THE EFFECT OF RETAILERS' BUSINESS ACTIVITIES INFLUENCE ON WHOLESALERS' EFFECTIVENESS IN GABORONE

by

BUDDHKA DUSHMANTHI PATTIARACHCHIGE

Student No: 23978198

A mini-dissertation submitted in partial fulfilment for the degree

Masters of Business Administration

at the

Mafikeng Campus

of the

North-West University

Supervisor: Prof J.J Prinsloo

September 2014

LIBRARY
MAFIKENG CAMPUS
Call No.:
2015 -09- 10
Acc. No.: 15 D139
NORTH-WEST UNIVERSITY

DECLARATION OF COPYRIGHT

"I hereby declare that this dissertation submitted for the degree (Master of Business Administration) at the North-West University, is my own original work and has not previously been submitted to any other institution of higher education. I further declare that all sources cited or quoted are indicated and acknowledged by means of a comprehensive list of references".

Buddhika D. Pattiarachchige

COPYRIGHT© NORTH-WEST UNIVERSITY 2014

DEDICATION

This study is dedicated to my mother Chandrani, my husband Malinda and son Owin, who have been a source of inspiration and encouragement, for their continuous love and loyal support. You were my inspiration; you were my constant reminder of "the light at the end of the tunnel".

ACKNOWLEDGEMENTS

To Lord, whom all praise is due. I would like to express my sincere gratitude to my Lord Almighty, for giving me the ability, persistence and strength to complete this dissertation.

My supervisor, Prof. J.J. Prinsloo for sharing his broad knowledge and expertise, guidance and excessive support.

North-West University, for editing, administrative, consultation and invaluable assistance.

ABSTRACT

The research centres on the effect of retailers' business activities on wholesalers' effectiveness in Gaborone. There seem to be a general perception that the diversification of retailers' activities has a negative effect on the survival of wholesalers. From this the analogy can be drawn that wholesalers need to establish what to do to counteract retailers' extended business activities, which create a negative effect on wholesalers' survival.

This research study aims to identify solutions to the cannibalistic actions of retailers towards the wholesalers in Gaborone. In order to achieve the purpose, the study sets out to determine the theoretical differentiation between wholesalers and retailers.

The research design is based on 'survey research' conducted in the social world. The research is theoretical in nature using the quantitative and qualitative research paradigm. Survey research served as the research method. The sample frame constitutes seven wholesalers and 42 retailers in Gaborone. The unit of analysis used is represented by these seven wholesalers and 42 retailers. Data collection was facilitated by means of a questionnaire for the management staff of the selected wholesalers and retailers. The questionnaire was issued and completed at the different retail and wholesale outlets in Gaborone. The aim of the data collection was to find out what are the challenges wholesalers are facing due to the business activities of the retailers. The results of this study will identify opportunities for implementing strategies to overcome the trading challenges facing the retailers and wholesalers, and separate the business activities of each without affecting each other's business.

The formal retail trade in Gaborone has historically been small in comparison to the wholesale trade. Retailing has generally been done by independent smaller retailers. This has been a result of suppliers not distributing to the smaller retailers due to economies of scale, i.e. small volumes and long distances. As the formal retail chains started gaining acceptance by the population, and the brands became better known, these retailers started to move into other previously underrepresented areas. Due to the comparatively larger size of these formal retailers, as well as their larger buying power, it became economically feasible for suppliers to start distributing to these areas. The effect that this has been substantial in destroying the former independent traders. As the formal bigger retailers have been able to offer lower prices and larger ranges, customers have moved allegiance to these retailers. The spin off benefit to these retailers is that they are then getting additional exposure and when they move into additional territories, they then already have the brand name support from the new communities. This trade background results challenges to

wholesalers and for their survival. This should be addressed by doing proper functional guidelines to wholesalers and retailers.

Wholesalers should remain competitive in the market by offering better service to customers, better price margins, offerings that the formal retailers offer to customers, i.e. bigger selection of products, fresher produce, more competitive pricing and more convenient trading hours. By doing so wholesalers can gain a competitive advantage, can improve their business and can survive in the market. The existing trade act defines the term wholesaler and retailer very specifically. In the Trade Act, a wholesaler is limited to selling only bulk items that are items in case lots. This onerous provision makes it difficult for the wholesalers to trade where the value of products has gone up substantially, and the result is that independent small retailers can't afford to buy case lots, bulk of products. Retailers on the other hand are not restricted in a similar manner in that they can sell single units or bulk, as they see fit. The effect that this legislation has had therefore is that the wholesalers are limited to only trade in a certain way whereas retailers do not have these restrictions. The net result is that retailers are cannibalizing on the wholesalers core business whilst the wholesalers have no recourse against this. Current Trade Act should not limit wholesalers' functional guidelines in order to address these challenges of wholesalers.The current Trade Act regulations should set clear functional guidelines for wholesalers and retailers. Also, the Competition Act legislation has not yet taken full effect with regard to this problem, but the possible implications could be severe for all parties in the Fast Moving Consumer Goods Industry. Although the Trade Act allows for the formation of the Authority, there is no clear indication of what rules and regulations will be enforced. This could have severe limiting constraints on companies and how they operate their businesses. In this regard, it is advisable to set clear rules and regulations in the Competition Act together with the Trade Act as a solution to this problem.

TABLE OF CONTENTS

CHAPTER 1
NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION.....1

1.2. MEANING AND DEFINITION OF RETAILER AND RETAILER ACTIVITIES.....2

1.2.1 Retailers.....2

1.2.2 Functions of the Retailer.....3

1.2.2.1 Product selection and buying.....3

1.2.2.2 Retail merchandise.....4

1.2.2.3 Retail pricing.....4

1.2.2.4 Marketing function.....5

1.2.2.5 Advertising and promotion.....6

1.2.2.6 Customer service.....6

1.2.2.7 Packaging.....7

1.2.2.8 Warehousing.....8

1.2.2.9 Storage solutions.....8

1.2.2.10 Transport and Logistics.....8

1.2.2.11 Retailers' financial services.....9

1.2.3 Wholesalers.....9

1.2.3.1 Functions of the wholesaler.....10

1.2.3.2 Insurance protection.....10

1.2.3.3 Transport.....10

1.2.3.4 Communication and collaboration.....11

1.2.3.5 Efficient warehouse storage.....11

1.2.3.6 Merchandise by business needs.....12

1.2.3.7 Procurement 12

1.2.3.8 Marketing 13

1.3 RESEARCH PROBLEM, RESEARCH QUESTION, SUB QUESTIONS & RESEARCH OBJECTIVES 13

1.3.1 Research question 13

1.3.2 Investigative questions 14

1.3.3 Research objectives 14

1.4 PURPOSE AND AIMS OF THE RESEARCH OBJECTIVES 14

1.5 RESEARCH METHOD AND DESIGN 15

1.5.1 Population and Sampling 15

1.5.1.1 Target population 15

1.5.1.2 Sampling 16

1.5.1.3 Convenience sampling 16

1.5.1.4 Purposive sampling 17

1.5.2 Data collection 18

1.5.3 Pilot Study 19

1.5.4 Data Analysis 19

1.5.5 Techniques used in data analysis 20

1.6 VALIDITY AND RELIABILITY 20

1.7 ETHICS 20

1.8. CONCLUSION 21

CHAPTER 2
FUNCTIONS OF RETAILERS AND WHOLESALERS

2. 1 INTRODUCTION 22

2.2 RETAIL INDUSTRY TERMINOLOGY 22

2.3 OPERATING PRACTICES 23

2. 4 RETAILERS 23

2.4.1 Traditional retailers 24

2.4.2 General dealers 25

2.4.3 Retailer's relationship with suppliers 25

2.4.4 Retail supply chain 26

2.5 FUNCTIONS OF THE RETAILER 27

2.5.1 Selling 27

2.5.2 Product selection and buying 27

2.5.3 Buying merchandise 27

2.5.4 Retail pricing 28

2.5.4.1 Pricing Strategy 29

2.5.4.2 Pricing for the small retailer 30

2.5.4.3 Pricing claims 30

2.5.5 Retail merchandise 31

2.5.5.1 Merchandise pricing 31

2.5.6 Marketing function 31

2.5.7 Advertising, promotion, visual merchandising, and publicity 32

2.5.8 Advertising and promotion 33

2.5.9 Customer service 34

2.5.10 Customer satisfaction 35

2.5.11 Packaging 36

2.5.12 Packaging the right way 37

2.5.13 Warehousing 37

2.5.14 Storage solutions 37

2. 5.15 Transport and Logistics 38

2.5.16 Retailers' financial services 39

2.6 THE TRADING ENVIRONMENT IN GABORONE, BOTSWANA 40

2.6.1 Competition from large chain stores 44

2.7 WHOLESALERS 45

2.7.1 The wholesale intermediary..... 46

2.7.2 Agent intermediaries..... 47

2.7.3 The evolution of wholesalers..... 48

2.7.4 Service wholesalers..... 48

2.7.5 Wholesale Supply chain..... 49

2.8 FUNCTIONS OF THE WHOLESALER..... 49

2.8.1 Transport..... 49

2.8.2 Efficient warehouse storage..... 50

2.8.3 Merchandise and the importance of visual merchandise..... 51

2.8.4 Procurement..... 54

2.8.5 Marketing..... 55

2.8.6 Packaging 56

2.9 RETAIL AND WHOLESALE..... 58

2.9.1 Distribution channel trends in Southern Africa..... 59

2.10 CONCLUSION..... 60

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION..... 62

3.2 DEFINE THE RESEARCH PROBLEM AND PURPOSE..... 63

3.2.2 Conceptualisation..... 63

3.2.3 Emerged frame of reference..... 64

3.3 RESEARCH OBJECTIVES..... 64

3.4 RESEARCH DESIGN..... 65

3.4.1 Survey research..... 65

3.4.2 Quantitative research..... 66

3.4.2.1 Questionnaire development..... 66

3.4.2.2 Pilot study 69

3.5 RESEARCH METHOD: SELECTION OF DATA SOURCES 69

3.6 DATA COLLECTION PROCEDURES 70

3.6.1 Study environment and population 71

3.6.1.1 Target population and sampling 71

3.7 THE SAMPLING PROCEDURE 72

3.7.1 Sampling method 74

3.7.2 Sample size 75

3.8 DATA GATHERING 76

3.9 DATA ANALYSIS 76

3.10 VALIDITY 79

3.11 RELIABIITY 80

3.12 CONCLUSION 81

CHAPTER 4
ANALYSIS AND INTERPRETATION OF THE RESEARCH RESULTS

4.1 INTRODUCTION 83

4.2 STATISTICAL ANALYSIS 83

4.2.1 Statistical significance tests 84

4.2.1.1 Correlations 84

4.2.1.2 Test for differences in means 85

4.3 DEMOGRAPHIC PROFILE 86

4.3.1 Age profile of respondents 87

4.3.2 Educational level of respondents 88

4.4 DESCRIPTIVE STATISTICS OF THE BUSINESS SECTION 89

4.4.1 Business related questions 89

4.4.2 Procurement analysis 92

4.4.3 Customer analysis, customer related questions 98

4.4.4 Competitor Analysis, competitor related questions 103

4.4.5 General statistical analysis of retail sector and wholesale sector 111

4.4.6 Respondents' comments on open questions in the questionnaire 117

4.5 CONCLUSION 124

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION 126

5.2 RESEARCH DESIGN, DATA COLLECTION DESIGN & METHODOLOGY 126

5.3 THE RESEARCH PROBLEM RE-VISITED 126

5.4 THE INVESTIGATIVE QUESTIONS RE-VISITED 127

5.5 THE AIM AND OBJECTIVES OF THE STUDY 127

5.5.1 Aim of the study 127

5.5.2 Objectives of the study 127

5.5.3 Retailers encroach on territories 129

5.5.4 Current Trade Act affects functions of wholesalers 130

5.6 RECOMMENDATIONS 130

5.6.1 Recommendation 1 130

5.6.2 Recommendation 2 131

5.6.3 Recommendation 3 131

5.6.4 Recommendation 4 132

5.7 LIMITATIONS OF THE STUDY 132

5.8 AREAS FOR FURTHER RESEARCH 132

5.9 PERSONAL REFLECTION 133

5.10 CONCLUSION 133

REFERENCE LIST 135

ANNEXURES

LIST OF TABLES

Table 4.1	Demographic profile of respondents.	86
Table 4.2	Stock buying patterns of retail and wholesale business.	94
Table 4.3	Stock purchase value of the retail and wholesale business.	94
Table 4.4	Correlation of price competition with customers purchase in wholesale business sector.	112
Table 4.5	Correlation on price competition with customers purchase in retail business sector	112
Table 4.6	Regression analysis on customer experience and new store opening and the retail business sector.	113
Table 4.7	Coefficient analysis on customer experience and new store opening in retail.	113
Table 4.8	Regression analysis on customer experience and new store opening in wholesale business sector.	114
Table 4.9	Coefficient analysis on customer experience and new store opening . wholesale business sector	114
Table 4.10	Total variance analysis in retail business sector.	115
Table 4.11	Factor analysis in wholesale business sector.	115
Table 4.12	Total variance analysis in wholesale business sector.	116
Table 4.13	Standard deviation in Retail business sector.	116
Table 4.14	Standard deviation in Wholesale business sector.	117
Table 4.15	Major obstacle as a retailer.	118
Table 4.16	Measures to take to differentiate the functional activities of wholesale & retail.	120
Table 4.17	Major obstacle as a wholesaler.	122
Table 4.18	Measures to take to differentiate the functional activities of wholesale & retail.	123
Table 4.19	The reason why customers buying single units' alternative to bulk.	124

LIST OF FIGURES

Figure 1.1	Retailers and wholesalers and their problem.	14
Figure 1.2	Sample layout	16
Figure 3.1	Schematic presentation of Chapter Three.	64
Figure 4.1	Age profile of respondents in retail business sector.	87
Figure 4.2	Age profile of respondents in wholesale business sector.	88
Figure 4.3	Educational profile of respondents in both retail business sector & wholesale business sector.	88
Figure 4.4	Shop size in square metres in retail business sector.	89
Figure 4.5	Shop size of the wholesale business sector.	90
Figure 4.6	The period of functioning of the retail business.	91
Figure 4.7	The period of functioning of the wholesaler business.	91
Figure 4.8	The stock buying pattern within the retail business sector.	92
Figure 4.9	Wholesale sector stock buying patterns.	93
Figure 4.10	Average purchase value of the retail sector.	93
Figure 4.11	Average purchase value in the wholesale sector.	94
Figure 4.12	Method of transport to get stock to the retail business sector.	95
Figure 4.13	Method of transport to get stock to the wholesale business sector.	95
Figure 4.14	Suppliers supply to them directly in the retail sector.	96
Figure 4.15	Suppliers supply to them directly in the wholesale sector.	96
Figure 4.16	Wholesalers /suppliers and credit terms in retail sector.	97
Figure 4.17	Suppliers and credit terms in wholesale sector.	97
Figure 4.18	Customer distribution over time within the retail sector	98
Figure 4.19	Customer distributions over time within the wholesale industry.	99
Figure 4.20	Customers are buying the same product or not in retail sector.	99
Figure 4.21	Customers are buying the same product or not in wholesale sector.	100
Figure 4.22	Do customers buy the same amount of products in retail sector.	100
Figure 4.23	Do customers buy the same amount of products in wholesale sector.	101
Figure 4.24	The category of products that customers are buying the most of in retail business sector.	101

Figure 4.25	The category of products that customers are buying the most of in wholesale business sector.	102
Figure 4.26	The customers amount spent by in retail business sector.	102
Figure 4.27	The customers amount spent by in wholesale business sector.	103
Figure 4.28	Competitors in the retail industry.	104
Figure 4.29	Competitors increased or decreased in retail business sector.	104
Figure 4.30	Competitors increased or decreased in wholesale business sector.	105
Figure 4.31	New wholesale entrants' effect on industry.	105
Figure 4.32	New entrants' effect on the retail.	106
Figure 4.33	New entrants' effect on the wholesale.	106
Figure 4.34	Wholesale business sector effect on retail business sector activities or not.	107
Figure 4.35	Retail business sector effect on wholesale business sector activities or not.	107
Figure 4.36	Customers experience more competition in both retail & wholesale sectors.	108
Figure 4.37	Experience of price competition in retail business sector and wholesale business sector.	109
Figure 4.38	Whether the current trade regulations set clear functional guidelines for wholesalers &retailers.	110
Figure 4.39	Retail vs wholesale channels	111

CHAPTER 1
NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The licensing of traders of goods is regulated by the Trade Act Botswana, 2003 and is further regulated by the Trade Act Botswana (43:02 of 2008). This research investigated how certain sections of the Act aided the proliferation of formal retail outlets; how the current trading environment impacts on wholesalers directly; and as a consequence also affects general dealers, small independent retailers and customers. The scope of this research means it was necessary to firstly understand the reasoning behind the particular regulations and what precipitated that reasoning. The research determined how formal retail traders encroached on the market and the effect it has had on the wholesalers in the Fast Moving Consumer Goods (FMCG) market. Having put the problem into context, the study then proceeded to assess the impact of those regulations on various traders and customers.

The Trade Act (43:02 of 2008), as with all other acts has at heart the need to regulate a myriad of operating practices to protect the vested interests of various parties in the community. This particular Act defines various categories of traders and within those definitions there are limitations that affect and regulate how those traders can operate their businesses.

Of particular interest for this study is section (2) of the Trade Act which defines a wholesaler as one "selling goods in bulk per product" and section (2) of the Liquor Act which defines "bulk" as quantities of goods as packed by the manufacturer and not broken up into smaller quantities (Trade Act 43:02 of 2008). The effect of reading these two sections together is that specific trading practices are curtailed, which may in actual fact be contrary to the initial intention of the Act's regulations.

When reading the Act, it is evident that the purpose of the Act is to regulate trade and to afford a level of protection to the smaller independent traders or general dealers. This restriction is aimed at minimising the practice of wholesalers selling directly to customers, and thus bypassing the smaller traders. By allowing only wholesalers to sell in bulk would make it unfeasible for ordinary customers to buy these bulk items as cost and space constraints would make the cost saving minimal. Traditionally wholesalers have always been a cost-effective route for manufacturers to get their products to customers who do not

necessarily have easy access to these products. The role of the wholesaler has thus been to act as a conduit between manufacturers and customers. The reasons for wholesalers playing this role are numerous, including the lack of infrastructure for manufacturers, geographic constraints, economic feasibility of distributing to large client bases, and unit costs of distribution.

Part of this research looked at the different parties involved in usual business practices, the way they operate in conjunction with each other and the changes that have evolved in the last few years in retail and wholesale trading in Gaborone.

1.2. MEANING AND DEFINITION OF RETAILER AND RETAILER ACTIVITIES

Retailing is defined as consisting of all the processes involved in selling goods and services to the ultimate customer including direct-to-customer sales, activities made through store outlets, door-to-door selling, home shopping, mail order and the Internet. Retail organisations are, for that reason, business organizations that sell goods and services to customers for their personal or household use. Since retailers sell goods and services only in single units, the retailer's customers are the final customers who buy products or services for their own use and not for resale to others: this separates retailers from manufacturers and wholesalers. Manufacturers and wholesalers sell goods to other businesses who resell them in the same or in different forms. It is the retailers who supply the final link, selling product to the final customers (Kent & Omar, 2003: 8).

1.2.1 Retailers

Retailing is more complex and diverse than manufacturing in some aspects, e.g. its responsiveness to local culture, the dispersed nature of operations, the huge number of products and services offered and the large extent of network activities. Retailing engages direct contact with the final customer, which requires effective research procedures and information systems in order to understand the customer. Retailers also offer a complex mix of products and services in order to meet the customers' varying and changing requirements and needs (Jonsson, 2003:3).

Retailers were once effectively the passive receivers of products, allocated to shops by manufacturers in anticipation of demand. Nowadays, retailers are the active designers and controllers of product supply in response to known customer demand. Retailers control, organize and manage the supply chain from production to consumption. This is the spirit of

the retail logistics and supply chain transformation that has taken place. As times changed, retail logistics has also changed. Retailers are the channel leaders and set the pace in logistics. Having extended retailers' channel control and focused on competence and effectiveness, retailers are nowadays attempting to provoke a more co-operative and collaborative stance in many aspects of logistics. Retailers are recognizing that there are still gains to be made in standards and effectiveness (Fernie & Sparks, 2004:6).

1.2.2 Functions of the retailer

Retailers usually perform two major functions. One is the satisfaction of customer needs' the other is providing an outlet for production. It is clear that these functions are complementary. Goods produced have no value in themselves, and it is only when they are made available to customers who need them and are able and willing to buy them that they assume any value (Kent & Omar, 2003:27).

Apart from these two major functions, retailers perform many other functions and the next section discusses the retailers' key functions.

1.2.2.1 Product selection and buying

The trade of retailing involves the selection and assembly of goods for sale, i.e. the process of product sourcing and distribution. This procedure is dominated by variety, kinds of goods, sourcing strategies and product mix. Retailers sell a large variety of items. Some of them concentrate on a narrow line of business, whereas others are more diverse in their product range. The balance between items may change for some retailers over a period of time. Retailers have to, continuously find alternative sources for their product range. This engages the retailers themselves in dealing with particular suppliers, or with a wholesaler or some other type of intermediary (Gustafsson *et al.*, 2006:28).

The buying function depends on the size and phase of development of the firm, as well as its business sector. Independent retailers, run as a single outlet by an owner manager, may only have the resources for the manager to carry out the merchandise selection, negotiation with suppliers and stock control. As the firm becomes more complex, through expansion into various site retailing and product range extensions, the buying activities become more complex too. At some point a specialised buyer and teams of buyers with specialised responsibilities are needed to maintain a detailed knowledge of product market developments and suppliers. Obviously products could be bought with different levels of

sophistication. A buyer could take decisions based on their own understanding of the kind of business the company is in, and understanding of what customers want. The selection procedure could be as easy as a visit to the cash and carry or the local wholesaler where the buyer selects from the available stock whatever is needed at that time (Kent & Omar, 2003:271).

1.2.2.2 Retail merchandise

Store merchandising and display techniques condition the retail surroundings in every store. Some of the techniques are quite obvious and easy to identify, whereas others are far more subtle and difficult to discern. Visual merchandising and design, direct customers' attention and customers' direction of movement by leading the customer around and through the merchandise. "Hot spots" in the shop are created to drag the customer through the store and grab the customer's attention. Lighting and music are used in some shops to change the mood of parts of the store. Colour is utilized to create an environment or an image. Touch is encouraged to exploit tactile senses. Even smells are being utilising to evoke responses, whether it is perfume, cosmetics or coffee and fresh bread. A few design displays are organised to rebuild remembered activities or past situations. In essence, stores are not abstract collections of product, but managed selling environments, designed to stimulate customer reactions to buy (Gustafsson *et al.*, 2006:35).

1.2.2.3 Retail pricing

Pricing is the procedure by which an organisation decides how much to charge customers for its goods and services. Demand and supply information is a primary input for the processing decision. A company must understand the impact of price and competition on demand, and the cost of supply when deciding whether to run a price promotion (Chopra & Meindl, 2004:63).

There are many diverse philosophies toward pricing, depending on the kind of retailer and the merchandise the company is selling. The prices can differ greatly. Grocery stores are low margin operations and sell everyday products, since these products are sold on a regular basis customers can easily remember the last price they paid for any particular product (Cox, 2012:78).

More and more retailers are choosing to take up price-led competitive positions. Retailers have chosen to occupy a specific predictable pricing brand. Incidentally, over the last decade

the value price proposition has been the most successful price positioning in the world of retail trade. There are a number of diverse price-led as well as the value one. Modern supermarkets offer an attractive insight into these types where a single store might feature sections catering to one of perhaps four diverse price propositions (Hammond, 2003:85).

Retail price positioning has an effect on the offer of private labels and customers' motivations to purchase them: Price-oriented retailers tend to develop price-oriented store brand strategies, and their customers tend to be more price-sensitive. As a result, it is expected that retailer positioning influences the relationship between store brand purchases and store loyalty. In particular, when a retailer's positioning focuses on price (e.g., discounters), the correlation between store brand consumption and store loyalty may be more positive (Benito Partal & Salamanca , 2007:3).

There is a positive correlation between price-conscious customers and the choice of stores that implement low-price strategies. Price appears to be a main determinant of store choice amongst discount shoppers. A store brand strategy regularly aligns with a retailer's price–quality positioning. Even if store brands may offer more convenient price options than do manufacturer brands, their value proposition differs as a function of their emphasis of quality versus price (Benito, Partal & Salamanca, 2007:7).

1.2.2.4 Marketing function

Retailers utilise a great range of promotional elements to increase sales. Normally retail marketing activities pursue immediate sales while brand advertising more frequently gives a long-term effect. The major in-store promotion options include discounts and feature advertising and displays. Promotions can consist of a combination of one or numerous promotional tools for a certain period of time. Advertising and promotions are tactical tools for the retailer which is usually supported by manufacturers. Suppliers are collaborating with retailers in the field of marketing with precise trade marketing activities focused to promote sales at the point of purchase. Through retail marketing, the retailer is looking to promote higher demand by attracting customers to augment purchases. The manufacturer may influence demand with a selected marketing strategy, but promotions, product placement and pricing have to be resolved mutually with the retailer (Lounela, 2005:21).

1.2.2.5 Advertising and promotion

Creative advertising a more traditional marketing area, in which the retailers work with the design side of the industry to decide, for example, which colours are in trend right now, what products should be advertised to bring in more customers, and what kind of media should be used (eg. radio, television, print or billboard). This area can also consist of which geographical area to advertise in and which television network or a cable network should be considered. On many occasions, this area has an analytics team to assist to develop the results of each promotion, and can consist of a very advanced marketing mix analysis (Cox, 2012:6).

Retailers promote the products in their store (e.g. advertisement, discounts); however these functions are changing and the retailer has a tendency to pass some of them to the processors and take some other functions from them. Retailers regularly decrease their stocks and give the storage function to processors. Vendor-managed inventories are excellent examples of this change. Retailers tend to give the responsibility of category management to suppliers, giving up the selection of product assortment. On the other hand the private brands are gaining an enhanced importance. By the creation of these brands, retailers go beyond the product planning function of processors (Hanifi & Pall, 2009:7).

1.2.2.6 Customer service

Customers are at both the beginning and the end of the supply chain. The customer is the one who is paying for the goods or services or is most affected by the result of the process. The demand for a product or service is created by customers (Basu & Wright, 2008:35).
As customer satisfaction becomes more necessary and margins get tighter it makes sense to make co-operative efforts between suppliers and retailers in order to leverage the knowledge of both parties (Basu & Wright, 2008:138). As customer satisfaction become more significant in gaining a competitive edge and due to worldwide competition, prices have been driven down and margins have become tighter in the retail sector, it make sense to try and to make cooperative efforts between suppliers and retailers. The objective should be to get benefits for all parties and not for one party to try to dictate at another's expense (Basu & Wright, 2008:240).

Great customer service does not give any firm a competitive advantage. Rather, great customer service is really a pre-requisite for survival within, or entry to any retail market.

Service quality is one of the important factors in the success of a retail business (Hammond, 2003:76).

Customer satisfaction is becoming a more key strategic aspect of a company with a growing influence on its economic success. A high level of customer satisfaction makes for customer loyalty. Customer loyalty brings a company more security, more growth, more income, higher profitability and as a result more success. In addition to this the focus in companies are set on the creation of long-term relationships (Pelau, 2005:97).

1.2.2.7 Packaging

Packaging is a way of ensuring safe and efficient delivery of the goods in sound condition to the final customer, supplemented by competent reuse of the packaging material at minimum cost. There are three levels of packaging generally considered; primary, secondary and tertiary packaging. Primary packages hold the essential product and are brought home from the store by the end customer. Secondary packages, or transport packages, are designed to include numerous primary packages. A secondary package could be taken home by the end customer or be utilized by retailers as an assist when loading shelves in the shop. The third level of packaging, tertiary packaging includes stretch films, tension nets or ties for strapping the unit load (Gustafsson,*et al.*, 2006:71).

The packaging of a product is largely determined for product promotion and product protection, the final aspect being the function that is particularly relevant to logistics. There are also some other aspects that need to be considered when designing packaging for logistical purposes. In addition to product protection, packages should be trouble-free to handle, convenient to store, readily identifiable, secure and of a shape that creates best use of space. Packaging is very much a part of the total logistics. The function, design and use of packaging, have implication for other functions such as production, marketing and quality control, as well as for the whole logistics cost and performance (Ruston, Croucher & Baker, 2006:117).

Customers normally buy products in small quantities. Customers sometimes make purchase decisions based on product presentation and packaging. Retailers are concerned to develop products that are trouble-free to handle in logistics terms, do not cost too much to package or handle, but maintain their selling ability on the shelves (Fernie & Sparks, 2004:4).

1.2.2.8 Warehousing

Retail warehousing has been a typical aspect of the push supply-chain mechanism in which the product is manufactured, stored and processed through the supply chain in phases, each with definite linkages. At each phase, the product is stored until it can be pushed further down the supply chain on the way to the retail store. Nevertheless the requirement to replenish merchandise more efficiently has led to changes in the use of warehousing and distribution. Centralised distribution has the dual effect of raising customer service levels, whilst decreasing inventory levels. Centralised distribution centres can generally operate more efficiently, and have more resources. The intention of the warehouse is determined by the requirements of the firm, and retailer strategy will decide the role of the distribution function. Inventories may be kept in distribution centres to maximise selling space within stores and reduce costs, and distribution centres themselves will be increasingly determined by out-of-town locations where more appropriate sites are available and rents are lower, as well as giving greater accessibility to stores (Kent & Omar, 2003:337).

1.2.2.9 Storage Solutions

These might be warehouses or distribution centres or, more basically, the stock rooms of retail shops. Retailers manage these facilities to allow them to keep stock in expectancy of, or to react to, the demand for products (Fernie & Sparks, 2004:4).

1.2.2.10 Transportation and logistics

Transportation refers to the movement of product from one location to another as it makes its way from the beginning of a supply chain to the customer's hands. Transportation plays a key role in each supply chain because products are not often produced and consumed in the same location. Transportation is a major component of the cost incurred by most supply chains (Chopra & Meindl, 2004:412).

Logistics is part of the supply chain process that plans, implements, and controls the efficient, successful forward and reverses flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements', and include inbound logistics, materials management, physical distribution, and supply-chain management. Logistics explains the whole procedure of materials and products moving into, through, and out of an organization. Inbound logistics covers the movement of material received from suppliers. Materials management explains

the movement of materials and components within an organization. Physical distribution refers to the movement of goods outward from the end of the assembly line to the customer. In the end, supply-chain management is somewhat larger than logistics, and it links logistics more openly with the user's total communications network and with the firm's engineering staff (Tseng, 2004:1658).

Without well-developed transportation systems, logistics makes full use of its advantages. Moreover, a good transport system in logistics activities could give better logistics effectiveness, reduce operation cost, and promote service quality. The development of transportation systems requires effort from both public and private sectors. A well-operated logistics system could enhance the competitiveness of both the government and private enterprises (Tseng, 2004:1660).

1.2.2.11 Retailers' financial services

Retailers regularly offer credit to the customers in order to bridge the gap between their demand and financial possibilities (Hanfi & Palli, 2009:7).

The ease, with which customers can pay, both in terms of effectiveness and available credit, is a significant influence upon store patronage and transaction size. Retailers have a long history of giving credit for regular clients, a practice that evolved to store cards, and now to full scale banking services. For many years, credit tended to be linked with more expensive purchases, the spread of credit cards and the tendency towards smaller amounts and large shopping trips have brought credit usage to virtually all sectors of retailing (McGoldrick, 2002:508).

As credit facilities became more formalised within the multiple chains, a variety of charge accounts, budget accounts and longer term credit plans have been developed. In recent times, the increase in popularity of credit cards prompted some retailers to introduce their own store cards, gaining more control over costs and the relationship with clients (Mc Goldrick, 2002:512).

1.2.3 Wholesalers

Wholesalers are entities or firms that sell mainly to retailers and other wholesalers or industrial users. Wholesalers do not sell big quantities to end customers (Wiid, 2013:70).

Wholesalers break down "bulk" into smaller packages for resale by a retailer. They buy from manufacturers and resell to retailers. They provide storage facilities for their goods. A wholesaler will regularly take on some of the marketing responsibilities. Many produce their own brochures and utilize their own sales operations (Whalley, 2010:96).

Wholesalers are sometimes referred to as middlemen because they are the companies that function as intermediaries between the manufacturers and the retailers. Wholesalers play a significant role in supplying merchandise to professional purchasers. Their importance differs from one product classification to another. In some industries, they are the only means of merchandise acquirement for retailers, while in others, such as the fashion industry, the selection lies with the purchaser (Diamond & Pintel, 2004:293).

A wholesaler can be referred to as a business that buys large quantities of products, stores them (usually in a warehouse) and then sells them to retailers, to industrial, commercial, institutional or professional users, or to other wholesalers. A small percentage of goods may be sold directly to end customers, but this is not the main function of a wholesaler (Wiid, 2013:54).

1.2.3.1 Functions of the wholesaler

Wholesalers perform many functions and the subsequent section discusses the wholesaler's key functions such as insurance protection, transport, communication and collaboration, warehousing, merchandising, procurement and marketing.

1.2.3.2 Insurance protection

It is necessary to insure goods being transported in case the shipment is lost. A minimum amount of insurance cover is provided free of charge. If additional insurance is needed, it is the responsibility of the buyer to plan for it. Sometimes organizations have policies that cover all shipments in case they are not received. The buyer must know if his or her company has a policy for insurance, how much insurance is included with the cost of delivery, and how much additional insurance costs would be (Diamond & Pintel, 2004:317).

1.2.3.3 Transport

Inbound logistics refers to the movement, transport and handling of raw materials from suppliers. Outbound logistics refers to the process which transfers products to the distribution channels (Ritson, 2011:36).

Efficient route planning, utilizing of technology and driver training are significant steps to keep costs in check. Equally, wholesalers will fight to keep their delivery systems cost efficient (Mack, 2013:09).

It is recommended that agencies involved in the building of roads consider expanding the road network to include areas where raw materials are produced. This will assist in reducing the transportation cost which translates into a reduction in the marketing costs to the wholesaler (Agwu & Ibeabuchi, 2011:3).

1.2.3.4 Communication and collaboration

In every aspect of the supply chain, companies must heed calls for better communication and collaboration between all parties (Durham, 2011:15).

Retailers are a major source of information to their suppliers regarding matters such as the behaviour, tastes, fashion and demands of clients (Wiid, 2013:5).

A presentation with impact gives an admirable opportunity to build on brand messaging and value proposition when combined with a call to action. This can be anything from a special offering, price promotion, client retention programme introduction and reminder, and product related competitions, some suppliers such as Lucky Star, Imana and Willowton Group are already doing this successfully (Durham, 2011:21).

1.2.3.5 Efficient warehouse storage

The intention of every warehouse is to stock as many pallets as possible and be able to distribute this inventory as effectively and quickly as possible. Mobile racking is a well-organized system to accomplish this, says James Cunningham, Managing Director of Barpro Storage South Africa. For ambient products, the speed of moving a pallet from the loading bay to warehouse storage is not as time-constrained as those warehouses that deal with frozen products. Speed and efficiency are the solution for the frozen market, such as protein products like chicken. In order to get good prices from producers, a warehouse wants to be able to buy significant quantities – and therefore have the capacity to move and store these quantities of product effectively. With a mobile racking system, the racking superstructure is fitted onto electrically powered bases with wheels which run on rails embedded into the concrete floor. The wholesaler can customise the layout of the method according to his exact needs. According to Cunningham, a warehouse laid out with mobile racks can store up to

80% more pallet loads. A good management method then needs to be put in place to ensure warehouse efficiency. Rather than a paper driven system – which takes time to process – a real time system means that once a pallet is moved, the space is cleared instantly on the system and available for replacement (Durham, 2011:12).

1.2.3.6 Merchandise by business needs

Merchandising refers to the buying and selling of goods and services for a profit. These comprise the planning, pricing, and control of sales and inventory (Rabolt & Miler, 2009:55). The wholesale trade sector includes establishments engaged in wholesaling merchandise, (usually without transformation,) and rendering services incidental to the sale of merchandise. The wholesaling procedure is an intermediate step in the distribution of merchandise. Wholesalers are organized to sell or plan the purchase or sale of (1) goods for resale (i.e., goods sold to other wholesalers or retailers), (2) capital or durable non-consumer goods, and (3) raw and intermediate materials and supplies used in production. Wholesalers sell merchandise to other trades and usually operate from a warehouse or office (Mroszczyk, 2008:1).

1.2.3.7 Procurement

Procurement refers to a firm's purchasing of material and supplies for its activities (Ritson, 2011:36).

The role of procurement is to obtain all the materials required by a company in the form of purchases, rentals, contracts and other acquisition methods. The procurement procedures also consist of activities such as selecting suppliers, approving orders and receiving goods from suppliers. The term 'purchasing' generally refers to the real act of buying raw materials, parts, equipment and all the other goods and services used in the operation. However, the procurement procedure is regularly located in what is called the purchasing department. Procurement is a significant aspect of the operations function as the cost of material can represent a substantial amount of the total cost of a product or service (James, 2011:68).

The purchasing function has a strategically indispensable role to play in supply chain management. It includes the sourcing end of supply chain management interfacing with the delivery end of the suppliers. The traditional definition of purchasing is to obtain materials and /or services of the right quality in the right quantity from the right source, and to deliver it to the right place at the right price. The composite definition of purchasing is the process undertaken by the organizational unit, which, either as a function or as part of an integrated

supply chain, is accountable for procuring supplies of material and services of the right quality, quantity, time and price, and the management of the suppliers, in this manner contributing to the competitive advantage by the achievement of the corporate strategy (Lu, 2011:83).

1.2.3.8 Marketing

The marketing function and marketing mix of a wholesaler is, in great part, the product of the evolution that comes from day-to-day marketing. At any time the marketing mix represents the program that a management has evolved to meet the problems with which it is regularly faced in an ever-changing, ever-challenging market. There are incessant tactical manoeuvres: a new product, aggressive promotion, or price change initiated by a competitor must be considered and met; the failure of the business to provide sufficient market coverage or display must be remedied; a faltering sales force must be reorganized and stimulated; a decrease in sales share must be diagnosed and remedied; an advertising approach that has lost efficiency must be replaced and a general business decline must be countered. All of these problems call for management to maintain efficient channels of information in relation to its own operations and to the day-to-day behaviour of customers, competitors, and the trade (Borden, 2005:11).

The modern idea of marketing is that it delivers added value through customer satisfaction and quality. Customer satisfaction is the consequence of a product meeting or exceeding the buyer's requirements and expectations. Value is in terms of the quality being proportionate with the price and with the overall cost of acquisition (Whalley, 2010:50).

1.3 RESEARCH PROBLEM, RESEARCH QUESTION, SUB QUESTIONS AND RESEARCH OBJECTIVES

The research problem to be researched within this dissertation is: "The retailers' extended business activities create a limiting effect on the wholesalers' survival". There seems to be a general perception that the diversification of retailers' activities has a negative effect on the survival of wholesalers.

1.3.1 Research question

The research question of this research study is: What measures should be taken to differentiate functional activities of retailers and wholesalers?

1.3.2 Investigative questions

The investigative questions to be researched in support of the research question are:

- What business activities are retailers (in Gaborone) involved in?
- What business activities are wholesalers (in Gaborone) involved in?
- How does the Trade Act (2008) influence the functions of wholesalers and retailers in Gaborone?

