

Pick n Play



Case Presentation

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Problem Statement:

In a rapidly changing retail landscape with increasing competition, changing consumer behaviors, and the growing importance of social responsibility, how can Pick 'n Pay (PnP) continue to leverage its commitment to social values, community engagement, and innovative retail strategies to maintain its market leadership, cater to a diverse and changing consumer base, and achieve sustainable growth in both domestic and international markets?

Nature of the Consumer Demand

Who:

- **Demographics:** Low-income consumers seeking items at discount prices to the urban elite looking for upscale products.
- **Lifestyle Segments:** From customers prioritizing budget-friendly shopping to those valuing premium shopping experiences.

What:

- **Product Needs:** Basic items to specialized goods like imported kitchenware, home appliances, and private label brands.
- **Service Needs:** Quality customer service, convenient shopping, innovative services, and community-focused initiatives.

When:

- **Shopping Patterns:** Daily necessities to occasions, influenced by pay cycles, seasonal variations, and promotional events.
- **Time Sensitivity:** Quick checkouts and timely access to promotional offers or new product launches.

Nature of the Consumer Demand

Where:

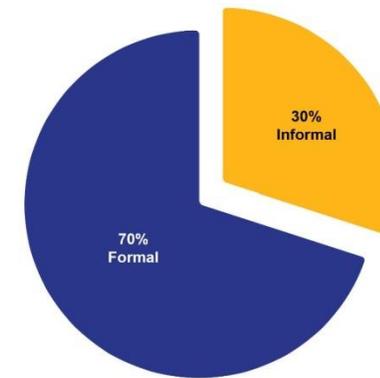
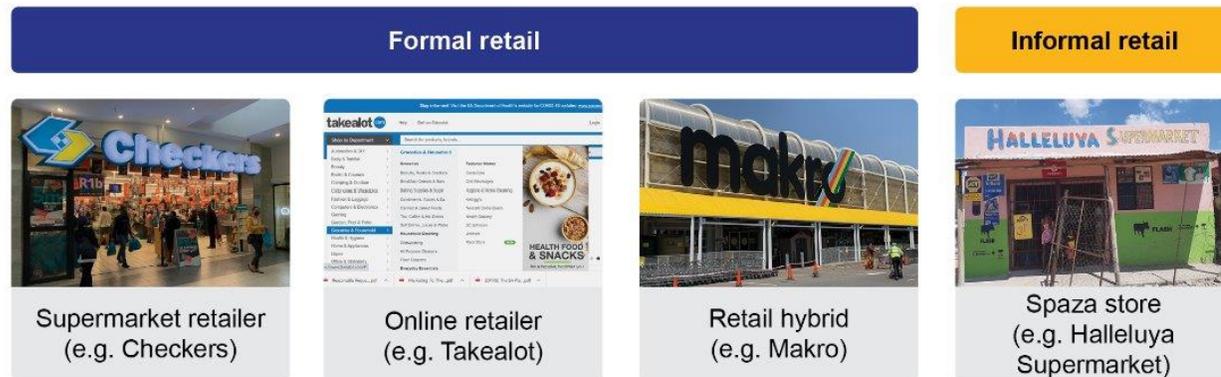
- **Geographic Locations:** Quick checkouts and timely access to promotional offers or new product launches
- **Store Formats:** Urban centers to sub-urban areas in South Africa and international locations

Why:

- **Value for Money:** Balancing quality and price
- **Social Responsibility:** Ethical practices, community involvement, and environmental consciousness, aligning with their values
- **Convenience and Experience:** Shopping convenience, store ambience, and a wide range of products and services
- **Trust and Loyalty:** History of fighting for consumer rights, offering quality service, and policy of refunding goods with no question

State of Retail in South Africa

- South Africa stands as a vast, intricate, and ever-evolving nation, housing nearly 60 million individuals representing diverse racial backgrounds, cultures, and economic statuses. Spanning nine provinces and encompassing 11 official languages, its landscape reflects a rich tapestry of human diversity and linguistic plurality.
- This varied terrain has shaped a retail environment ranging from upscale modern "formal retail" chains like Woolworths, Checkers, and Pick n Pay, catering predominantly to affluent clientele, to expansive cash-and-carry outlets and hybrid stores such as Makro. Additionally, it includes neighborhood convenience stores like SPAR, as well as a multitude of informal retail spaza shops dotting townships and underserved communities, specializing in food and grocery items.



Source: <https://doi.org/10.15641/0-7992-2548-8>

State of Retail in South Africa

- Industries typically progress through four phases: introduction, growth, maturity, and decline.
- Currently, the retail industry in South Africa is positioned within the maturity stage.



