shop when a need arises or when disposable income permits. The relationship between LSM 7 and 8 has been put into consideration by Woolworths. Woolworths seeks to understand these different groups in LSM 6-8: Retail acquisition strategy: basic credit needs, aspirational value = service + benefits LSM 9-10+: Retail retention strategy: Loyalty = quality + benefits, thus keeping consumers loyal to a certain product, brand and store (Corporate Governance, 2009:52).

The first respondent predicted that *the customers will stabilise in a stable economy, though he was not sure when this would happen. Woolworths encountered difficulties in amending the effects of the economic crisis, with firms decreasing and customers demanding a discount in the prices of products, Woolworths discussed with suppliers for better solution to this global problem that affected every sector and business in the market. Woolworths is customer centred and it makes its decisions based on feedbacks received from consumers in their stores.*

Another respondent indicated that *the truth about the business is in the stores. Woolworths' business strategies, developments, plans of action, as well as technology and operations are informed by consumer feedback. Customers are the backbone of the planning process and strategies which integrate their feedback and communication with Woolworths' planning processes and these processes were further intensified during the economic recession.*

## **5.2 Impact of the global economic downturn on Woolworths**

Customers for the retail industry raised a great concern on the value for money as food prices rose during the economic recession. The competition was stiff as Woolworths lost a position on their market share to competitors such as Pick 'n Pay and Checkers. "Fighting for competitive advantage became the issue of the time, where firms courageously competed to gain a bigger portion of the retail industry market share" (Business Report, 2009).

As a result, Woolworths was constantly inventing and strategizing, for instance, it segmented its food lines into four clear segments: 'each day brought difference', 'health', gastronomic adventure' and 'reasons to celebrate' (Woolworths, 2009:78). This led to the creation of eight hundred and twenty-four new product lines and four hundred and forty-four product lines upgraded within the last six months of 2008 (Woolworths, 2009:79). Between the period of 2008 and 2010 customers demonstrated progressively inconsistent buying patterns in the retail industry. This was mainly due to the impact of the downturn on the world economy, which initiated a decline in capital spending on retail products.

Furthermore, Woolworths' customers became price elastic; thus, they avoided excessive spending. Customers became careful when shopping and arduous in financial decisions. According to Smith (2010:5) "customers became more prone to scrutinise products before buying". During the recession customers improved their purchasing practices. Woolworths had since analysed these changing in consumer decision making and had implemented policies intended to meet consumer demands and satisfaction. Woolworths made use of the costing approach to picture the economic recession; hence, they gave customers more cost-effective product possibilities to maintain a loyal customer relationship. In addition, some of Woolworth's achievements resulted from product positioning and quality.

Market research on customer's behaviour revealed an influential backing for the Woolworths marketing plan. "An In-house evaluation conducted by Woolworths, demonstrated a rise in Woolworth's employee attentiveness to the problem of diminishing resources and had reinvigorated a culture of fair industry behaviour" (Smith, 2009:7). According to respondents during times of downturn it is imprudent to make use of structures that will cause a rise in the prices of products, knowing most

customers are concerned with saving and unable to afford supplies regarded as luxury.

Woolworths however, sustained the view that its marketing plan would make some difference. According to Smith, (2009:26) “strategically it exposed the solid determination of Woolworths to uphold its standards within the retail industry”.

Participant 5 stated that *the market environment was continuously changing and Woolworths’ had to make about one hundred and nineteen consistent changes to its product mix to accommodate all customer expectations and provide a great augmented product. Woolworths remained focused on providing exclusive quality brands to the customers.* Moreover, the economic downturn brought this effort with high interest rate, shortage of disposable income and national rise in fuel prices and devaluation of properties. Participant 4 added that *this recession was more of an economic crisis instead of a financial crisis. The economic downturn increased the unemployment rate which impacted the lower income earners far more than the middle and the higher income earners.* Participant 5 also noted that *the economic recession caused a lot of pressure on management to assess its strategies in responding to the consumers’ needs. Furthermore, this was of paramount importance as customers were very price elastic. In South Africa, Rand appreciation against other currencies came as a great relief* (participant 5: 2017).