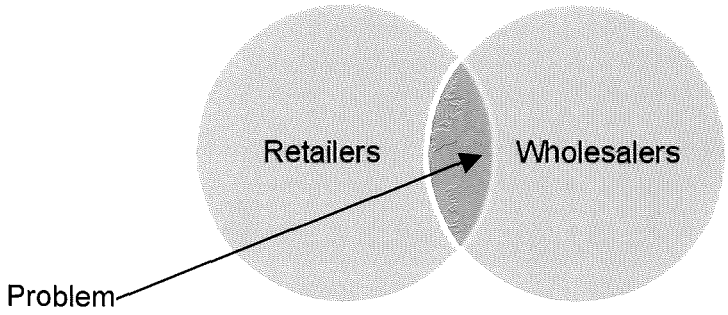


Figure 1.1: Retailers and wholesalers and their problem

1.3.3 Research objectives

The research objectives for the purpose of this study are:

- To determine the profile of wholesalers and retailers.
- To identify the current distribution channels and their impact on customers.
- To determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate.
- To establish how the current Trade Act of Botswana affects the functioning of wholesalers.
- To investigate why retailers encroach on territories previously occupied by wholesalers.

1.4 PURPOSE AND AIMS OF THE RESEARCH OBJECTIVES

The purpose of the proposed study is:

- To identify solutions to retailers' cannibalistic actions towards the wholesalers in Gaborone.

In order to achieve the purpose, the aim of the proposed study is to determine the theoretical differentiation between wholesalers and retailers.

1.5 RESEARCH METHOD AND DESIGN

A research design is a procedural plan that is adopted by the investigator to respond to questions validly, objectively, accurately and economically. A research design therefore answers questions that would decide the path the researcher proposes to take for the research journey. Through a research design the researcher determines and communicates to others decisions regarding what study design she proposes to utilize, how the researcher is going to choose the respondents and how information will be gathered from them, how the information gathered will be analysed and how the researcher is going to communicate the findings (Kumar, 2011:396).

This research is based on a quantitative and qualitative research design.

1.5.1 Population and Sampling

1.5.1.1 Target population

Before embarking on the design of a sample, the researcher has to think carefully about the definition of the population about which inferences will be made. This is the target population. Only when the population of interest has been precisely defined will the researcher be able to work out the best way to sample it. If the researcher realises that it is not possible to select all members of the population the survey population must be restricted to less than the target population. The researcher should make this distinction explicit and acknowledge it. Consideration of the nature of the excluded part of the target population may lead a researcher to conclude that inferences cannot reasonably be made about the target population but that statements can be made only about the survey population (Greenfield, 2002:186).

The population relevant to this research consists of wholesalers and retailers in Gaborone. The total population of this study is 100 retailers and 15 wholesalers. Within this population the aim will be to obtain a sample size that represents the chosen population. It is determined to take a sample size of 49 which includes 42 retailers and 7 wholesalers.

1.5.1.2 Sampling

Sampling is the method of selecting a few items (a sample) from a bigger group (the sampling population) to become the foundation for estimating or predicting the prevalence of an unknown piece of information, situation or outcome concerning the bigger group. A sample is a subgroup of the population a researcher is interested in (Kumar, 2011:193).
A minimum of 49 respondents will be approached to participate as a convenient non-probability purposive sample. According to the required sample, 49 respondents will represent a 95.0% confidence level with a 0.025 margin of error.
As indicated in Figure 1.2, in this research 7 wholesalers and 42 retailers were selected as the sample.

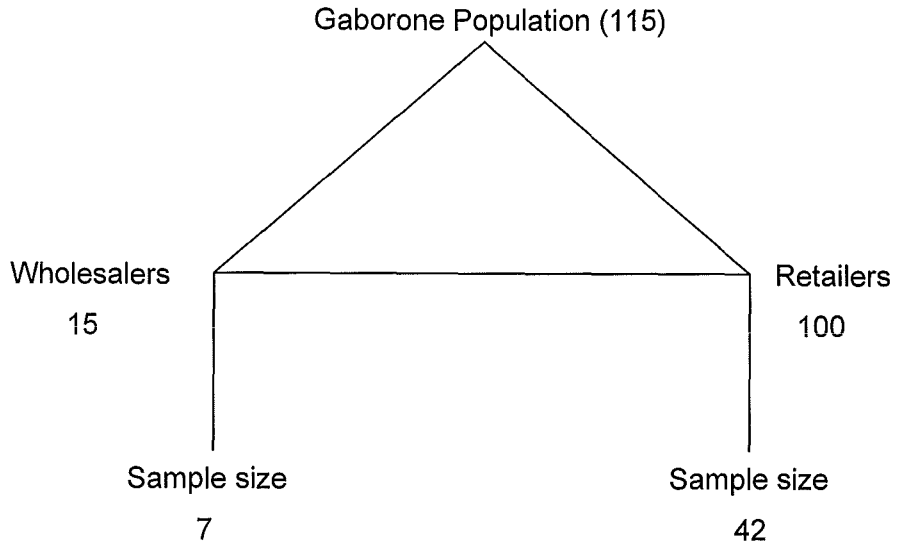


Figure 1.2: Sample layout

This sample is determined according to the required level of precision (Warren, 2012:12).

1.5.1.3 Convenience sampling

Convenience sampling entails selecting at random those cases that are easiest to obtain for a researcher's sample, such as the person interviewed at random in a shopping centre for a television programme or the book about entrepreneurship which can be found at an airport bookshop. The sample selection procedure is continued until the required sample size has been reached. Although this technique of sampling is widely utilized, it is prone to bias and influence that are beyond one's control, as the cases occur in the sample only because of the ease of obtaining them. Usually the sample is intended to represent the total population. The choice of individual cases is likely to have introduced bias to the sample, meaning that

consequent generalizations are likely to be at best flawed. These problems are less significant where there is little variation in the population, and such samples often serve as pilots to studies using more structured samples (Saunders, Lewis & Thornhill, 2009:241).

In the same way, in this study convenience sampling was used for wholesalers and retailers. Retailers and wholesalers were interviewed at random in different shopping centres. The sample selection procedure is continued until the required sample size has been reached. The sample of 42 retailers and 7 wholesalers is intended to represent the total population.
For this research the researcher decided to utilise convenience sampling, also known as 'accidental sampling'. Convenience sampling does not recognize a subset of a population and makes use of respondents who are 'readily available' (Watkins, 2008:55).

For reasons of convenience and given the actual percentage of the Gaborone retailers and wholesalers, the researcher made use of the convenience sampling technique, as this was deemed most appropriate. Kothari (2006:15) explains convenience sampling as the procedure where access is convenient and immediately available. If the researcher wishes to secure data from, for example, gasoline buyers, the researcher may choose a fixed number of petrol stations and may conduct interviews at these stations. This would then be an example of convenience sampling of gasoline buyers.

The researcher used convenience sampling because out of the total population it was convenient to use retailers and wholesalers who were available and who were willing to take part in this research study. Out of the total of 100 retailers in Gaborone, 47 retailers who were immediately available and willing to share the information and their experience trading as a retailer were chosen. Out of 15 wholesalers in Gaborone, 7 wholesalers were selected who were immediately available to respond to the questionnaire and who were willing to share information with the researcher. Due to these factors it was appropriate to use convenience sampling for this research.

1.5.1.4 Purposive sampling

With purposive sampling, the investigator recognizes that there may be inherent variation in the population of interest, but makes an effort to control this by using subjective judgement to choose a sample believed to be "representative" of the population. Purposive sampling can lead to very good samples (Greenfield, 2002:189).

A purposive sample is defined as an approach in which the researcher attempts to draw a representative sample of the population by using a judgemental procedure (Churchill & Iacobucci, 2002:454).

This research study used purposive sampling. By using purposive sampling the researcher used a sample believed to be representative of the population. The primary consideration for using purposive sampling in the sampling design for the purpose of this research is the researcher's personal judgment as to who can provide the best information to achieve the objectives of this study. In this case the researcher approached only those who in the opinion of the researcher are likely to have the required information and are willing to share it with the researcher (Kumar, 2011:389).

The researcher used purposive sampling in this research and the researcher selected 47 major formal retailers who are registered with the government council as a retailer in Gaborone. The researcher selected 7 major wholesalers who are registered as a wholesaler in Gaborone. Only those retailers and wholesalers registered for Value Added Tax were selected to participate in the research. Moreover, the wholesalers' and retailers' shop size was considered and checked to see whether they comply with the size stated in the Trade Act regulations. This sampling was done to get accurate information about retailers and wholesalers in Gaborone.

1.5.2 Data Collection

According to Saunders *et al.* (2009:144), the survey strategy permits the researcher to collect quantitative data which the researcher can analyse quantitatively using descriptive and inferential statistics. Additionally, the data gathered utilizing a survey strategy can be used to suggest potential reasons for particular relationships between variables and to produce models of these relationships. Using a survey strategy should give the investigator more control over the research procedure and, when sampling is utilized, it is feasible to create findings that are representative of the whole population at a lower cost than gathering the data for the whole population.

This research is based on a quantitative and qualitative research.
In this study, questionnaires and secondary analysis of statistical data has been used to determine results.

As part of the survey, wholesalers and retailers were asked to complete a questionnaire by using open ended questions to determine their perceptions on trading in Gaborone, with the current economic climate and other trading conditions taken into consideration. The following questions were posed:

- Do you believe that your customers are experiencing more competition?
- Please explain: pricing competition, new stores opening.
- What do you believe are the major obstacles to trading as a wholesaler/retailer? Explain.
- What do you think is the reason for your customers buying single units as an alternative to bulk? Please explain.
- What other issues affect the way you do business? Please explain.

1.5.3 Pilot study

When one purpose of research is to investigate the possibility of undertaking it on a larger scale and to streamline methods and procedures for the main study, the study is called a pilot study (Kumar, 2011:385).

The pilot study was aimed at enhancing the success of the instrument and to provide a chance to make modifications and improvements. The pilot study was done in September 2013 and the researcher was conducting 20 pilot questionnaires in Gaborone in both wholesale and retail business sector. There were no major issues recognized after doing the pilot study. The questionnaire was slightly amended by rephrasing and deleting a few items and by adding some more elements.

1.5.4 Data Analysis

According to Saunders *et al.* (2009:414), quantitative data in a raw format, that is, before the data has been processed and analysed, express very little meaning to most people. This data, therefore, require to be processed to make it useful, that is, to turn the data into information. Quantitative analysis techniques such as graphs, charts and statistics allow for this, assisting the researcher to explore, present, describe and examine relationships and trends within the data. Quantitative data refer to all such data and it can be helpful to analyse and interpret the data.

The outcome of this analysis will help to understand the status of the proposed problem statement of the research study and will help to understand the functioning of wholesalers and retailers.

1.5.5 Techniques used in data analysis:

Graphic presentations comprise the third way of communicating analysed data. Graphic presentation can make analysed data easier to understand and effectively communicate what they are supposed to demonstrate. One of the choices the researcher requires to make is whether a set of information is best presented as a table, a graph or as text. The main purpose of a graph is to present data in a way that is easy to understand and interpret, and interesting to look at. The investigator's decision to use graphs should be based primarily on this consideration: "A graph is based completely on the tabled data and as a result can tell no story that cannot be learnt by inspecting a table. However, graphical representation often makes it easier to see the pertinent features of a set of data" (Kumar, 2011:297).

Graphic presentations will be used to display and communicate the analysed data in this research. This will allow for understanding of the data and will also help to understand the findings of the research.

1.6 VALIDITY AND RELIABILITY

Reliability is the ability of a research instrument to provide parallel results when utilized repeatedly under similar conditions. Reliability indicates accuracy, stability and predictability of a research instrument: the higher the reliability, the higher the accuracy; or the higher the accuracy of an instrument, the higher the reliability (Kumar, 2011:396). The concept of validity can be applied to every phase of the research procedure. In its simplest form, validity refers to the appropriateness of each stage in finding out what it set out to accomplish. However, the concept of validity is more associated with measurement procedures. In terms of the measurement procedure, validity is the ability of an instrument to measure what it is designed to measure (Kumar, 2011:402).

1.7 ETHICS

All research studies present a number of ethical and moral dilemmas which must be identified and addressed prior to conducting any research study, in order to protect all participants from potential harm.

The study's findings should benefit and cause no harm to the participants and society. Privacy and confidentiality should be maintained at all times, all findings be portrayed in a confidential manner; no personal or identifiable information should be recorded or printed in the study. Once transcribed the data should be stored in password protected folders with

restricted access and stored on an external hard drive to which only the researcher has access.

Ethical consideration was regarded as highly important in this research. Participation was voluntary, anonymous and confidential. Privacy and confidentiality have been maintained at all times, all findings have been portrayed in a confidential manner and no personal or identifiable information has been recorded or printed in the study.

1.8 CONCLUSION

In Botswana, Gaborone has experienced fundamental changes in the FMCG market in the last few years. As the economy has grown and trading has become more sophisticated, so the traditional ways of FMCG operating have changed. The changes that affect one of the parties in the supply chain, by definition, affect each and every other party. Legislation regulating the roles of the different parties in this chain and was enacted to protect parties, especially with the aim of advocating citizen empowerment.

As the economy expanded, the very protection for the small traders became superfluous. The force of a free economy is gaining momentum, and customers started gaining power through choices that opened up. These choices came about through more stores opening and offering more products at competitive prices.

The source of supply for the general dealers, namely the wholesalers, has ironically now been identified as one of the avenues to consider with the aim of protecting the general dealers. As has been highlighted, the changes in business trends dictate that wholesalers should be allowed to sell single products to general dealers. The problems that are being faced by the wholesalers and the restrictions on what they are to sell needs attention. Ultimately, free trade in an open economy will guide best business practices.

Competitive businesses will be able to survive based on providing the customer with the correct product at the correct price. Legislating how parties in the supply chain supply subordinate parties has only short term protective value. This value is lost when protected parties trade freely, and their customers do not accept the service offering that is available because an alternative exists in the same vicinity.

CHAPTER 2
FUNCTIONS OF RETAILERS AND WHOLESALERS

2.1 INTRODUCTION

Retailers provide more than one business function. The retailers perform a number of combinations of functions such as selling, product selection and buying, buying merchandise, pricing, merchandising, marketing, advertising, doing promotions, visual merchandising, providing customer service and customer satisfaction, packaging, warehousing, transportation and managing logistics, and providing financial services to customers. Wholesalers also provide more than one business function. The wholesalers perform a number of combinations of functions such as transportation, efficient warehousing and storage, procurement, merchandising and visual merchandising, marketing and packaging.
In this chapter the retail industry terminology will be discussed. The terms 'retailer' and 'wholesaler' will be defined. The different types of retailers and different types of wholesalers will be discussed. The functions of the retailers and wholesalers will be discussed broadly. The retail and wholesale trading environment in Botswana and Gaborone will be highlighted. An overview of the distribution channel trends will conclude this chapter.

2.2 RETAIL INDUSTRY TERMINOLOGY

Part of the research looks at the different parties as seen in usual business practices, the way they operate in conjunction with each other and the changes that have evolved in the last few years in retail and wholesale trading in Gaborone.

'Wholesale' means a store of at least 1 500 square metres selling goods in bulk per product or line item; 'supermarket/chain store' means a self-service store of at least 1 000 square metres, that sells a wide range of food items, household goods and wines but not beers and spirits. 'Licensee' means a person to whom a licence has been issued under the Trade Act (43:02 of 2008). 'Departmental store' means a store, being not less than 2 500 square metres in size, which sells different categories of goods in different departments under one roof; 'distributor' means a person who conducts the business of negotiating contracts between parties for any product for which he/she is an agent for reward (Trade Act 43:02 of 2008).

The current Act describes various types of traders and the licenses that they require to operate. These licenses by definition then also define the type of business that is operated. The three licenses that are pertinent to this report are:

- 'General Dealer' – a store selling a wide range of groceries and general merchandise.
- 'Supermarket chain store' – a self-service store of at least 1000 square metres, that sells a wide range of food items, household goods and wines but not beers and spirits.
- 'Wholesale' – a store of at least 1 500 square metres selling goods in bulk per product or line item (Trade Act 43:02 of 2008).

2.3 OPERATING PRACTICES

Traditionally, manufacturers sell stock in bulk to wholesalers who then sell those bulk products to retailers, who in turn sell to the customer. A limited number of chain stores operating in larger cities and towns are also supplied directly by the manufacturers. Due to the large quantities that wholesalers purchase, they are able to negotiate competitive pricing, and sell at lower prices to their customers (in most cases the independent retailers). The retailers are then able to add on a fair profit margin and sell products competitively to the customer. The wholesalers had a buying power not available to the retailers, thus there was an element of equilibrium in pricing structures. With the increased number of chain stores that have opened, manufacturers now have an additional route to get their products to the customer efficiently and at competitive prices. The number of groups of chain stores has increased, as the number and locations of outlets increases. This brings in a new dynamic where these chain stores now also increase their buying power and the ability to negotiate preferential deals. The net effect of this is that the chain stores have an instrumental effect on the way wholesalers and retailers operate. They make it easier to get products to the customer, and often at prices that existing general dealers cannot hope to achieve (Briggs, 2009:2).

The next section discusses the retailers in Southern Africa and this is the same trend that can be seen in Botswana.

2.4 RETAILERS

A retailer is a dealer or trader who sells goods in small quantities. They sell goods and services to the end users, who are generally individuals, for their own use and benefit.

Retailers relate with the final customer in a supply network, but they are both buyers and sellers of goods and services in that they also need to obtain the products they offer. In order to do this, retailers will negotiate for such items with suppliers. From an economic point of view, the role of a retailer is to provide genuine added value or utility to their customers (Sullivan & Adcock, 2002:3).

Retailers perform a number of tasks such as keeping inventory and selling products in smaller quantities than they purchased them (bulk breaking), and they generally keep a large range of products supplied by manufacturers, suppliers and wholesalers to offer customers a range of products. Retailers have direct contact with customers. They know customers' requirements and keep goods accordingly in their shops (Wiid, 2013:4).

Retailers in the formal sector are controlled independently and own a comparatively small share of the entire market. The formal retailers operate independently of other enterprises. Although South Africa has a relatively small retail market compared to the rest of the world, retailers operate from a stable market and are the foundation of the continued existence of the cash-and-carry wholesaler. The formal retailer is the retail institution that is most widespread in South Africa. Originally, from the beginnings of South Africa as a colony, the formal retailer traded in the coastal towns but it was in the heavily populated areas where it increased in both size and power; it could now become independent of the wholesaler in certain areas. The outcome was that the formal retailer became a strong competitor in the distribution channel. The growth of the large independent retailer was the keystone of the retail revolution in South Africa. The retail revolution liberated the retailer, the wholesaler and the manufacturer. The smaller formal retailers had difficulty adjusting to the fast and major changes in the distribution structure. Retailers in the formal retailer community are significant participants in the South African distribution channel. Formal retailers contribute approximately 29% to South Africa's gross national product and form a very important target market of the cash-and-carry wholesaler (Strydom *et al.*, 2013:99).

2.4.1 Traditional retailers

Those who are regarded as traditional retailers are department stores, specialty chains, and others whose philosophy is to get the merchandise on to the selling floor as early in the season as possible. Only a small number of retailers have a fashion orientation. They each subscribe to the fashion-first concept, meaning that they must be the first in their particular trading areas to demonstrate the merchandise as soon as it arrives from production (Diamond & Pintel, 2004:229).

2.4.2 General Dealers

Accurate numbers of the general dealers or independent retailers vary between 2000 and 4000 outlets across Botswana, depending on exactly which traders are defined in this way. If Spaza shops are added to the equation, then there are then close to 10 000 independently owned retail operators in Botswana. These dealers supply products to a very substantial portion of the economy. Often these outlets are characterised by a limited range of products and low stock holdings. They tend to support a small localised area, and have determined through various means what are the main products and goods in demand. Very often, the product range is determined not by what the customers want per se, but rather by the cash flow of that general dealer. The range is also often determined by what the wholesalers in that area carry. Financing for the purchase of stock is often assisted by the wholesalers who sell to general dealers: the dealers purchase stock on credit, then repay with interest after the stock is sold. The overwhelming majority of these operations receive little or no support or service from the manufacturers or suppliers (Briggs, 2009:7).

From the literature cited above, it is evident that retailers are one of the key players in the distribution channel. The following section describes the relationship of retailers and suppliers.

2.4.3 Retailer's relationship with suppliers

Choosing the right suppliers and creating good working relationships with suppliers are important to all retailers. The suppliers that are selected and how retailers work with them form the basis of a store's merchandise lines, prices, promotional plans and so on. Some suppliers will be changed from time to time but retailers should aim for a strong relationship with a choice group that have proven to be satisfactory. These suppliers should be expected to offer dependable service, allow return of unsold goods, give information on current trends, industry news, special bargains and other related services that are significant to store owners or managers (Cant *et al.*, 2010:35).

A wide range of supplier-related processes can be developed by more mutual retailer–supplier relationships, which consist of promotion planning and execution, demand forecasting, and stock replenishment. One of the greatest sources of information for improving these processes is the retailer's point-of-sale (POS) data. For example, by examining POS data to recognize purchasing patterns at certain Tesco supermarkets, improvements in the supply chain, (for instance more efficient distribution, streamlined

inventory, increased product availability, and improved merchandising operations,) are all within reach of mutual retailer–supplier relationships (Harper *et al.*, 2009:5).

The literature indicates that the relationship between retailers and suppliers is very important in business. The next section discusses the retail supply chain.

2.4.4 Retail supply chain

Supply Chain, Sourcing and Distribution are the delivery methods of the retail business: providing both what the business sources and how that product gets to the marketplace. It is a supply engine driving the work of buying, distribution, logistics and inventory management. That engine depends on input from the other functions of the business, such as stores and channels, marketing, customer service, merchandising and finance (Blackmore & Marenghi, 2008:71).

Retail supply chains provide a firm operating basis as retailers are encouraged by a growth in demand. At the same time retail supply chain executives have to struggle with uncertainties originating from an uneven economic recovery, customer demand fragmenting across several channels, the impact of government regulations, and an evolving supplier base. Top organizations navigate these difficulties with grace, and billions of products are delivered to shop shelves and into customers' hands efficiently and reliably (Gibson & Defee, 2012:18).

In a supply chain with a manufacturer making to order and a retailer ordering to stock, the total stock in the supply chain is less than one that maximizes the supply chain revenue. Manufacturers quote a price larger than the true cost, and as a result, retailers order less than what a centralized chain would (Victor & David, 2007:3).

Companies are slow to identify changes in demand in the market place because of a lack of visibility. Supply chains are driven by orders for goods, which are in turn driven by independent forecasts and inventory replacement decisions by organizations alongside the supply chain from retailers to wholesalers to manufacturers. Thus upstream parties are less able to anticipate changes in their customers' needs (James, 2011; 30).

It is well understood that the retail supply chain is the key factor and foundation of a retailing company. The next section of this study explains the functions of the retailer.

2.5 FUNCTIONS OF THE RETAILER

Retailers normally deal with different varieties of products, and give customers a large choice. Products and services are promoted and merchandised by the retailer. The retailer determines the final selling price of the product. Retailers usually have their own strong brand and often have a very strong personal relationship with the customer (Wiid, 2013:5).

2.5.1 Selling

Retail is the industry that sells goods and services to the end customer of the product or service. Retailers play a significant role in selling products and services, as they offer the environment where the final exchange is made. Retailers also perform very important marketing actions that advantage the customer (Wiid, 2013:54).

Retailers sell goods not for resale but for ultimate consumption by customers. For instance, groceries bought from a local Spar or Pick n' Pay are not for resale but for the customer's personal use. Retailers buy and sell goods in small quantities, so customers can fulfil their needs without having to buy and store large quantities. Retailers usually need less capital to start and run their business as compared to wholesalers (Wiid, 2013:4).

2.5.2 Product selection and buying

'Buying' signifies the translation of a retailer's strategic positioning statement into the overall range and specific products offered. The retail buyer hence plays a key role in the implementation of retail strategy, particularly within smaller organisations. Getting the product mix right has been explained as the 'engine of success' in retailing. It would therefore be an understatement to say that buying is a vital aspect within the retail mix. The work of the buyer largely strengthens many of the pricing, merchandising and communication decisions (Mc Goldrick, 2002:279).

A retailer's job is assortment selection, to pack limited shelf space, negotiate and procure items in bulk to sell throughout the channel (Kauffeld *et al.*, 2012:5).

2.5.3 Buying merchandise

As a rule, store buyers are accountable for their own purchases. The purchases that they make are generally for re-orders and exceptional orders, initial orders, or orders that are

placed for the first time, which are usually the responsibility of the store buyer. (Diamond & Pintel, 2004:124).

2.5.4 Retail pricing

Retailers play a main role in price-setting (Nakamura, 2008:4). The role, difficulty and significance of the retail pricing function have extreme differences among diverse sectors and types of retailing institutions. The task of retail pricing has much in common with that of manufacturer pricing, in that the transaction is classically the purchase of a precise product and the buyer is likely to be relatively well informed. These examples still do not represent the broad foundation of retailing. In department stores, grocery stores and other kinds of retailing characterized by big product assortments, pricing needs a very diverse approach from that applied by the conventional manufacturer. In most sectors of retailing, pricing decisions are considered as being the most crucial and difficult aspects of retail marketing (McGoldrick, 2002:369).

If manufacturers have a limited capability to price discriminately to retailers within a similar town, then the empirical evidence presented advises that retailers play a dominant role in price-setting (Nakamura, 2008:9).

It is not strange for most day-to-day pricing decisions to be made by a diverse group of buyers, working within broad policy directives developed by senior marketing and /or financial management. However, the need to accomplish greater coordination both within the pricing function and between different elements of the mix has been identified by main retailers. This evolving retail pricing function has not been especially well served by the existing literature (McGoldrick, 2002:369).

The behaviour of pricing is hard to settle with a model in which desired prices fluctuate due to contemporaneous demand and supply shocks, a general set-up in macroeconomics, international economics and industrial organization. This suggests that retail prices may differ largely as a result of dynamic pricing strategies on the part of retailers or manufacturers and demonstrates that the volume of sales accounts for a big fraction of the difference in prices, and finds support for the view that these temporary price fluctuations reveal temporary changes in retail margins rather than wholesale price changes (Nakamura, 2008:2).

In many countries, large retailers have extensive power when it comes to setting prices and dictating terms of procurement and sale. For example, Tesco is one of the biggest

companies in the world, much larger than many of the manufacturers who supply it. As a result Tesco has a great deal of buying power. Nevertheless there are a number of branded products that are so popular that even a retailer as powerful as Tesco is not likely to leave them off its shelves, for example Heinz Tomato Ketchup, Heinz Baked Beans, Kellogg's cereals, Coca Cola and Kleenex tissues (Whalley, 2010:90).

One of the most significant parts of merchandising is offering the proper price points to the potential customer. Shops are frequently known to shoppers by their pricing images. The reputation might be 'high priced' or 'bargain priced' or somewhere in between. No matter what the case, merchandise procured must fall within the established range. Even though the price points are cautiously spelled out by the merchandise managers, there is some amount of interpretation exercised by the buyer. By studying past sales records, a buyer can decide which price, from all that is stocked, is selling best. Every now and then, there is a suggestion that a department should 'trade down' (emphasize a lower price point or 'trade up', feature higher-priced goods) (Diamond & Pintel, 2004:175).

For instance, shocks to seasonal demand for particular product types seem likely to influence the demand for all items in that product category at the same time. It is significant to note that while advertising and promotional action may be strongly connected with the timing of price adjustments, these endogenous demand factors must themselves be described by a successful retail pricing theory (Nakamura, 2008:7).

2.5.4.1 Pricing strategy

Pricing is a difficult tool, with a maze of interconnected customer behavioural propositions. Currently, 'good value' does not essentially entail low price, but is defined by the customer's view of 'good value.' This will contain intangibles such as convenience, environment, selection and service. Pricing policy is for that reason also a strategic concern. This will raise the question of how the retail brand is supported with customer pricing perceptions. Do the product category price points reveal the targeted shopper segments and anticipated shopping behaviours? Is pricing policy centralized or adjusted to local conditions and costs? The marketer needs to evaluate and define an underlying principle for a detailed pricing approach that is aligned with these strategic concerns. Particular price point breaks are used to separate the value offering of the diverse assortments. By analysing customer shopping and basket buying patterns, pricing opportunities can be recognized, both increases and decreases. During powerful price competition, such analysis becomes very important as an

extreme counter response may permanently impact range differentiation, brand image and therefore operating margins negatively (Blackmore & Marenghi, 2008:37).

Once pricing objectives have been recognized, a strategy can be selected to accomplish these objectives. Commonly a pricing strategy may set prices below or above the market level. Aspects such as shoppers, competitors, the retailer itself will influence pricing strategy selection. The four basic approaches can be considered as well as two precise strategies. The four basic approaches utilize the price/quality relationship and are referred to as premium, economy, penetration, and skimming. These approaches are a modern development of the basic approaches, namely "everyday low pricing" and "high/low pricing" (Sullivan & Adcock, 2002:195).

2.5.4.2 Pricing for the small retailer

The intention of a pricing policy is to formulate a price that is in excess of the selling price over the cost of the goods sold, is adequate to cover expenses and yield a reasonable profit. Logically, this is as significant to a small retailer as to a large one. All retailers, regardless of size, operate under a pricing policy set by top management. The variation is that the large store executive has to set official pricing guidelines to be carried out by subordinates, whereas the small operator need not be so formal because he or she will do (or at least closely supervise) the buying. This flexibility in policy is one of the few advantages the small operator has over the giants (Diamond & Pintel, 2004:330).

2.5.4.3 Pricing claims

The starting point of this discussion is the distinction between price and value. Retailers are all completely aware of how important price points are and the advantage that shoppers and competitors enjoy when a retailer gets them wrong. But often, it is not the price point per se that is the problem, rather, it is the value attributed to the item or store in question in relation to the price, where value is decided by the perceived advantages that the product/store delivers and its equity (Malete, 2013:39). As a result, if sales are lost to a competitor, one should investigate both the competitiveness of the pricing and the competitiveness of the value delivered by the product/store (Kirkb, 2012:40).

2.5.5 Retail Merchandise

An additional growing aspect of the supply chain discussion is the role of in-store merchandisers. Merchandising is a very costly function in retail, particularly if one considers the human capital aspect of merchandisers. There is no hard and fast rule when it comes to merchandisers, as diverse suppliers have diverse contracts and operational conditions with retailers (Durham, 2011:15).

The retail trade sector contains establishments engaged in retailing merchandise, usually without transformation, and rendering services incidental to the sale of merchandise. The retailing procedure is the last step in the distribution of merchandise. Retailers are managed in order to sell merchandise in small quantities to the general public. This sector contains two main kinds of retailers: store and non-store retailers (Mroszczyk, 2008:1).

A retailer can give more advantageous shelf accessibility to a company if the two parties agree on joint programs for replacement merchandising and promotion.

Programs like these need the upfront contribution of store operations and supply chain planning managers. A broad range of potential collaborative measures can increase revenue, improve efficiency, and cut costs for both retailers and their suppliers (Harper *et al.*, 2009:4).

2.5.5.1 Merchandise pricing

Once the merchandise has been purchased, the selling price must be decided. Even though pricing policies are habitually established by top management and managed by the merchandise managers who administer the buyers, the store buyer is regularly left to price merchandise in a way that will maximize profits for the company (Diamond & Pintel, 2004:12).

2.5.6 Marketing Function

Even though marketing budgets will recover with the economic cycle, retailers are still keen to improve marketing efficiency and to connect marketing spend more directly with increases in customer relations, sales, and profitability. Developing a strong fact-based marketing Return on Investment (ROI) capability can be a growth enabler and a key competitive differentiator that can assist retailers to better recognize their customers, drive incremental

traffic by tailoring promotions to customer needs, and improve customer loyalty through improved shopper experience. This is mainly important in areas such as advertising, which constitutes the biggest element of a retailer's marketing spend (Ripsam *et al.*, 2010:6).

Nimble companies are utilizing the World Wide Web in ways that they could never do before. New media has created a new marketing environment where the older rules of marketing are no longer relevant. When there is an adoring fan base for a brand, the Internet is especially important. Communicating first to a small but powerful group of fans online to enlist their support is an elegant way to make sure of positive coverage in the mainstream press. The power and immediacy of the Internet make it easy for people to fall in love with it easily but they can just as easily fall out of love. Therefore the Internet is a double-edged sword. It is important for marketers to listen frequently to what is being communicated about the company. Social media technologies do not make a brand go viral; they simply allow customers to tell others about good brands. The major thing is to be different and appropriate with the brand. And when an individual has that, the sheer power of the Internet can increase the speed of publicity for the brand. Traditional media take weeks to make brand awareness and months to build preference. The Internet can make a brand famous, literally overnight (Scott, 2008:6).

For retailers, the role of marketing has been gaining in value, moving beyond the traditional mass-marketing approach to becoming a vital tool for developing a successful retail value proposition. Marketing strategies have changed in numerous ways since the 1990s: chains are shifting to targeted programs; food retailers are focusing on category management as a method of looking at customer groups and their buying requirements; and apparel, footwear and accessory brands are making their own retail channels. The significance of monitoring these changing requirements leads marketing to look into a broader, customer-led business proposition. In essence, the retail marketer nowadays is accountable both for communicating the value proposition to customers and advising the business on value improvements that are deliberately valid and strategically appropriate (Blackmore & Marenghi, 2008:30).

2.5.7 Advertising, promotion, visual merchandising, and publicity

There are marvellous challenges and opportunities in merchandising in today's global economy. Retailers and manufacturers alike have to respond quickly and adapt to change, and these business companies must get ready and allow their management to do so in order to be successful. In addition, many manufacturers are retailers and vice versa, so businesses

are more different and complex than ever, needing more methodical and integrative management than in the past (Rabolt & Miler, 2009:48).

All retailers, nevertheless, should have at least two functional areas-merchandising and store operations management-to run the business. By definition, in a retail organization, a product and/or service must be offered and a way of selling that offering is necessary. Like the retail organization, key manufacturers have organizational charts to depict the structure of their business and assist in guiding the organization. On the other hand, since many manufacturers are also retailers, those organisations may operate as two separate operations, with separate charts, management, and staff (Rabolt & Miler, 2009:57).

The major retailers have in-house advertising and promotion staff who do all of the advertising for newspapers, television, magazines, and catalogues: special events: and visual presentations intended to capture the shopper's interest. This staff has the responsibility to improve and produce all of the advertisements and commercials for the organization, either by themselves or sometimes with the help of an advertising agency. This is done in order to create special events, and to develop and install visual presentations in store windows and interiors. In many of these operations, however, the buyer also plays a vital role. While the promotional teams have expertise to make the projects, they have little expertise of merchandising (Diamond & Pintel, 2004:16).

2.5.8 Advertising and promotion

Advertising and promotions are concerned with promotional activities and advertising activities, display, special events, and public relations (Rabolt & Miler, 2009:55).

All of marketing's strategic thinking about micro-segments, profit prospective, the offer and competitive pressures is very obvious in advertising, promotions, online marketing, public relations and events. Marketing recognizes efficiency by analysing costs, sales lift and response rates for programs, direct marketing campaigns, and advantages from advertising. At the same time, marketing must understand whether or not these channels are acquiring the best shoppers and customer profiles. This is key to understanding the results of a micro-segment marketing attempt (Blackmore & Marenghi, 2008:39).

Advertising has become a key area of marketing expenditure and a major element of the marketing mix for most large scale retailers. Advertising is generally referred to as a non-personal or one-way form of communication accomplished through paid media under clear

sponsorship. In most retail marketing perspectives, the store itself also provides many types of non-personal communications, for instance display, design and the overall atmosphere. It would appear that retail advertising must be an essential element of overall marketing strategy (McGoldrick, 2002:409).

For many retailers, traditional advertising remains a major element in their marketing mix. Retailers make extensive use of traditional advertising vehicles. Traditional media include TV, newspapers, magazines and radio. These have been around for many decades and are still utilized by a huge audience as a trusted source of information and entertainment. It is no surprise that target advertisers make much use of these established audience aggregators. Traditionally, the retail industry rates among the top three in terms of advertising spend in France, Germany and the UK (Perry & Spillecke, 2012:197).

It is crucial that prospective customers should be aware of a product as it is the first step on their journey to buying it. One of the major roles of advertising is to create that awareness and an easily recognised brand makes that task much more achievable. Product and packaging design play major roles here as well by making the product more visible and reinforcing the brand's values (Whalley, 2010:88).

Advertising has a very broad scope, covering a variety of activities from television commercials to signs placed in a shop window. Advertising in the retail sector may be market or store based, including advertisements in various media and messages inside the store. The purposes of advertising are much the same as for retail communication in common, although market based advertising is increasingly being used to build or reinforce the retailer's image and brand name (Sullivan & Adcock, 2002:219).

2.5.9 Customer service

Retailers regularly introduce a store card for their customers. This entitles the cardholder to special service by the staff, such as pre-ordering their goods, and provides retailers with the knowledge of their customer base (Durham, 2011:20).

On the customer front, organizations must be aware of their customers' expectations of service levels, channel and shopping dimensions, product offerings, pricing, and convenience, and also expect changes in customer behaviour. These evaluations of customer attitudes and preferences-and evaluations of how they may change-must be

weighed against the supply chain and operational needs and costs to apply a multichannel inventory, logistics, and delivery network (Kauffeld *et al.*, 2012:13).

A successful strategy is one that is grounded in the overall organizational strategy yet remains flexible enough to adjust to unanticipated changes in customer needs, competitor efforts, and the economy. A balance between cost control and outstanding customer service is the preferred strategy of today's best retail organizations (Gibson & Defee, 2012:4).

Retailers will normally have a much stronger personal relationship with the customer. They will hold numerous brands and products and their customers will anticipate being exposed to several products and brands that are competitive. Where the retail purchase is important the retailers will frequently offer credit to the customer. Retailers will give the final selling price of the product but will also do their own marketing or will increasingly organize co-operative marketing with the producer. More retailers now have a strong brand in their own right (Whalley, 2010:97).

2.5.10 Customer satisfaction

It is important that the store maintains customer satisfaction during the period of construction of the relationship to make sure they are not inconvenienced and will keep coming back. Event, an online solution for Events and Surveys Organization, says: "Customer satisfaction matters". Not only to the customer, but even more so to the business because it directly impacts an organization's bottom line profits. Moreover, it is one of the most vital elements of a company's positive brand image. The reason why customer satisfaction has a direct effect on bottom line profitability is easy to see-it costs far less to keep a happy customer than it does to find a new customer. Businesses that have successfully retained the business of their loyal customers have shown to constantly enhance profits from their installed customer base. The impact of customer loyalty is not possible to neglect. Companies must study not only the importance of customer satisfaction, but also some of the things that businesses must consider in order to precisely define, measure and integrate this concept in practice (Laura, 2013:30).

After having had a closer look at some of the services that retailers can provide, it is now proper to return to a broader implication of service, the accomplishment of customer satisfaction. Traditionally, a great deal of marketing effort and expenditure is devoted to attracting new clients, frequently with insufficient attention to existing ones. Retailers need a

successful problem-solving method to deal with a wide range of product-related and service-related dissatisfaction (McGoldrick, 2002:523).

In the days of simpler client needs and homogeneous mass markets, retailers assessed value based on incremental sales, utilizing certain products and promotions to pull clients into the shop. The challenge has evolved to include targeting a variety of different client groups or 'profiles' defined by their shopping behaviour and profitability profile. Retailers started to include customer information in their data, for example, via loyalty cards, with the purpose of mining these behavioural insights and becoming customer-centric (Blackmore & Marenghi, 2008:31).

2.5.11 Packaging

Packaging entails a number of functions including recognizing the product, giving protection during transportation and storage, making handling easier and giving information to clients. The importance of each of these aspects will depend on the nature of the product, with protection being a key factor for some products (James, 2011:69).

To stay competitive, retailers will have to put into practice forecasting systems that give a high level of precision to reduce stock-outs keep inventory at a reasonable level and simultaneously embrace innovation in picking, packing, and shipping so that packages can quickly depart to an increasingly dense network of distribution centres, which should be properly located near major cities. Retailers have normally used drop shipping for products that are out of their traditional orbit (that is, bulky or requiring refrigeration). But as retailers broaden their sales channels and, in the process, increasingly turn to third-party logistics providers to handle fulfilment, drop shipping will become more popular because it accomplishes three valuable results. It increases product assortment virtually, permitting retailers to achieve clients without increasing inventory carrying costs; it transfers errors and omissions risk to the third-party logistics company, which is especially advantageous with expensive and perishable inventory; and it decreases inventory holding cost and obsolescence risk for the retailer (Kauffeld *et al.*, 2012:12).