Source: <https://365financialanalyst.com>

- It is ranked as one of the largest markets in Africa and the 20th largest globally. Notably, retail sales surpassed the one trillion-rand mark for the first time in 2011. However, this market is predominantly controlled by a select few conglomerates such as Shoprite, Pick n Pay, Spar, and Massmart collectively drive approximately 80% of local retail sales.
- Online commerce has emerged as a crucial component of the retail landscape. A significant catalyst for this expansion is the increasing internet penetration rate, which reached nearly 80% among South Africans in 2022.

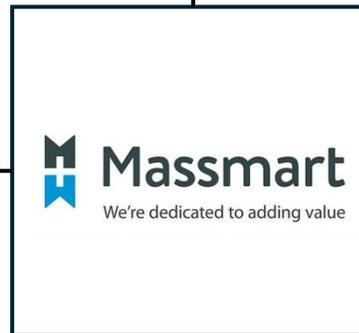
Competitors of Pick n Pay

It is one of the largest retail chains in South Africa and a significant competitor to Pick n Pay Stores. They are known for their aggressive pricing strategies and extensive promotional campaigns, often highlighting low prices and value deals .



A well-established retailer in South Africa, competes with Pick n Pay through its Woolworths stores. Known for its quality products and customer service, Woolworths targets a slightly higher-end market segment.

It operates a multitude of grocery stores across South Africa, making it another formidable competitor for Pick n Pay. Spar stores are known for their convenience and focus on serving local communities.



It caters to a wide range of consumer needs, offering products spanning from groceries and household goods to electronics, appliances, and building materials. Massmart is known for its extensive footprint across South Africa and neighboring countries, serving both individual consumers and commercial clients.

While Pick n Pay faces strong competition from its rivals, it has maintained steady growth and expanded its footprint across the country.



Marketing Mix

Product

Offers a range of products and stores catering to different segments

Emphasizes freshness for product, meats, and baked items

Recognizes the needs of different communities with different stores (Qualisaver, Boxer, TM)

Price

Positions itself as a value driven grocer

Competitive pricing for national and private brands

Loyalty programs, targeted promotions, and discounts to attract customers.

Promotion

Smart Shopper loyalty program provides customers with discounts and points.

Advertise through various channels including television, print, and social media to reach their audience.

In-store promotions highlight special offers and new products.

Place

Multiple formats to appeal to different segments (Pick 'n Pay, Boxer, Qualisaver, TM)

Wide network of physical stores across South Africa providing convenient locations.

Online shopping available with in-store pick up or home delivery options.

SWOT Analysis

Diversity of Products: Pick n Pay carries a large variety of products, servicing many different market segments.

Strong Retail Presence: Pick n Pay has stores in numerous countries and operates on various store types; like discount stores and supermarkets.

Positive Brand Reputation: Pick n Pay is known as a company that provides quality products and superb customer service.

Strengths



Opportunity for expansion: because Pick n Pay is already present in multiple countries, expanding to more markets is not unfamiliar.

Diversification: Because of Pick n Pay's vast product range, the brand can set itself apart by offering new products to gain more consumers.

Opportunities



Weaknesses

Safety/security: Concerns for security of stores and products has risen. Crime rates in specific areas poses a risk and danger to Pick n Pay.

Constantly Adapting: Pick N Pay faces challenges operating in diverse international markets. Having consistent cultural sensitivity and awareness can be difficult for a company, especially in retail.



Threats

Increase in online shopping: Because of the drastic shift to online shopping, Pick n Pay may face decreases in sales of certain product categories. Consumers have shifted to buying some products online.

Price Wars: Price competition is a constant threat in the retail industry. Discount retailers and promotional pricing strategies can impact Pick n Pay's margins.



SWOT Pick n Pay

PICK N PAY AND THE ENVIRONMENTAL CLIMATE

Political

History of Apartheid: Pick n Pay challenged Apartheid-era regulations and positioned itself as an advocate for consumers.

South Africa's political stability: Political stability is seen as positive for economic growth, potentially benefiting Pick n Pay.

Social responsibility: Pick n Pay prioritizes social responsibility through programs like feeding the poor and education.

Changing demographics: Pick n Pay needs to adapt to the changing demographics of South Africa, including cultural differences.

Crime: Increased violence requires Pick n Pay to focus on security measures.

Social

Economic

Dual economy: South Africa has a large gap between rich and poor. Pick n Pay addresses this with a variety of store formats catering to different income levels.

Economic challenges: High inflation, unemployment, and crime rates are issues Pick n Pay must navigate.