### **5.3 Woolworth’s marketing mix**

#### **5.3.1 Promotion**

The sixth respondent indicated that *during the economic recession it was vital for the firms to understand that it was impossible to reduce the investment on marketing. Hence Woolworths remained focused and reliable to its usual marketing media for its products, but with a little touch in its marketing strategy to motivate new consumers to follow the Woolworths brand. The respondent indicated that a lot of promotional tools were used, for instance, advertising on television, newspapers, and weekly periodicals and direct marketing.*

The respondent further noted that *during the economic downturn it was very important to develop a steady conversational process with customers so that they could feel at ease with making a purchase, since they were more likely not to have reached that*

*decision. Invariably, during pressing economic times, customers want to know that the product they are purchasing matches the value they perceived.*

*The eighth respondent said: customer was more likely to buy goods from a legitimate and reliable brand than an unknown entrant into the market. The use of printed advertising media became appropriate because customers liked to have time to make their vital decisions. The seventh respondent indicated that Print media was regarded as the most cost-effective means to reach more customers therefore Woolworths made use of regular circulatory publications. For instance, newspapers as well as internal store publications for making customers aware of all market offerings and special offer from Woolworths were made available. According to the respondent, most customers would rather pay a reduced price for a product in the form of a sale or payback promotion, rather than change to a completely new store.*

*Woolworths also made use of television and direct marketing as its key advertising promotional tools during the economic downturn. The second respondent confirmed that Woolworths was used to advertise more in premium magazines and other high end-media for greater coverage of its target market. However, the economic downturn had brought some new discoveries for Woolworths about promoting its market offerings. Television advertising gave Woolworths a chance to advertise to broader viewers thereby advertising its brand in front of many more customers than before*

### **5.3.2 Place**

*The eighth respondent was quoted as saying that the positioning of any firm was authoritative to all dealers and Woolworths had location specialists to deal with this aspect of trading. In his view there was no need for Woolworths to have changed its positioning throughout the economic downturn, although Woolworths did realise how imperative the positioning of an organisation could be and how it can impact the profits. He stressed that during a recession the vital attribute is not the location of the firm, but whether it is able to satisfy or exceed customer expectations and, for this reason, Woolworths executed shops that coupled with home-grown filling stations. The stock held at these Woolworths stores were accessible to serve those customers who can't afford to visit Woolworth's outlets due to lack of time. According to the second respondent the larger standard Woolworths branches were also located strategically to*



*receive a greater number of walk-in customers who seek quality, and easily accessible products*

According to the first respondent *the set-up of the shop was also just as significant, since most of the customers did not only enjoyed being in and out of the shop, but also wanted the full shopping atmosphere which is appropriate to their needs. Thus, Woolworths had to reconfigure the store environments in a way that allows convenience and a supply chain that endorses fresher quality market offerings on their shelves.* The fourth respondent indicated that *the renovations already done in many of the branches echo how serious Woolworths is about in changing its brand, as well as the public's misconceptions about Woolworths being a store for high earners. Woolworth's in-store renovations were enthused by the design of globally famous brands and smaller boutique stores. Woolworth's goal was to shift the image of branches in such a way that the shopping experience was full of charm and technological modernization.* The interview with the respondents further revealed that the renovations were also intended to assist Woolworths during the recession. Woolworths believed in good presentation of products on shelves. Woolworth's branches had been set in such a way that power saving was enhanced and the cooling systems within the stores used less power (Woolworths, 2009:76).

The first participant echoed that *Woolworth's shop designing was expedient for the innovative generation of customers who required easy access to stores and fast service. The branches had been updated so that they could highlight products that customers were demanding and emphasised consumer buying behaviour. The findings would be taken and used to methodically assess and eventually meet customer's needs more effectively. Businesses generally regarded the economic downturn negatively, but Woolworths decided to use the economic downturn to its advantage.* The fifth respondent stated that *the recession was a needed blessing in disguise for Woolworths since it gave them the opportunity to realise many areas of improvement and subsequently expanded its business in innovative ways* (Participant 5).

### **5.3.3 Price**

The seventh Respondent indicated that *Woolworths implemented the costing approach periodically with no need for large sums of capital. They made use of*

*multiple used methods to bring in customers by giving promotions, price discounts and specials. One of the advantages of the costing approach was that it dropped the cost of each product. Woolworths had a chance to widen customer outreach and in turn exerted some pull-on customers who were previously unresponsive in the Woolworths brand.* The two main ways in which Woolworths had applied the costing approach were, first, by offering quality market offering at sensible prices and, secondly, by raising its customer base by offering cost-effective prices on standard products. Woolworths did not reduce its standards and did not engage in price wars in the retail industry. It made use of one strategy of being innovative in offering value to the customer during the economic crisis which set them apart from competitors. An example of this was its 'R100 meal for four', which spoke value and not discount.