Sometimes the merchandise may be packaged using more than one method. Dresses, for instance, might be obtained on hangers covered with plastic, or in flat boxes. Whereas the first arrangement permits quick transfer to the selling floor, the weight of the hangers can significantly augment shipping costs. The buyer is accountable for deciding which advantages his or her company more; the simpler handling with hangers or reduced costs

without them. When each of these considerations is cautiously addressed, the retailer will ultimately benefit (Diamond & Pintel, 2004:317).

2.5.12 Packaging the right way

All of the right packaging requirements are the responsibility of the manufacturer, and if they are not met, hefty penalties and product recall are possible. Over and above getting the labelling accurate, manufacturers must make sure that the packaging used is cost-effective, maintains food safety, and is environmentally friendly. "The overriding direction of our clients, both manufacturers and retailers, is for lighter weight and more cost effective packaging. Everyone needs more for less. This needs to be accomplished without any deterioration in functionality or performance" (Hendrie, 2011:43).

2.5.13 Warehousing

Considerations for spacing include less orders, steady throughput, limited need for small order size pick/packing, forklift and pallets to trucks. To decrease warehousing costs, an inventory management system decides on the minimum amount of product that needs to be on hand in the organization's regional distribution centres by evaluating customer life cycle and order frequency trends, which are highly predictable for products. To reduce shipping expenses and waste, proprietary packaging algorithms choose the optimal box size for each order (Kauffeld *et al.*, 2012:5).

Merchandise purchases are most frequently sent directly to a central location for distribution to individual shops. In larger chains, there may be regional warehouses so that the merchandise may reach the shops within that geographical location quicker. The receiving and the movement of the goods is a key concern for the organization. It involves checking incoming goods, marking them according to the buyer's instructions, entering the merchandise descriptions and quantities into the computer, and anything else that guarantees precise record keeping (Diamond & Pintel, 2004:46).

2.5.14 Storage solutions

It is not possible to keep all goods constantly on the sales floor, so most retailers require a considerable amount of storage space to make sure they have enough stock to meet customer demand and that customers can buy in smaller quantities (Wiid, 2013:5).

"Retail space comes at a premium and every square metre utilized for storage reduces profitable trading space. The company wants to keep that part of the store as condensed and efficient as possible whilst using all the available height," says James Cunningham, MD of Barpro Storage (Mack, 2013: 24). Most retailers organise their storage areas with static racking, where the space above the access aisles is wasted. "Mobile racking is not yet utilized in this space, but it could be a valuable investment as it increases capacity by up to 80% while permitting immediate access to every pallet. Shopping malls do not always permit for mobile friendly storage, but making provisions in their design could have enormous benefits," he says. Space efficiency should be an equal concern when it comes to warehouse design. In South Africa, picking usually happens only on ground level. "In Europe, several mezzanine floors are popular and allow for picking on 4-5 levels. In essence they require a quarter of the floor space compared to those that pick on ground level only". The rest of the warehouse can then be utilized for back-up storage on mobile racking. This can have positive health and safety spin-offs as the arrival trucks and forklifts can function without having to watch out for pickers. "New building regulations make the fitment of mezzanine floors tricky". "You now have to have solid surfaces on each level and lifts between the floors, putting the profitability of such a solution in question" (Mack, 2013: 24).

2.5.15 Transport and Logistics

An efficient transport method is to have a company-owned fleet that delivers between distribution centres and to stores. The resulting logistics costs per item are low (Kauffeld *et al.*, 2012:5).

Additionally, well-functioning electronic links among retailers and suppliers for sharing sales and financial forecasts are essential to reduce stock-outs and failures in order processing and shipping. The trend toward drop shipping makes aspects of their supply chain operations easier for retailers, while it provides product manufacturers with a chance to distinguish themselves as first-rate shipping and logistics partners for retail/e-tail outfits (Kauffeld *et al.*, 2012:13).

Distribution is a significant element of the supply chain and can account for as much as 20% of the total costs of goods and services. The cost will depend largely on the distance between the store and its clients and the method of transportation chosen (James, 2011:69). The decision area of logistics covers managing quality, cost and timeliness of distribution and delivery. Short-term matters need the handling of store orders and shipping utilizing the most efficient routing, scheduling and equipment. Long-term issues which need to be determined

include whether the company can lessen mileage costs, improve delivery execution and ideally exceed service requirements for all channels. The operational infrastructure to distribute and deliver is complex and costly. Many retailers operate with third-party carriers, distributors, or wholesalers because of their capability or relationship with suppliers. Distributors specialize in particular channels, routes and/or territories, and can distribute more rapidly and efficiently than most suppliers. Strategically placed supplier and distributor warehouses can be a benefit to, and extension of, a company's own warehouses. While outsourcing makes sense on many levels, it does mean the company loses direct control and has to allow the risks that come with loss of control. Managing such risks needs negotiating and monitoring distributor agreements with clear terms and commercial guidelines. Recognizing, managing and assessing the most effective distribution and logistics routes for the stores draws a significant advantage (Blackmore & Marenghi, 2008:78).

For retailers, transportation costs are kept comparatively low by moving pallets and truckloads of products through a network of regional distribution centres (Kauffeld *et al.*, 2012:5).

In a retail distribution application, it is usually advisable to select vehicles with a large engine capacity for long haul operations to the distribution centre. Smaller, medium engine capacity vehicles should be utilized for short distance deliveries to the stores. Especially for smaller operators, such as wholesalers delivering to stores with a handful of trucks, predictable maintenance costs are main milestones towards running their distribution network profitably (Mack, 2013:13).

2.5.16 Retailers' financial services

The ease with which clients can pay, both in terms of effectiveness and available credit, is a significant influence upon store patronage and transaction size. Retailers have a long history of giving credit for regular clients, a practice that evolved into store cards, and now into full-scale banking services. For many years, credit tended to be linked with more expensive purchases; the spread of credit cards and the tendency towards smaller amounts and large shopping trips has brought credit usage into virtually all sectors of retailing (McGoldrick, 2002:508).

Many retailers offer a credit facility to customers, making it easier for them to buy items they want without having to wait (Wiid, 2013:5).

Retailers are not newcomers to financial services, having provided credit to regular customers over the years. As a credit facility became more formalised within the multiple chains, a variety of charge accounts, budget accounts and longer term credit plans developed. In recent times, the increase in popularity of credit cards prompted some retailers to introduce their own store cards, gaining more control over costs and the relationship with clients (McGoldrick, 2002:512).

Retailers perform many of the functions as mentioned above. The next section discusses the Gaborone trading environment.

2.6 THE TRADING ENVIRONMENT IN GABORONE, BOTSWANA

Botswana has followed a similar trading environment path as South Africa and Namibia. It has always been characterised by a simplified three tier scenario. Firstly there are the chain stores or supermarkets, then the wholesalers and finally general traders or informal retailers. Distribution of products has been from a few suppliers who are based locally, and by third party distribution agencies. Terms and conditions of trading, and service delivery from the manufacturer or supplier has mainly been determined by the type of trading outlet and its location. A description of the different types of traders will be discussed; that description will follow the definition of common business practise rather than a strict adherence to the legislated definitions. Historically, chain stores have operated out of the cities, towns and larger villages. They have been part of a chain store group that has offered them the ability to utilise their buying strength to get preferential pricing and deals. These outlets focus on areas with higher population densities, a wide selection of products are available, and they get stock delivered to them directly by suppliers (Briggs, 2009:5).

In 2003 there was a sudden increase in the development of shopping malls in Botswana, and this precipitated a fundamental change in retail trading in Botswana. There was a rapid increase in the number of retail outlets, and with them a similar increase in the range of products offered. To gain a competitive advantage, retailers started offering wider selections of products and this increase in choices has made customers more aware of what is available to them. At the same time as extending the range of products, so too did the retailers start moving out into geographic areas that they had not been in before. Customers now had a bigger choice of products, from more stores, often at cheaper prices. This increase in the number of stores and areas in which they operated led to a change in the market shares of retailers and wholesalers. Areas where previously only wholesalers were

the route to the market now had formal chain store outlets offering products to customers (Warren, 2012:6).

The previous section gave a discussion of the current Gaborone trading environment which has had a dramatic change over past years. This led to a new phase of business in Gaborone in both the retail sector and wholesale sector. The next section discusses wholesalers, the different types of wholesalers and how they differ from each other.

The retail sector in Botswana is dominated by small stores, with food stores being relatively larger than clothing stores. Retailing constitutes a key economic activity in Botswana in terms of income and employment generation. For example, during the period 2010 and 2011, the Wholesale and Retail sector's average annual contribution of 29 percent to Botswana's Gross Domestic Product (GDP) was second only to Mining. Its average growth rate of 18 percent was also the second highest after Electricity and Water and more than twice the 8 percent growth rate in Mining. Likewise, it indicates that the Wholesale and Retail sector is the third largest employer after Agriculture and Public administration. The Wholesale and Retail sector accounted for over 13 percent of the 462 000 employed persons in Botswana (Makgosa *et al.*, 2013:123).

The agri-food system in Botswana is based on local production and food imports due to the nature of the natural environment which is arid to semi-arid, and the underdevelopment of irrigated agriculture. The food retail sector is changing due to factors both internal and external to Botswana. South African retail organizations, whose increase presence has been fuelled by market and trade liberalisation and regional integration is a main determinant factor. There has been an increase in the number of supermarkets investing in Botswana in the past 10 years. The fast growth of supermarkets in Botswana could be attributed to both demand and supply side factors. Demand factors include increased urbanisation (about 50% of Botswana's population resided in urban areas in 2003 compared to 18 % in 1981), expansion in income, an increased economic middle class, and changing customer tastes and preferences. Supply side factors consist of trade and market liberalisation, favourable domestic policies (relaxation of exchange controls), political stability and regional integration. Presently there are both foreign and local chain supermarkets, independent supermarkets, cash and carry stores and convenience stores involved in food retail in Botswana .The share of supermarkets in food retail in Botswana could be between 50% and 60% but key informants estimate it to be as high as 80%. This is a reasonable estimate, because 50% of Botswana's 1.68 million people dwell in urban areas (towns and urban villages) where supermarkets are dominant. Since the early 1990s supermarkets (both foreign and local)

have been expanding quickly by buying out local independent and chain supermarkets, forming partnerships and franchising. The expanding Botswana supermarket sector has been able to boost market share as customers prefer the convenience of the one-stop shopping supermarkets offer and the perceived lower prices for their 'high quality' food products. The entrance of many of these chain supermarkets has led to the closure of some of the smaller retail stores (general dealer shops). The advantages of increased foreign direct investments in supermarkets in countries such as Botswana include increased competition among retailers and lower prices of some food products (Emongor & Blignaut, 2008:2).

In Botswana, both large and small scale farmers supply larger supermarkets, which supply a viable market for farmers' produce. The stock of foreign direct investment in the retail sector in Botswana was estimated at 8 percent in 2000. Botswana, along with other neighbouring Southern African countries, has experienced a significant flow of foreign direct investment in retailing, mainly from South Africa. The economic benefits of foreign direct investments consist of increased competition, lower prices of food products, much needed capital, new technologies, technical and business skills and knowledge of export markets (Makgosa *et al.*, 2013:126).

Local and foreign supermarkets utilise a combination of procurement systems to buy fruit and vegetables in Botswana. These systems include: farmers delivering produce to individual stores, supermarkets that utilise specialised wholesalers or preferred suppliers, supermarkets that utilise distribution centres, and outsourcing. Local chain supermarkets such as Payless and Choppies, and diverse independent retailers operating under the Spar logo contract with farmers (large and small scale) to deliver fruit and vegetables directly to their stores. Some chain supermarkets procure fruit and vegetables through specialised wholesalers or preferred suppliers such as Mr. Veg. Mr. Veg supplies fruit and vegetables to different supermarkets such as Ms Veg (Franchise of Mr. Veg), METSEF and Pick 'n Pay. About 90% of the fresh produce sold by Mr. Veg is sourced from the Johannesburg Fresh Produce Market. The remaining 10% is sourced from large scale farmers in the Tulliblock which is about 300 km from Gaborone. Some supermarkets buy fruit and vegetables centrally at distribution centres. This practice is also observed among large South African supermarkets such as Spar, Shoprite and Pick 'n Pay. These chain supermarkets utilise their sophisticated distribution centres and specialised fruit and vegetable sourcing companies in South Africa to source fruit and vegetables for their stores in Botswana. Street vendors source fruit and vegetables at the farm gate (from small scale farms near the cities), from wholesalers (such as Tony's Café) and even from chain supermarkets. This is because

prices in chain supermarkets are normally lower than those of street vendors (Emongor & Blignaut, 2008:4).

Botswana's closeness to South Africa has meant that it is increasingly integrated into the supermarket-driven food supply chains that dominate that country's food retail sector. Southern Africa's 'supermarket revolution' has transformed the way in which urban (and rural) residents of Botswana source their food. Supermarkets have expanded in Botswana over the past 30 years, an expansion driven by a speedily increasing urban population, a growing middle-class and a favourable economic and political climate for investment including trade liberalization and a stable democracy. Supermarkets handle around 50-60% of food retail in cities and main urban villages in Botswana. Within Gaborone, supermarkets are scattered around the city and are accessible to most urban customers (Crush, 2013:24).

There are two major types of supermarkets. First are the major South African supermarket chains (such as Shoprite, Spar and Woolworths) that have become increasingly well-established in Gaborone's urban food market. Secondly, there are smaller, locally-owned supermarkets that have a tendency to target poorer areas of the city. Some Gaborone-based supermarket chains have been expanding to towns outside the capital. In a current reversal of the trend of supermarket growth from South Africa to other African countries, one of these chains (Choppies) has been opening stores in South Africa. Supermarkets sell an assortment of perishable and non-perishable products, including maize meal, sugar, flour and milk, at significantly lower costs than most other food outlets within Gaborone. Low-income households benefit from the central role that supermarkets play in the food system, using them to acquire staple foods in bulk. Many surveys found that supermarkets are easily the most significant food source for the urban poor in Gaborone with 92% of households using them as a usual food source. As many as 73% of households buy food at supermarkets. A third of the households said they purchase from supermarkets at least once a week. A further two-thirds shop there at least once a month. Only 4% of households never shop at supermarkets. Supermarkets are a more significant source of food in Gaborone than in any other city (Crush, 2013:25).

There has been an increase in the number of local and foreign supermarkets involved in the food retail sector in Botswana. Supermarkets utilise a mixture of procurement systems. These range from decentralised to the utilization of specialised fresh fruit and vegetables wholesalers and distribution centres procuring produce for their stores in Botswana. Decentralised (store to store) procurement enables supermarkets to buy from local farmers including small scale farmers (Emongor & Blignaut, 2008:1).

Retailing has become a dominant sector in Botswana. The Trade sector in Botswana has developed significantly in the last five years. Several regional retail giants, such as Game Discount Stores, OK Stores, Spar, Pick n' Pay etc. have recently become established in Botswana, many of which have invested heavily in building large modern shopping malls e g., The River Walk Mall, (2002) and Game City (2003). Some other smaller Malls, (Fairgrounds, Molapo Crossing, OK Foods etc.) have also been established. The entry of large retail giants, mostly from South Africa, has created a more competitive environment, changed and restructured the retail sector, especially in the capital city of Gaborone. Old stores are being refurbished while stand-alone stores are developing new coping strategies in the face of customer flight to the new malls. Numerous general dealer businesses that are citizen-owned could not withstand the competition from the main retailers and "either closed down or experienced stagnation". The retail sector has not been accorded much recognition as a prospective contributor to the economic development of Botswana. It is normal in many developing countries to regard wholesale and retail trade as a 'less productive' sector with few prospects to contribute to economic growth and development (Iyanda *et al.*, 2011:8).

Retailers and wholesalers attributed the intense competition to three main sources; overtrading, chain store proliferation and Chinese traders. Overtrading, or licensing too many retail outlets creates intense competition which often takes the form of price competition, in an effort to accomplish product differentiation or positioning (Iyanda *et al.*, 2011:42).

2.6.1 Competition from Large Chain Stores

Closely related to the allegation of a 'Chinese invasion' is the complaint, especially from small scale traders, of competition from large chain retailers. From many researchers' observations (which are corroborated by the following statements from various small scale traders,) the arrival of large chain stores may have marked the beginning of the end of the general dealer. This is identified by the retail stores which were once prosperous, but now have empty shelves and little patronage. Many of the once-prosperous owners said that it was only a matter of time before they wound up their businesses. These businesses have thrived for several generations despite the fact that their prices were usually high and the fact that they offered very little diversity for customers. The key to their achievement had more to do with the stability of the market due to lack of competition. The appearance of large chain stores with cheaper and more varied merchandise has changed all that. The arrival of large chain stores is a current phenomenon in Botswana that began less than five years ago. By virtue of their size large chain stores are able to negotiate favourable deals with suppliers to

take advantage of economies of scale and can sell at lower prices the same products that small scale traders sell. Large chain retailers are also able, by virtue of their size, to stock a large assortment of goods which allows customers real selection. All these aspects give the large chain stores an overwhelming advantage over the small scale trader. The impact of the chain stores on the small general dealer was evident everywhere in Botswana where a Chain Supermarket opened a store. Almost all general dealers were either closed or in the process of closing down (Iyanda *et al.*, 2011:48).

2.7 WHOLESALERS

Wholesalers are individuals and firms that sell mainly to retailers and other wholesalers or industrial users. Wholesalers do not sell large quantities to end customers (Wiid, 2013:70).

A wholesaler is defined as a merchant middleman who resells products purchased from manufacturers and others to institutional, commercial or even industrial customers. Industrial distributors are recognised here as merchant wholesalers. Usually, a wholesaler will carry inventory, have one or more warehouses, employ sales personnel, and may have its own transportation facilities. Wholesaling is also very important in the service sector as well. Usually wholesalers perform several marketing and managerial tasks on behalf of their suppliers at a much higher level of efficiency and effectiveness than if these tasks were performed by manufacturers themselves. Wholesalers are specialized middlemen and they can accomplish economies of scale. Their knowledge allows a manufacturer to transfer to them the performance of those channel functions at which they excel. Wholesalers make market contacts, handle and store goods, ship and deliver them, provide quantity and assortment convenience, offer before and after sales service, provide for the informational and financing requirements of their buyers, and assume the essential business risks associated with any transaction (Tamilia & Charlebois, 2009:2).

Wholesalers make it possible to provide possession, time and place utility efficiently. The wholesale function is economically justified because it develops distribution efficiency by breaking bulk from manufacturers for classically small independent retailers and providing financing for their retail or industrial customers. A further function is to make assortments of goods. In the clothing sector in particular, independent retailers depend on wholesalers for fast-moving fashion lines that require to be replenished swiftly. Wholesalers' market power is greatest when retailers order a small amount of each manufacturer's products, or when the manufacturers involved have limited financial resources. Their financial strength decides the number of marketing functions they can provide, from product origination and packaging to

advertising and promotional support. Wholesaling has declined as the number of retailers sourcing directly from suppliers in large quantities has multiplied. In the food sector this has resulted in the consolidation and restructuring of the leading organizations. Nevertheless, new opportunities for wholesaling business to offset the downturn in traditional independent retail businesses have risen during the 1990s with the increase in convenience food retailing developed by formal retailers and fuel forecourt shops. The increasing popularity of eating out and the consequent growth of restaurants and takeaway business have given further opportunities for development (Kent & Omar, 2003:63).

The historical role of wholesalers was to be a conduit between manufacturers and smaller independent retailers. They performed this by buying products in bulk and then re-selling to the smaller traders. Due to the buying power of the wholesalers and the large quantity that they ordered, it was possible for them to sell products at lower margins. This allowed the smaller retailers the opportunity of selling products with a fair mark-up that would appeal to the customer. As these wholesalers built up relationships with their customers, so they started to extend credit terms to assist the general dealers with cash flow issues, and the ability to purchase sufficient stock to be able to trade effectively. Although the number of retailers has increased dramatically in the past few years, the number of wholesalers has stayed constant. This has been due to the retailers encroaching on territories previously supported by wholesalers, and the fact that retailers have less onerous regulations governing their trading practices (Briggs, 2009:6).

2.7.1 The wholesale intermediary

Wholesale intermediaries position themselves between the manufacturer and the retailer in the distribution channel, and can be classified into diverse groups. Merchant intermediaries are wholesalers who are directly involved in the procurement and sale of goods as they move through the channel of distribution. These wholesalers really own the goods in which they deal. There is a distinction between full-function merchant intermediaries who perform a full series of wholesaling functions, and limited function merchant intermediaries who limit their activities to certain wholesaling functions (Cant *et al.*, 2010:37).

There are three types of full-function merchant intermediaries namely:

- The general-merchandise wholesaler offering diverse product lines.
- The single-line wholesaler selling products such as hardware, groceries, or pharmaceutical products.

- The speciality-line wholesaler selling products such as frozen products.

Limited-function merchant wholesalers are divided into the following categories:

- Cash-and-carry wholesalers where the retailer has to go to the wholesaler to choose and assemble the merchandise, check out at a central station, pay cash and load and transport the merchandise
- Drop shippers who distribute bulky products.
- Truck distributors who distribute merchandise from trucks.
- Rack jobbers who organise displays (Cant *et al.*, 2010:37).

2.7.2 Agent intermediaries

Agent intermediaries focus on buying and selling merchandise for others. Agent intermediaries bring manufacturers and retailers together, but they do not take over ownership of the merchandise, and they provide only a limited number of functions. Agent intermediaries regularly work on a commission basis. Examples of agent intermediaries are estate agents, brokers, sales agents, manufacturers' agents, commission agents and auction houses (Cant *et al.*, 2010:38).

Wholesalers have acted as the intermediaries in distribution chains for numerous years, making a link between the manufacturer and the small retailers' outlets. However this physical distribution channel has altered in recent years with the development of wholesale organizations or voluntary chains. These wholesaler organizations are recognized as 'symbol' groups in the grocery trade. They were generally begun on the basis of securing a price advantage by buying in bulk from manufacturers or suppliers. One outcome of this has been the development of significant physical distribution channels because the wholesalers utilise their own distribution centres and vehicle fleets (Ruston *et al.*, 2006:58).

According to Strydom *et al.* (2013:91), the wholesaler in the urban areas no longer simply carries out the traditional wholesale functions in the distribution channel. It controls large cash-and–carry outlets and becomes involved through controlling organizations in manufacturing and packing, as well as in the importing of products. The wholesale activities of cash-and-carry wholesalers have therefore differentiated so that they market to small informal wholesalers such as spaza shops and formal retailers as well as to the final customer. The direct sales to the public by Makro could be regarded as an innovation in the

wholesale business in South Africa. The cash-and-carry wholesaler makes provision for each of the above target markets in the product mix. The modern wholesaler has no intention of being a passive observer while the manufacturer and the retailer try to force him out of the distribution channel.

2.7.3 The evolution of wholesalers

According to Strydom *et al.* (2013:91), the evolution of wholesaling moves throughout certain characteristic phases. The point at which the wholesalers are operating in a particular country is decided by the economic level of development of the country. In the first stage, the wholesaler separates its functions from those of importing houses. The early wholesalers carried out importing functions, gathered raw materials and were also involved in the retail distribution of products. In the second stage, the wholesale function separates from the retail function. As wholesale institutions develop alongside economic development in a certain country, the wholesalers delegate particular activities to other trading institutions such as retailers. In the third stage, specialisation of certain products occurs, along with the integration of the wholesale business with manufacturing. In the last stage of development new types of wholesalers such as the cash-and-carry wholesalers emerge.

2.7.4 Service wholesalers

A wholesale operation may be either of the service or limited function types. The former, as the name implies, offers a range of services to its customers, while the latter is simply acting as a selling agent, much like that of the manufacturer's representatives. The service wholesaler is the more important entity in the market place. Its role is to function as an intermediary between the producer and the retailer, creating all of the essential arrangements to satisfy both parties' needs, and providing advantages to each. For the manufacturers, the wholesaler takes them out of the distribution function. Accounts are sought and serviced, and the manufacturer only produces the merchandise. Since wholesalers procure in very large quantities, they decrease the manufacturer's inventory carrying needs. They also supply market information to the producer; decrease the risk involved in selling directly to the retailer, and merely do book keeping. These benefits are extremely significant to these middlemen (Diamond & Pintel, 2004:215).

The different types of wholesalers and how they are differentiated from each other is described in the above section. The next section describes the importance of the wholesale

supply chain and the important role of the wholesaler in the distribution channel and supply chain.

2.7.5 Wholesale supply chain

Supply management has emerged as one of the most significant levers for many organizations to remain profitable. The key to the company's accomplishment is its supply chain management practices including logistics, demand management, and supplier partnering (Victor & David, 2007:2).

Within structural decisions the arrangement of the organization's relationship with its suppliers and clients is termed the supply network. A supply chain can be referred to as one of the series of linkages from suppliers to clients within the supply network. Supply chain management is the management of the flow of material through the supply chain (James, 2011:66).

The next section explains the functions of wholesalers and how they can improve each of their functional activities through different management controls and methods; and how these functional activities affect the business of wholesalers and how they improve their business. Moreover, this section discusses how the wholesale functions affect the distribution channel and how others benefit through the wholesale functions.

2.8 FUNCTIONS OF THE WHOLESALER

Wholesalers perform many functions and the subsequent section discusses the wholesalers' key functions such as insurance protection, transport, communication and collaboration, warehousing, merchandising, procurement and marketing.

Wholesalers provide more than one business function. The wholesalers perform a number of combinations of functions such as transportation, packaging, cold storage, besides their main core business of wholesaling, importing and exporting (Arshad, 2005:275).

2.8.1Transport

Transportation plays a connective role between the several steps that result in the exchange of resources into goods in the hands of the final customer. It is the planning of all these functions and sub-functions into a system of goods movement in order to reduce costs and

maximize service to the customers that constitutes the concept of business logistics. The system, once put in place, must be efficiently managed (Tseng, 2004:1661).

Transport decisions can entail method selection, shipment volume and routing and scheduling. The decisions are influenced by the distance from the warehouse to the customers and plants, which, in turn, influence warehouse location. Inventory levels also react to transport decisions through shipment size (Ballon, 2004:41).

The function that transportation plays in a logistics system is more complex than merely carrying goods for the proprietors. Its complexity can be effectively carried out only through excellent management. By means of a well-handled transport system, products must be sent to the right place at the right time in order to satisfy customers' demands. It builds efficacy, "the ability to produce a desired or intended product" and also it creates a bridge between producers and customers. As a result, transportation is the base of competence and economy in business logistics and expands into other functions of a logistics system. Additionally, a good quality transport system performing logistics activities brings benefits not only to service quality but also to organizational competitiveness (Tseng, 2004:1662).

2.8.2 Efficient warehouse storage

NWU LIBRARY

In warehouses, where materials are stored, repacked, staged, sorted and prepared to be delivered to customers, managers try to find ways which lead not only to effectiveness, but efficiency too. Warehouse management is the art of operating a warehouse and distribution system or the way of operating it efficiently. Excellent logistics performance can open up new markets when customers expect speed, quality and minimised costs. Warehouses and material handling systems are the main elements within the goods flow and make the connection between producer and customer. Warehouses assist organisations to process customer orders carefully within an organised space. There are diverse types of warehouses according to the nature of the industry. Channel suppliers occasionally use private warehouses for their own distribution activities such as supplying different wholesalers in different areas. Public warehouses can be leased for a short term by organizations which have a need for extra space to store their products in the case where their own warehouse has reached the limit of its capacity, or for an overseas business, where a firm does not own a warehouse in the country. Warehouses that serve as points in the distribution system are referred to as distribution centres where products are stored for a short time to be rapidly shipped out to customers. Such products arrive at this warehouse in the early morning and get cleared at the end of the day (Madi & Bazi, 2013:20).

The mission of a warehouse in its simplest form is to efficiently receive, store and ship product to the next step in the supply chain without damaging the product. The warehouse must complete these activities rapidly, effectively and accurately in order to be successful. The four aspects which require to be addressed to develop effective warehouse management are the characteristics of the products, their source and how they are conveyed, what will happen to them in the warehouse, and details of their final destination. Shelving and storage systems provide a wide choice of opportunities to store goods, ranging from simple racks to fully automated systems. There are two main types of small part storage systems, static and dynamic. Static systems tend to be quite simple and inexpensive, and are regarded as the best storage methods regardless of their lack of automation. They are mainly effective when there is low to moderate throughput and storage volumes, and a huge amount of product types. Within static small parts storage there are two primary methods. The first is the traditional method of shelving, which can be customized in many ways to fit the procedure. The second method is modular drawer storage, which yields higher space consumption, usually close to fifty percent, compared to shelving. This increased capacity comes with a higher cost though, and is usually better for very small, loose items. Dynamic storage is preferred for applications with a very high rank of activity so that its initial cost can be recouped. Common dynamic systems consist of vertical and horizontal carousels, movable-aisle systems, and automated storage/retrieval systems (Master, 2005:11).

2.8.3 Merchandise and the importance of visual merchandise

As the merchandise offered cannot be differentiated, the stores try to make themselves different and manage the competition by visual merchandise. The usage of visual merchandise always improves the image and sale of the stores (Meenakumari, 2013:113).

Visual merchandising is a successful presentation of products that impacts customers purchase. It is providing the right product to the right customer at the right time. It is defined as "the presentation of a store brand and its merchandise to the customer through the teamwork of the store's advertising, display, special events, fashion coordination, and merchandising departments in order to sell the goods and services offered by the store". This means everything that a customer visualizes, exterior or interior, creates a positive impact on the customer. Organizations are gradually realizing that only selling the product is not the only important factor, but customers' satisfaction and convenience is also significant for shopping. Stimulus in stores includes space related, product related and people related aspects (Mehta & Chugan, 2013:1).

Visual merchandising is the presentation of a store and its merchandise to the customer through the teamwork of the store's advertising, display, special events, fashion coordination, and merchandising departments in order to sell the products and services offered by the store. Visual merchandising is no longer just a matter of making merchandise appear attractive for the customer. It is the real selling of merchandise through a visual medium. Additionally, visual merchandising, once called 'display,' has evolved from its origins as a store's decorative arts department to its present status as a sales-supportive entity, which impacts store design, store signing, departmental merchandise placement and display, store atmospherics, and store image. Visual merchandising is thus concerned with how both the product and brand are visually communicated to the customer and also whether this message is decoded properly in the context affecting a positive psychological or behavioural outcome, eventually leading to purchase. Atmospheric stimuli please the actual and emotional requirements of customers and improve the degree of customer involvement in a store, leading to favourable purchasing behaviours. Visual merchandising that covers the store exterior and interior is involved in creating a favourable shopping atmosphere which can improve customers' perceived image of the store. The term *visual merchandising* tends to be interchangeably utilized with the term *display*. However, visual merchandising involves much more in terms of practices and responsibilities than just displaying merchandise. Visual merchandising engages a number of technical and artistic components: colour, texture, lighting, mannequins, fixture, graphics, signage and so on. The use of a wide range of colours is deemed to produce attractive and appealing display and has the potential to positively impact on a respondent's propensity to browse. Many researchers have also considered lighting as one of the main contributing factors of visual merchandising in the store setting (Seock & Lee, 2013:175).

Visual Merchandise is a way of pulling the customer towards the store. The basic objective for visual merchandising is a need to attract customers to a place of business in order to sell the merchandise. Visual merchandising is offered to the customer through exterior and interior presentation. Each should be coordinated with the other utilising the store's overall theme. Creating and maintaining a store's visual merchandising plan, nevertheless, is not an easy task. It is essential to continually determine what the customer sees. This evaluation from the customer's viewpoint should start on the exterior and work completely through the interior of the store. Visual merchandising, or visual presentation, is the means to communicate a company's fashion value and quality image to potential customers. Each store tries to create and improve its image and concept through visual presentations, which attract shoppers and ultimately convert them into customers by building brand loyalty and

encouraging customers' buying behaviours. Visual merchandise includes exterior and interior elements (Meenakumari, 2013:121).

Visual merchandising can assist in creating that positive customer image that leads to booming sales. It not only communicates the store's image, but also reinforces the store's advertising attempts and encourages impulse buying by the customer. Visual merchandising is a key factor frequently overlooked in the success or failure of a store. It is second only to successful customer relations. Visual merchandising can be defined as everything the customer observes, both exterior and interior, that creates a positive image of a store and results in attention, interest, desire and action on the part of the customer. Visual merchandise consists of both the exterior and interior atmospheric of an outlet. In this competitive world, stores which offer related products can differentiate themselves by the usage of visual merchandise (Meenakumari, 2013:120).

Effective visual merchandising techniques create and maintain the store image in the customer's mind and provide support for the rest of the store's selling effort. That is, merchandise at the store can sell itself with successful display and signage even without the support of a sales associate and thus, visual merchandising can help stores in lowering their operating costs. Likewise, visual communications in the store can provide essential product information and recommend items or special purchases, and thereby help increase sales. Whereas the display department was once charged with simply making the store look 'pretty', the visual merchandising department is now confronted with the challenge of doing sales. Therefore, it is not surprising that the work of the visual merchandisers has developed into something far more demanding than that of window trimmers in the past. Similarly, their responsibility has become more and more significant in a time of extreme competition (Seock & Lee, 2013:174).

Visual merchandising can be described as everything the customer sees, both exterior and interior, that makes a positive image of a business and results in attention, interest, desire and action on the part of the customer. Visual merchandising ranges from window displays including forum display and floor merchandising alongside with promotion signage. Four dimensions of store atmosphere i.e. visual (sight) aural (sound) olfactory (smell) and tactile (touch) are significant in customers' choice of goods. The visual merchandising is entirely marketing based terminology and represents the most significant marketing tools and the most direct means of communication of the product, which means any promotional signage like billboards, banners, posters, bunting, placards, pamphlets, shop boards, shelf markers and hand bills of any company, shop or brand which a customer can visualize during the visit

to the market or during shopping. Visual merchandising is not only about this; it also consists of the layout of the stores, the shelving styles of the stores, the sections of the stores, the atmosphere of the stores and the brands available in the stores. It is visual product identification, the brand concept and the way of establishing the relationship between the customer and the product to make the sale; among the many marketing strategies visual merchandising is the one which creates closer communication with the customer by direct interaction. Visual merchandising is the tool which is utilised by the firms or shopkeepers to attract the customers or shoppers to do unplanned buying. It is the way in which the marketers and the shopkeepers organize their shops or do promotional activities that attract the shoppers by seeing the shop, promotions, their sign boards, atmosphere, shelf arrangement, section divisions, cleanliness and numerous other factors which attract the shoppers to do impulse or unplanned buying (Bhatti & Latif, 2013:2).

2.8.4 Procurement

Nowadays, procurement strategies are more a part of a business's achievement than ever before. Not only has technology given organizations the opportunity to truly make purchasing more efficient and inexpensive, but organizations are now spending a larger percentage of their revenue on products and services than they were thirty years ago. The best procurement practices are strategies that may be followed when making company purchasing decisions. These practices may consist of building supplier relationships, team-based approaches to procurement, and appropriate use of technology or e-procurement. Implementing procurement best practices may significantly improve the effectiveness of purchasing decisions. One of the most significant procurement best practices may be improving the relationship between the buyers and suppliers. Another procurement practice is to use suppliers that offer reliable products at fair prices. Building a long-term relationship with a reliable supplier can result in better customer service and may prove to be more cost effective over time. Another procurement best practice is to make a whole department responsible in some way for procurement. Making procurement practices more of a team effort can improve company morale and improve strategic approaches to purchasing. Some practices consist of designating a representative from each department to sit on a procurement committee that consults often with the procurement department. One of the most widely discussed procurement best practices is the use of e-procurement. E-procurement is an electronic way of purchasing supplies and services. Organizations that purchase e-procurement software are able to receive product and service payments online (Ingari *et al.*, 2012:49).

On the procurement side of the supply chain, the purchasing organization is focussed on keeping the purchase price low as it is this which was drives costs throughout the supply chain. Apart from measuring purchase price development, suppliers' delivery performance is also strictly monitored. Due to a complex order system, delivery plans were not very well coordinated with real customer demands, which forced suppliers to deliver products according to plan whether they needed the products or not. Behind this strange behaviour was a measure of supplier delivery performance linked to a bonus system in the purchasing organization. Therefore, individual interests negatively influenced supply chain performance. Organizations within the supply chain adopted a self-centred behaviour, which was reinforced by the manner in which performance was monitored. The retail manager was being "squeezed", the wholesaler had his hands tied by a small operating margin and the purchasing organization was driven by purchase price; all these, to some degree pointed at explanations to their situation. In order to break up this state of affairs in the supply chain, it is essential to widen the scope of their perspectives. Otherwise, the retailer will continue to look for solutions to his problems within his own organization, the wholesaler will remain focused on internal operational efficiency without considering the result on the retailer, and suppliers will continue fighting unsuccessfully for ideas which make sense and which might improve supply chain efficiency. This counterproductive connection was later identified and removed (Holmberg, 2013:48).

Generally the level of analysis and the purchase importance increases as the company moves from left to right, while the extensiveness of the choice set (i.e. the number of available vendors and the breadth of alternatives) decreases. It is then very important that the procurement processes within this continuum have diverse characteristics that need increasing levels of collaboration, relationship and trust between the supplier and the buyer as firms move from left to right. As a result, a manager must evaluate whether traditional relationships can be transferred to the online environment with suppliers. This needs an understanding of the supplier-related processes to recognize and evaluate the right set of suppliers, and the requirements to share the right set of information to improve relationship and collaboration. Nevertheless, information sharing needs a manager to evaluate whether the company is equipped to exchange such information electronically with suppliers in real-time, or to interface with exchanges to communicate with suppliers (Barua *et al.*, 2013:22).

2.8.5 Marketing

The marketing functions recognize the work performed in channels of distribution between firms and households. The commodity approach categorizes products and services as the

objects of market exchange. The institutional school explains the types and behaviour of marketing middlemen (exchange specialists), standing among original producers and ultimate customers in channels, which in the aggregate provide the institutional context of the marketing system.

Marketing management deals with the work of an individual company in making profitable sales of products and services. Customer behaviour includes an individual household's search and selection activities in purchasing a variety of products and services for consumption. The interregional and marketing history schools relate the spatial and temporal phases of marketing activities, describing places where and occasions when market exchanges take place on a micro-scale between individual segments of supply and demand up to the macro-scale of aggregate supply and demand (Shaw & Jones, 2005:270).

Wholesalers represent one such sort of middlemen and their marketing agenda does not constantly correspond with the one set out by manufacturers. Therefore, there is a need to form partnerships or alliances via the use of marketing programs and other incentives in order to guarantee smooth product distribution from points of the production to end users (Tamilia & Charlebois, 2009:1).

The traditional marketing system is constrained by insufficient infrastructural facilities such as storage, transportation and warehousing. There are insufficient incentives to the market participants to invest in these facilities as there are no premiums for high quality produce. Under the new supply chain, efficient logistics are vital and pivotal in meeting the customers' demand in the right form of product at the right time, place, ownership and price. Again, technology plays an important role in ensuring efficient use of logistics in distribution to make sure that products are available at different stages of the process without accumulating extreme inventories, enhancement and maintenance of various quality attributes and the use of plant and equipment in all stages of the value chain to reduce downtime and bottlenecks (Arshad, 2005:264).

2.8.6 Packaging

Packaging has an important impact on the efficiency and effectiveness of supply chains, where improvements can be achieved throughout the adaptation and development of the concept of packaging logistics. In order to enable these improvements, models are required that facilitate evaluations along the supply chain and show the activities involved in the packaging logistics procedure. The knowledge and awareness of the significance and

potential of the packaging logistics activities along the supply chain is low. Packaging also affects supply chain efficiency because it represents an interface between the supply chain and its main customer - the end user - and enables the chain's primary task i.e. serving end customers, to be accomplished. This is particularly evident in the FMCG supply chain. The concept of packaging logistics focuses on the synergies achieved by integrating the systems of packaging and logistics with the prospective of increased supply chain efficiency and effectiveness, through the development of both packaging and logistics related activities. One way to accomplish this is to concentrate on packaging development that benefits packaging related activities in the logistical system, usually called logistical packaging (Saghir, 2004:4).