Growing spending power: The historically disadvantaged population has more spending power, creating a new market segment for Pick n Pay.

Information systems: Pick n Pay utilizes advanced information systems for efficiency.

E-commerce: While there is no explicit mention of e-commerce, but given the technological advancements and changing consumer behaviors, it is likely that Pick n Pay is also adapting to the growing trend of e-commerce to meet the evolving needs of modern consumers and remain competitive in the retail industry.

Technological

Environmental Climate

Recommendations for Pick n Pay



Question 1

WHAT EVALUATIVE CRITERIA WOULD LEAD PEOPLE TO CHOOSE PICK N PAY OVER ITS COMPETITORS?

Pick 'n Pay offers quality, value, and service to its customers. They adapt to changes in customer needs and always put the customer first. The variety of Pick n Pay stores allows them to cater to all demographic and customer segments. There are 4 main banners for Pick 'n Pay: Pick 'n Pay, Pick 'n Pay Qualisavers, Boxers, and TM Supermarkets. Each format targets a different audience and offers a range of products from produce and meats to clothing and general merchandise. Among its stores, Pick 'n Pay is able to serve all income levels, offering the same promise of quality and service. A report on Statista shows that Pick 'n Pay stores are tied with Checkers for preferred grocery stores at 77% (Bashir, 2024). Below are listed the evaluative criteria that would lead people to choose PnP:

- **Price:** Arguably, Pick 'n Pay offers the most competitive prices. Among its 4 branded stores, Pick 'n Pay can target low to high income levels offering a range of products. As a value retailer, Pick 'n Pay offers products at discount prices in addition to promotions and loyalty perks.
- **Nature and Quality of Assortment:** Pick 'n Pay has an assortment breadth. Its store brands offer high-quality food items, clothes, general merchandise, liquor, and electronics. As for the depth of its assortment, Pick n Pay offers more or less the same as other retailers, offering a variety of products for a given category in addition to its own private label.
- **Location:** Pick n Pay has more than 2300 locations in South Africa. Its stores are placed in convenient locations for customers to shop for their regular needs. Additionally, Pick n Pay has its online platform making it available for consumers to purchase online for pickup or home delivery.

Question 1 Continued

HOW IMPORTANT ARE A FIRM'S PRACTICES CONCERNING SOCIAL RESPONSIBILITY IN CONSUMER PATRONAGE DECISIONS?

Corporate Social Responsibility (CSR) has shifted from philanthropy to a core value of any contemporary business. It has increased significantly as a result of climate change and public opinion. A study from the Yale Project on Climate Change shows how a majority of Americans believe that climate change is happening (Maibach et al., 2014). People are more certain that it is a reality. 2020 introduced a huge movement of climate activists surrounding the UN Climate Summit and evaluation of the 2015 Paris Climate Agreement. According to an article on The Guardian, protests broke out worldwide led by students who were angry about the lack of social responsibility for the climate (Reed, 2020). Teenagers and young adults called for action from adults and corporations.

Today, a large number of businesses recognize the importance of CSR on their bottom line. The modern consumer is more sophisticated, and preferences have evolved. CSR programs require long term investment and years of dedication to realize results. A study titled "The Relationship Between Corporate Social Responsibility, Corporate Reputation, and Business Performance" reinforces other studies stating that CSR is essential for modern businesses. The authors conclude that CSR is foundational to corporate culture and offers the advantages of business improvement, market position, and brand image (Bozic et al., 2021). Contemporary consumers look for companies that identify with their values and CSR is one of many elements required for success in today's business environment.

Pick n Pay's efforts for sustainability is called People 'n Planet. The program focuses on environmental, social, and governance impact. Pick n Pay has several policies in each of the three areas guiding its operations. Sustainability policies include water, palm oil, waste, human rights, sustainable packaging, energy, and more. Pick n Pay recognizes the impact corporate social responsibility has on business and has adapted to cement it in its culture.

Question 2

TO WHAT DEGREE SHOULD PICK 'N PAY'S MARKETING STRATEGY VARY BETWEEN ETHNIC SEGMENTS IN SOUTH AFRICA?

Pick n Pay's marketing strategy varies between ethnic segments in South Africa to cater to the diverse consumer preferences. The different ethnic segments in South Africa include Black, White, Colored, and Indian populations. Each of Pick n Pay's retail brands focuses on serving a specific segment of customers, with varying ethnic, economic, and lifestyle characteristics.