Most businesses which were affected by the recession in the economy attempted to make use of quick solutions by dropping the cost of their market offering. Apart from offering this discount in price, Woolworths also raised turnover and customer base, and planned to continue to keep expenditure on check. Within the past eight years Woolworths have achieved to develop a consumables division of its firm. Divergence in expenditure capabilities have forced the evolution from a high-end exclusive store to a supermarket that have not compromised on quality and continued to develop products in a cost-effective manner. Another respondent reported that *during 2008, Woolworths needed to re-evaluate its prices, and specific significance was placed on developing different sections of the organisation. Woolworths claimed to be effectively ready to gain advantages from trade and industry improvements that would commence once the recession passed.*

Respondents also indicated that Woolworths augmented its investment of capital into its operations to guarantee that it was ready for the turnaround from the economic crisis. At the heart of this was a consideration of pricing, as well as the supervision of products. These two facets proved invaluable to Woolworths during the economic downturn. It was further reported by respondents that Woolworth's promotion-investigation division analyses sales data from its stores and evaluates the results so that it can make its promotions more effective. During an economic crisis it was important for Woolworths to change customer's perceptions, especially if the perception was that market offerings from Woolworths were expensive. The last respondent asserted that, the South African public responded to reduced prices;

however, Woolworths followed the view that “price is not everything”. As the respondent indicated Stores have made losses due to reduced prices, yet, studies have shown that reductions in price are not essential. One could therefore ascertain that the approach of offering constantly cost-effective products was more economical for Woolworths.

### **5.3.4 Product**

In South Africa, Woolworths is an organisation that provide quality, easy accessibility of products; healthy products, wholesome, and suited to customers who are more motivated to attach health to this high-end market offering. Woolworths has customers at heart and understands the significance that customers placed on costs and further knows that customers placed value on Woolworth’s private labelled market offerings. The private label afforded Woolworths an opportunity to present its customers with superior, pioneering and cost-effective goods during the recession.

The fifth respondent indicated that *all Woolworth’s market offerings undergoes quality control to ensure that they adhered to the great value expected from every aspect of each individual item, from flavour to method of manufacture to substance*. Thus, the significance of Woolworth’s competitive advantage was noted. Customers affected by the recession started to purchase items that were more economical or discounted and, even then, only the bare necessities were in demand. The respondent indicated that during the recession *Woolworths realised that customers were becoming more attentive in their buying decisions which compelled Woolworths to concentrate on reaffirming their reputation to advertise its products*.

### **5.4 Woolworth’s changes during the recession**

During the time of the recession, many changes were made within Woolworths, including:

- ❖ Augmented focus on value and quality while establishing innovation
- ❖ Upgraded availability of market offerings
- ❖ Employment of customer information to facilitate promotions and store catalogues
- ❖ Strongly managed stock
- ❖ Upgraded profits
- ❖ Sustained management of cost growth

- ❖ Augmented value positioned on employees
- ❖ Loyal relationships with dealers (Woolworths, 2009:91)

## CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

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### 6. Introduction

This chapter presents the important conclusions drawn from the research findings and offers recommendations that are pertinent even in similar cases as Woolworths.

The study found that Woolworths indeed became accustomed to its marketing mix strategy in reaction to the global economic downturn. The strategy adaptation findings to the marketing mix elements established that Woolworths effectively tailored its marketing strategy with a value for money approach, not compromising on quality but by discovery of intelligent behaviour to market their products. Even though these findings could not be statistically generalised to the population the findings can be utilised in related case studies or theoretical generalisations, depending on homogeneity.

#### 6.1 Conclusions on findings

As demonstrated in the following paragraphs, the objectives of the study were achieved in the current research. The economic crisis forced Woolworths to adjust to consumer's demands. Woolworths shifted its focal point to concentrate on definite thought-out marketing proposals of distinction instead of inconsistent responses to the economic downturn. Customers are not brand loyal since once offered with a quality product that cost less, they would shift to this product. The number of products that people purchased before the recession was significantly more than the number of items they were consuming during the recession.

The solution for Woolworths would be to provide value-added products that kept the same quality as in the past. As customers became more price conscious, Woolworths found it complicated to change consumer perceptions and attest to customers that Woolworths was not just costly but was offering good value for money. An essential message for Woolworths for the duration of the recession was that of dependable value and not sporadic discounts. The factors that Woolworths should focus on to

guarantee success during the economic downturn include value for money, well-built product perceptions, marketing and brand loyalty.