Packaging has a very important role to play in containing and protecting food as it moves through the supply chain to the customer. It already reduces food waste in transport and storage, and innovations in packaging materials, design and labelling provide new opportunities to improve efficiencies. Product protection needs to be the primary goal for packaging sustainability, and sometimes this needs trade-offs between packaging and food waste (Williams *et al.*, 2013:3).

The significant role that packaging plays in the global food supply chain is regularly underestimated, but includes protecting the product; promoting the product; providing information on product usage, health and safety, disposal etc.; enabling the convenient transportation and utilization of the product; allowing utilisation of the product through the supply chain; and supporting well-organized handling of the product, again, throughout the supply chain (William *et al.*, 2013:11).

A new type of intermediary which is becoming significant in the new supply chain is the 'packers' who are performing a role similar to that of wholesalers with a special focus on packaging. Some large retailers are in the process of building up distribution centres, closer to the farms, to collect and re-pack produce before it is displayed in the stores. Many chains are shifting from traditional wholesale markets to 'dedicated wholesalers', who are regarded as more reactive to quality, safety, and consistency needs than traditional wholesalers, who aggregate produce from many producers and may also be unable to supply the quantities needed. The wholesalers seem to benefit from the new supply chain as they are in a better position to meet the supply needs of the large retailers. Operating on a relatively large scale of business, the wholesalers are able to mobilize their transportation facilities and their packaging or packing centres to collect and re-pack the produce in accordance with the specifications made by the retailers (Arshad, 2005:275).

Packaging needs human labour which makes it more complex and costly compared to an automated process. At this stage, employees receive the orders together with their priorities so they know which is to be processed and sent to the dispatcher first. On receiving a prioritised order, one of the employees should interrupt his work on a low priority order and start packing the higher priority order. Many factors influence the packing performance in the warehouse. For example, the size, type and the nature of the order which might need a special sort of packaging affects the speed of the packing process. Additionally, the priority of which order needs to be processed first directly affects the overall packing process (Madi & Bazi, 2013:21).

2.9 RETAIL AND WHOLESALE

A retailer is regarded as a business that focuses its marketing efforts on final customers with the objective of selling goods or services to them. This means that any business that sells a product or service to the end customer, whether it is to a client in a shop, by mail, over the telephone, door-to-door or by means of a vending machine, is a retailing business. Retailers generally buy in bulk and sell these items in smaller quantities to customers for personal, family or household use. A wholesaler, on the other hand, sells most of its products to retailers who in turn sell them to customers (Cant *et al.*, 2010:03).

According to Strydom *et al.* (2013:86), a typical South African distribution channel consists of the manufacturer, wholesaler, retailer, spaza shop and customer. During the period from 1952 to 1985, wholesalers grew by a normal real annual rate of 4.9% and now the wholesaler plays a significant role in the Southern African distribution channel. In rural areas, wholesalers are still very important channel participants in the distribution channel, but in the urban areas manufacturers are liable to shorten the distribution channel, especially in the case of convenience products. By 1991, the popularity of the wholesalers suffered a blow with the appearance of large retailers who buy directly from manufacturers. In this regard, the large retail trade takes over the marketing activities of the wholesalers, so that the wholesalers no longer have a place in the distribution channel. At this point, there was a trend for corporate chain-store groups to obtain an increasing share of total retail sales.
Nowadays, many main retailers and producers are vertically integrated. That is, they may play a role in more than one stage in the marketing channel, such as making the product, as well as distributing through their own formats. If an organization is vertically integrated, management must control the activities and flow of goods (logistics) along with related information between the channels (Rabolt & Miler, 2009:51).

Without a doubt, the retail supply chain is growing more complex each year. Sourcing locations are more fluid, product assortments are in flux, and clients expect 24-hour access to inventory from their location of choice. As a result of this, supply chain information must be available on a moment's notice, accessible to multiple parties, and accurate (Gibson & Defee, 2012:13).

2.9.1 Distribution channel trends in Southern Africa

According to Strydom *et al.* (2013:90), a distribution trend that is usual for developing countries is the occurrence of informal markets (street markets), which have become very popular in South Africa over the last few years. South African wholesalers experience competition from large retailer groups in two ways: firstly through the development of wholesale self-service outlets (cash-and-carry wholesalers). Metro Cash and Carry (Metro), as an example, has established 170 shops in South Africa that employ this self-service concept. Secondly, they set up retail sales outlets and build manufacturing facilities (i.e. forward and backwards vertical integration.) The merging of Metro and Score Foods under the Premier Group has meant that the Premier Group, as a producer, can market its own products directly and thus shorten the distribution channel.

Retailers are people and companies who sell products and services to individuals for their own use rather than for resale. They are marketing intermediaries with whom customers are very familiar. Customers usually buy food, clothing, furniture, appliances and many other items from diverse retail outlets. Retailers can be categorised in terms of store retailers such as department stores, speciality stores and franchises; non-store retailers, such as direct selling organizations, television marketing and telemarketing; and retail organizations (Wiid, 2013:71).

According to Strydom *et al.* (2013:95), wholesalers pointlessly increased distribution costs in the distribution channel, and tried to perform the wholesale function themselves. The upshot was that manufacturers eliminated the cash-and-carry wholesaler from the distribution channel and started marketing directly to the retailer - initially with considerable success. The rise of the large retailer further reduced the involvement of the wholesaler in the distribution channel. The big retailers were in a position to carry out the wholesale functions themselves. Consequently, the manufacturers, their own marketing endeavours and the development of large retailing groups led to extreme competition. As a result of this, competition in the cash-and-carry wholesaler is being increasingly removed from the distribution channel. Besides,

competition between the larger retail and independent retailers also developed. Because the large retailer was in a position to market products more cheaply and effectively, it also posed a danger to the independent retailer.

Supply chain management is about the retailer, their suppliers and the person who carries all the goods. "It needs to be all three getting it right". Supply chain efficiency is the measure of getting the right product to the right place at the right time at the least cost (Durham, 2011:14).

2.10 CONCLUSION

The study set out to determine the characteristics of the wholesale and retail business in Gaborone. According to the literature, in the Southern African context there is an overlap of functions between the two. Gaborone has seen fundamental changes in the FMCG market in the last few years. Many of these changes followed the trends of the neighbours in South Africa. As the economy has grown and trading has become more sophisticated, so the older ways of operating have changed. The changes that affect one of the parties in the supply chain, by definition, affect each and every other party. Legislation regulating the roles of the different parties in this chain was enacted to protect parties, especially with the aim of advocating citizen empowerment.

While Gaborone was operating in a more closed economy, the Trade Act did offer a certain amount of protection to the smaller citizen-owned trading businesses. As the economy opened up, that very protection became superfluous. The forces of a free economy started to gain momentum, and customers started gaining power through choices that opened up. These came about through more stores opening, offering more products at better prices.

The source of supply for the general dealers, namely the wholesalers, has ironically now been identified as one of the factors to be reconsidered with the aim of protecting the general dealers. The Trade Act of 2008, together with the Liquor Act are being enforced in an attempt to curtail sales of certain products. As has been highlighted, the changes in business trends dictate that wholesalers should more easily be allowed to sell single products to the general dealers, so that they in turn can sell the correct range of products to their customers.

The proposed Competition Law appears to be a solution to some of the problems faced by the general dealers and independent traders. This legislation is still being formulated and the true scope needs to be examined once a White Paper has been drafted.

In the interim, the problems that are being faced by the wholesalers and the restrictions on what they are allowed to sell needs attention. It is my opinion that the configuration of the products that are to be sold is not the solution to the problem.

Restrictions on packs are too vague, and exceptions based on 'value' are subjectively measured by the party enforcing the law. As has been noted, the values of certain everyday items when measured in case lots are very high. Whilst mention is made of wholesalers being in violation of the Act, when read in conjunction with the Liquor Act, the highlighted section always refers to the sale of single units, but the 'value' component is negated. In fact, the values of case lots are so high that many smaller retailers are not able to purchase them. The net result is that they do not supply their customer's needs and those customers then change where they make their purchases.

The prohibition of the selling of single units by wholesalers does not offer protection to the general dealers and other smaller traders. There are now too many chain stores opening in most of the major villages that are getting these products from suppliers. When general dealers cannot afford to purchase case lots of certain products due to cash flow issues, the customers will change allegiance and purchase from the chain stores.

Ultimately free trade in an open economy will guide best business practices. As can be seen in Southern Africa, many of the restrictions that were enforced at some point or other became superfluous, and fell away. Competitive businesses will be able to survive based on providing the customer with the correct product at the correct price. Legislating how parties in the supply chain supply to subordinate parties has only short term protective value. This value is lost when the protected party trades freely, and their customers do not accept the service offering that is available because a better one exists in the same vicinity.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

The literature reviewed in chapter 2 has been used as a basis for the improvement of the instruments for the empirical research. This chapter focuses on the research method that was followed to accomplish the primary and secondary objectives. The purpose of this chapter is to explain the research methodology followed during the empirical phase of the research. The main sections of research approach are discussed in this chapter.

The research approach summarises the research method and research design. The target population and research population are discussed. The layout and design of the questionnaire used to collect data is presented as well as the testing of the survey instrument for validity and reliability. The sample size and sampling process as well as collection of data and analysis of the data are discussed.

According to Parasuraman *et al.* (2007:34), it is appropriate and useful to divide the research method into a series of sequential steps, although in truth the stages are interconnected. Given the approaches of various authors and the nature of this research, the following research steps were used to make sure that the methodology was correct, transparent and to the point:

- Define the research problem and purpose.
- Define the research objectives.
- Develop the research design.
- Determine the research method.
- Design data collection procedures.
- Select the sampling procedure.

For precision and comprehension purposes the investigator decided to use the research steps as recommended by Parasuraman *et al.* (2007:201) to conduct this research.

3.2 DEFINE THE RESEARCH PROBLEM AND PURPOSE

Marketing research is referred to as the "systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of progressing decision-making related to the identification and answering of problems and opportunities in marketing" (Malhotra, 2004:7).

Marketing research is one main element within the entire field of marketing information. It is the customer, customer, or public giving information to the marketer which is used to recognize and define marketing prospects and problems in order to create, refine and evaluate marketing actions and to progress understanding of marketing as a procedure, and of the ways in which particular marketing activities can be more successful. Marketing research specifies the information needed to deal with these issues, design the methods for collecting the information, administer and implement the data collecting process, analyse the results and communicate the findings and their implications (Shukla, 2008:16).

The research problem is based on influences identified from the marketing literature, which suggests that retailers' extended business activities create a limiting effect on the wholesalers' survival. This study thus aims to investigate how the retailers' extended business activities create a limiting effect on the wholesalers' survival in Gaborone. There is a general perception that the diversification of retailers' activities has a negative effect on the wholesalers' survival.

3.2.2 Conceptualisation

A conceptual framework describes the key aspects to be studied (the major aspects, or variables,) and the presumed relationships between them. It is usually easier to make a conceptual framework after a list of research questions has been formulated (Foster, 1998:72). For this study the first research question is to determine the different functions of retailers and wholesalers. The second question asks: What business activities are retailers (in Gaborone) involved in? The next question is aimed at determining what business activities wholesalers (in Gaborone) are involved in, and the last question is based on the influence of the Trade Act (2008) on the functions of wholesalers and retailers in Gaborone.

Figure 3.1 illustrates the conceptual framework showing the influences that were chosen to be tested. Research into each influence discloses its sub- influences which are a very important consideration in the formation of the research instrument.

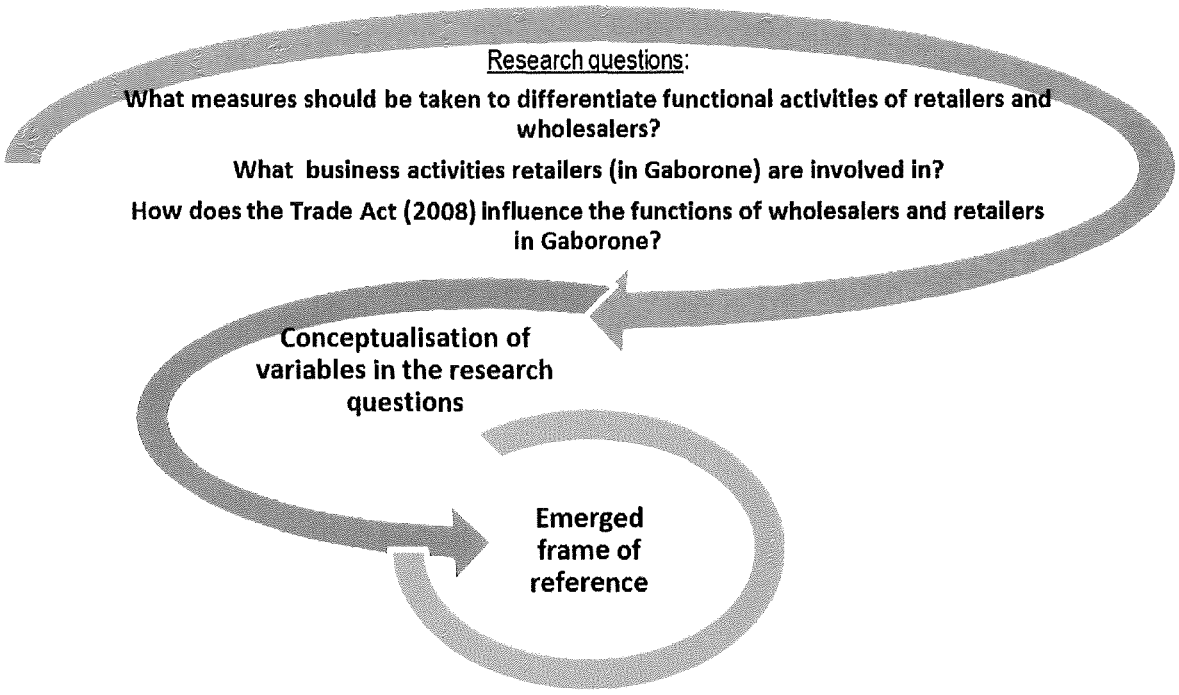


Figure 3.1: Schematic presentation of Chapter Three.
Source: Adapted from Foster (1998:73).

3.2.3 Emerged frame of reference

The conceptualization in Figure 3.1 is what permits the researcher to respond to the research questions. The frame of reference has led the data collection for this study. According to Foster (1998:75), the conceptualisation allows the investigator to respond to the study's research questions.

The proposed plan of how the researcher will collect and analyse the data to operationalise the main concepts and what statistical procedures a researcher is planning to utilise, all form part of the frame of analysis (Kumar, 2011:386).

3.3 RESEARCH OBJECTIVES

The research objectives flow naturally from the research purpose. It is the planning and determining of definite, concrete and accomplishable goals (Cooper & Schindler, 2011:139). The research aim and objectives of this research study were mentioned in Chapter 1, section 1.3. For convenience, the research aim and objectives are repeated below:

- To determine the profile of wholesalers and retailers.

- To identify the current distribution channels and their impact on customers.
- To determine the wholesalers' and retailers' perception on trading in Gaborone within the current economic climate.
- To establish how the current Trade Act affects the functioning of wholesalers.
- To investigate why retailers encroach on territories previously occupied by wholesalers.

After the research objectives have been identified the research design should be considered.

3.4 RESEARCH DESIGN

It is crucial to differentiate between the two key research approaches, namely the quantitative approach and the qualitative approach. Proctor (2003:528) defines quantitative research as an approach involving a large sample which is designed to generate data that can be projected to the whole population.

A research design is a procedural plan that is implemented by the researcher to answer questions validly, objectively, precisely and economically. A research design therefore answers questions that would establish the journey a researcher is proposing to take for the research. A research design shows the choices made by a researcher regarding the design of the study to be used, the method of collection of information from respondents and how they would be selected, how data will be analysed, and how findings will be conveyed. (Kumar, 2011:396). The main purpose of a research design is to explain how the researcher will find answers to the research questions. The research design sets out the precise details of the enquiry (Kumar, 2011:23). A research design is a design of the methods and procedures to be used in obtaining the information that is needed. It is a systematic investigation that allows the investigator to report the findings scientifically. "A research design situates the researcher in the empirical world and links the research questions to the investigation". It is a plan of action that contains four main ideas, namely strategy, conceptual framework, the questions regarding who or what is to be investigated, and the tools and procedures to be used in the empirical study (Malhotra & Birks, 2003:58).

3.4.1 Survey research

According to Saunders *et al.* (2009:144), the survey strategy is usually linked with the deductive approach. It is a popular and general strategy in business and management research and is most commonly used to answer 'who, what, where, how much and how

many' questions. It therefore tends to be used for investigative and descriptive research. Surveys are popular as they allow the collection of a large amount of data from a sizable population in a fairly inexpensive way. Often achieved by using a questionnaire administered to a sample, these data are normalized, allowing easy comparison. In addition the survey strategy is regarded as authoritative by people in general and is both comparatively easy to describe and to understand.

3.4.2 Quantitative research

This research is based on the mixed method (quantitative and qualitative data gathering). Quantitative research concerns things that can be accomplished. One of its most common regulations is the use of statistics to process and describe data and to summarise findings. In common, quantitative research is concerned with methodical measurement, statically analysis and methods of experimentation (Fox & Bayat, 2010:7).The quantitative approach is chosen in order to use quantitative data to analyse and summarise the findings by using descriptive statistics. The research used the survey method and quantitative data was collected by using questionnaires. The collected quantitative data has been displayed by using tabular forms, various charts, graphs and statistics. The qualitative method is used to get information that cannot be monitored and measured directly, for example thoughts, intentions, perceptions, ideas and feelings. In this research the researcher used open ended questions to gather the qualitative data. The quantitative method (structured questionnaires) is used to generate data about the wholesalers and retailers. This part is stated in numbers and also analysed quantitatively.

3.4.2.1 Questionnaire development

The first phase that should be clear before designing a questionnaire is the goal of the study. Once the researcher is obvious about what the researcher wants to know and why the researcher wants to know it, the question may be asked concerning the method by which the information is to be acquired. The nature of the issue will ultimately determine what types of questions should be used to obtain the information. Basically there are four reasons for using questionnaires: to explain phenomena, to describe phenomena, to plan strategy, and to predict behaviour (Fox & Bayat, 2010:89). The questionnaire was developed in such a way that the chosen management and executive employees of the retail and wholesale sector in Gaborone could respond to it. Two separate questionnaires were used, one for wholesalers and one for retailers.

The questionnaire was created and structured according to the instructions of Leung (2002:144) who provides featured guidelines in the following areas of questionnaire design:

- defining the objectives of the survey,
- deciding the sampling group,
- writing the questionnaire,
- managing the questionnaire, and
- interpreting the results.

Open questions (qualitative approach) are also referred as free-response or unstructured questions. Respondents are encouraged to comment freely on the topics that have been put to them. Open questions are used particularly to find reasons for particular respondent opinions or attitudes. Closed questions are also called structured or multiple –choice questions. A closed question is one having specific, mutually elite response categories from which respondents must select a type that best fits their answers. This means that the questions are phrased in such a way that respondents are guided or requested to select an answer from among two or more specifically stated alternatives. In multiple choice questions there is usually a choice of three or more answers or answer types (Fox & Bayat, 2010:91).

Both open-ended and closed questions have their advantages and disadvantages under different conditions. To a degree, their advantages and disadvantages depend upon whether they are being used in an interview or in a questionnaire and on whether they are being used to look for information about details or opinion. As a rule, closed questions are exceptionally helpful for eliciting accurate information and open-ended questions search for opinions, attitudes and perceptions. The selection of open-ended or closed questions should be made according to the reason for which a piece of information is to be used, the type of study population from which information is going to be acquired, the proposed format for communicating the findings and the socio-economic background of the readership (Kumar, 2011:152).

In this research, the questionnaire consists of various types of questions, such as open questions, closed questions, scaled questions, and dichotomous questions. This gives the respondents the opportunity to respond systematically and this allows the researcher to get information, facts, opinions, and attitudes in an effective way. In this study the pre-code method was used.

When the questionnaire for this research was developed, great care was taken to ensure that the wording of the questionnaire was clear, simple and easy to comprehend without

compromising the objectives of the study. The questions followed the natural direction in which a conversation would flow, from simple questions to more complex questions towards the end. The researcher decided to end the questionnaire with questions relating to demographics. The demographic questions were included at the end of the questionnaire to prevent them causing annoyance (Parasuraman *et al.,* 2007:299).

Demographic questions were included in the research as these questions give classification data, helpful for cross-classifying answers to other questions (Martínez & Montaner, 2006:166). The demographics questions were utilized to provide a tentative profile of the management employees of the retailers and wholesalers and give the attributes that could be used for effective segmentation. These include age, gender, position and level of education. The questions of the survey questionnaire were created avoiding ambiguity and vagueness in order to enable a proper analysis of the responses and avoid unclear and meaningless responses. The questions have been created without including loaded questions and questions containing assumptions. The language used has been thoroughly considered in this research, and questions were written in a simple descriptive manner, without technical terms and jargon. A questionnaire should not only be valid, but also reliable. Reliability is mainly the ability of the questionnaire to produce the same results under the same conditions. To be reliable, the questionnaire should first be valid. Obviously the easiest method to assess reliability is to test the same group of people twice. If the questionnaire is reliable a researcher would expect each individual's scores to be the same at both points in time. So, scores on the questionnaire should correlate perfectly (Field, 2007:3).

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. In short, it is the stability or consistency of scores over time or across raters. There are three phases of reliability, namely: *equivalence*, *stability* and *internal consistency* (*homogeneity*). It is necessary to understand the distinction between these three phases. The first aspect, equivalence, refers to the amount of agreement between two or more instruments that are administered at nearly the same point in time. Equivalence is measured through a *parallel forms* process in which one administers alternative forms of the same measure to either the same group or different group of respondents. This administration of the diverse forms occurs at the same time or after a time delay. The higher the degree of correlation between the two forms, the more equal they are. In practice the parallel forms process is rarely implemented, as it is difficult, if not impossible, to verify that two tests are indeed parallel (i.e., have equal means, variances, and correlations with other measures). The procedure for determining inter-rater reliability is:

# of agreements / # of opportunities for agreement x 100.

Thus, a situation in which raters agree a total of 75 times in 90 opportunities (i.e. unique observations or ratings) produces 83% agreement (Miller, 2003:1).

This research questionnaire includes sections about pricing competition, about the competitors in the market, obstacles to trading in the business and also some demographic questions. This questionnaire is clear, easy to understand and short, so it is easy to get accurate responses. The questionnaire was e-mailed to respondents. Some questionnaires were handed to the respondent personally and answered quickly.

Staff at management level in some of the wholesale and retail businesses in Gaborone was selected to participate, in accordance with the selected sample.

3.4.2.2 Pilot study

Piloting is a key point in the development of the questionnaire permitting evaluation of the instrument before the main study is conducted (Parahoo, 2006:23). The pilot study is conducted on a small sample of the population using the same method as the major study. It gives the researcher the prospect of checking if the respondents understand the questions in the same manner, if all questions are appropriate and if all the instructions are clear. The pilot study also permits a check on whether the length or structure of the questionnaire is problematic (Parahoo, 2006:25). The validity and reliability of the questionnaire can also be checked at the pilot study stage (Jones & Rattray, 2010:33).

The pilot respondents have been debriefed to check for problems with the questionnaire and problems concerning it. The structure and content of the questionnaire has been revised accordingly. The researcher will use the data collected in the pilot study to generate dummy data for all participants in order to run a trial test on the selected method of data analysis. Care will be taken that the participants in the pilot study are excluded from the main study and that details of the study are not passed on to the main study participants (Robson, 2007: 53).

3.5 RESEARCH METHOD: SELECTION OF DATA SOURCES

Data is the foundation for any research study. Parasuraman *et al.* (2007:42) identify two categories of data, namely primary data and secondary data. Secondary data refers to

information that has already been gathered and is readily obtainable from other sources, while primary data is gathered for particular research needs.

Primary data are the sources entailing the oral or written evidence of eyewitnesses, whereas secondary data sources entail the oral or written witness of people not present on a given occasion. These sources are documents written, or objects generated by others that relate to a specific investigation question or field of research interest (Berg, 2007:268). Both primary data and secondary data sources were utilized in this research.

3.6 DATA COLLECTION PROCEDURES

There are five research strategies existing to collect data, namely experiment, survey, archival analysis, history and case study. There are numerous criteria for selecting one or several of these strategies. These criteria include: the form of the research question, if it requires control over behavioural occasions and if it focuses on existing situations (Yin, 1994:5-6).

In this research study, wholesalers and retailers were surveyed to determine their perceptions on trading in Gaborone with the current economic climate and other conditions. Two separate questionnaires were used, one questionnaire for wholesalers and another questionnaire for retailers, each containing appropriate questions.

According to Saunders *et al.* (2009:144), survey strategy permits the researcher to collect quantitative data which the researcher can analyse quantitatively using descriptive and inferential statistics. In addition, the data gathered using a survey strategy can be used to recommend possible causes for particular relationships between variables and to produce models of these relationships. Using a survey strategy should give the researcher better organised control over the research procedure and, when sampling is used, it is feasible to generate findings that are representative of the whole population at a lower cost than gathering the data for the entire population.

Survey research entails gathering data by putting a set of pre-formulated questions, in a pre-determined order in a structured questionnaire, to a sample of individuals taken to be representative of a given population. The history of surveys can be traced back to ancient times and the way of taking a census. A census includes information about the features of the entire population within a field (Fox & Bayat, 2010:87).

This research used the survey method to collect the data. This survey method allows the researcher to have more control over this process and by using a proper questionnaire makes it possible to produce proper findings.

In this study the data was collected by using the questionnaire. Questionnaires are a source of evidence providing primary data. Respondents were asked to complete the questionnaire by responding to questions to determine the respondent's opinions and answers.

A direct approach was utilised to distribute the questionnaire to respondents. This method was regarded as proper since respondents who satisfied the demographic profile of the study were available at the retailers and wholesalers in Gaborone. The approach was effective because it allowed the interviewer to clarify questions that participants had and at the same time allowed participants to answer the survey questions. In this manner, non-response and memory bias was avoided. The semi-formal nature of the approach reduced the problem of non-responsive errors as people were more willing to answer questions. The survey instrument was designed to be quick and easy to complete (Mayen & Marshall, 2005:5).

3.6.1 Study environment and population

According to Proctor (2003:102), population can be referred as the total group to be studied. It is the grand total of what is being measured. Parasuruman (2007:256) refers to population as consisting of the complete body of units of interest to decision-makers in a condition. The population of this research study consist of the retailers and wholesalers in Gaborone.

3.6.1.1 Target population and sampling

Before designing a sample, one must think carefully about the definition of the population for which the researcher plans to make inferences. This is referred to as the target population. Only when the population of interest has been defined accurately is proper sampling possible (Greenfield, 2002:186).

The population relevant to this research consists of wholesalers and retailers in Gaborone (the capital city of Botswana). The size of the total population is 100 retailers and 15 wholesalers. Within this population group the aim was to obtain a sample size that represents the chosen population (Warren, 2012:12). A minimum of 49 respondents were approached to participate as part of a convenient non-probability purposive sample. This sample size is 43% of the total population. This sample population includes formal retailers

and wholesalers. The retailers were located in shopping centres and some of the wholesalers were located in shopping centres and other locations in Gaborone. Most of the wholesalers and retailers were located in shopping centres. This is the best way to identify the locations of wholesalers and retailers.

According to the required sample 49 respondents represent a 0, 95% confidence level with a 0.025 margin of error. This sample is good for the research as this is an extremely small margin of error. In this research 7 wholesalers and 42 retailers have been selected as the target population.

Performing the research in Gaborone seemed ideal as Gaborone is the trade city of Botswana. Permission was obtained from the management of the respective retail and wholesale stores to approach the respondents. Three field workers were used to approach respondents to complete the questionnaire. The fieldworkers were visited at each selected retail and wholesale outlets.

3.7 THE SAMPLING PROCEDURE

The researcher must decide the type of sample to use and must make a decision about the technique to be used in selecting the items for the sample. In effect, this technique or procedure stands for the sample design itself. The researcher must choose that design which, for a given sample size and for a given cost, has a smaller sampling error. A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher will use in selecting items for the sample. Sample design may decide the number of items to be contained in the sample. Sample design is decided before data are collected. There are many sample designs from which a researcher can select. Some designs are more precise and easier to apply than others. The researcher must choose or prepare a sample design which should be reliable and suitable for the researcher's research study (Kothari, 2004:56).

Sampling is the selection of a fraction of the entire number of units of interest for the ultimate purpose of being able to draw common conclusions about the whole body of units (Parasuraman *et al.*, 2007:356).

Samples are used because it is not possible to work with the total population. The statistics computed from the sample will estimate the corresponding parameters precisely, at least on average. A sample that does this is said to be representative (Sharpe *et al.*, 2011:33).

When a researcher is in a position to identify all elements of a study population, the listing of the entire elements is called a sampling frame (Kumar, 2011:398).
The listing of population members from which a sample is represented is known as the sampling frame. The frame may have a physical reality, such as a printed list or a computer file. On the other hand it may result from the application of a sampling method (Greenfield, 2002:197).

The sampling frame was a business directory of wholesalers and retailers in Gaborone. A sample size of 49 was chosen for this research study which includes 42 retailers and 7 wholesalers in Gaborone. These 49 respondents were approached to participate as part of a convenient non-probability purposive sample. Most of these retailers were located in shopping centres and some of the wholesalers were located in different areas of Gaborone. Some wholesalers were located outside of shopping centres. Wholesalers and retailers were selected in different shopping centres and different locations according to the prepared list of the wholesalers and retailers.

The procedures and mechanisms that collectively represent the method of sample selection are known as the sample design. As its simplest, a sample design is a sampling frame. This refers to the list of units, from which the sample will be selected, with an arrangement of the procedures to sample from the frame (Greenfield, 2002:186).

The sample frame is the set of people that has a possibility to be chosen, given the sampling approach that is selected. A sample simply can be representative of the population included in the sample frame. One design issue is how well the sample frame corresponds to the population researcher wants to explain. Moreover sampling frame is the source material or device from which a sample is drawn. It is a list of all those within a population who can be sampled, and may include individuals, households or institutions. A sampling frame has the property that the researcher can recognize every single aspect and include any in the sample. The most straightforward kind of frame is a list of elements of the population (preferably the entire population) with proper contact information. Sample design is a set of rules or procedures that stipulate how a sample is to be chosen. This can either be probability or non-probability. The features of the sample design, its size and the specific procedures used for selecting units, will influence the accuracy of sample estimates, that is, how closely a sample is likely to approximate the characteristics of the whole population. A sample can only be representative of the sample frame. It is obvious that sample design is a

sample frame by looking at this information about sample design and sample frame (Greenfield, 2002: 186).

3.7.1 Sampling method

In this research study the investigator made use of a non-probability sample, "a sampling technique in which units of the sample are chosen on the basis of personal judgement or convenience" (Zikmund, 2003:380). A disadvantage of using a non-probability sample is that there were no proper statistical techniques for measuring random sample error. A non-probability sampling method can yield excellent estimates of the population's characteristics. It entails the use of personal judgement. The non-probability sampling is suitable for this study because non-probability approaches are more suitable to understand complex market phenomena like in this study. And also another advantage of using non-probability sampling is its lower cost compared to probability sampling (Churchill & Iacobucci, 2002:454).

The 'non-probability' sampling; the reason being that the investigator has no way of forecasting or assuring that each aspect of the population will be represented in the sample. Three methods of non-probability sampling can be used to select a sample. They are convenience sampling, quota sampling and purposive sampling (Watkins, 2008:55).

For this research the researcher decided to use convenience sampling, also known as 'accidental sampling' and purposive sampling. Convenience sampling does not identify a subset of a population and makes use of people that are 'readily available' (Watkins, 2008:55).

Convenience sampling is a non-probability sampling method where subjects are chosen because of their convenient accessibility and proximity to the researcher. In convenience sampling, a sample is selected for ease or convenience rather than through random sampling. This sounds underhand but it is frequently used, at least in pilot studies or short term projects where there is inadequate time to construct a probability sample. As a result, where this is utilised, the results cannot be generalised to the population (Greener, 2008:48).

In this research study researcher has selected the convenience sampling method as it is suitable for this study. A random group of wholesalers and retailers were selected and the selection process was continued until the required sample size of 42 retailers and 7 wholesalers has been reached. This sample aims to represent the total population of the study.

Purposive sampling refers to sampling which is carried out by targeting a certain group in a non-random method. In purposive sampling, the researcher selects samples in accordance with what they think is suitable for the research. It is just seen as sampling with a purpose in mind, as the name suggests. A purposive sample is a model picked in a deliberative and non-random method for a particular goal. For example in a focus group, researcher may require to intentionally look for respondents at both ends of a spectrum to make sure that all perspectives are suitably represented. The aim of purposive sampling is not to randomly select units from a population to make a sample with the intention of making generalisations from that sample to the population of interest. This is the general objective of research that is guided by a quantitative research design. Purposive sampling enables a researcher to utilise her judgement to choose cases that will best enable researcher to answer the research questions and to meet researcher's objectives. This form of sampling is frequently utilised when working with very small samples such as in case study research, or when a researcher wishes to select cases that are mainly informative. Purposive sampling can also be utilised by researchers adopting the grounded theory strategy. For such research, findings from data collected from the initial sample inform the method the researcher uses to expand the sample into subsequent cases. Such samples, nevertheless, cannot be considered to be statistically representative of the total population. The logic on which a researcher bases the strategy for choosing cases for a purposive sample should be dependent on the research questions and objectives. This point is emphasised by contrasting the need to select information-rich cases in purposive sampling with the need to be statistically representative in probability sampling (Saunders *et al.*, 2009:238).

In this research study the wholesalers and retailers were targeted in a non-random method. The researcher has selected the samples of wholesalers and retailers in accordance with what the researcher thought is suitable for the research. This research study used purposive sampling which allowed a sample to be selected that represents the total population. A sample size of 49 respondents participated in this research as part of a convenient, non-probability, purposive sample which is a proper sample, looking at the background and the total population of the study. These sampling methods are more suitable for this study as the study focuses on studying the whole sale and retails business in Gaborone.

3.7.2 Sample size

In this research study the target was a sample size of 49 respondents, more than 49 questionnaires were printed to have questionnaires available to compensate for uncompleted ones. The researcher has chosen a sample size of 49 which consist of 42 retailers and 7

wholesalers. This sample size is chosen according to the number of retail business and wholesale business in Gaborone. This sample is determined according to the required level of precision. Respondents were approached, irrespective of gender and racial group. The minimum age for participation was 18 years to allow for informed consent in one's own right as a major. Respondents received no remuneration for participation.

According to Hair *et al.* (2006:707-708), the sample size imitates and exceeds the recommendation .A sample of 49 was conveniently selected for the study.

3.8 DATA GATHERING

As previously stated this research intends to carry out a quantitative and qualitative study. Having formulated a research problem, developed a study design, constructed a research instrument and selected a sample, the researcher then collected the data from which she will draw inferences and conclusions. Many methods could be used to gather the required information. As a part of the research design, the researcher decided upon the procedure she wanted to adopt to collect the data (Kumar, 2011:26).

As part of the survey, wholesalers were surveyed to determine their perceptions on trading in Gaborone within the current economic climate and other conditions. This research used the survey method to collect the data. This survey method allows the researcher to have more control over this process and by using a proper questionnaire it was possible to produce proper findings.

During this phase of the research process fieldwork is executed and the survey methodology is put into practice by means of data collection (Malhotra, 2004:412).

3.9 DATA ANALYSIS

After the data has been gathered, the investigator turns to the duty of analysing the data. The analysis of data needs a number of closely related operations such as establishment of categories, the application of these groups to raw data through coding, tabulation and then drawing statistical inferences. The data should be condensed into a few manageable categories and tables for further analysis (Kothari, 2006:18).

According to Saunders *et al.* (2009:422), all data types should, with a small number of exceptions, be recorded using numerical codes. This allows the researcher to enter the data

quickly using the numeric keypad on the keyboard and with fewer errors. This also makes subsequent analyses, in particular those that need re-coding of data to make new variables, more straightforward.

According to Saunders *et al.* (2009:424), actual numbers are regularly used as codes for numerical data, even though this level of accuracy may not be needed. Once the researcher has entered the data as a matrix, the researcher can use analysis software to group or combine data to form additional variables with less detailed categories. This procedure is referred to as coding. Codes are often applied to categorical data with little consideration, although the researcher can create a coding scheme that makes subsequent analyses far simpler. For many secondary data sources, an appropriate coding scheme had already been devised when the data were first gathered. However, for some secondary and all primary data the researcher needed to choose a coding scheme. Prior to this, the researcher needs to establish the highest level of accuracy required by the analyses.

For many of the statistical methods used, a distinction is made between a dependent variable and an independent one. In several techniques such as multiple regressions, the dependent variable may be referred to as the criterion or the criterion variable and the independent variable the predictor or predictor variable. The dependent or criterion variable is the variable that the researcher is interested in explaining in terms of the independent or predictor variables. The dependent variable is so called because the researcher is assuming that it is influenced by, or dependent on, the independent variables. The independent variables are assumed to be unaffected by, or independent of, the dependent variable (Cramer, 2003:5).

Researcher has entered completed questionnaire codes in to the Microsoft Excel spreadsheet. The data that was entered in the Microsoft Excel spread sheet was checked many times to avoid the errors. Then the Microsoft Excel data was imported to the *Statistical Package for the Social Sciences* Incorporated (SPSS Inc).Then the SPSS results were analysed. The researcher created visual presentations including bar graphs, pie charts etc. According to the outcome of the SPSS the visual presentations were analysed in Chapter 4.

Analysis software was utilized to group or combine data with the assistance of a statistician to analyse the data collected in this research with a high level of accuracy. First of all it requires creating the highest level of precision required by the analyses and then choosing a coding scheme. This coding scheme helped to analyse the data more easily. This method is used when analysing the data of this research. After coding the collected data, the data was

entered. In this data entering process it is very important to ensure that data is entered correctly. The analysis software assists to attach individual labels to each variable together with each code.

The next step of the data analysis is checking for errors in the data entered. After this step the data can be analysed. In this final step of data analysis, diagrams, charts, graphs and statistics are used to understand the data of this research. The dependent and independent variables and the understanding of the normal distributions are very important when analysing the data. This exploration of the data analysis helped to respond to new findings. The Microsoft Excel software package was chosen due to the simplicity of handling both string and coded variables. Supplementary charts, such as chain mapping were generated either in the Microsoft Excel of Microsoft Word software packages due to their compatibility with the final document layout and which, unlike The *Statistical Package for the Social Sciences* Incorporated (SPSS Inc), permitted post production editing. The *Statistical Package for the Social Sciences* Incorporated (SPSS Inc) version 16 of 2008 was used to statistically analyse the data gathered in the survey. Descriptive statistics (means and standard deviations) were utilized to analyse the data. SPSS was selected for its better analysis capabilities while retaining a capability to handle the multiple forms of data gathered in the survey. SPSS was hence used to compute all frequency and descriptive statistics as well as most graphical presentations presented in the findings in Chapter 4.

Once the researcher begins plotting real data, she will almost definitely see some classic patterns emerging. The standard distribution is one where the data plot looks like a cross-section of a bell: a high bit in the middle, curving away symmetrically to a low bit at each side. In data terms, this means that most of the sample is somewhere near the average, with extreme values being relatively rare (Rug & Petre, 2007:177).

It is often easier to understand and interpret data when the data is presented graphically rather than descriptively or as a table. Line graphs are most often utilised to demonstrate the behaviour of one variable over time. Time appears on the horizontal axis and the variable of interest on the vertical axis. When a person looks at graphs, it is significant to observe both the horizontal and vertical axis scales. Selection of the scale to be utilised may influence how the reader interprets the graph. Bar graphs are another common method to display data. They are utilised for comparing the value of multiple variables. In many cases, multiple bar graphs will show in the same figure. It is important that the width of the bars remains consistent so that one bar does not seem to represent more occurrences because it has a larger area (Sonnad, 2002:626).