- **Lower-income segments:** Score Supermarkets, which emphasizes efficiency, cleanliness, and easy shopping, moves large volumes of basic food and toiletry items through its stores and franchise outlets. Savings are passed on to the lower-income segments served by these stores. Similarly, TM Supermarkets (25 percent held by Pick n Pay) is a Zimbabwean chain of residential supermarkets that provides value to its customers.
- **Higher-income segments:** Targeted to higher-income segments, Pick n Pay Family Supermarkets, Rite Value and Discount Supermarkets stock leading national food and toiletry brands and a limited range of clothing, hardware, and small kitchen appliances. Guided by research that shows that higher-income consumers want better food labeling, extensive nutritional information, fresher foods and more pleasurable shopping experiences, Pick n Pay Discount Supermarkets' store designs emphasize the shopping experience and offer more variety and product choices. Pick n Pay Hypermarkets offer an even more extensive range of products, including automotive goods, garden furniture, hardware, toys, major appliances, and electronics.
- **Rich segments:** The specialty chain Boardman's offers mainly European kitchenware and homeware to discriminating clients with an emphasis on quality first and value second.



...the symbol of quality



Question 3

WHAT TYPES OF INTERNAL AND EXTERNAL PROGRAMS COULD PICK N PAY DEVELOP TO COMMUNICATE EFFECTIVELY WITH THE VARIOUS SEGMENTS OF EMPLOYEES AND CUSTOMERS, RESPECTIVELY? HOW WOULD YOU POSITION ADVERTISING OR OTHER PUBLIC RELATIONS PROGRAMS TO ITS MANY CUSTOMER SEGMENTS?

EXTERNAL

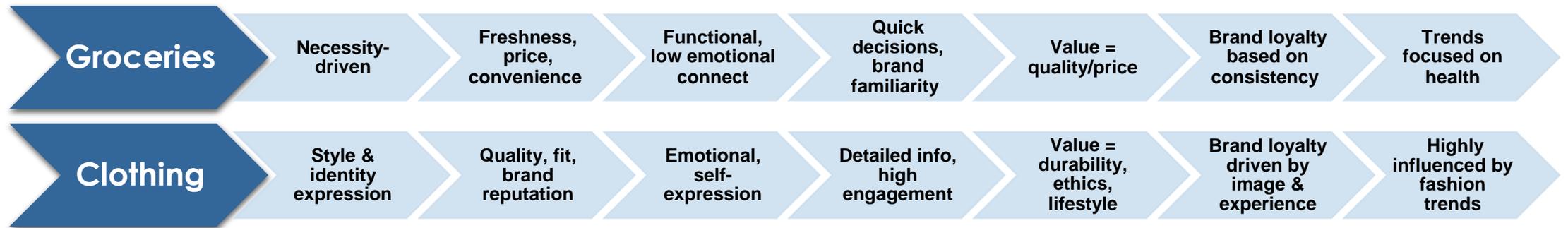
- Customer newsletters with various promotions and products to encourage customers to come into the store.
- Gaining a mixed group of customers could include creating special hours for promotions to target the older and younger generations. Early Bird promotions would attract older customers, while Late Night Specials would help engage the younger demographic.
- Creating a loyalty program with points systems would keep customers excited about discounts and encourage them to purchase.

INTERNAL

- Training for associates on customer service and how to promote the brand, products, and discounts.
- Training for associates on social responsibility to educate and inform. This will continue to enable superior customer service.

Question 4

Given the hypermarket approach, selling everything from “beans to jeans,” how does the consumer decision process (CDP) for clothing differ from that used to choose groceries?



Question 5

Explain how firms that offer such a wide variety of private-label products extend a quality image to products from canned green beans to women's clothing.

Establish a Recognizable & Trusted Brand Identity

- **Corporate Strategy:** Maintain consistent branding and packaging across all product lines, regardless of category. Slowly introduce the private-label products while maintaining the option of popular brands.

Consistent Quality

- **Food:** Strict sourcing, manufacturing standards, taste tests.
- **Clothing:** Durable materials, design attention, fashion trends adherence.

Cohesive Branding

- **Food:** Clear labeling, attractive design, health emphasis.
- **Clothing:** Cohesive in-store/online presentation, sophisticated packaging.

Value Proposition

- **Food:** Competitive pricing, quality emphasis.
- **Clothing:** Trendy designs, quality materials, competitive pricing.

Customer Feedback

- **Food:** Actively seek and use feedback for product improvement.
- **Clothing:** Use feedback for style, fit, and material updates.

Marketing Communication

- **Food:** Focus on freshness, nutritional value, transparent practices.
- **Clothing:** Highlight trends, versatility, quality craftsmanship.

Strategic Placement

- **Food:** Placement alongside national brands, eye-catching displays.
- **Clothing:** Attractive in-store merchandising, thematic displays.

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