Customers would make ignorant choices if they were not educated about product's key characteristics. An instance of this was a comparison of two brands of honey, which can be purchased from any other retail outlet and Woolworths respectively. At a quick look, both honey products were fundamentally the same, and if customers were not made aware regarding the content of the honey, a customer would prefer the more cost-effective option if all else appeared identical. However, the Woolworths honey would, likely, be organic (contain a honeycomb), while the honey from the other retail outlet may not have any supplementary advantages. Hence, the products are not the same, which is the essence that is very important to inform customers about the variation of value offerings.

During the recession loyal consumers considered buying products somewhere else. Most customers wanted to save money thus it became a priority that even the middle to upper class consumers were reluctant to over-stretch their purchasing power. Most retailers started campaigns directed towards this market and, as a result, Woolworths lost a piece of its market share (Woolworths 2009:96).

It was eminent for Woolworths to embark on changes to extend their target market to a wider range of consumers. Ironically, Woolworths achieved this by making their stores more accessible by placing them in high traffic areas to be easily reached by its consumers. Woolworths also moved some of its stores to filling stations and high pedestrian traffic areas. The store interior was also changed to make an enjoyable shopping experience with a user-friendly layout and clearer labels.

Throughout the economic downturn, Woolworths continued to invest in advertising; they focused on the types of media of communication that would reach a lot of potential consumers. This was different from Woolworth's advertising approaches that were used in the past, which targeted only the elite. This meant that Woolworths stretched its tentacles to reach a wider target market, by using promotions to attract consumers and to shift their views. The expansion of the target market to inferior consumers, gave Woolworths a lot of customers to survive the economic downturn. The goal for Woolworth's promotional strategy was to change the perception that

consumers had regarding their stores as being expensive store to a good quality value for money store (Participant 7).

Another respondent mentioned that there were a lot changes that needed to be made on Woolworth's website, because if the organisation was to use the Internet as a tool for its marketing then greater improvement would be required to make the website more interactive and effective. It was ascertained that the website offered the option to buy products online, but the lack of proper action to push Internet sales has resulted in less people visiting the website and least customers buying online.

Even though Woolworths felt the impact of the economic downturn early, the findings points out that this helped the organisation to be the first to identify the need to leverage from the recession, and it resulted in changes to the way the organization is operated (Woolworths, 2017:90). Even if few consumers were not financially distressed by the recession, the media publicity around the issue influenced consumers to be more price sensitive hence most consumers resorted to saving even though they had the financial stability. Traders and vendors still experienced the impact of the recession even if the South African economy was recovering (Woolworths 2009:42).

It was also observed that Stores such as Woolworths are part of a market that is continuously changing, while other organisations competes to ensure price reductions, Woolworths use more innovative ideas to maintain its consumer base, thereby refusing to participate in the price war. During the recession, Woolworths had to find ways to offer value for money to its consumers without being perceived as a discount store. Its family meal specials became popular and consumers were split between staying with a good quality product that cost more, and buying substitute products of a lower quality. Although this was true for many consumers, there were segment of the market that would not budge since to them quality was of paramount importance which would not be compromised (Woolworths 2017:63).

The organisation's core marketing focus was to rise above the rest regarding the quality of products, its conduct of trade, the products on offer and the entire process from the moment consumers enter the store until they leave. A range of quality items were imperative to Woolworth's plan to "stand out from the crowd". Throughout the economic downturn Woolworths remained determined to concentrate on its strengths,

reaching its objectives and supplying consumers with a quality range of products at reasonable prices

Woolworths based its business strategy on a valuable equation, namely “*cost + quality is equal to value for money.*” Most consumer’s purchasing trends shows that they perceive Woolworths as a good quality store of a higher standard to competitors. Woolworths achieved this through its consumer relationship model strategy. The aim of this strategy includes:

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

It is interesting to note that even Woolworth’s corporate governance structure was altered during the recession. Several employment contracts were not renewed, while some divisions of Woolworths that were not making money were closed and stringent cost limitations were implemented. These were some of the changes that Woolworths employed to ensure their dominance as a strong competitor within the retail field (Woolworths, 2009:104).