"The purpose of data analysis is to organize, provide structure to, and elicit meaning from research data". According to research experts, data analysis will be on-going in conjunction with data collection as interviews are conducted; gathered data is synthesized, interpreted and communicated to give meaning to it (Polit & Beck, 2008:21).

During analysis, the data is often intended to be shown in tabular form. A relative measure of performance (in percentages) was used for better evaluation in some cases. Some of the comparisons have also been made through graphs. Overall the research has been a subjective one. The purpose of analysing data is to obtain usable and useful information. The graphic presentations will be used to display and communicate the analysed data in this research. This will allow understanding of the data and help to understand the findings of the research. By using a bar chart it is easy to understand the collected data of this research. A frequency polygon, the cumulative frequency polygon and the line diagram or trend curve are good ways of displaying the analysed data in this research and will help to understand the findings and the relationships between the findings.

The next step of the data analysis is the checking of errors in the data entered. After this step the data can be analysed. In this final step of data analysis the diagrams, charts, graphs and statistics have been used to understand the data of this research. The dependent and independent variables and the understanding of the normal distributions are very important when analysing the data. This exploration of the data analysis helps to respond to new findings.

3.10 VALIDITY

Validity is explained as measures that precisely reproduce the concept which it is aimed to measure (Babbie, 2010:153). Field (2007:795) defines validity as verification that a study permits inferences regarding the question it was intended to answer or that a test measures what it set out to measure conceptually. The word validity also refers to whether a study is capable of scientifically answering the questions it is aimed to answer, and, as such, it is very important for a test to be valid in order for the results to be correctly applied and interpreted (Churchill & Iacobucci, 2010:255).

There are various types of validity. The significant validity concept for this study is construct validity. In order to accomplish or prove construct validity, empirical evidence is needed to support the theoretical basis of the research. This research attempted to provide the empirical evidence that supports the choice of attributes that determine the research subject.

The validity of a questionnaire is a measure of whether the questionnaire in fact measures what it is supposed to measure. Three diverse types of validities could be evaluated: content (face) validity, criterion validity and construct validity (Zikmund, 2003:282-284).

The focus of this research was on the assessment of *construct validity*. Construct validity refers to the recognition of a construct in a practical application setting. Construct validity is a key concept for this research, because the validation of the research questionnaire put forward in this study requires a high level of construct validity (Churchill & Iacobucci, 2010:256).

It is quite challenging validating a research instrument in terms of construct validity. Construct validity is concerned with the question: What construct is the instrument really measuring? The more abstract the concept, the harder it is to create the construct validity of the measure. Construct validation is dealt with using numerous methods, but there is always an emphasis on testing relationships predicted on the basis of theoretical considerations. Investigators make predictions about the way in which the construct will function relative to other constructs. Another approach to construct validation employs a statistical procedure referred to as factor analysis. This is a method for identifying clusters of related items on a scale. The procedure is used to identify and group together different measures of some underlying attributes and to differentiate them from measures of diverse attributes (Loiselle, Profetto-McGrath, Polit & Beck, 2010:68).

Validity tests were carried out to check for the validity and usability of the questionnaire. The validity is considered important in this study and in the development of a measurement; scale reliability is an important consideration, and will be explained in the following section.

3.11 RELIABILITY

According to Malhotra (2004:284),"reliability refers to the degree to which a scale produces reliable results if repeated measurements are made." Various methods can be used to ensure reliability. These include the following:

- Test-retest reliability. In this method the same instrument is used twice under similar conditions. Correlation scores between the responses for the first and second tests are checked.
- Equivalent form reliability. In this way two equal instruments are used to measure similar objects during the same period of time.

- Internal consistency reliability. This method contrasts diverse samples of items used to measure a construct during the same period of time. A split-half reliability test or coefficient alpha, also referred to as 'Cronbach's alpha', can be used (Malhotra, 2004:284-285).

A factor analysis was used to validate the questionnaire in this research, reliability of the scale is needed to make sure that the questionnaire reveals the construct it is measuring. It is for this reason that the Cronbach alpha is used (Hair *et al.*, 2006:118).

A pilot test was carried out to ensure the reliability of the questionnaire. Reliability refers to random error in measurement. Reliability indicates the correctness or precision of the measuring instrument. The pilot test was seeking to answer the question; does the questionnaire consistently measure whatever it measures? Reliability was established utilising a pilot test by gathering data which were not included in the sample. Data collected from pilot test was analyzed using SPSS (Statistical Package for Social Sciences). SPSS provides two key pieces of information. These are "correlation matrix" and "view alpha if item deleted" column. It was necessary to make sure those items/statements that have 0s, 1s, and negatives were eliminated. Then view "alpha if item deleted" column to determine if alpha can be raised by deletion of items. Delete items that substantially improve reliability. To preserve content, delete no more than 20% of the items (Rama, 2007: 4).

3.12 CONCLUSION

This chapter explained the nature of the research design. The uses of a questionnaire and the survey method have been explained as applicable to this research. The details of research methodology, questionnaire design, its validation and administration were explained. This chapter explained and substantiated the chosen research type. This chapter detailed the research method that has been undertaken, and described each stage. Apart from that the implementation plan and tools were discussed and justified in this chapter. Analytical tools, questionnaires and the sample were also discussed in this chapter.

This chapter explained the methodology and techniques used during the different phases of the empirical study. The research study itself was described, with a description of questionnaire development, sampling procedure, data collection and data analysis. The statistical techniques used in this research were then outlined. In the final section the technique used to ensure construct validity was dealt with, followed by the technique to ensure reliability.

The next chapter, presents the empirical findings of the study by applying the research methodologies and statistical methods explained in this chapter to the data obtained.

CHAPTER 4

ANALYSIS AND INTERPRETATION OF THE RESEARCH RESULTS

4.1 INTRODUCTION

The research methodology followed in this research study was explained in the previous chapter. This chapter focuses on the primary research findings. Empirical findings are presented and discussed to answer the research questions. Research findings are also analysed to determine the resulting theoretical and practical implications.

4.2 STATISTICAL ANALYSIS

The following explains a detailed description of the statistical techniques utilized to analyse the data. First of all the difference between inferential and descriptive statistics, (the statistical techniques used in this research,) are explained. Descriptive statistics explain the findings. They consist of observations such as the highest and lowest values found, and the number of examples, among others. Descriptive statistics are worth using but are limited. They do not permit the researcher to answer the suggestions that the results are purely due to coincidence. For that, the researcher requires the second stage, to determine how likely it is that the findings are due purely to chance; this engages the field of inferential statistics (Rugg & Petre, 2007:170).

Descriptive statistics use numerical and graphical ways to identify patterns in a data set, to summarise the information disclosed in a data set, and to display that information in a convenient form (McClave & Sincich, 2009:5).

- The descriptive statistics utilized in this study consist of frequencies and means. Frequency is the number of times a certain value or category shows in the results. According to Field (2005:8), when a plot or graph is made to demonstrate the number of times that each score occurs, this is called a frequency distribution or histogram.

- Frequency distribution is a statistical method in quantitative research that can be applied to any variable that is measured on any one of the four measurement scales. It places responses into the subcategory whose variable has been measured or coded (Kumar, 2011:386).

- The mean is a set of quantitative data which is the sum of the measurements, divided by the number of measurements contained in that data set (McClave & Sincich, 2009:51).

Descriptive statistics were utilized to determine the demographic characteristics and the choice of answer made by the respondents. Cross tabulations, graphs and charts were made with the demographics and the business information answers to determine a relationship between the demographics and the business information in this research. According to McDaniel and Gates (2002:488), the most capable way of summarizing the characteristics of a large group of data is by means of descriptive statistics which displayed graphically by means of histograms, bar diagrams and pie charts and graphical illustrations of the data make it easier to interpret and understand large sets of data. In this research bar diagrams, pie charts, bar charts, graphs, tabulations and various graphical illustrations were used to display and analyse data. Also, descriptive statistics (means and standard deviations) were utilized to analyse the data. Mean values ≥ 3.5 were seen as positive, ≤ 2.5 negative and values between these as neutral or indecisive (Moriarity, Mitchell & Wells, 2002:232).

P-values were reported for completeness, but more importance was given to effect sizes. Cohen's *d*-values, which are standardised differences among means, were used as a measure of the practical importance of differences (Ellis & Steyn, 2003:51).

4.2.1 Statistical significance tests

4.2.1.1 Correlations

A correlation represents the nature and size of a linear relationship between two variables. Correlations can vary from -1.00 to +1.00. A correlation of -1.00 shows a perfect inverse relationship between two variables in which the highest score on one variable is associated with the lowest score on the other variable. The next highest score on the first variable is associated with the next lowest score on the second variable and so on. A correlation of +1.00 indicates a relationship between two variables in which the highest score on one variable is associated with the highest score on the other variable, the next highest score on the first variable is associated with the next highest score on the second variable and so on. A correlation of 0.00 represents a lack of a linear relationship between two variables. It is very unusual to find a perfect correlation of +1.0 or -1.00. The bigger the correlation, regardless of whether it is positive or negative, the stronger the linear association between the two variables is. The amount of variation or variance that is shared between two variables can be basically worked out from the correlation by squaring it (Cramer, 2003:16).

The correlation coefficient tells the nature of similarity among the variables. The Spearman correlation coefficient was utilized in this study and is referred to as the Pearson correlation coefficient between the ranked variables (Myers & Well, 2003:508). Spearman's rank correlation coefficient (Spearman's rho) is a nonparametric measure of statistical dependence between two variables (Howell, 2008:183). In this research the statistical techniques of correlation and regression were used to analyse data.

Regression analysis is one of the most regularly used tools in research. Regression analysis is a set of techniques utilized to explore the relationship between at least two variables. In its simplest form, regression analysis allows market researchers to investigate relationships between one independent and one dependent variable. In marketing applications, the dependent variable is generally the outcome the researcher care about (e.g., sales), while the independent variables are the instruments researcher have to achieve those outcomes with (e.g., pricing or advertising). Regression analysis able to provide insights that few other techniques can. The key benefits of utilizing regression analysis are that it can: indicate if independent variables have important relationship with a dependent variable. And also it indicates the relative strength of different independent variables' effects on a dependent variable. It creates predictions. Knowing about the effects of independent variables on dependent variables can assist market researchers in many diverse ways. The majority of regression analyses generally implement a linear regression model, which means that the dependent variable(s) can be written in terms of a linear combination of the independent variable(s). Some reasons why this is usually the common approach are: (1) the linear regression model is something that is easily understood by the greater part of researchers; (2) many processes naturally follow a relationship that is well-represented by a linear relationship; and (3) the utilize of linear regression models allows for the use of techniques that are well-rooted in statistical theory with desirable asymptotic properties (i.e., large sample properties), hence yielding tractable results (Sarstedt & Mooi, 2012:30).

4.2.1.2 Test for differences in means

Analysis of variance (usually abbreviated as ANOVA) and analysis of covariance (ANCOVA) are parametric statistical techniques for deciding whether the variance in a quantitative variable varies significantly from that expected by chance for a qualitative variable or its interaction with one or more other qualitative variables. If the variance varies in this manner and the qualitative variable only consists of two groups or categories, this shows that the means of these two groups vary. Where the qualitative variable consists of more than two

groups, a significant diverse specifies that the means of two or more of these groups are likely to vary. Which of the means differ requires to be determined using additional statistical tests. The qualitative variable is regularly referred to as an independent variable or factor. An analysis of variance may have one or additional factors. An analysis of variance with one factor is called one way analysis of variance. The one with two factors is called a two-way analysis of variance, one with three factors a three-way analysis of variance and so on (Cramer, 2003:145).

Statistical significance tests such as ANOVA were utilized in this study to determine if biographical variables had a significant effect on the results.

Questions in the survey that was utilized in this study were classified into two sections, namely:

- Section A: Demographic information.
- Section B: Business related information.

Section A refers to questions which were explained in the demographic section. In the section B respondents had to answer business related questions.

4.3 DEMOGRAPHIC PROFILE

The demographic profile of the respondents for this research is reflected in Table 4.1. The survey resulted in 49 valid responses based on the information provided by the employees in retail stores and wholesale stores in Gaborone. The respondents were classified according to gender, age, level of education and work status. All the demographic data are presented graphically for the total group of respondents of the retail stores and wholesale stores. These demographic classifications are reflected from Figure 4.1 to Figure 4.3 below.

Table 4.1: Demographic profile of respondents.

GENDER	Retail	Wholesale
Male	55%	86%
Female	45%	14%
AGE		
18 – 25	0.07%	0.00%
26 – 30	0.29%	14.00%
31 – 35	0.26%	14.00%
36 – 40	0.26%	43.00%

41 – 45	0.07%	14.00%
46 – 50	0.02%	0.00%
51 – 55	0.00%	14.00%
56 – 60	0.02%	0.00%
61 – 65	0.00%	0.00%
66 – 70	0.00%	0.00%
71 – 75	0.00%	0.00%
76 – 80	0.00%	0.00%
ACADEMIC QUALIFICATION		
Primary school	0%	
Some secondary school (grade 7 – 11)	38%	
Matric (Std 10/Grade 12)	14%	
Some tertiary education (without qualification)	12%	
Completed a technical trade program	0%	
Tertiary qualification, BA, B Com.....etc	34%	43%
Post grad qualification	2%	57%

4.3.1 Age profile of respondents



Figure 4.1: Age profile of respondents in retail business sector.

The age profile of the respondents in this study confirms an equitable representation of different age groups in the wholesale and retail business sector in Gaborone. A total of 90% of the respondents in the retail business sector are in the age category of 26 to 50 years. As reflected in Figure 4.1 most(29%) employees were in the age category of 26-30 years.

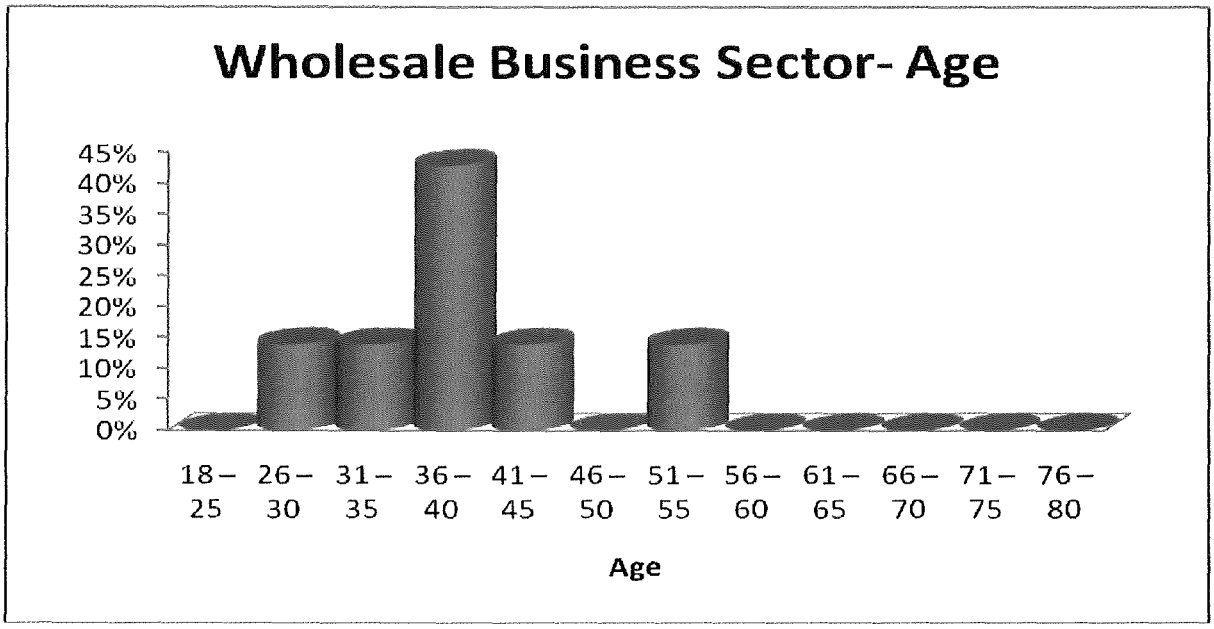


Figure 4.2: Age profile of respondents in wholesale business sector.

A total of 85% of the respondents in the wholesale business sector are in the age category of 26- 50 years where 43% of respondents are in the age category of 36-40 years. According to this study, employees in both the retail and wholesale sector are young employees in the age category of 26 to 40 years.

4.3.2 Educational level of respondents

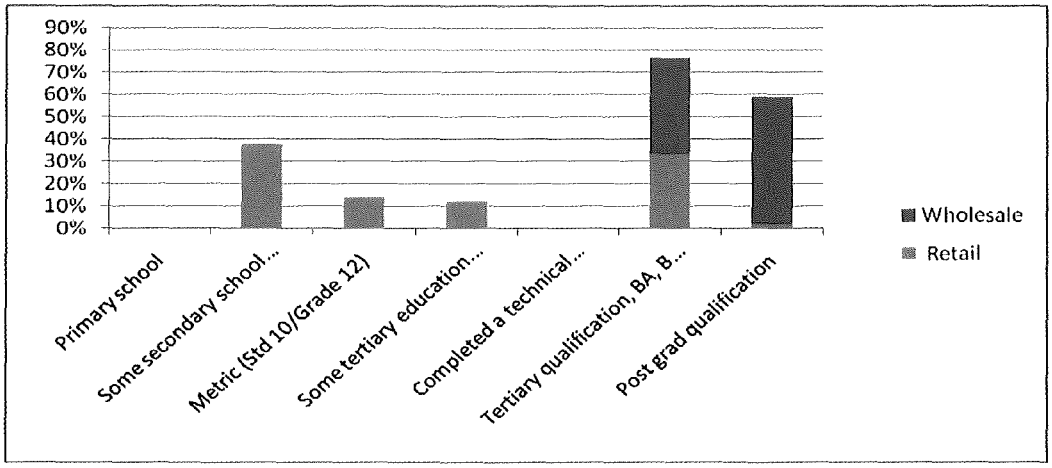


Figure 4.3: Educational profile of respondents in both retail business sector & wholesale business sector.

The respondents, as illustrated in Figure 4.3, have a wide range of educational levels. Figure 4.3 indicates that 39% of the respondents in the retail business sector have completed secondary school and the rest of the respondents have another qualification relating to matric, or some tertiary education.

4.4 DESCRIPTIVE STATISTICS OF THE BUSINESS SECTION

Tabulation is the easy procedure of counting the number of answers in all of the categories. Tabulation can be made through one-way tabulation or through cross-tabulation. One-way tabulation focuses on the frequency of a single variable, while cross-tabulation compares the two variables in one table. The cross-tabulation process forms two-way and multi-way tables and provides a diversity of tests and measures of association for two-way tables (Lamb, Hair & McDaniel, 2009:280).

Section A refers to questions which were explained previously in the demographic section. In the following section respondents had to answer business related questions.

4.4.1 Business related questions

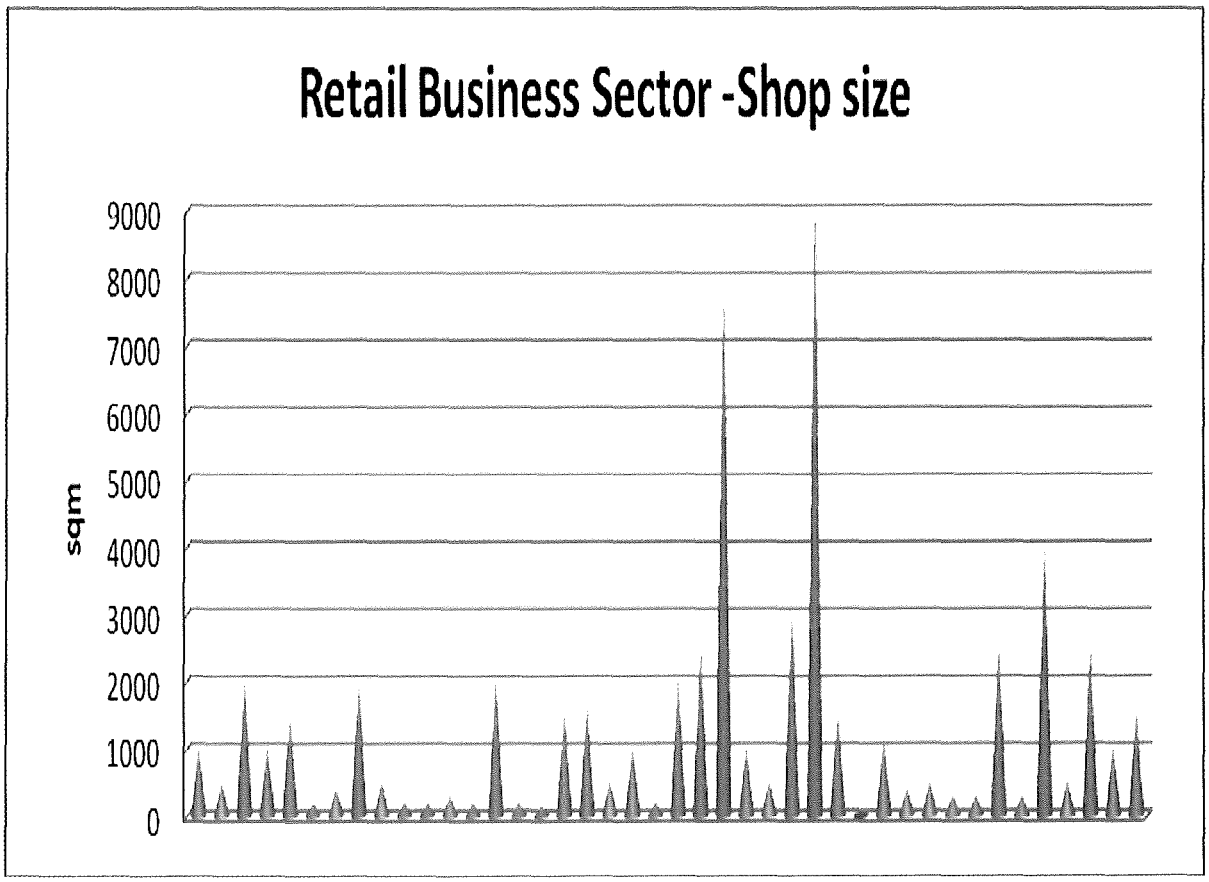


Figure 4.4: Shop size in square metres in retail business sector.

Respondents were asked to indicate their shop size in square metres. Different respondents indicated different sizes of their shops. In the retail business sector the average shop size is 1417 square metres according to the responses. According to the Trade Act (43:02 of 2008), a 'supermarket or chain store is a self-service store of at least 1000 square metres, that sells a wide range of food items, household goods and wines but not beers and spirits'. This study showed that the average of the shop sizes is in line with the size of a supermarket as regulated by the Trade Act.



Figure 4.5: Shop size of the wholesale business sector.

Trade Act (43:02 of 2008), defines wholesale as a store of at least 1500 square metres, selling goods in bulk per product or line item. This study showed that the shop size of the wholesale sector is in line with the Trade Act regulations. The average shop size of the wholesale sector is 4571 square metres according to the collected data.

The details of the shop size of wholesalers and retailers assist to establish how the current Trade Act of Botswana affects the functioning of wholesalers. This is one of the major objective of this research study. The current Trade Act Botswana describes retail supermarket store size should be at least 1000 square meters and a wholesale store size should be at least 1500 square meters.

The following graph refers to the time period the retail shop has been in business.

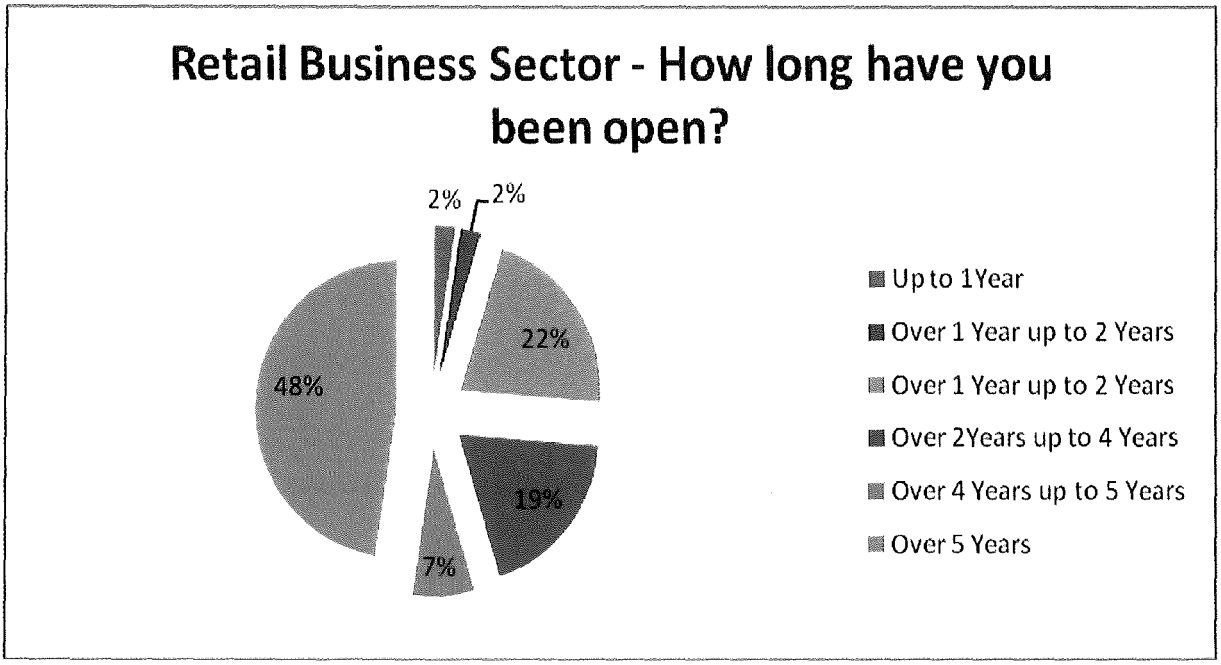


Figure 4.6: The period of functioning of the retail business.

How long have you been open? This question refers to the operating period of the business. A total of 48% of the respondents in the retail business sector have operated for longer than 5 years while 52% of the respondents in this sector have had their businesses for less than 5 years as reflected in Figure 4.6. This suggests that within the last 5 years there was an increase in the number of new businesses.

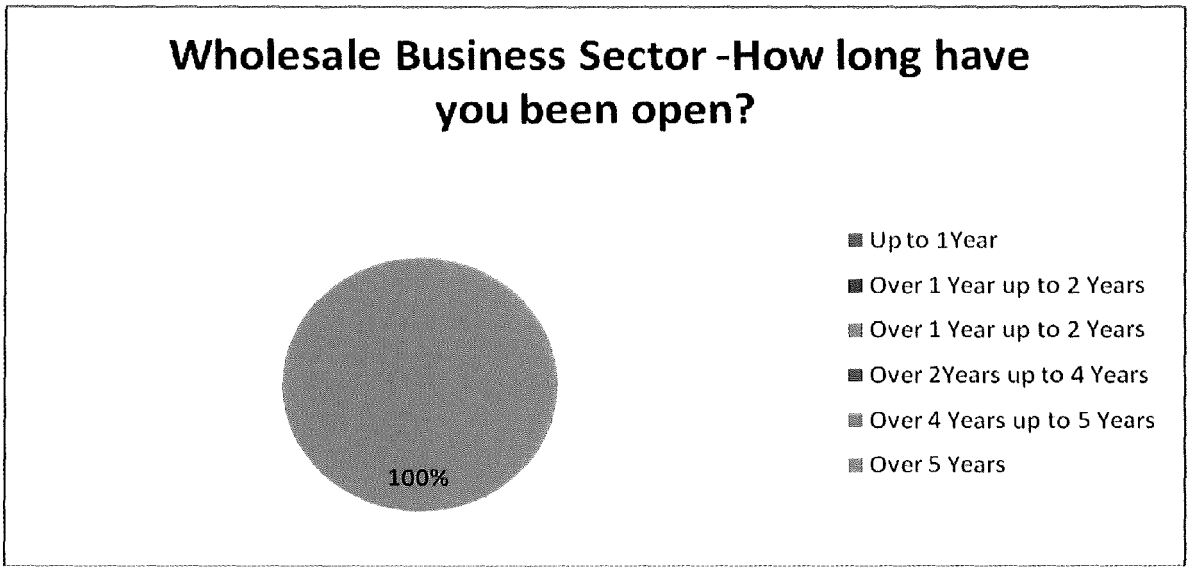


Figure 4.7: The period of functioning of the wholesaler business.

The respondents, as reflected in Figure 4.7, have been operating their wholesale business for longer than 5 years. According to the result with 0% entrants in the last 5 years, there is no growth or entrants in the past 5 years. These above questions about period of functioning the business assist to investigate key objectives of this study such as why retailers encroach on territories previously occupied by wholesalers and assist to determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate.

4.4.2 Procurement analysis

This procurement analysis link to one of the objective of this study. This objective is to identify the current distribution channels and their impact on customers.

How often do you stock up/how often do you go to a supplier/wholesaler?

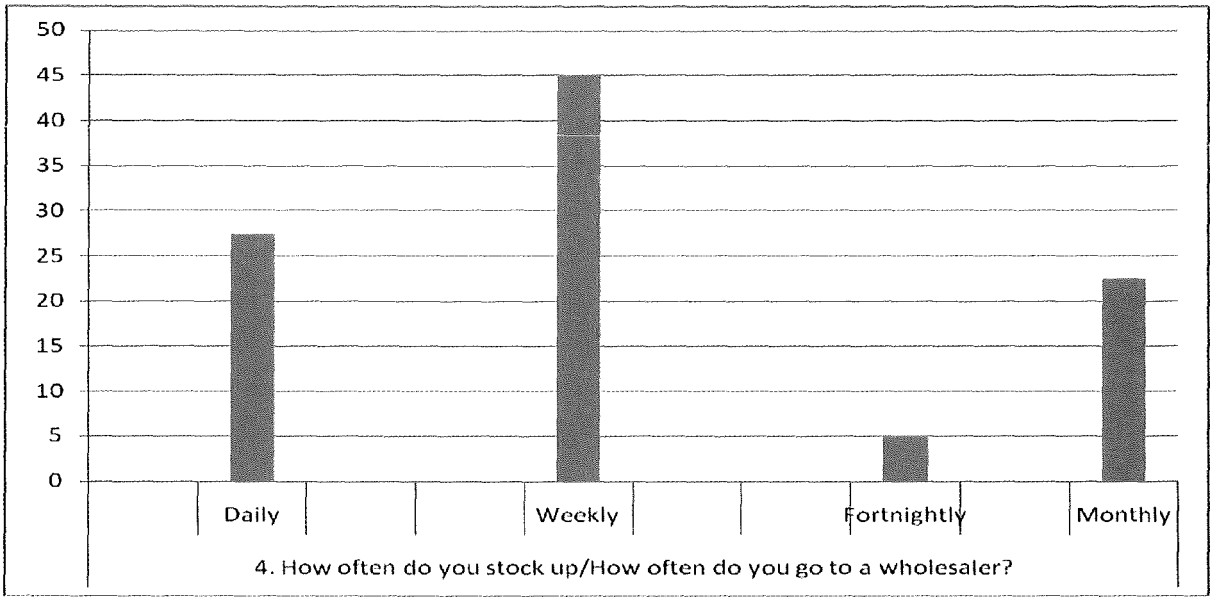


Figure 4.8: The stock buying pattern within the retail business sector.

The respondents were asked to indicate their stock buying pattern. Forty five percent of the respondents in the retail sector buy their stock weekly, while 27% of the respondents buy their stock daily.

Buying is an important element within the retail mix; the work of the buyer largely underpins many of the pricing, merchandising and communication decisions (McGoldrick, 2002:279).

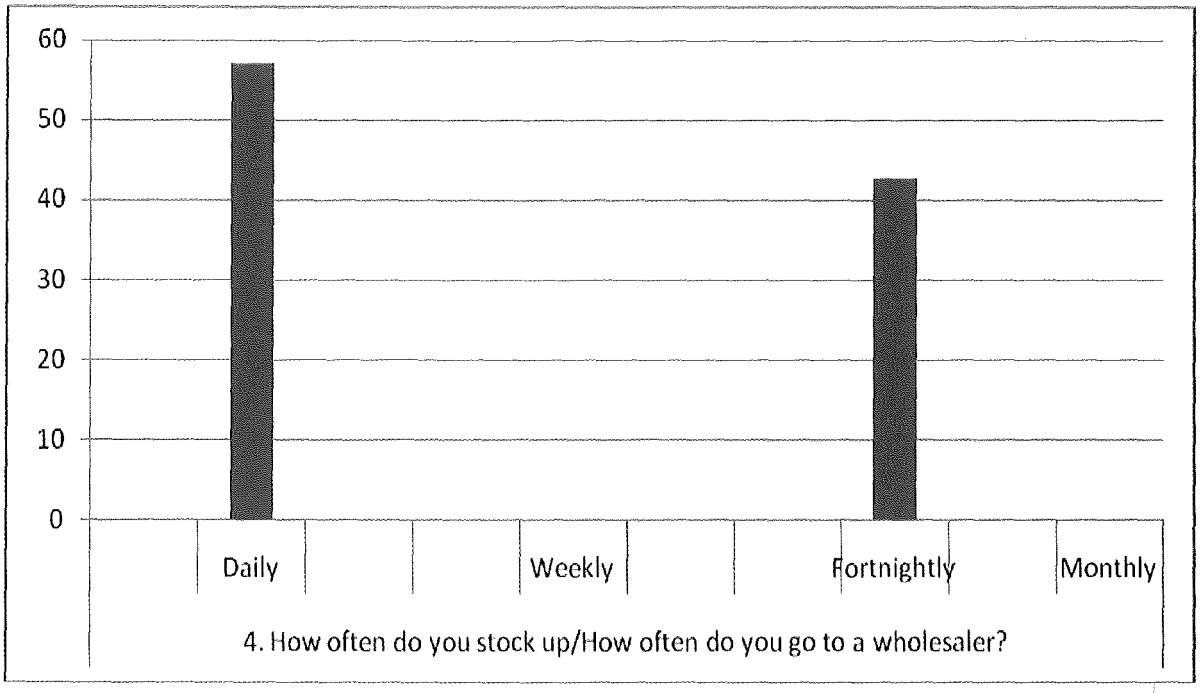


Figure 4.9: Wholesale sector stock buying patterns.

Figure 4.9 indicates that 58% of respondents prefer to buy stock on a daily basis. The remainder of the responses show a fortnightly buying pattern.

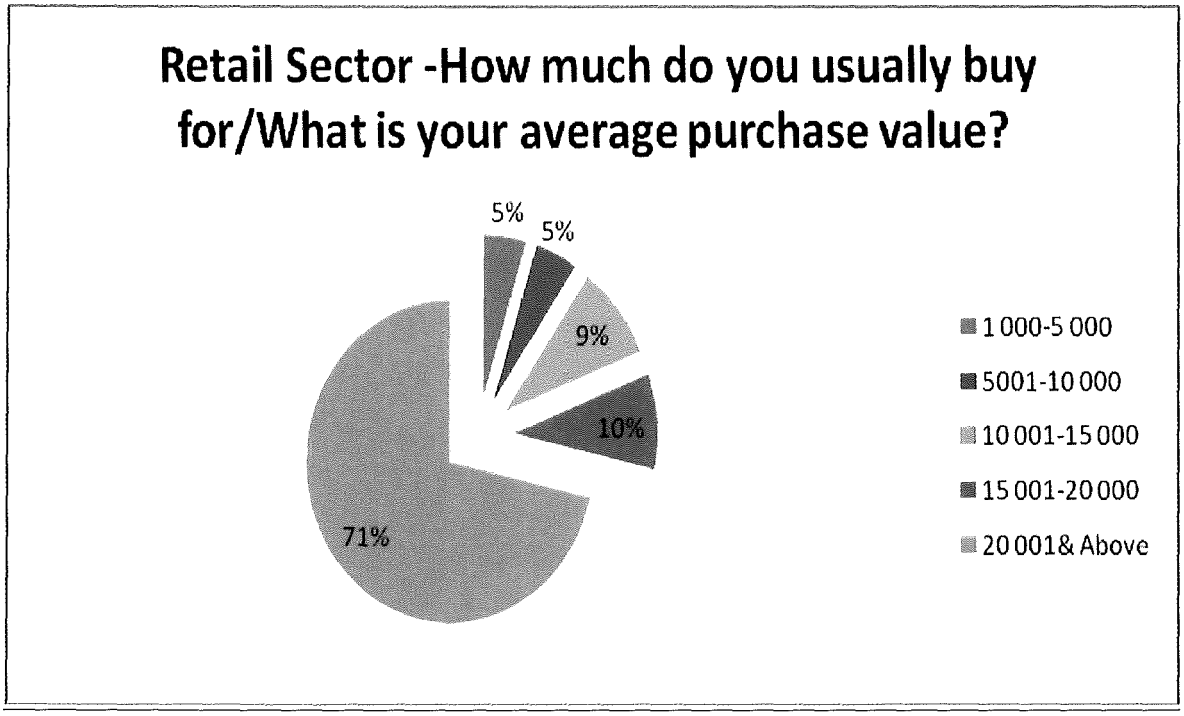


Figure 4.10: Average purchase value in the retail sector.

The respondents were asked the average purchase value of the stock. Seventy one percent of respondents in the retail sector replied that they buy stock worth Pula 20,001 and above.

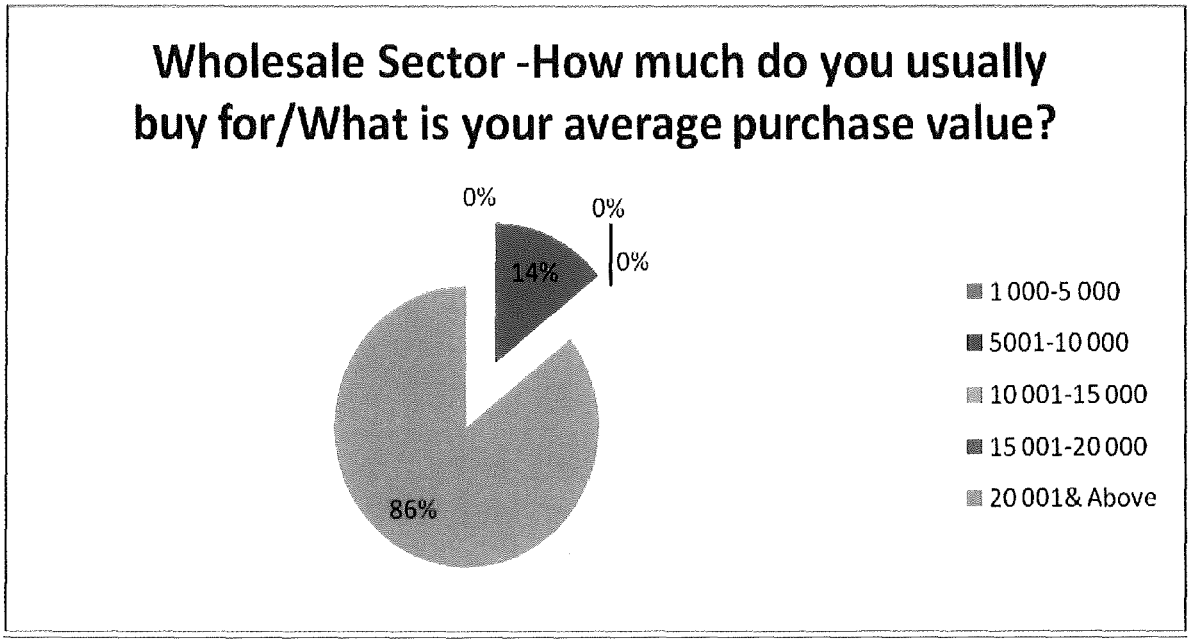


Figure 4.11: Average purchase value in the wholesale sector.

In the wholesale business sector, 86% of the respondents have an average purchase value Pula 20,001 and above as reflected in Figure 4.11. When the average purchase value of the retail business sector is compared with the wholesale business sector it is reflected that the wholesale sector has more buying capacity than the retail sector.

Table 4.2: Stock buying patterns of retail and wholesale business.

Buying pattern	Daily	Weekly	Fortnightly	Monthly
In retail business-How often do you stock up/How often do you go to a wholesaler?	27.5%	45%	5%	22.5%
In wholesale business-How often do you stock up/How often do you go to a supplier?	57.1%	0	42.9%	0

Table 4.3: Stock purchase value of the retail and wholesale business.

Stock purchase Value	1000-5000	6000-10000	11000-15000	16000-20000	21000 & Above
In retail business-How much do you usually buy for/What is your average purchase value?	5%	5%	9%	10%	71%
In wholesale business-How much do you usually buy for/What is your average purchase value?	0	14%	0	0	86%



Figure 4.12: Method of transport to get stock to the retail business sector.

Most of the respondents get their stock to their business premises through the transport of the supplier, which means the supplier directly supplies the stock to individual retailers.

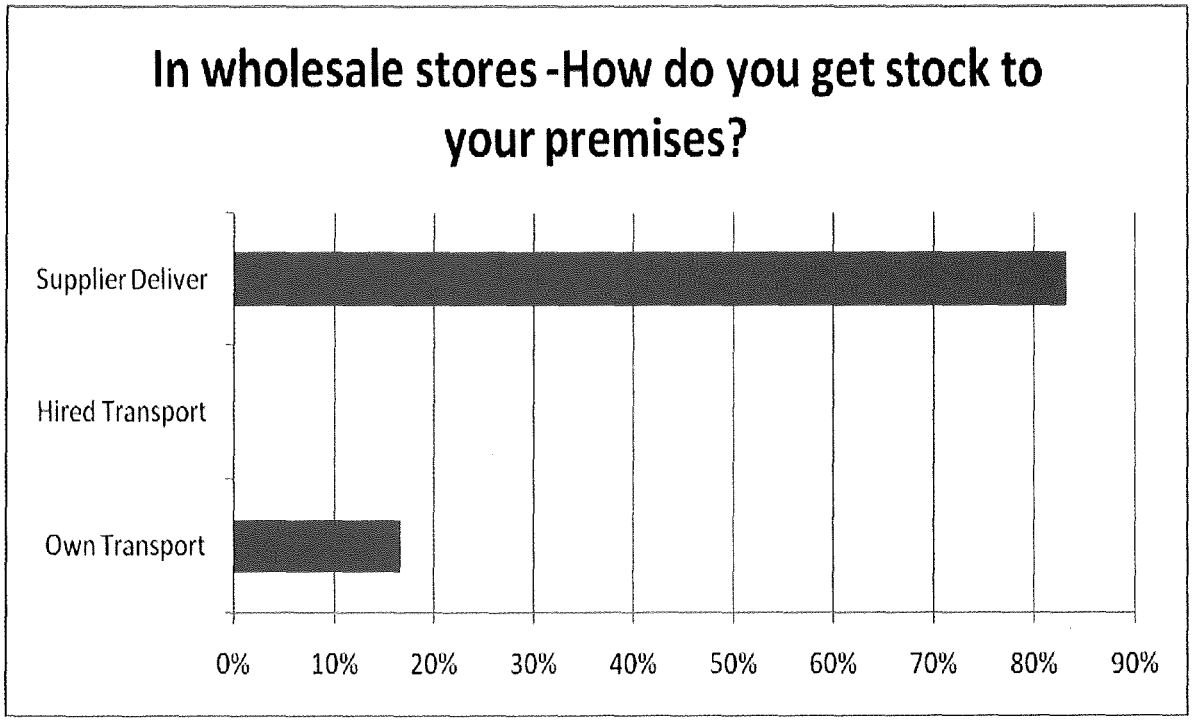


Figure 4.13: Method of transport to get stock to the wholesale business sector.

In the wholesale sector 82% of the wholesalers responded that suppliers deliver the stock to them and the other 18% of the respondents indicated that they use their own transport to bring the stock to their premises as reflected in Figure 4.13.



Figure 4.14: Suppliers supply to them directly in the retail sector.

In the retail business sector 69% retailers responded that suppliers do not supply the goods to them directly while 31% respondents answered that suppliers supply the goods to them directly.



Figure 4.15: Suppliers supply to them directly in the wholesale sector.

In the wholesale business sector, all 7 respondents indicated that suppliers supply to them directly, as reflected in Figure 4.15.

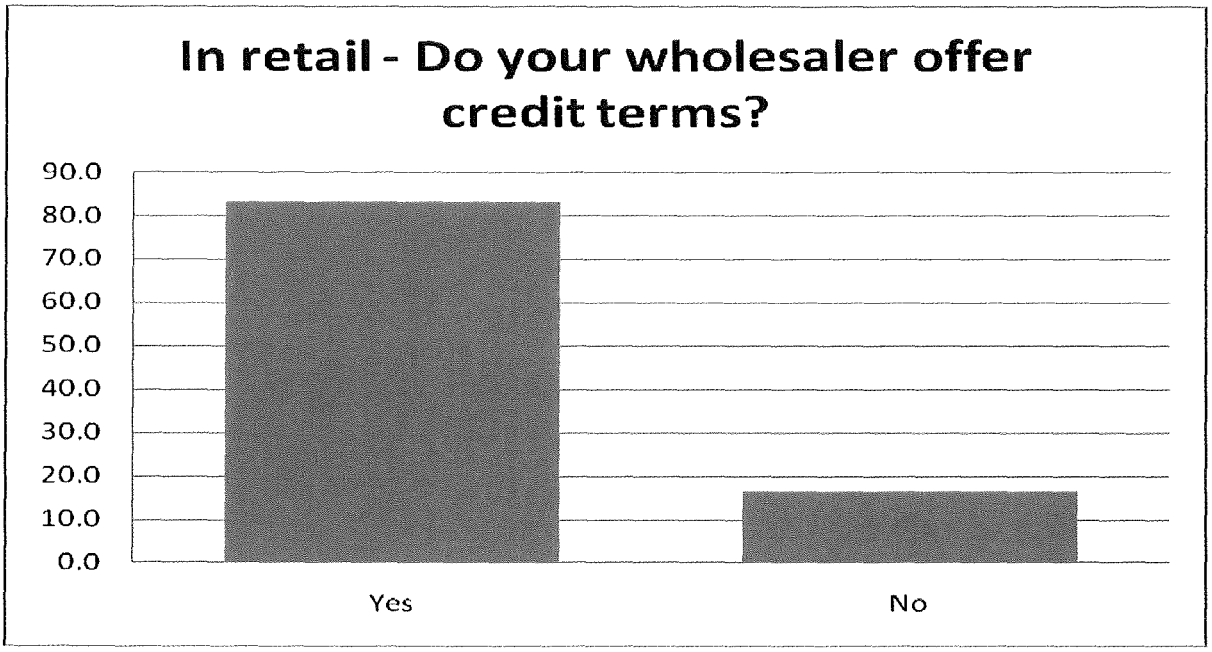


Figure 4.16: Wholesalers /suppliers and credit terms in retail sector.

As reflected in Figure 4.16, it is evident that the majority of respondents, 84% in the retail sector stated that the suppliers and wholesalers offer them credit terms.

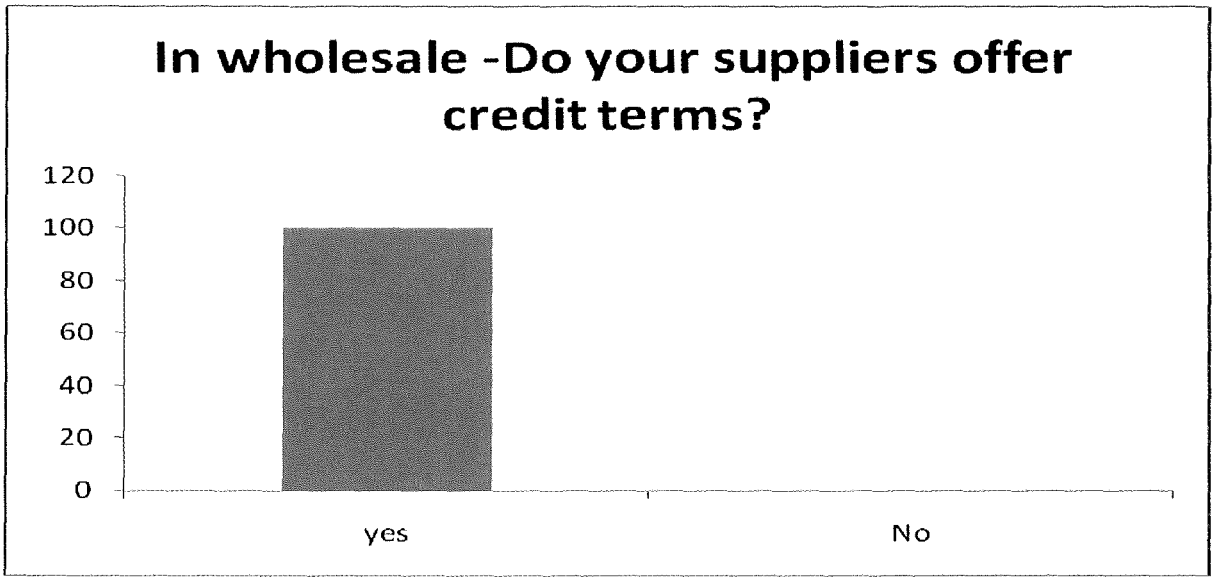


Figure 4.17: Wholesalers /suppliers and credit terms in wholesale sector.

In the wholesale business sector as reflected in Figure 4.17, all respondents (100%) indicated that their suppliers offer them credit terms.

4.4.3 Customer Analysis, customer related questions.

These customer related questions assist to determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate. Moreover these views of respondents assist to determine the profile of wholesalers and retailers. These are some of the objectives of this study and this analysis shows the link between objectives of the study and how it links with customers. This customer analysis assists to investigate whether customers affect the retailers 'cannibalistic actions towards wholesalers.



Figure 4.18: Customer distribution over time within the retail sector.

The respondents were asked about the number of their customers compared to two years ago. In the retail business sector 17% of respondents indicated that customers are fewer now compared to the last two years and 55% respondents indicated that they experience an increase of customers as they now have more customers. The rest of the respondents at 28% said that they have the same amount of customers as in the last two years.

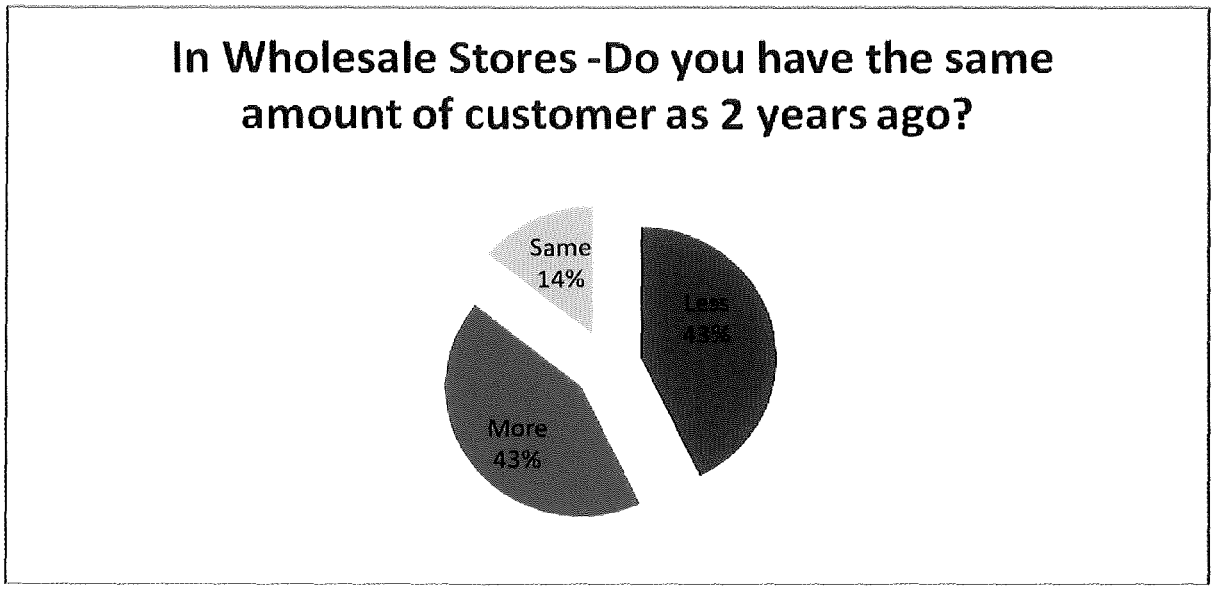


Figure 4.19: Customer distribution over time within the wholesale industry.

In the wholesale sector 43% respondents indicated that they have less customers thant two years ago whereas the other 43% of respondents said that they have more customers. The figure shows that 14% of respondents said they have the same number of customers as two years ago.

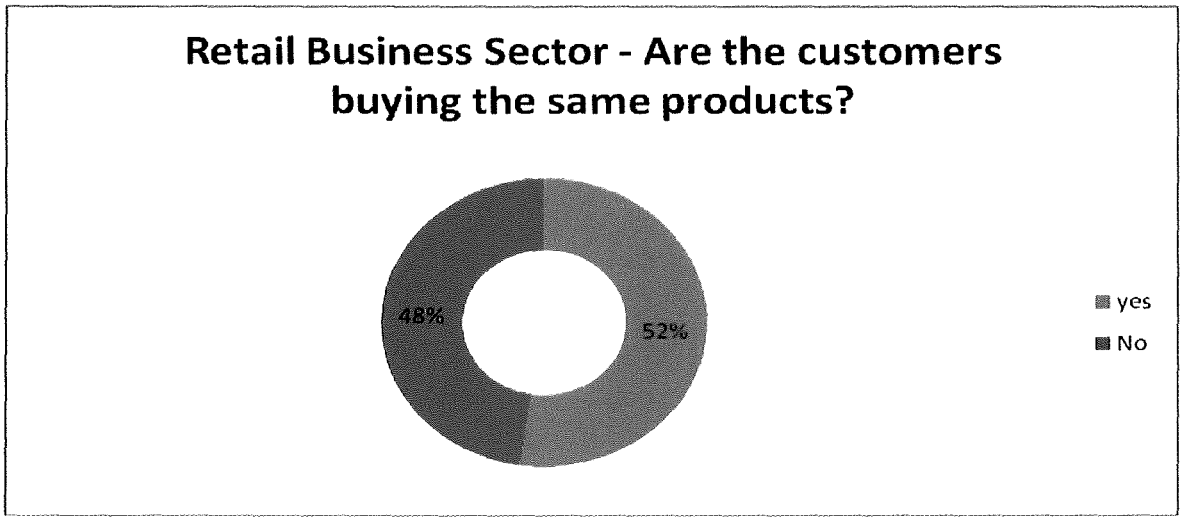


Figure 4.20: Customers are buying the same product or not in retail sector.

The retail business sector respondents were asked whether their customers are buying the same or similar products compared to two years ago. Forty eight percent of respondents replied that the customers do not buy the same products, whereas 52% responded that the customers are buying the same products.

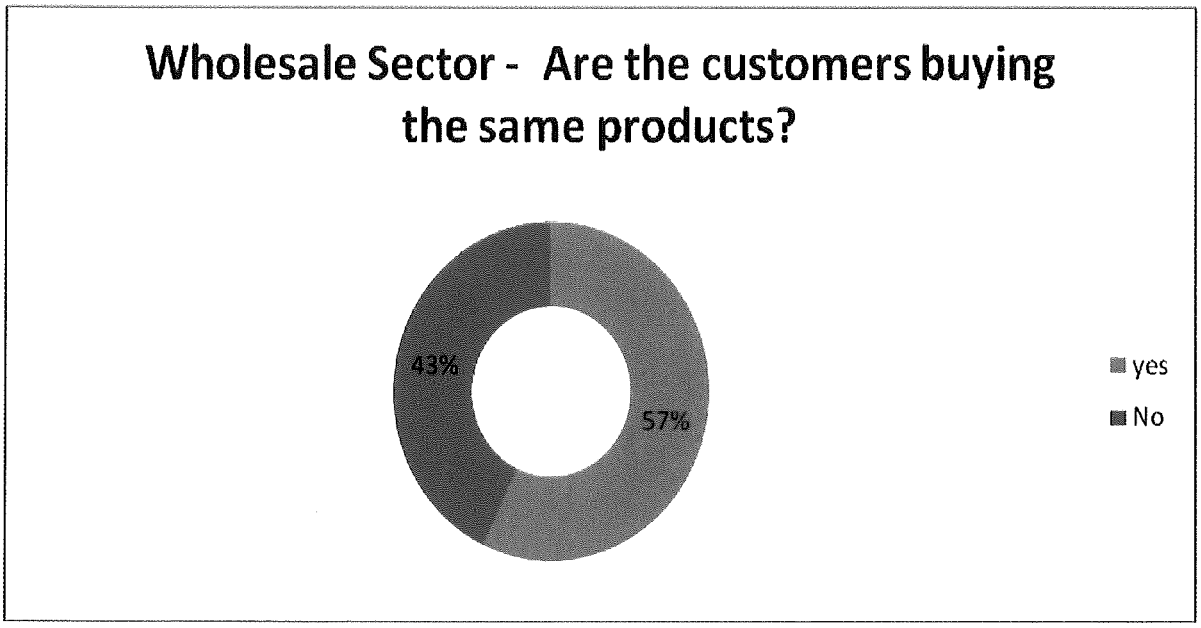


Figure 4.21: Customers are buying the same product or not in wholesale sector.

The wholesale business sector respondents were asked whether their customers are buying the same products as two years ago. As reflected in the figure 4.21, forty three percent of respondents responded that customers do not buy the same products whereas 57% respondents responded that their customers are buying the same products.

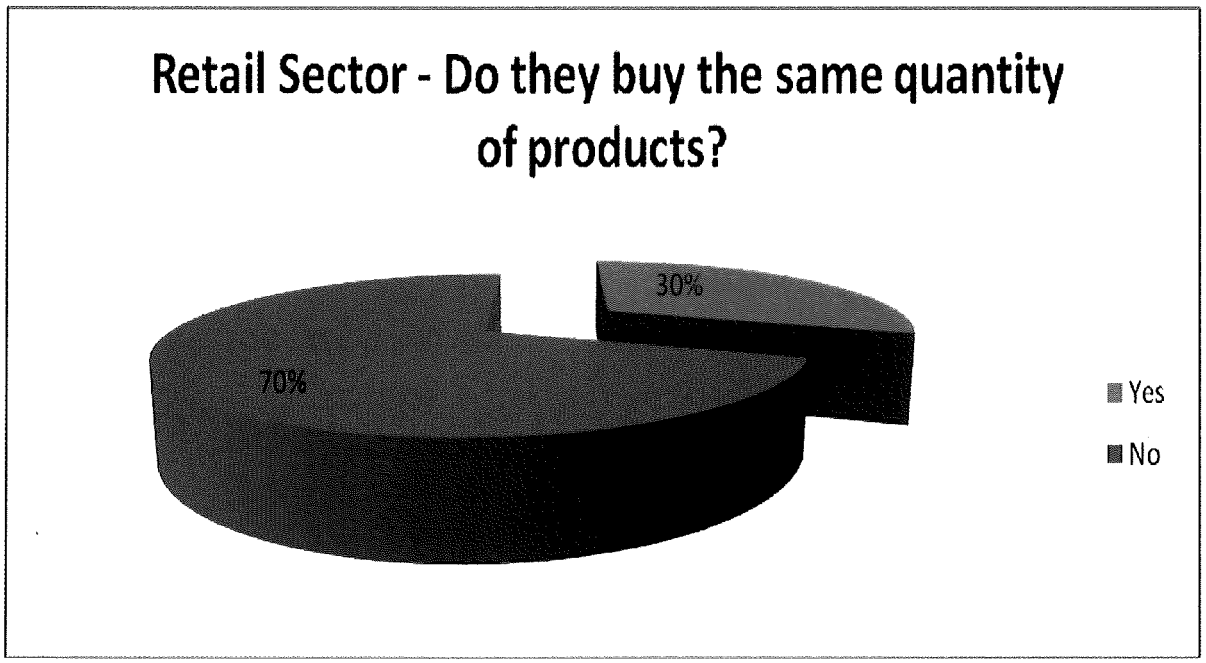


Figure 4.22: Do customers buy the same amount of products in retail sector?

Figure 4.22 shows that 70% of the respondents responded that their customers do not buy the same amount of products. The other 30% responded that customers do buy the same amount of products.

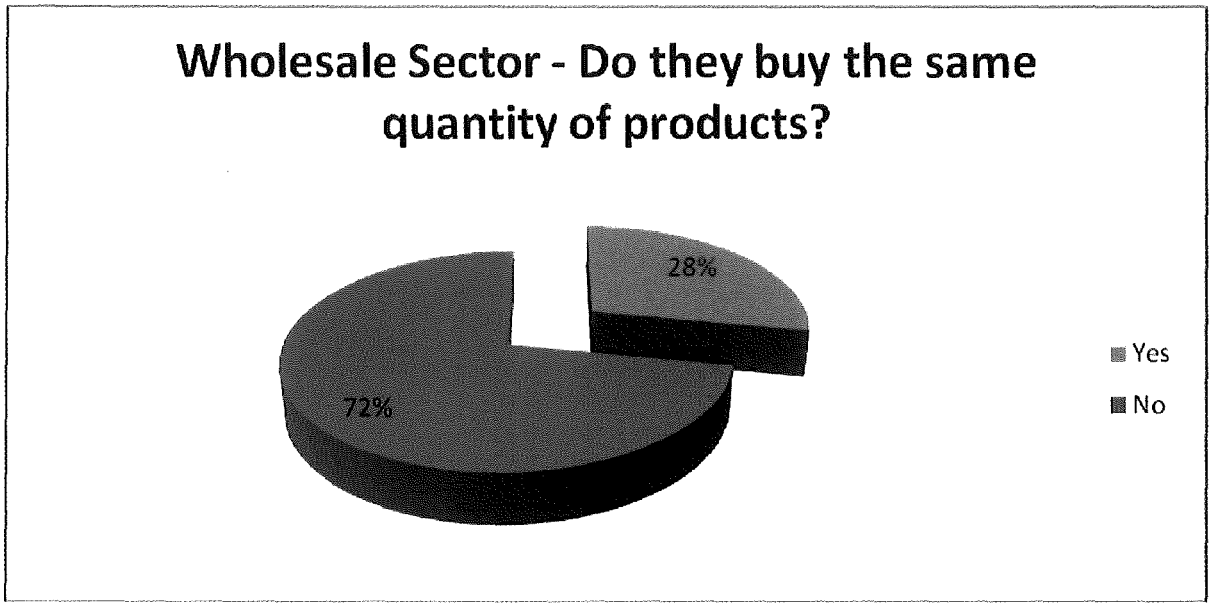


Figure 4.23: Do customers buy the same amount of products in wholesale sector?

In the wholesale business sector 72% of respondents indicated that customers are not buying the same amount of products as two years ago. Twenty eight percent of respondents stated that customers are buying the same quantity of products. By looking at both wholesale and retail business sectors, respondents indicated that customers are not buying the same amount of products compared to the last two years.Based on these results it was indicating the lower sales in both business sectors.

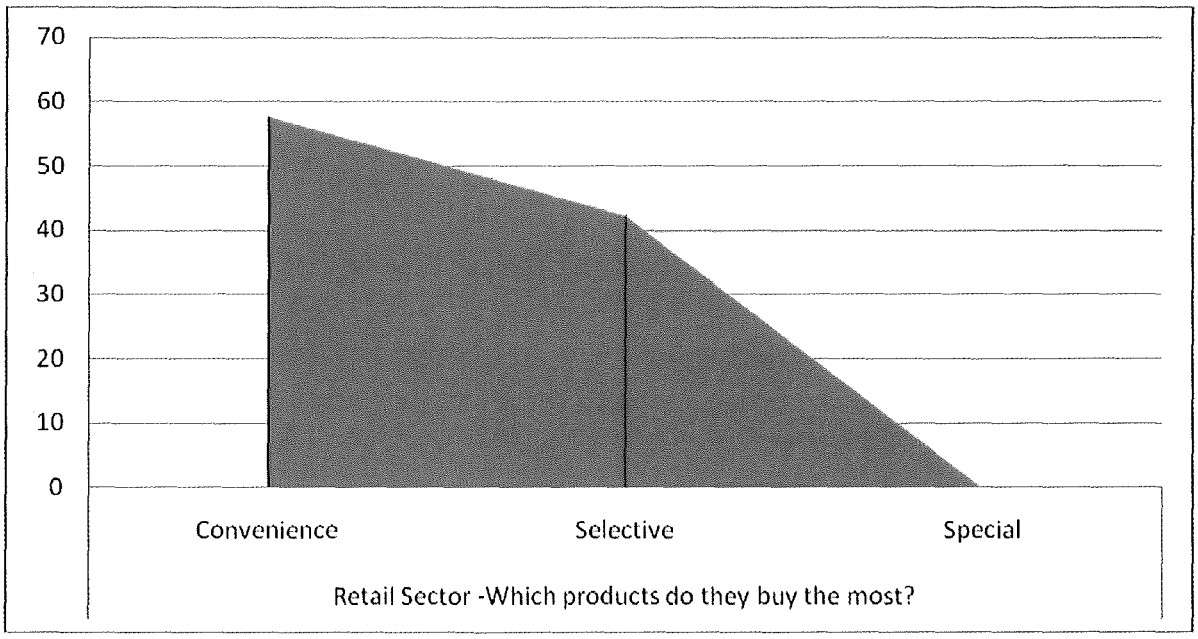


Figure 4.24: The category of products that customers are buying the most of in retail business sector

Respondents were asked to describe the category of products customers are buying the most. In the retail business sector, 58% of respondents indicated that customers are buying more convenience products. The other 42% of respondents indicated that customers are buying more selective products. No one responded that customers are buying more speciality products.

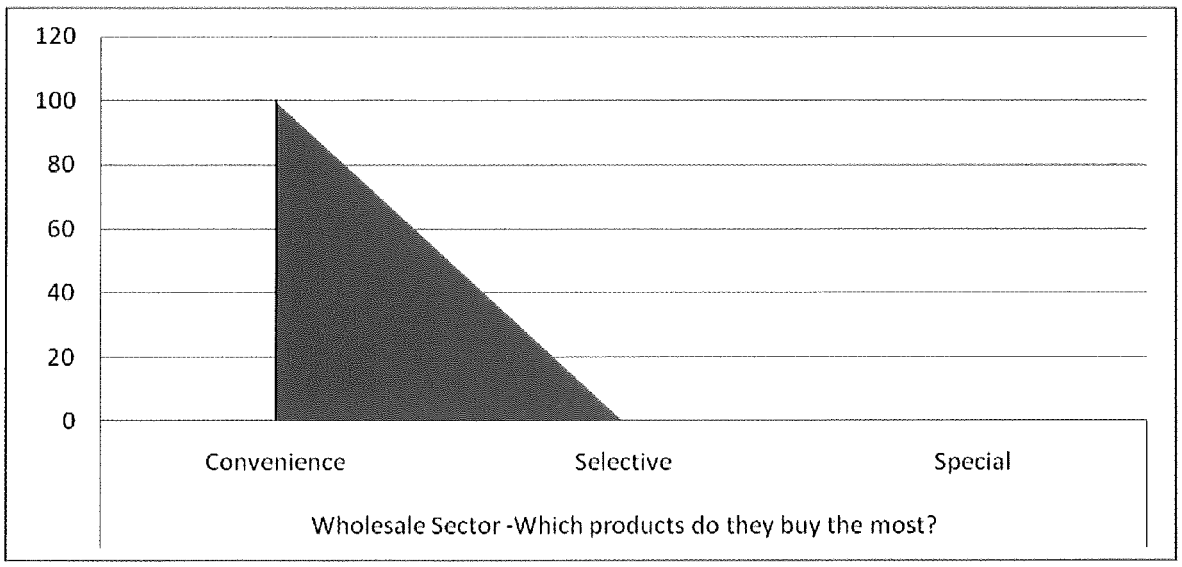


Figure 4.25:The category of products that customers are buying the most of in the wholesale business sector.

In the wholesale business sector all of the respondents stated that customers are buying more convenience products. As reflected in Figure 4.24 and Figure 4.25, it is evident that there is high demand for convenience products as these are the products that customers are buying the most in both the retail and wholesale sectors.

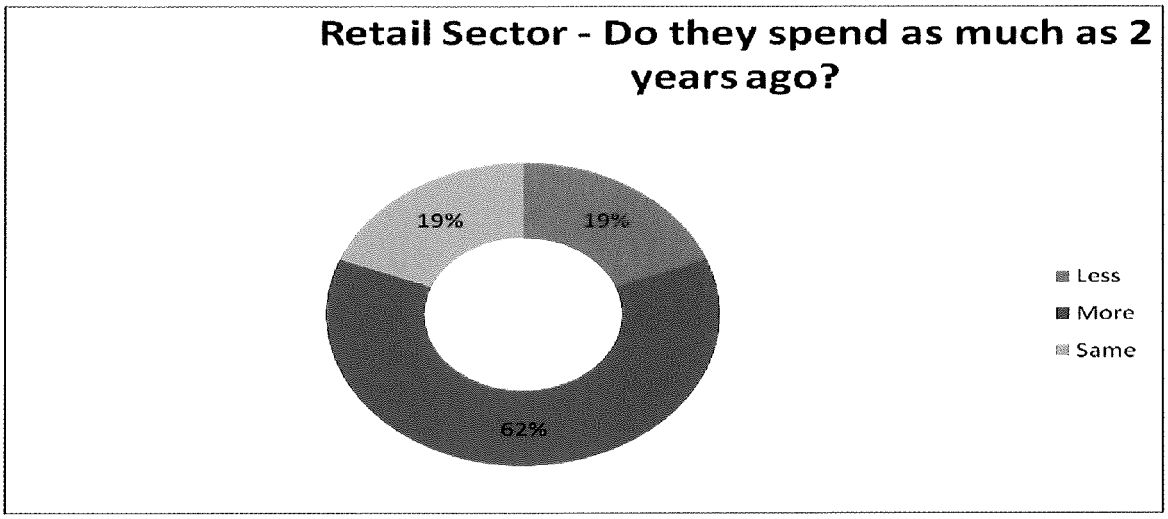


Figure 4.26: The customers amount spent by in retail business sector.

Respondents in the retail sector were asked about the customers' spending pattern. The following results were found as reflected in Figure 4.26. It is evident that 62% of respondents answered that customers are spending more money compared to the last two years. From the rest of the respondents, 19% stated that customers are spending less and 19% the same amount of money compared to the last two years.

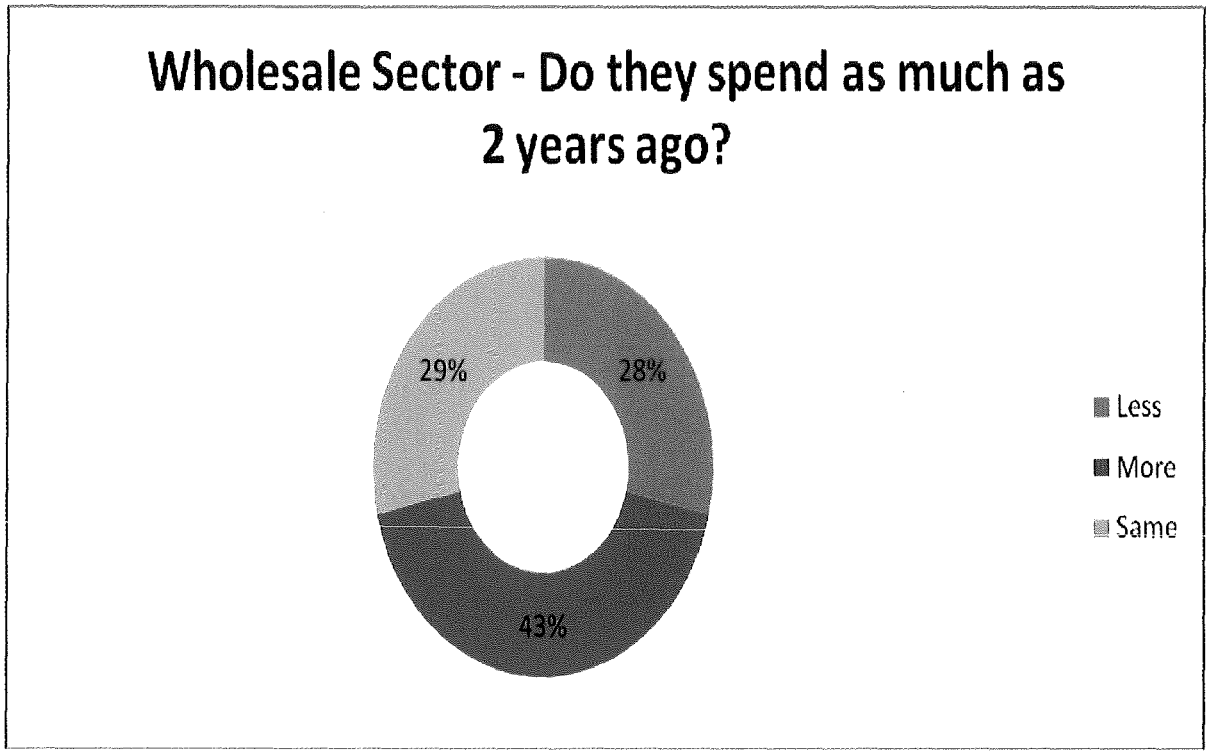


Figure 4.27: The customers amount spent by in wholesale business sector.

In the wholesale business sector, 43% of respondents stated that customers are spending more compared to the last two years. Two respondents did not answer this question and they stated that it depends on the customer. Moreover, they stated that a proper answer to this question cannot be given.

4.4.4 Competitor analysis, competitor related questions

The competitor analysis link to key objectives of this research study such as to investigate why retailers encroach on territories previously occupied by wholesalers and to determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate. This competitor analysis assists to investigate whether the current competition affects the retailers 'cannibalistic actions towards wholesalers.

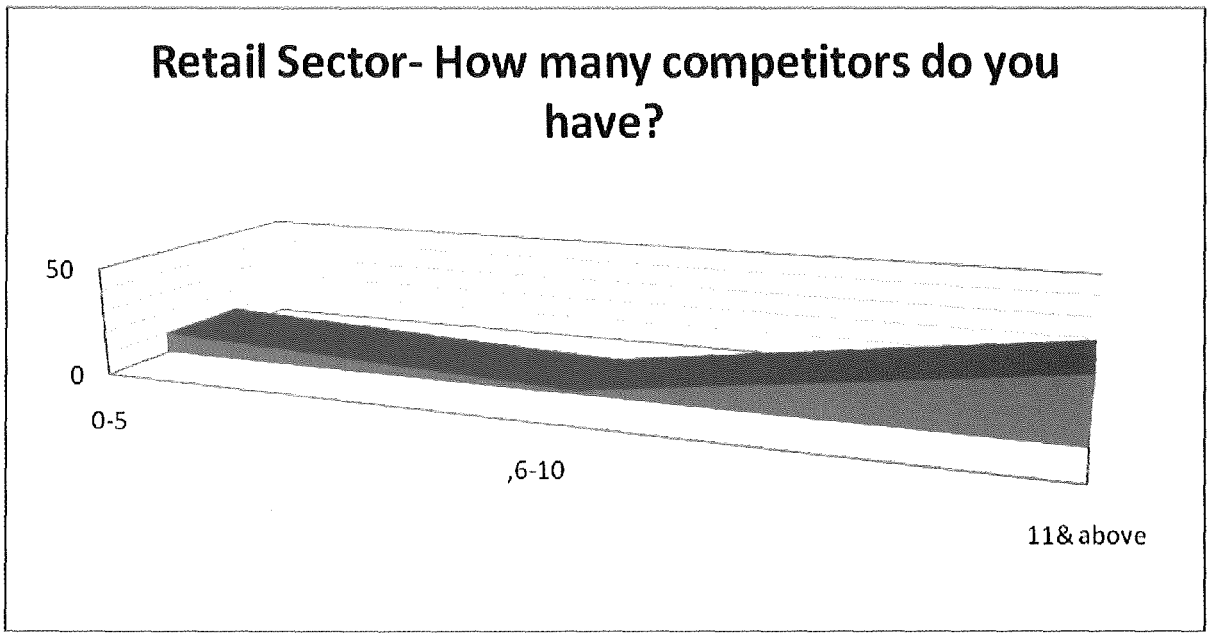


Figure 4.28: Competitors in the Retail industry.

According to Figure 4.28, it is evident that the majority of the respondents in the retail business sector have 11 and more competitors in the market. The figure shows that 75% of the respondents indicated that they have more than 11 competitors. This shows that competition in the Gaborone retail business sector is very high.

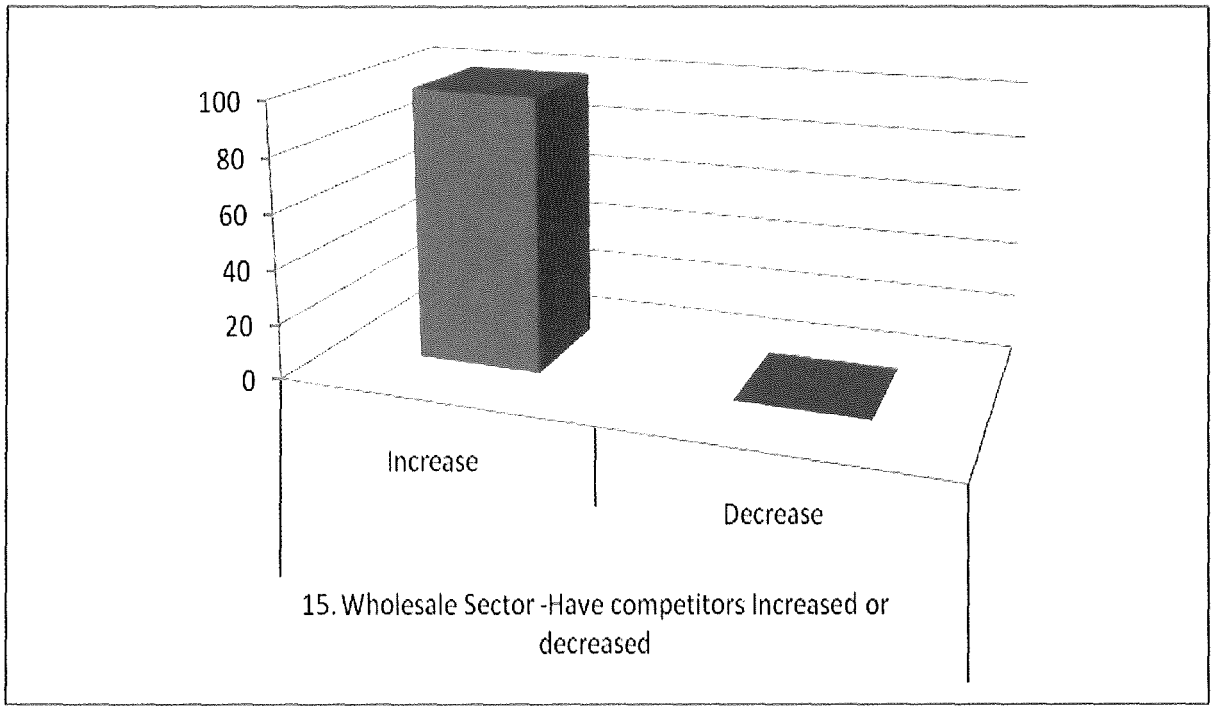


Figure 4.29: Competitors increased or decreased in retail business sector.