The prominent question in this investigation was to ascertain how Woolworths managed to provide quality products at reduced prices. Woolworths created innovative ways to circumvent the consequences of the recession, it achieved this by increasing its stock orders, which essentially resulted in a decreased pro-rata price per item, with the discounted rates to be directly relayed to consumers. Their strong relationship with its suppliers and managing logistics was galvanised with efficiency and expertise. Woolworths avoided erratic responses to the economic downturn and responded with constructed adjustments to their strategies to achieve their goals as indicted by one of the respondent.

Another respondent indicated that Woolworths have always followed structured policies to deal with a shift in the economy. Although it implemented specific advertising methods to deal with the economic downturn initially. Woolworths have endeavoured to be strong competitor by conducting trade in ways that incorporate protecting the environment, while assisting consumers by offering healthy, value for money products (Participant 2017).

Woolworths did not attack its competitors within the market; instead, it piloted a new approach of conducting business. Woolworths understood that consumers were essentially in control, and meeting their demands was the succeed factor. The concept of demand and supply was therefore amplified during the economic downturn. They maintained the support for consumers by offering quality products and services as well as building strong relationships with their suppliers in achieving their targets and goals. Another part of Woolworth's success was that they invested in science and technology. These included the repositioning of price points and investments in product planning systems that were expected to assist volume growth, reduce wastage and markdowns to improve gross margins (Woolworths, 2016).

Key finding which emerged from the study is the importance position of the consumer as being on top of the hierarchy within the retail process. If an organisation refuses to meet the needs of its consumer it will inevitably lose a market share. The need for organisations to identify changing patterns in the market and adapt effectively to suit the consumer remains key.

On the other hand, consumers are becoming better informed, educated and curious towards living a better life, without compromising their financial standing, health and overall wellness. The synergy between these two is what they (Woolworths) identified and addressed, to survive in this competitive and ever-changing market.

## **6.2 Recommendations**

In the event that a global economic recession becomes apparent again, this study recommends that in changing the marketing strategy around the four Ps, the following is relevant for the retail industry in general, and for Woolworths in particular:

- Retail businesses should not attempt to lower the quality or prices of their offerings
- Instead, they should relocate geographically and maintain their marketing rigour
- They should establish good relations with suppliers in order to receive discounts
- They should increase product value and their usability



- They should not enter into price wars with competitors, instead, they can expand their target markets to allow for a bigger customer base, normally extending to lower or higher SLMs.

These and other recommendations are apparent in this entire research.

### **6.3 Conclusion**

This dissertation has used the case study of Woolworths Stores to argue that a radical change in marketing strategies, especially in the four Ps is a good response to decreased consumer purchasing power due to a recession. It has further observed that Woolworths used intelligent and robust marketing strategies without compromising the quality or prices of their products.

The conclusions show that these changes, which are achieved by looking at the market in a holistic way, can achieve the results of continued competitiveness and market relevance. This would therefore result in company growth despite the bad economic times. The objectives of the study were thus achieved as the results show that Woolworths did indeed change their marketing strategies and allowed them the leverage to rise above the rest of the competition in the retail industry.

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**INTERVIEW GUIDE**

**Marketing mix strategy adaptation in response to  
Global economic crisis at Woolworths in Kwa-Zulu Natal**

**1. SECTION A**

. Is Woolworths changing its marketing mix strategy to adapt to the global economic crisis?

- 1.1 What are the changes made to the pricing strategy due to the economic crisis?
- 1.2 What are the changes made to the product aspect of Woolworths?
- 1.3 What are the changes made to the distribution channel?
- 1.4 What are the changes made to the promotional strategies?
- 1.5 How these changes made being implemented?

**2. SECTION B**

What is the impact of the change in consumer buying behaviour in times of the economic crisis?

- 2.1 Are consumers remaining loyal to Woolworths?
- 2.2 Is there any sign of customer retention?
- 2.3 If so what might be the reason?
- 2.4 What are the ways in which Woolworths have adapted their strategies to meet new target markets as well as new demands of existing target markets?

**3. SECTION C**

What is the collaboration of different departments within Woolworths and how they operate to gain competitive advantage?

- 3.1 What are the different departments of Woolworths?
- 3.2 Who are the competitors of Woolworths?
- 3.3 What are the strengths of Woolworth's competitors and how do Woolworths fight for the competitive advantage?

3.4 What is the competitive advantage of Woolworths in the economic crisis?

3.5 How do the departments collaborate to gain the competitive advantage?

**Thank You For Your Time!!!**