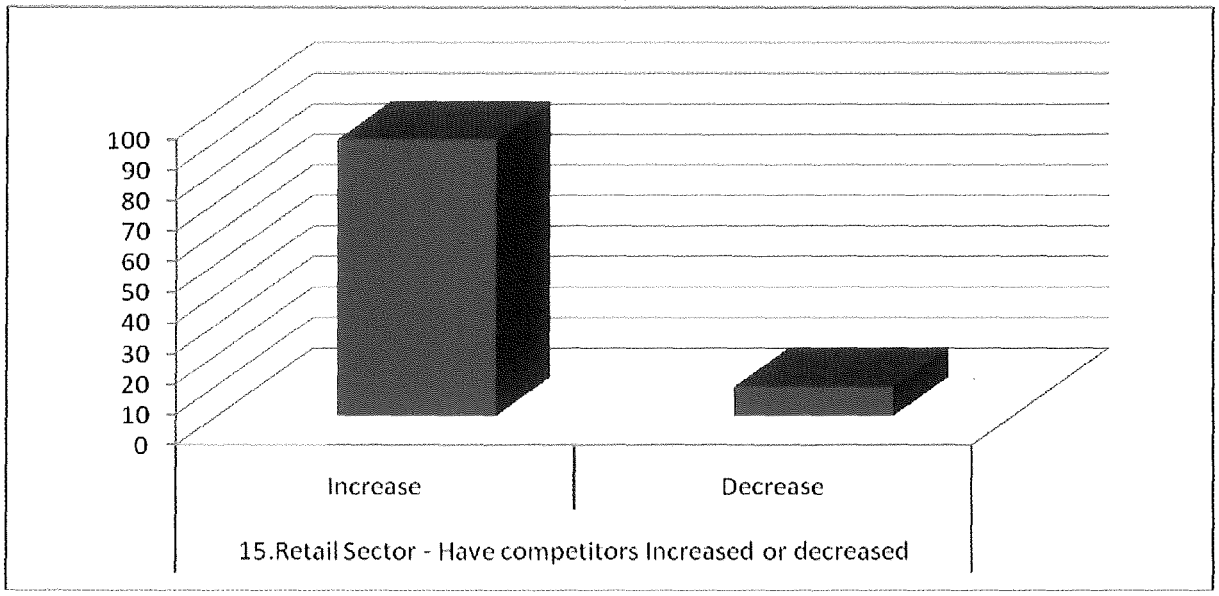


Figure 4.30: Competitors increased or decreased in wholesale business sector.

From the information in Figure 4.29 and Figure 4.30, it is evident that in both the retail and wholesale sector competitors have increased dramatically. Both in the retail and wholesale sectors, more than 90% of the respondents clearly stated that their competitors have increased. This shows the current market condition and competitor analysis of Gaborone.

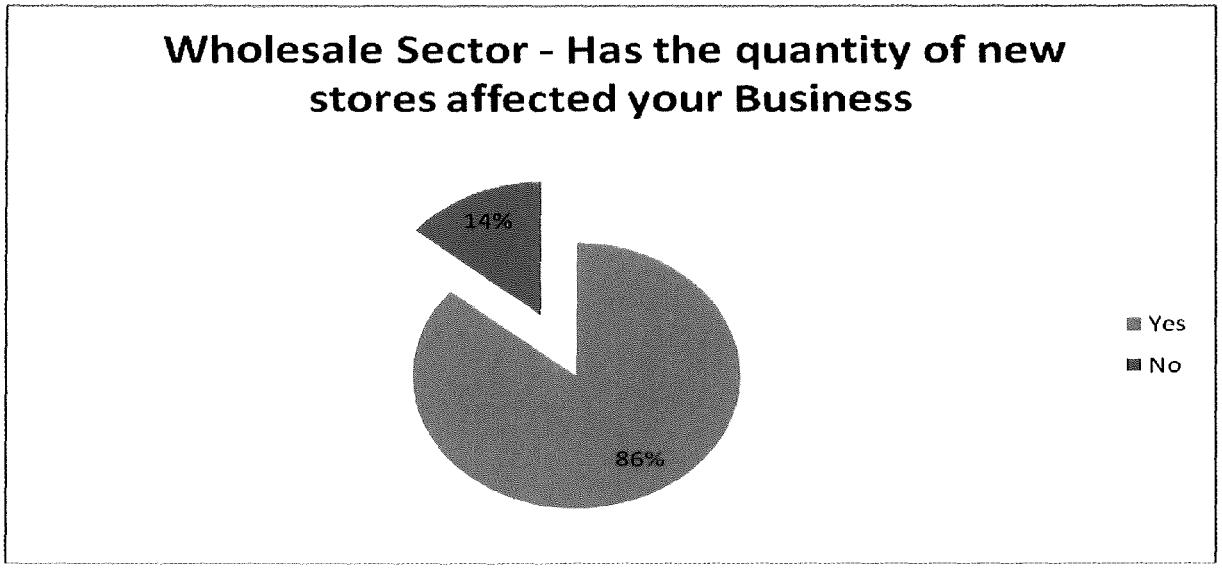


Figure 4.31: New wholesale entrants' effect on industry.

The respondents were asked whether the quantity of new stores affected their business in the wholesale business sector. From the information in Figure 4.31, it is evident that 86% of the respondents agreed that the quantity of new entrants affected their business, and only 14% of the respondents stated that the new entrants did not affect their business.

Respondents in both the retail business sector and the wholesale business sector explained that they have lost their market share due to the new entrants.

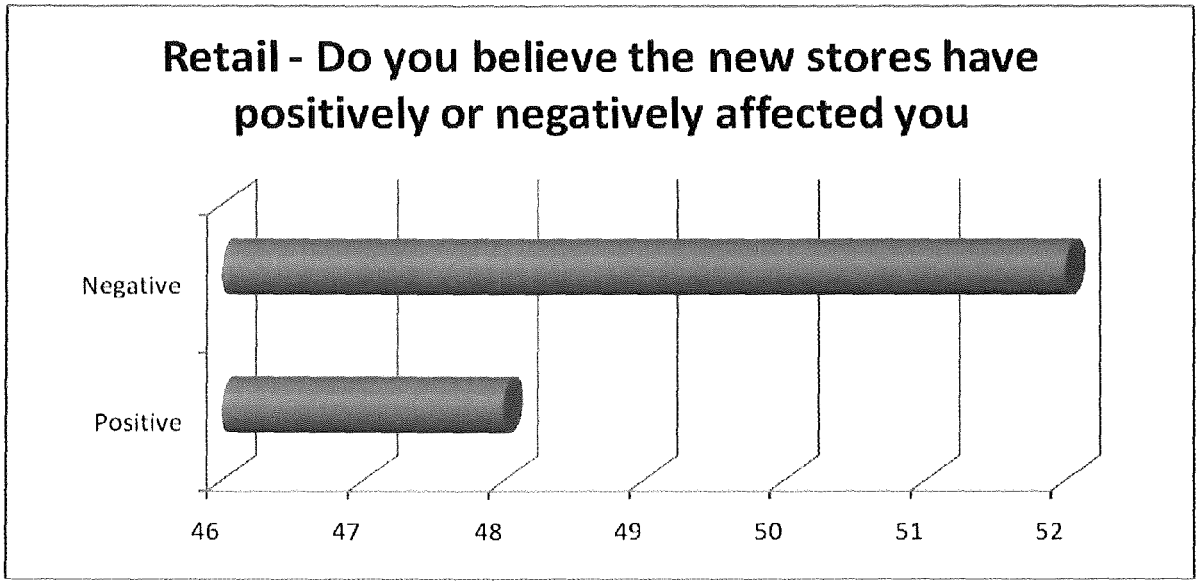


Figure 4.32: New entrants' effect on retail.

The perception of the retail business sector respondents about the new stores is reflected in Figure 4.32. It is evident that most of the respondents stated that new stores were negatively affecting their business.

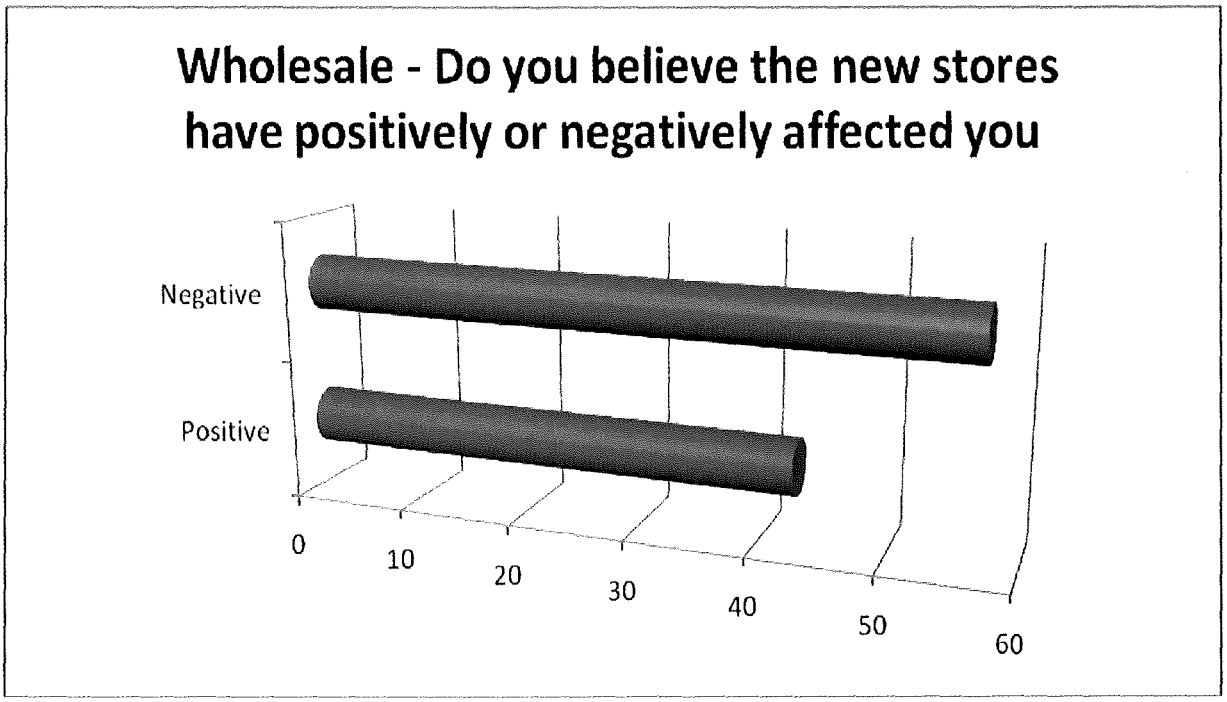


Figure 4.33: New entrants' effect on wholesale.

The perception of the wholesale business sector respondents about the new stores is reflected in Figure 4.33. It is evident that most of the respondents stated that new stores

were negatively affecting their business. 57% of respondents indicated that they believe new stores have negatively affected their business and 43% of respondents indicated that they believe new stores have positively affected their business.

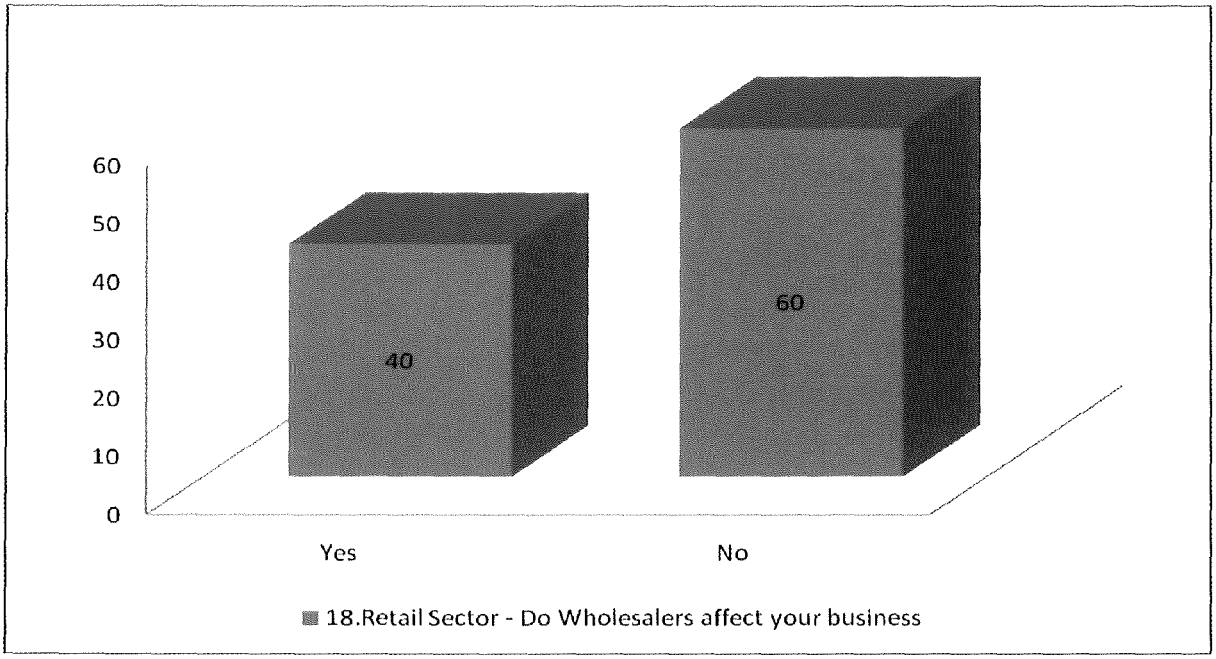


Figure 4.34: Wholesale business sector effect on retail business sector activities or not.

As reflected in Figure 4.34, the retail business sector respondents were requested to state whether wholesalers affected their business activities. 40% of respondents indicated that the wholesalers affected their business and 60% of respondents indicated that wholesalers did not affect their business activities. According to these results, it is evident that most retailers believe that wholesalers do not affect their business.

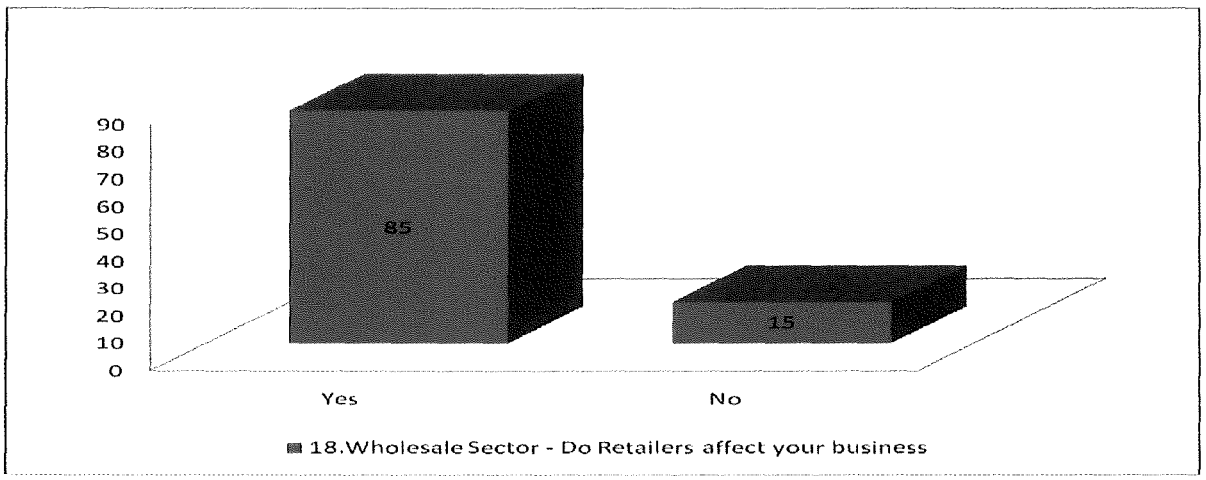


Figure 4.35: Retail business sector effect on wholesale business sector activities or not.

As reflected in Figure 4.35, it is evident that retailers' business activities affect the wholesalers' business activities. 85% of respondents indicated that retail business sector activities affect the wholesale business. Only a few, 15% of respondents, stated that retailers' business activities do not affect them. Comparing Figures 4.34 and 4.35, it is evident that retailers are affecting wholesalers more than wholesalers are affecting retailers.

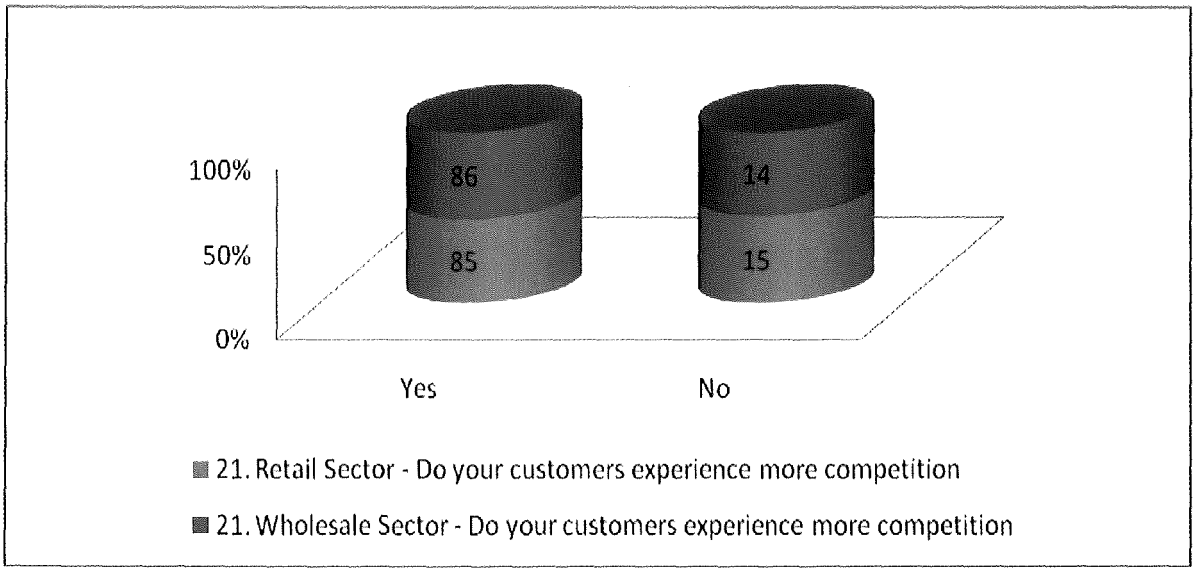


Figure 4.36: Customers experience more competition in both retail & wholesale sectors.

The respondents in both retail and wholesale sectors were asked to state if their customers experience more competition or not. From the information in Figure 4.36, it is clear that although more than 85% of the respondents in both retail and wholesale sectors agreed that their customers experience more competition, only 14% in the wholesale sector and 15% in the retail sector stated that customers do not experience competition.

According to Strydom *et al.* (2013:90), South African wholesalers are experiencing competition from large retailer groups in two ways: firstly through the development of wholesale self-service outlets (cash-and-carry wholesalers). Metro Cash and Carry (Metro), for instance, has established 170 shops countrywide that employ this self–service concept. Secondly, they set up retail sales outlets and create manufacturing facilities (i.e. forward and backwards vertical integration). The merging of Metro and Score Foods under the Premier Group has meant that the Premier Group, as a manufacturer, can market its own products directly and thus shorten the distribution channel.

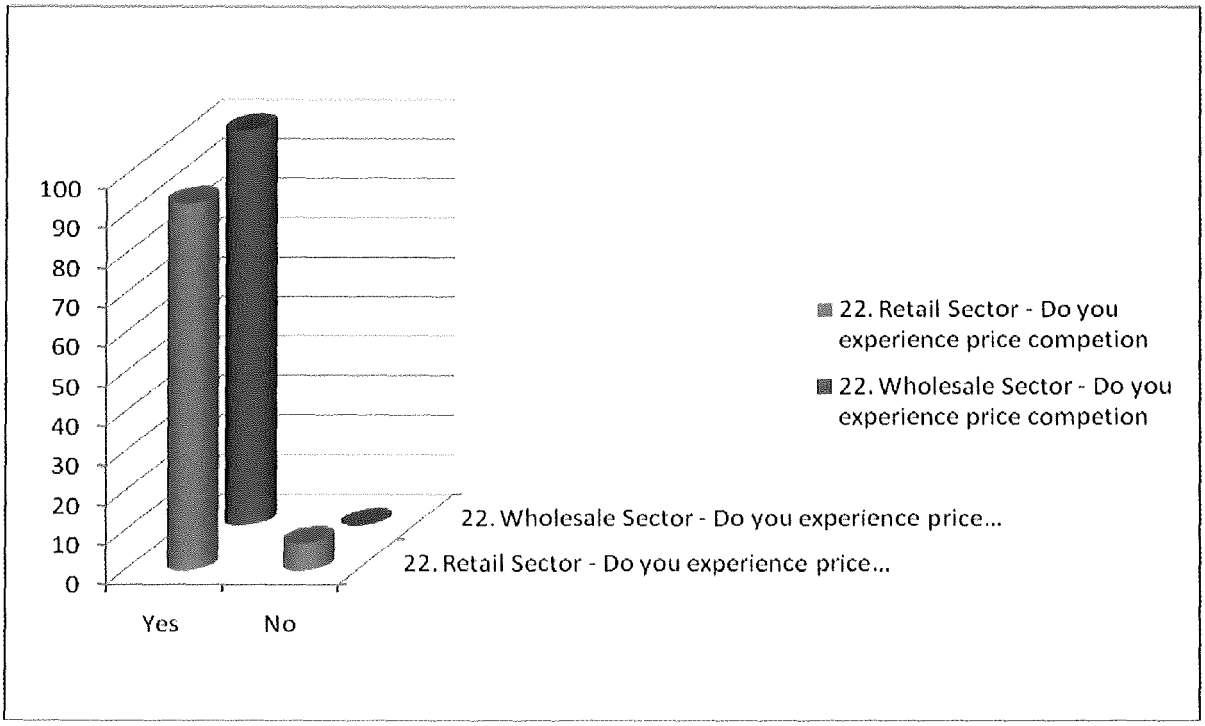


Figure 4.37: Experience of price competition in retail business sector and wholesale business sector.

Respondents in both retail and wholesale sectors were asked to indicate their experience about price competition with other competitors. As reflected in Figure 4.37, most of the respondents stated that they experience price competition; only a few stated that they do not experience price competition with others.

As the total market has had more formal retailers moving into smaller areas, these general dealers have come under pressure if they continue operating. Pricing has become more competitive, product ranges have been extended by the retailers and that has spilled over to general dealers. Customers are now expecting to get the same service offering from these smaller outlets as they are getting from the bigger chain stores. This increased pressure from the formalised trade has resulted in numerous general dealers/ independent retailers losing business and in many instances closing down (Briggs, 2009:7).

The starting point of this discussion is the distinction between price and value. Traders are all painfully aware of how important price points are and the punishment that shoppers and competitors dish out when traders get them wrong. But often, it is not the price point per se that is the issue. Rather, it is the value attributed to the item or store in question relative to the price, where value is determined by the perceived benefits that the product/store delivers, and its equity (Malete, 2013:39).

So, if sales are lost to a competitor, one needs to explore both the competitiveness of the pricing and the competitiveness of the value delivered by the product/store (Kirkb, 2012:40).

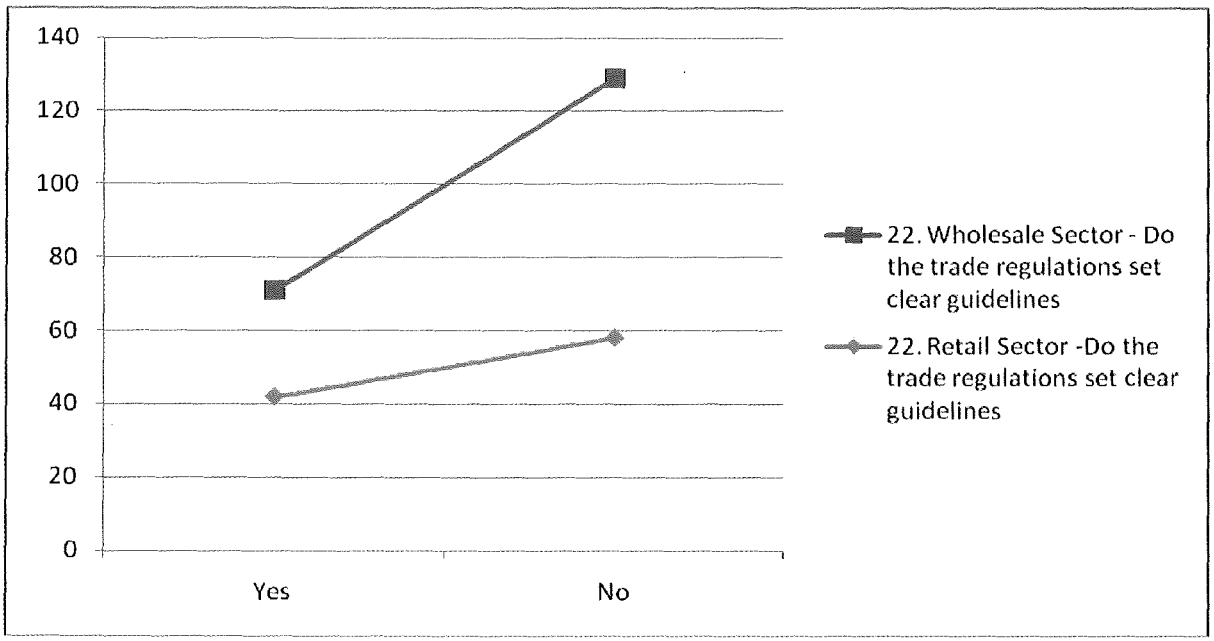
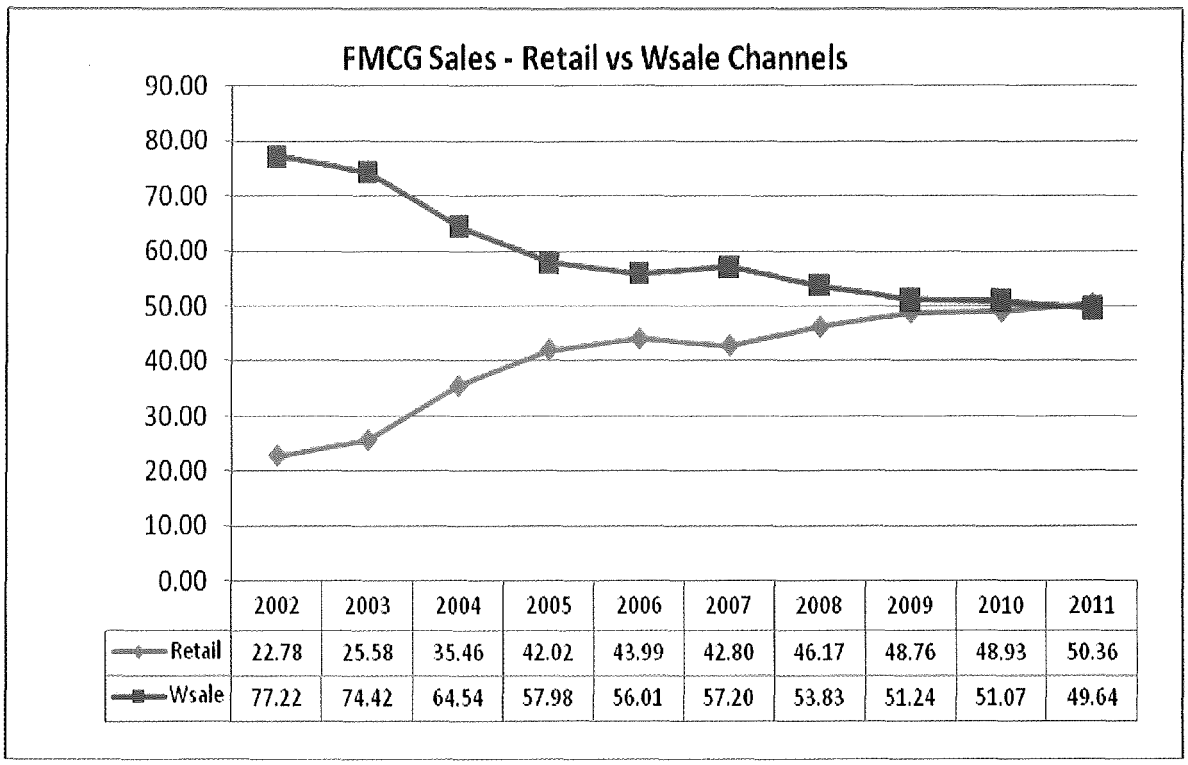


Figure 4.38: Whether the current trade regulations set clear functional guidelines for wholesalers & retailers.

The respondents were requested to indicate their perception about the current trade regulations. 58% of retail business sector respondents stated that there are no clear functional guidelines for wholesalers and retailers. Only 42% respondents said that the current Trade Act clearly provides functional guidelines for wholesalers and retailers. 71% respondents in the wholesale sector responded that the current Trade Act does not set clear functional guidelines for wholesalers and retailers; only 29% of the respondents in the wholesale sector stated that the current Trade Act sets clear functional guidelines for wholesalers and retailers.

4.4.5 General statistical analysis of retail sector and wholesale sector sales



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Retail	22.78	25.58	35.46	42.02	43.99	42.80	46.17	48.76	48.93	50.36
Wsale	77.22	74.42	64.54	57.98	56.01	57.20	53.83	51.24	51.07	49.64

Figure 4.39: Retail vs wholesale channels.

Source: Briggs, 2012:12.

According to Briggs (2009:3), the Botswana FMCG market has shown dramatic changes over the past 10 years. With the advent of shopping malls and new retailers moving into Botswana, the customer has been given access to new shopping experiences, new products and new retail outlets to purchase from. These changing opportunities have manifested particularly in the purchasing venues where customers are shopping. In the previous 10 years, there has been a substantial move from wholesale to retail purchasing. Figure 4.39 above depicts retail vs wholesale sales volumes on an annual cumulative basis. The move from wholesale to retail has been driven predominantly by the phenomenal growth of retail groups.

The following table shows the correlation of price competition with customers' purchases on the same amount of products in wholesale business sector.

Table 4.4: Correlation of price competition with customers purchase in wholesale business sector.

		Price Competition	Do they buy same amount of product
Price competition	Pearson Correlation	1	-.906**
	Sig. (2-tailed)		.005
	N	7	7
Do they buy same amount of product	Pearson Correlation	-.906**	1
	Sig. (2-tailed)	.005	
	N	7	7

The relationship between price competition and customer attitude towards buying the same amount of products is analysed using correlation coefficient with SPSS. The result shows that in the wholesale business sector, there is a negative correlation between price competition and buying the same amount of products. Price competition can negatively affect customers buying the same amount of products. The correlation is statistically significant as the p value is .005 which is less than the required significance of p< .05.

Table 4.5: Correlation on price competition with customers purchase in retail business sector.

Correlations on retailers

		Price competition	Do they buy same amount of product
Price competition	Pearson Correlation	1	.106
	Sig. (2-tailed)		.505
	N	42	42
Do they buy same amount of product	Pearson Correlation	.106	1
	Sig. (2-tailed)	.505	
	N	42	42

In the retail business sector, the correlation shows that there is a weak positive correlation between price competition and customers' purchase of same amount of products. This is not statistically significant as the p value is .505 which is higher than the required significance of p <.05. It is not evident that price competition positively affects customers' purchasing power. Retail customers buy the same amount irrespective of price competition. This price

correlation link to the purpose and the objectives of this research study. These correlations assist to determine the profile of wholesalers and retailers regarding the price differences and to investigate whether price affect the retailers 'cannibalistic actions towards wholesalers.

Table 4.6: Regression analysis on customer experience and new store opening in the retail business sector.

R	R Squared	F	p-value
.263[a]	0.069	2.974 (df,1,40)	092[a]

Dependent variable: customer experience

Independent variable: New Store opening

The regression table shows that the model is not significant for retailers. New store opening is not a predictor for customers' experience. The R and R Squared is very low to predict the outcome variable new store opening. R squared gives the amount of variance explained by the independent variable or predictor, new store opening. R-squared can vary from 0 and 1. In this case it is 0.069, so only 6% of the variance customer experience is explained by new store opening which is very low. This regression analysis links to an objective of this research study. This helps to determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate.

Table 4.7: Coefficient analysis on customer experience and new store opening in retail.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
	(Constant)	.827	.180		4.605	.000
	New store opening	.212	.123	.263	1.724	.092

a. Dependent Variable: Customers experience

The coefficient table shows that the relationship between the constant and predictor is not significant as the predictor p-value is .092 which is above the significant level of $p<.05$. There is no significant relation between customer experience and new store opening.

Table 4.8: Regression analysis on customer experience and new store opening in wholesale business sector.

R	R Squared	F	p-value
.167[a]	0.028	0.143 (df,1,5)	.721[a]

Dependent variable: customer experience

Independent variable: New Store opening

The regression table shows that the model is not significant for wholesalers. New store opening is not a predictor for customer experience. The R and R Squared is very low to predict the outcome variable new store opening. R squared gives the amount of variance scores explained by the independent variable or predictor, new store opening. R-squared can have values between 0 and 1. In this case it is 0.028, so only 2% of the variance in reading customer experience is explained by new store opening.

Table 4.9: Coefficient analysis on customer experience and new store opening in wholesale business sector.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	p-value
(Constant)	1.333	.527		2.530	.053
New store opening	-.167	.441	-.167	-.378	.721

The coefficient table shows that the relationship between the constant and predictor is not significant as the predictor p-value is .721 which is above the significant level of $p<.05$. There is no significant relationship between customer experience and new store opening in wholesale business sector. This analysis on customer experience and and new store opening is done to determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate and to investigate why retailers encroach on territories previously occupied by wholesalers.

Table 4.10: Total variance analysis in retail business sector.

Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.623	32.457	32.457	1.616	32.327	32.327
2	1.091	21.823	54.280	1.098	21.953	54.280
3	.966	19.318	73.598			
4	.732	14.641	88.239			

Extraction Method: Principal Component Analysis.

The total variance table shows all the factors extractable from the analysis along with their eigenvalues. The first factor shows 32.4% and the second factor accounts for 21.8%. All the other remaining factors are not important.

Table 4.11: Factor analysis in wholesale business sector.

Descriptive Statistics				Communalities		Kaiser-Meyer-Olkin Measure of Sampling Adequacy.
	Mean	Std. Deviation	Analysis N	Initial	Extraction	KMO
Gender	1.1429	.37796	7	1.000	.759	0.637
Age	38.5714	8.44309	7	1.000	.670	
Qualification	6.5714	.53452	7	1.000	.534	

The descriptive statistics show that age and qualification are the most important variables that influence wholesalers' stock purchase amount.This influence showed that young and highly qualified staff has the same method and pattern of retailer's stock purchase amount. The communality shows the variance in the variables has been accounted for by the extracted factors. It is evident that over 75% of the variance shows in gender and over 67% is accounted for by age in the wholesalers stock' purchase amount. The KMO measures the sampling adequacy for a satisfactory factor analysis to proceed. Here the KMO value is .63 which is satisfactory to do statistical analysis.

Table 4.12: Total variance analysis in wholesale business sector

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Dimension 0	1.963	65.450	65.450	1.963	65.450	65.450
	.659	21.980	87.430			
	.377	12.570	100.000			

Extraction Method: Principal Component Analysis.

The table of total variance reflect all the factors extractable from the analysis along with their eigenvalues. The first factor accounts for 65.4% and all the remaining factors are not important.

The following table shows the standard deviation and mean of the questionnaire questions in the retail business sector.

Table 4.13: Standard deviation in retail business sector.

Description in questionnaire	Mean Average	Average Deviation squared	Standard deviation
Age (Years)	34.05	48.95	7.08
How big is your shop (Square metres)	1417.93	3345728.78	1851.31
How long have you been open (Years)	3.74	1.76	1.34
How often do you stock up (days)	11.4	119.42	11.06
How much do you usually buy for (Pula)	21 904.76	9580498.87	5733.13
How many competitors do you have	9.33	9.94	3.19

In Table 4.13, respondents' average and standard deviation for some of the questions in the questionnaire in the retail business sector are given. The average age of the respondents is 34 years in the retail business sector. The average size of the retail outlets are 1417.93 square metres. The average time a retailers' shop has been open is 3 years. In the retail business sector, the respondents were asked how often they stock up; the results show that the average period is 11 days. The average purchase amount of the stock is Pula 21904.76. The respondents have an average of 9 competitors.

Table 4.14: Standard deviation in Wholesale business sector.

Description in questionnaire	Mean Average	Average Deviation squared	Standard deviation
Age (Years)	38.57	0.9	8.44
How big is your shop (Square metres)	4571.43	2039387.76	2957.88
How long have you been open	5	0	0
How often do you stock up (days)	6.57	36.61	6.95
How much do you usually buy for (Pula)	19 428.00	2467816.33	
How many competitors do you have	9.86	0.12	2.19

Table 4.14 indicates respondents' average/mean and standard deviation for some of the questions in the questionnaire in the wholesale business sector. The average age of the respondents is 38 years old in the wholesale business sector. The average size of the wholesale outlets is 4571 square metres. The average time the wholesalers have been open is 5 years, because all the respondents responded that their shop has been open for more than 5 years and longer. In the wholesale business sector, the respondents were asked how often they stock up; the average period is 6 days. The average purchase amount of the stock is Pula 19,428. The respondents have an average of 9 competitors.

When comparing the retail sector and wholesale business sector, it is evident that the average shop size of the wholesale sector is bigger than the retail sector shop size. From the results reflected in the tables 4.13 and 4.14 it is clear that wholesalers have been in business for average of more than 5 years, but retailers for an average of 3 years. It is evident that wholesalers purchase their stock more frequently than retailers by looking at their average time of stock purchasing; an average of 11 days for the retail business sector and an average of 6 days in the wholesale business sector. The retail business sector and wholesale business sector both have a similar average number of competitors, 9 competitors.

4.4.6 Respondents' comments on open questions in the questionnaire, qualitative reflects

The retail business sector respondents were requested to state their opinion about the major obstacle to trading as a retailer. Most of the respondents mentioned the competition in the market and the price competition with others, as reflected in the following table. The following

results were found among respondents. Ten respondents did not answer this question. Most of the respondents stated that the number of new stores opening also affected them negatively as they lose market share and experience fewer customers in their shops. A large percentage of respondents indicated that price competition with other competitors is their major problem as a retail trader.

Table 4.15: Major obstacle as a retailer.

CODE	Major obstacle as a retail
Q1	Competition with other shops.
Q2	Competition with other shops.
Q3	They don't have all the products that customers need& customers don't like it.
Q4	Price competition with other competitors.
Q5	The new stores are opening every day, stores are becoming many& more competition.
Q6	The electricity load shedding, if there is no electricity food become rotten.
Q7	N/A
Q8	N/A
Q9	N/A
Q10	So many stores and due to this many stores we have less customers.
Q11	Problem of price competition with other competitors.
Q12	Wholesalers are also selling single units as retailers; This is a problem and competition.
Q13	Competition with many stores as newly opened stores. Customers purchase from new shops as the price is cheap in new shops.
Q14	Big shopping malls are everywhere and this will make low market share.
Q15	Because of more shopping malls we are losing the market.
Q16	Fewer customers are a problem.
Q17	Theft.
Q18	Local suppliers fresh produce are not good but border restrictions to import from other countries.
Q19	Increase of competitors.
Q20	N/A
Q21	Should be ahead of everybody as the competition is too high.
Q22	Need to improve customer service in order to become competitive.

Q23	Price difference with competitors.
Q24	We are one store & it's a problem to buy from the suppliers for better prices and rebates.
Q25	Competition with other retailers.
Q26	Customers think price is high but we have quality goods.
Q27	Competition with others and price competition.
Q28	Competition with both retail sector and wholesale sector.
Q29	Competition with retail sector.
Q30	Chinese shops offer cheaper items and we can't compete with them.
Q31	Lack of good local fresh produce.
Q32	The population is low and low GDP level in the country, Pricing problems.
Q33	Prices of wholesalers are high and when we buy from them at high price.
Q34	Competitors' prices are lower than ours.
Q35	We have low profits because of the price competition with competitors.
Q36	Price difference with competitors.
Q37	Price difference with competitors.
Q38	Pricing evaluation.
Q39	N/A
Q40	Price competition.
Q41	Competition and pricing.
Q42	N/A
Q43	Competition with others.
Q44	Retail & Wholesale both competitions.
Q45	N/A
Q46	N/A
Q47	N/A
Q48	N/A
Q49	Competition with others.

The above question in the questionnaire links to all of the objectives of this research study through the various responds of the respondents. Most of the respondents, 25 respondents mentioned competition in the market as a major obstacle as a retail business. Among these respondents who mentioned about the market competition, 16 respondents indicated about the pricing competition as a major obstacle as a retail business. 3 respondents mentioned about the new stores and too many stores in the market as a major obstacle to the retail

business. 2 respondents responded many shopping malls in the market as a major obstacle to their retail business.

In the retail business section, respondents were asked to give their opinion to differentiate the functional activities of retailers and wholesalers. The following responses were obtained from different respondents. Thirteen respondents did not answer this question.

Table 4.16: Measures to take to differentiate the functional activities of wholesale & retail.

CODE	What measures to take to differentiate Functional activities of wholesaler & retailer?
Q1	Wholesalers should operate one shop in one shopping mall; there should not be many wholesalers in a one mall, if not losing the market share.
Q2	Wholesalers should sell only in bulk.
Q3	Wholesalers should reduce prices.
Q4	N/A
Q5	Some wholesalers are not selling in bulk while they are supposed to sell in bulk.
Q6	Wholesale price should be cheaper so that retailers can buy from them.
Q7	N/A
Q8	Wholesalers should sell in bulk& retailers should sell in units.
Q9	N/A
Q10	Wholesalers should sell in bulk& retailers should sell in units.
Q11	N/A
Q12	Wholesalers should sell in bulk& retailers should sell in units.
Q13	Wholesalers should sell in bulk& retailers should sell in units.
Q14	Wholesalers should sell in bulk& retailers should sell in units.
Q15	N/A
Q16	Wholesalers should sell in bulk& retailers should sell in units.
Q17	N/A
Q18	Business is a free market & anybody can do anything to be competitive.
Q19	Wholesalers should be different from the pattern of sales.
Q20	N/A
Q21	Wholesalers must control and manage whoever they are supplying must not cutting corners.
Q22	Wholesalers should sell in bulk& retailers should sell in units.

Q23	Retailers and wholesalers should have price differences.
Q24	Wholesaler's prices should be difference as they sell in bulk.
	Wholesalers should sell only bulk and retailers should sell in units.
Q25	Retailers & wholesalers pricing, advertisement method should be different.
Q26	Wholesale should strictly sell in bulk& at least should sell minimum of ten items. Retailers should sell in units.
Q27	Wholesalers should not compete with retailers and they must sell in bulk.
Q28	Retailers and wholesalers trading pattern is same in Botswana it should change.
Q29	Wholesale and retail function is same in Gaborone, so this should separate.
Q30	Wholesalers are adding much mark up that affect retail buyers who buy from them. So the prices of both sectors should change.
Q31	N/A
Q32	N/A
Q33	Price of wholesalers should be reduced.
Q34	Through pricing wholesale & retail must make differences.
Q35	Wholesalers should sell in bulk& retailers should sell in units.
Q36	Wholesalers stock should be available any time.
Q37	Wholesalers should sell in bulk& retailers should sell in units.
Q38	Wholesalers should sell in bulk& retailers should sell in units.
Q39	Wholesalers should decrease their prices.
Q40	Wholesalers should sell in bulk& retailers should sell in units.
Q41	Wholesalers should decrease price and should sell only in bulk.
Q42	Wholesalers should sell in bulk& retailers should sell in units.
Q43	N/A
Q44	Wholesalers should not compete with retailers and must sell in bulk.
Q45	Wholesalers and retailers should have different functional activities.
Q46	N/A
Q47	N/A
Q48	Wholesalers should decrease price and should sell only in bulk.
Q49	N/A

This above question of the questionnaire assists to determine the profile of wholesalers and retailers. This is one of the major objectives of this research study. Most of the respondents wished that wholesalers should sell in bulk while retailers should sell in units. Moreover, respondents stated that wholesalers and retailers should have different functional activities

and wholesaler's price should be lower than the retailer's. Some of the respondents indicated that wholesalers and retailers should not compete with each other.

The wholesale business sector respondents were requested to state their major obstacle to trading as a wholesaler. Most of the respondents stated competition in the market with retailers and price competition with others.

Table 4.17: Major obstacle as a wholesaler.

Code	**Major obstacle as a Wholesaler**
Q1	Retailers are also selling the same products with the same prices as wholesale.
	Competition with retailers. Wholesaler's market share is down and retailers should buy the stock from wholesalers not directly from suppliers or manufactures.
Q2	Retailers get same products without VAT and we get with VAT prices which is high price.
Q3	Retailers affect our customers directly and will impact our business.
Q4	Retail price & wholesale price are same as both of them buying from suppliers. Retailers should buy from wholesalers.
Q5	More competitors in the market.
Q6	Trading hours/Price margins.
Q7	Wholesale market share is down due to retailers' business activities. Price war with retailers. This lead to competition.
	Retail& wholesale business is same in Gaborone, due to this competition it is hard to survive in business.

The above question in the questionnaire links to all of the objectives of this research study through the various responds of the respondents. As reflected in the table, it is evident that retailers greatly affect the business activities of wholesalers due to the same price levels and functional activities. Retailers do not buy from wholesalers and they are buying stock directly from suppliers and manufacturers. This is a major problem for wholesalers. This competition between retailers and wholesalers tends to lead to loss of market share of wholesalers. This competition between wholesalers and retailers leads to negative effects for wholesalers and the respondents' opinions were that wholesalers cannot survive in the market.

In the wholesale business section respondents were asked to give their opinion to differentiate the functional activities of retailers and wholesalers. The following responses were given by different respondents. Some of the respondents did not answer this question.

Table 4.18: Measures to take to differentiate the functional activities of wholesale & retail.

Code	What measures to take to differentiate Functional activities of wholesaler & retailer?
Q1	Retailers should buy from wholesalers & Retailers direct buying from manufacturers, suppliers is not right way in the supply chain and distribution channel.
Q2	The Trade Act should make the functions differently to wholesalers and retailers.
Q3	Retailers must not affect wholesalers' business activities.
Q4	Wholesalers can sell more in bulk if the retailers buy from them.
Q5	Prices should be different. Quantity should be difference. Retailers' price should be higher.
Q6	Retailers must buy from wholesalers, not directly from suppliers or manufacturers.
Q7	Competition authority should approve separate functional guidelines and allow the price difference of wholesalers and retailers. Allow trading both sectors separately, retailers should not affect wholesalers business.

The above question of the questionnaire link to key objectives of this research study such as to determine the profile of wholesalers and retailers and to establish how the current Trade Act of Botswana affects the functioning of wholesalers. The respondents suggested separation between wholesalers and retailers where the retail sector and wholesale sectors should have different functions. Wholesalers' prices should be low and retailers' prices should be high, meaning that there should be a clear price difference between them. Most of the respondents suggested that retailers should buy from wholesalers and retailers should not directly buy from suppliers or manufacturers as this creates a major problem for wholesalers.

The wholesale sector respondents were asked for reasons why their customers are buying single units instead of in bulk. Some of the respondents did not answer this question. The responses are reflected in the table below.

Table 4.19: The reason why customers buy single units alternative to bulk.

Code	The reason why customers buying single units alternative to bulk
Q1	Less money availability of the customers to purchase in bulk.
Q2	Perishable stocks and some of the stocks, customers do not have storage facility.
Q3	N/A
Q4	N/A
Q5	Wholesale should sell bulk sales but customers don't have money to buy bulk.
Q6	Lack of funds of the customers.
Q7	Lack of money of buyers to buy in bulk and then they like to buy single units.

The above question assists to to identify the current distribution channels and their impact on customers. This is a key objective in this study. The respondents in the wholesale sector responded that their customers are willing to buy single products due to a lack of funds to purchase in bulk and also suggested that customers do not have enough storage facilities to buy in bulk.

4.5 CONCLUSION

The statistical evidence presented in this study is sufficient to conclude that acceptable levels of construct validity and reliability and relationships between the variables can be considered as reliable measures.

The data indicated that most of the management employees in the retail and wholesale sectors are males and that their average age was between 30 and 40 years old. Most of the respondents have at least secondary education and in the wholesale sector management employees have a tertiary qualification and post graduate qualifications.

The average size of the shop was 1417 square metres in the retail sector and 4571 square metres in the wholesale sector. The retail sector stores have been opened for 3 years, and wholesale sector stores have been open more than 5 years, on average. Most of the retail sector was purchasing stock for two weeks and wholesalers purchase weekly. Most of the retailers and wholesalers are purchasing more than Pula 20,000 at relevant intervals. Most of the retailers and wholesalers are getting this stock to their premises from delivery by the supplier. In both sectors, generally, suppliers were delivering the stock to them directly and these suppliers offer credit terms.

Both in the retail and wholesale sectors customers are not buy the same quantity as two years ago. The majority of the respondents in both retail and wholesale sectors indicate that they have more customers. Nearly every customer in the retail and wholesale sector was buying convenience products and customers tend to spend more money on their purchases. Both the retail sector and wholesale sector have an average number of 9 competitors. The majority of the respondents in both sectors responded that their competitors have increased. Respondents largely indicated that new store openings have negatively affected their business. The majority of respondents stated that their customers are also experiencing competition and both wholesale and retail sectors experience price competition with their competitors.

The majority of retailers explained that their major obstacles to trading as a retailer are the competition with competitors and the price competition with competitors. Moreover, most of the retailers indicated that wholesalers should only sell in bulk to differentiate the wholesaler and retailer.

In the wholesale sector respondents indicated that retailers greatly affect the business activities of wholesalers due to the same price levels and functional activities. Retailers do not buy from wholesalers and they are buying stock directly from suppliers and manufacturers. This is a major problem for wholesalers. This creates competition between retailers and wholesalers, and wholesalers are losing their relevant market share. This competition between wholesalers and retailers leads to negative effects for wholesalers. The respondents of the wholesale sector gave their opinion that wholesalers cannot survive in the market due to this obstacle. In addition to this, wholesalers indicated that there should be a price difference between wholesalers and retailers in order to make their functional activities different. In addition to this, retailers should buy from wholesalers and retailers should not buy from the suppliers directly. Respondents in the wholesale sector explained that their customers are willing to buy single products due to a lack of funds to purchase in bulk and also suggested that customers do not have enough storage facilities to buy in bulk.

Finally, most of the respondents indicated that the current Trade Act regulations do not have clear functional guidelines for wholesalers and retailers. Some of the respondents in both sectors were not very sure about the current regulations of the Trade Act, so they did not answer this question properly.

This concludes the analysis of the statistical tests performed. The next chapter summarises the principal findings and makes recommendations for future research.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter, final conclusions are drawn from the data presented in Chapter 4. The research design and methodology are re-stated, and particular reference is made to the limitations within which the study has been carried out. For completeness, the research problem, research question and investigation questions are re-stated and described. The aim and objectives of the research study are mapped to the research content, while particular recommendations will be made concerning the problem being researched.

5.2 RESEARCH DESIGN, DATA COLLECTION DESIGN AND METHODOLOGY

The quantitative and qualitative research method was used in this study. A survey research method was used and a questionnaire was designed to obtain the information required.

The sample population was chosen through non-probability sampling and the method which was utilized to select the sample was convenience, purposive sampling. The population of this study was wholesale and retail sector management employees in Gaborone. Within this population a sample size was that was representative of the population. A minimum of 50 respondents were approached to participate as a convenience non-probability purposive sample.

5.3 THE RESEARCH PROBLEM RE-VISITED

The research problem formulated in paragraph 1.3 in Chapter 1 reads as follows: This study will investigate if retailers' extended business activities create a limiting effect on the wholesalers' survival. There is a general perception that the diversification of retailers' activities has a negative effect on the wholesalers.

The research question asks what measures should be taken to differentiate functional activities of retailers and wholesalers.

The research aim and objectives of this dissertation were mentioned in Chapter 1, section 1.3 and 1.4.

5.4 THE INVESTIGATIVE QUESTIONS RE-VISITED

The investigative questions to be researched in support of the research question are:

- What are the business activities retailers (in Gaborone) are involved in?
- What are the business activities wholesalers (in Gaborone) are involved in?
- How does the Trade Act (2008) influence the functions of wholesalers and retailers in Gaborone?

5.5 THE AIM AND OBJECTIVES OF THE STUDY

5.5.1 Aim of the study

The purpose of the study was:

- To identify solutions to retailer's cannibalistic actions towards the wholesalers in Gaborone.

In order to achieve the purpose, the aims of this study were to determine the theoretical differentiation between wholesalers and retailers.

NWU LIBRARY

5.5.2 Objectives of the study

For convenience, the research aim and objectives are repeated below:
The research objectives of this study linked with the purpose of study as stated in chapter1 and how they were addressed.

- To determine the profile of wholesalers and retailers.

Wholesalers are defined as traders that sell products in bulk, as defined by the Trade Act. Wholesalers do not sell single units, but rather sell products in case lots. Wholesalers are prohibited from selling single units except in exceptional cases, ie bicycles. Wholesalers are perceived to sell these products in bulk to other smaller retailers who then sell the products as single units to customers. This is one of the biggest anomalies in the fair trade intention of the Trade Act. The Trade Act was promulgated to protect the retailers from the wholesalers selling at discounted prices and selling in single units. Retailers are conversely not prohibited from selling bulk products to customers, or in fact to other retailers. Retailers are generally characterized by having smaller stores, and selling products to consumers (people who purchase the product and are the end user of those products).

Solutions to the dilemma would be firstly for the wholesalers to get sufficient support from the smaller general dealers to help change the Trade Act, so that wholesalers are not limited by the onerous task of only selling in bulk. Many general dealers can't afford to buy bulk products, and so they are forced to buy from retailers or buy sub-standard products from the wholesalers. The next solution is for the wholesalers to start a retail arm of their businesses and thereby try and get back share through their own retail arm.

- To identify the current distribution channels and their impact on customers.

Distribution channels can be defined as "route to market" for producer's products. In Gaborone, many of the producers rely on two channels to achieve this. As far as the retail channel goes, that is the direct route to the consumers. There is a problem with that though, in that the retail channel only supplies to approximately 50 % of all customers.

Wholesalers are the last point that producers distribute to. The product then relies on an indirect distribution channel to get to the consumers. The role of the wholesaler is to act as a channel of distribution for these products to move through to the smaller retailers and then ultimately to the consumer.

The solution to this is far more complicated. Suppliers can not be forced to stop delivery to retailers. If the suppliers distribute directly to the general dealers, they are also then missing out the wholesalers and so the problem is not resolved. A possible solution is for wholesalers to negotiate a form of discount that they get, that can be used by the wholesalers to also distribute products down the channel. This would enable the products to move down the channel and the wholesalers to maintain a competitive advantage because they are taking over part of the supplier's role.

- To determine the wholesalers' and retailers' perceptions of trading in Gaborone within the current economic climate.

Retailers have seen unprecedented growth in Gaborone in the last 6 years. The number of outlets has more than doubled and business has boomed. The reason for the growth is a combination of urbanization and increased distribution because of national chains opening stores. Consumers now have more choices and better pricing, stores located closer to their homes and more stores to choose from, and so are moving to these retailers.

Wholesalers are finding trading more and more difficult. As the retailers gain more footprints across the area, so they are pushing out the smaller general dealers. These retailers use their buying power to gain price advantage and because suppliers distribute to them directly, they do not have additional cost structures. As these general dealers are being muscled out,

the wholesalers face more competition from the retailers, as the general dealers are the main customer base of the wholesalers. Wholesalers need to find ways to entice general dealers to purchase more from them. Then they need to educate the general dealers that they have to stock the correct products and also maintain the correct price points to remain competitive. If they do not do that, it will be more and more difficult to remain relevant and so those general dealers will close down their businesses, and ultimately so too the wholesalers.

- To establish how the current Trade Act of Botswana affects the functioning of wholesalers.

This has been discussed before. The Act prohibits wholesalers from selling single units, but does not stop retailers selling in bulk. Retailers can therefore sell in cases or shrinks to smaller traders. To address this issue it is necessary to change the Trade Act and getting the general dealers to understand that their competitors are the national chains and not the wholesalers.

- To investigate why retailers encroach on territories previously occupied by wholesalers.

Retailers have been offered the opportunity to sell products at the same prices as wholesalers. They also have direct distribution from suppliers, so can carry stock and have it delivered to them by suppliers. In addition because they are national chains, they get credit terms which free's up cash flow to purchase additional stocks. As they also are not limited by space constraints, (wholesalers have to have more than 1500sqm) retailers can also afford to open smaller shops to supply to smaller communities and still they will be profitable. This is again an area that the general dealers have to take responsibility for. They have to become more competitive. In addition, wholesalers can open retail arms to take locations that are conducive to retail trade.

In order to achieve the objectives set out in this dissertation the investigator made the recommendations.

5.5.3 Retailers encroach on territories

The formal retail trade in Gaborone has historically been small in comparison to the wholesale trade. Retailing has generally been done by independent smaller retailers. This has been a result of suppliers not distributing to the smaller retailers due to economies of scale, i.e. small volumes and long distances. As the formal retail chains started gaining acceptance by the population, and the brands became better known, these retailers started to move into previously underrepresented areas. Due to the comparatively larger size of

these formal retailers, as well as their larger buying power, it became economically feasible for suppliers to start distributing to these areas. This has had a substantial effect on destroying the former independent traders. As the formal bigger retailers have been able to offer lower prices and larger ranges, customers have moved their allegiance to these retailers. The spin-off benefit to these retailers is that they are then getting additional exposure and when they move into additional territories, they already have brand name support from the new communities. This trade background challenges wholesalers and their survival. This should be addressed by giving proper functional guidelines to wholesalers and retailers.

5.5.4 Current Trade Act affects function of wholesalers

The existing Trade Act defines the term 'wholesaler' and 'retailer' very specifically. In the Trade Act, a wholesaler is limited to selling only bulk items, that is items in case lots. This onerous provision makes it difficult for the wholesalers to trade where the value of products has gone up substantially, and the result is that independent small retailers cannot afford to buy case lots, i.e. bulk products. Retailers on the other hand are not restricted in a similar manner in that they can sell single units or bulk, as they see fit. The effect that this legislation has had therefore is that the wholesalers are limited to trade only in a certain way whereas retailers do not have these restrictions. The net result is that retailers are cannibalizing the wholesalers' core business whilst the wholesalers have no recourse against this. The Current Trade Act should not limit wholesalers' functional guidelines so as to address these challenges faced by wholesalers.

5.6 RECOMMENDATIONS

The following recommendations, if implemented, can assist to minimize retailers' cannibalistic business activities which create a limiting effect on the wholesalers' survival. The following recommendations can reduce the negative effect on wholesalers caused by diversification of retailers' business activities.

5.6.1 Recommendation 1

It is evident that current Trade Act regulations do not set clear functional guidelines for wholesalers and retailers. All the respondents of the wholesale sector in this research study agreed with this statement. It is recommended that the current Trade Act regulations should set clear functional guidelines for wholesalers and retailers. The Competition Act legislations

have not yet taken full account of the consequences of this, but the possible implications could be severe for all parties in the Fast Moving Consumer Goods Industry. Although the Trade Act allows for the formation of the Authority, there is no clear indication of what rules and regulations will be enforced. This could have severe limiting constraints on companies and how they operate their businesses. In regard to this, it is advisable that clear rules and regulations be set in the Competition Act together with the Trade Act as a solution to this problem. The Competition Authority should approve separate functional guidelines for wholesalers and retailers and allow for price differences between wholesalers and retailers. This recommendation will lead to both wholesale and retail sectors trading separately. By doing so, retailers will not affect wholesalers' business activities and wholesalers will improve their business and thus survive in the market. This proposed Competition Law appears to be a solution to some of the problems faced by the wholesalers.

5.6.2 Recommendation 2

The majority of the respondents in the wholesale sector complained that retailers are buying directly from manufacturers and suppliers and this creates a major problem for wholesalers' survival, due to price competition. It is recommended that manufacturers and suppliers should not supply directly to retailers but only supply to wholesalers directly, and retailers should then buy from wholesalers.

Generally, normal supply chain and distribution channels traditionally start with manufacturers selling stock in bulk to wholesalers who would then sell those bulk products to retailers. Retailers would in turn sell to the customer. It is recommended to implement this in the distribution channel in order to overcome this problem.

5.6.3 Recommendation 3

The prohibition on selling single units by wholesalers does not offer protection to the general dealers and other smaller traders who buy from wholesalers. When small traders cannot afford to purchase certain products in bulk due to cash flow issues, customers will then change allegiance and purchase from chain stores. It is recommended that the Trade Act should allow the sale of single units by wholesalers. Many of the products that are sold in single units at wholesale level are the larger pack sizes. These are bulkier products that are also sold in more than 6 units per packet. These are products such as 2 litre soft drinks, fabric softeners, large pack washing powders, potato chips, and rice. Because of these larger pack sizes, it is difficult for the wholesaler's business because wholesalers are not allowed to

sell single units which negatively affect them. Allowing wholesalers to sell single units will result in the survival of the wholesale sector in the market. It will decrease competition between wholesalers and retailers. Alternatively, it is recommended that manufacturers pack smaller pack sizes to wholesalers if wholesalers are strictly prohibited from selling single units, in order to reduce this problem.

5.6.4 Recommendation 4

With the increase in the number of chain stores comes a wider range of choices for the customer. As customers get used to having more options, they also start demanding these from the other outlets they purchase from. It is suggested that this necessitates retailers and wholesalers needing to purchase a wider range of products if they are to remain competitive. It is proposed that wholesalers should remain competitive in the market by offering better service to customers, better price margins, implement a better business environment than the formal retailers, attract customers from a better business module, i.e. bigger selection of products, fresher produce, more competitive pricing and more convenient trading hours. By doing so wholesalers can gain a competitive advantage, can improve their business and thus survive in the market.

5.7 LIMITATIONS OF THE STUDY

The problems encountered in this research are outlined as follows:

- Time and budget limitations made it impractical to assess all the employees of the wholesale and retail sectors in Gaborone in order to understand their perception of how the diversification of retailers' activities have a negative effect on the wholesalers. Therefore a representative sample had to be selected.
- In the market, observations might have added further dimensions to the results by providing an even more precise account of the negative effect on the wholesalers' experience due to retailers' business activities. This could be identified if the researcher had interviewed more people.

5.8 AREAS FOR FURTHER RESEARCH

This research study presents opportunities for further research in a number of ways:

- Undertaking a comparative study how the wholesalers' activities (such as selling single units to customers) would negatively affect retailers and how it would impact on retailers' survival.

- Because of the new stores and malls opening in Gaborone and the survival of the wholesale sector, a broad competitor analysis is another possible area for future research. It would be interesting to compare and contrast the effects of the most dominant influences amongst different demographic groups.
- To assess the degree to which the findings of this research correlate with those of related studies in other research topics.

5.9 PERSONAL REFLECTION

This researcher is of the opinion that:

- The literature study conducted for the purpose of this research, to evaluate the functional activities of wholesalers and retailers and the current trends, challenges and opportunities highlighted important issues. It was an interesting literature study.
- The overall experience and the challenges faced by wholesalers in Gaborone has a negative impact on the entire Fast Moving Consumer Goods market.

And finally, creating a solution for the current problem is difficult in the competitive market. This is based on the current trading method which does not differentiate wholesalers and retailers from their trading activities. The Trading Act should set clear functional guidelines for retailers and wholesalers.

5.10 CONCLUSION

This dissertation was intended to achieve the primary objective of presenting a practical view of the wholesalers' business activities and retailers' business activities, and to determine their profile. In addition to this, the research study was designed to determine how retailers extended business activities create a limiting effect on wholesalers' survival. To support the primary objective, several secondary objectives were attained such as:

- To identify the current distribution channels and impact on customers.
- To determine the wholesalers' and retailers' perception of trading in Gaborone within the current economic climate.
- To establish how the current Trade Act affects the functioning of wholesalers.
- To investigate why retailers encroach on territories previously occupied by wholesalers.

It is suggested that the recommendations should be implemented to assist wholesalers to improve thier business in order to survive in the current market and to reduce the negative

effect caused by retailers' extended business activities. In the view of the researcher, the implementation of the recommendations will culminate in the creation of competition in the market and reduce the canibalistic activities of retailers.

REFERENCE LIST

Agwu, N.M. & Ibeabuchi, J.O. 2011. Socio Economic Analysis of Wholesale Rice Marketers in Abia State Nigeria. *International Journal of Social Science and Humanity*, 1:1-4.

Arshad, M. F. 2005. The New Supply Chain: Implications to the Fresh Fruits and Vegetables Sector in Malaysia. Paper presented at the International Conference on Control, Engineering and Information Technology. Malaysia.

Babbie, E. 2010. The practice of social research. 12th ed. California: Wadsworth.

Ballon, R. H . 2004. Business logistics. 5th ed. Upper Saddle River: Pearson.

Barua, A., Konana, P., Whinston, A. & Yin, F. 2013. Managing e-business transformation: An empirical investigation on managing business. Texas: University of Texas.

Basu, R. & Wright. N. 2008. Total Supply Chain Management. Burlington: Butterworth Heinemann.

Benito, O., Partal, M & Salamanca. 2007. Role of retailer positioning and product category on the relationship between store brand consumption and store loyalty. Salamanca: Salamanca University.

Berg, B.L. 2007. Qualitative research methods for the social sciences. Boston: Pearson.

Bhatti, K. L. & Latif, S. 2013. The impact of visual merchandising on consumer impulse buying behaviour. Paper presented at the Asia-Pacific Business Research Conference. Singapore.

Blackmore, J. & Marengi, C. 2008. The performance Manager. Ontario: Cognos Press.

Black, K. 2013. Applied business statistics: making better business decisions. 7th ed. Singapore: Wiley.

Bluman, A.G. 2007. Elementary statistics: a step by step approach. 6th ed. New York: McGraw Hill.

Borden, N. 2005. The concept of the marketing mix: An investigation of marketing mix. USA: Harvard Business School.

Briggs. 2009. Wholesale and Retail Business (Report). 03 Aug., Gaborone.

Burns, A.C. & Bush, R.F. 2010. Marketing research: global edition. Upper Saddle River: Pearson.

Cant, M.C., Strydom, J.W. & Jooste, C.J. 2010. Essentials of Marketing. 2nd Ed. Cape Town: Juta.

Carter, R., Price, P.M. & Emmett, S. 2005. Stores and Distribution Management. London:Liverpool Business Publishing.

Chopra, S. & Meindl, P. 2004. Supply Chain Management. 2nd ed. Upper Saddle River: Pearson.

Chopra, S. & Meindl, P. 2004. Supply Chain Management Strategy planning and operations. 2nd ed. New Jersey: Pearson.

Churchill, G.A. & Iacobucci, D. 2010. Marketing research: methodological foundations. 8th ed. Orlando: Harcourt.

Coldwel, I.D. 2004. Business Research. 1st ed. South Africa, Cape Town: Juta and Co. Ltd Publishers.

Cooper, D.R. & Schindler, P.S. 2011. Business research methods. 11th ed. Boston: McGraw-Hill.

Cox, E. 2012. Retail Analytics-Secret weapon. New Jersey: John Wiley and Sous Publishers.

Cramer, D. 2003. Advanced Quantitative Data Analysis. 1st Ed. New York: McGraw Hill.

Crush, I. 2013. The state of Food Insecurity in Gaborone, Botswana (Report). 03Jun., Gaborone.

Cunningham. J. 2011. Store design field. Super market and Retailer. 24. June. Issue 2.

Cunningham, J. 2011. A refrigeration feature, Save on your energy bill through efficient refrigeration. Wholesale Business, 9. Issue 2.

Diamond, J. & Pintel, G. 2004. Retail Buying. New Jersey: British Library of Congress Cataloguing-in-Published Data.

Durham, L. 2011. A refrigeration feature, Save on your energy bill through efficient refrigeration. Wholesale Business, 9. Issue 2.

Durham, L. 2011. The store design feature: the space-race in store. Wholesale Business. 19. Issue 4.

Ellis, S.M. & Steyn, H.S. 2003. Practical significance (effect sizes) versus or in combination with statistical significance (p-values), *Management Dynamics,* 12(4): 51-53.

Emongor, R. & Blignaut, C. 2008. Botswana Trends in growth of modern retail and wholesale chains and related agriculture business; an investigation of wholesale business and retail business. Pretoria: University of Pretoria.

Eric, H. & Jones, B. 2005. Marketing theory. London: Sage Publishers.

Fernie, S., Fernie, J. & Fernie, C. 2013. Principles of Retailing (Report). 2013., Edinburgh.

Fernie, J. & Spark, L. 2004. Retail logistics (Report). 01 Jul., London.

Field, A. & Miles, J. 2010. Discovering statistics using SAS. London: Sage.

Field, A. 2007. Discovering statistics using SPSS. 2nd ed. London: Sage.

Field, A. 2005. Discovering statistics using SPSS. Thousand Oaks: Sage.

Field, A. 2007. Designing questionnaire. London: Sage.

Foster, T. 1998. Industrial marketing communication: an empirical investigation on the use of marketing communication tools. Lulea: Universitetstryckeriet Lulea.

Fox, W. & Bayat, S. 2010. A guide to managing research. Cape Town: Juta.

Gibson, J. B. & Defee C.C. 2012. The state of the retail supply chain, 1:1-26.

Greener, S. 2008. Business research methods. Ventures Publishing.

Greenfield, T. 2002. Research Methods for Postgraduates. New York: Library of congress Cataloguing-in-Published Data.

Gustafsson, K., Jonson, G., Smith, D. & Sparks, L. 2006. Retailing logistics and fresh food packaging, managing change in the supply chain. London: Kogan Page Limited.

Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. & Tatham, R.L. 2006. Multivariate data analysis. 6th ed. Upper Saddle River: Pearson Prentice Hall.

Hammond, R. 2003. How to turn your store into a sales phenomenon. Upper Saddle River: Pearson.

Hanfi, J.H. & Palli, Z. 2009. Insights into retail internationalization using business theories. Paper presented at the resilient European food industry and food chain in a challenging world seminar. Greece.

Harper, S., Kesteloo, M., Heinonen, P. & Kapoor, A. 2009. The collaboration game building value in the retail supply chain. London.

Hendrie, D. 2011. Unhealthy obsession with dealing. Supermarket and Retailer. 43, August.

Holmberg, S. 2013. A Systems Perspective on Supply Chain Measurements (Report). 01 Jul., Sweden.

Hopp, W.J., Seyed, M.R.I . & Liu, Z. 2005. The role of wholesale-salespersons and incentive plans in promoting supply chain performance.1:1.

Howell, D.C. 2008. Fundamental statistics for the behavioural sciences. 6th ed. Belmont: Thomson.

Ingari, A., Mule, R., Ondoro , C., Obura, C. & Thairu, S. 2012. Procurement best practices, a potential solution to Kenya's supermarket performance problem: An investigation on procurement best practices. Maseno: University of Maseno.

Iyanda, O., Rina, M., Phambuka, C. & Themba, G. 2011. Retailing and Sustainable Development in Botswana (Report). 01 May., Dakar.

James, T. 2011. Operation strategy. Ventures Publishing APs.

Jones, M. & Rattray, J. 2010. Questionnaire design. In *The Research Process in Nursing*, 6th ed. Wiley-Blackwell: Oxford.

Jonsson, A. 2003. Retail internationalization and the role of knowledge sharing. Lund: Lund University.

Karli, V., Lewis, H., Lockery, S. & Williams, H. 2005. The Role of packaging in minimizing food waste in the supply chain of the future (Report). 01 Jun., Australia.

Karlsson, E. 2012. Retail in rural regions: an investigation on the retail in rural regions. Iceland: University of Bifrost.

Kauffeld, R., Hagen, H. & Conrad, A. 2012. The mandate for Multichannel Retail Evaluating Supply Chain Models. New York.

Kent, T. & Omar, O. 2003. Retailing. New York: Macmillion.

Kirkb, J. 2012. Facing the shopper field. Supermarket and Retailer. 40, June.

Kothari, C.R. 2006. Research methodology: methods and techniques. 2nd ed. New Delhi: New Age International.

Kothari, C.R. 2004. Research methodology, methods and techniques. 1st ed. New Delhi: New Age International.

Kumar, R. 2011. Research Methodology. London: Sage publishers.

Lamb, C.W., Hair, J.F. (Jr) & McDaniel, C. 2009. Marketing. 10th ed. Mason: South-Western Cengage.

Laura, D. 2013. A Customer service feature. Super market and Retailer. 24. June. Issue 2.

Leung, W.C. 2002. How to conduct a survey. *Student Business Management Journal*, 12(3):143-145.

Loiselle, C.G., Profetto-Mcgrath, J., Polit, D.F. & Beck, C.T. 2010. Canadian essentials of nursing research. 3rd ed. Philadelphia: Lippincott Williams & Wilkins.

Lounela, J. 2005. A conceptual model for retailer supply chain capability evaluation in emerging markets from the consumer good manufacturer point of view. Turku: TSE. (Thesis-PhD).

Lu, D. 2011. Fundementales of supply chain Management. Ventures Publishing.

Mack, M. 2013. Store design field. Super market & Retailer. 24. June.

Madi, F. & Bazi, A. 2013. An investigation of problem allocating resources to different priorities packing areas. U. K: UC. (Thesis- PhD).

Makgosa, R., Iyanda, O., Nsimbi, P. & Themba, G. 2013. Retailing and Enterpreneurship Development. *International Journal of Business and Social Science, 4:* 1-128.

Malete, S. 2013. Store watch. Supermarket and Retailer. 39, July.

Malhotra, N. K. & Birks, F.D. 2003. Marketing research: an applied approach. London: Pearson Education.

Malhotra, N.K. 2004. Marketing research. 4th ed. London: Prentice-Hall.

Martínez, E. & Montaner, T. 2006. The effect of consumer's psychographic variables upon deal-proneness. *Journal of Retailing and Consumer Services*, 13:157-168.

Master, T. 2005. Warehouse redesign of facility layout, packaging system and item classification. Califonia: CPU. (Disserttion-Bachelor of Science).

Mayen. C. & Marshall, M.L. 2005. Consumer preferences for a fresh-cut melon product: a potential value added product for melon growers. Paper presented at the International Food and Agribusiness Management Association 15th Annual World Food and Agribusiness forum and symposium. Chicago.

Mcclave, J.T. & Sincich, T. 2009. A first course in statistics. 10th ed. Upper Saddle River: Pearson.

McDaniel, C. & Gates, R. 2004. Marketing research essentials. 4th ed. Hoboken. Wiley.

McGoldrick, P. 2002. Retail Marketing. Maidenhead: British Library of Congress Cataloging-in-Published Data.

Meenakumari, S. 2013. Role of Visual Merchandise in Retailing of Supermarkets in Chennai. *Asia Pacific Journal of Marketing and Management Review*, 2: 1-125.

Mehta. N. P. & Chugan, P. 2013. The Impact of Visual Merchandising on Impulse Buying Behaviour of Consumer. *Universal Journal of Management*, 1(2): 76-82.

Miller, J.M. 2003. Graduate Research Methods. London: WIU. (Thesis-PhD).

Monnane. 2006. Competition Scenario in Botswana (Report). 01 Jun., Gaborone.

Moriarty, S.E., N. Mitchell & Wells, W. 2002. Advertising principles and practice. 8th ed. Upper Saddle River: Pearson Education.

Mroszczyk. J. W. 2008. Wholesale and Retail trade sector. *Journal of Safety Research*, 39:199-201.

Myers, J.L. & Well, A.D. 2003. Research design and statistical analysis. 2nd ed. Oxford: Taylor & Francis Group.

Nakamura, E. 2008. Pass - Through in Retail and Wholesale. New York: Columbia Business School.

O'Leary, Z. 2010. The essential guide to doing your research project. London: Sage.

Parasuraman, A., Grewal, D. & Krishnan, R. 2007. Marketing Research. 2nd ed. Houghton Mifflin: New York.

Parahoo, K. 2006. Nursing Research: Principles, Process and Issues, 2nd ed. Palgrave Macmillan, Houndsmill.

Pelau, C. 2005. Power and satisfaction in the retailer-producer relationship. Academy of Economic Studies Bucharest.

Perry & Spillecke, D. 2012. Retail Marketing and Branding. John Wiley and Sons Ltd publication.

Polit, D. & Beck, C. 2008. Nursing Research. 8th ed. Philadelphia: Lippincott Williams & Wilkins.

Proctor, T. 2003. Essentials of marketing research. London: Pearson.

Rabolt, N. J. & Miler J. K. 2009. Retail and Merchandise Management. New York: Fairchild Printers.

Rama, B. 2007. Developing and testing questionnaires/Instruments. *Journal of trade*, 45(12):10-20.

Ripsam, T., Kapoor N., Mani, M. & Sharma, A. 2010. Reinventing retail. New York.

Ritson, N. 2011. Strategic Management. Ventures Publishing APs.

Robson, C. 2007. How to do a research project: a guide for undergraduate students. Blackwell Publishing: Oxford.

Rugg, G. & Petre, M. 2007. A gentle guide to research methods. 1st ed. New York: McGraw Hill.

Ruston, A., Croucher, P. & Baker, P. 2006. The handbook of logistics and distribution management. 3rd ed. London: Kogan Page Limited.

Saghir, M. 2004. The concept of packaging logistics. Paper presented at the Second World Conference on POM and 15th Annual POM Conference. Mexico.

Sarstedt, M. & Mooi, E. 2012. A concise guide to market research. 2nd ed. Berlin: Pearson.

Saunders., Lewis & Thornhill, A. 2009. Research Methods For Business Students. 5th ed. Italy: Pearson.

Scott, M. D. 2008. The new rules of viral marketing.

Seock, K. Y. & Lee, Y. 2013. Undestanding the Importance of Visual Merchandising on Store Image and Shopper Behaviours in Home Furnishing Retail Setting. European Journal of Business and Management, 5: 4- 176.

Sethuraman, R. & Gerard, T. 2002. Manufacturer Advertising Suppress or Stimulate Retail Price Promotions, Analytical Model and Empirical Analysis. *Journal of Retailing* ,78: 253-263.

Sharpe, N.R., De Veaux, R.D. & Velleman, P.F. 2011. Business statistics: a first course. Boston: Pearson.

Shaw, E. & Jones, B. 2005. Marketing Theory. London: Sage publishers.

Shukla, P. 2008. Essentials of Marketing research. Ventures Publishing.

Sonnad, S. S. 2002. Data analysis and statistical analysis. Michigan: UM. (Thesis-PhD).

Strydom,J., Heerden, N.V., Nel, D., Grove, T., Scheers, L. V. & Bothma, N. 2013. The distribution Management the Place decision. Pine Town: Pinetown Printers.

Sullivan, M. & Adcock, D. 2002. Retail Marketing. London; Thomson.

Tamilia, R. & Charlebois, S. 2009. Wholesaling, the Role of the Middleman and Marketing Costs. *Journal of Management Research*, 1: 1-50.

Trade Act 21 of 2008. Botswana.

Tseng, Y. Y. 2004. The Role of Transportation in Logistics Chain. *Journal of Transportation Studies,* 5: 1657-1672.

Victor, M.A. & David, S. L.2007. Improving supply chain efficiency through wholesale price renegotiation. Barcelona: Pearson.

Warren. 2012. Wholesale Trade Report (Report). 03 Aug., Gaborone.

Watkins, J.A. 2008. Thesis/dissertations/research reports: a practical guide for students for the preparation of written presentations of academic research. Cape Town: SAGT Media.

Whalley, A. 2010. Strategic Marketing. Ventures Publishing.

Wiid, J. 2013. Distribution Management. Cape Town: Juta and Company Limited.

Williams, B., Onsman, A. & Brown, T. 2013. Exploratory factor analysis: a five-step guide for novices. *Journal of emergency primary health care*, 8 (3):1-10.

Wirtz, J., Tuzovic, S. & Kuppelwieser, V. 2013. The Role of Marketing in Today's Enterprises. *Journal of Service Management,* 1:3-20.

Yin, R.K. 1994. Case study research: design and methods. California: Sage.

Zikmund, W.G. 2003. Business research methods. 7th ed. Ohio: Thomson South Western.

Zikmund, W.G. & Babin, B.J. 2010. Exploring marketing research. 10th ed. International edition. Ohio: Thomson South Western.