

# SUPERMARKET & RETAILER

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ISSUE 3, 2020 [www.supermarket.co.za](http://www.supermarket.co.za)

## Feathering the (local) poultry nest

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Kindle changed me**

**Storewatch –  
Super effort by SuperSpar**

**Practical solutions  
for retailers to embrace  
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**Covid 19  
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The current environment offers excellent opportunities for retailers to bring some innovation and action into the chicken category. While

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# What the feathers!



Helen Maister

**L**ockdown is finally starting to ease and we have a vague idea of what a post lockdown world looks. Supermarkets and wholesalers are the epicentre of communities and have a vital role in the distribution of relief to many South Africans.

This is a vital time to

build brand loyalty for years to come. As a retailer or wholesaler have you set up your on-line shopping? This will be paramount to your success as, “37% of South Africans say they are online shopping more” – Nielsen. This is permanent and will grow. Read more in this issue

On the 1 April 2020 we had electricity price hikes and Nersa has recently approved Eskom’s application to recover the balance from its regulatory clearing account for the 2018/2019 financial year to the tune of R13.3 billion. Oh and petrol will increase again after our short reprieve. I strongly suggest you take a look at our previous issue on Energy Savvy.

In this issue we discuss the higher import tariffs for poultry which have been a double-edged sword in the South African poultry market for some years

now. While local chicken suppliers have been under pressure from cheap imports flooding the local market, cash-strapped consumers have had access to cheaper poultry products. The argument that these products are inferior, or bulked up with brine, or dumped on the SA market, held little merit with budget-restrained consumers who only saw more chicken for less cash outlay at the till. Now that there has been a tariff increase, the local market is set to change – and there has been, predictably, mixed reactions. Some producers say there will be a negative impact on lower income consumers, while others believe it will boost the local economy and create jobs.

See how Clicks has pivoted to keep staff safe and extend more benefits to customers by giving more points to loyalty customer for clinic visits, price holds on hygiene products and free flu vaccines.

Our earth has had a moment to breathe as most countries went into lockdown, but more needs to be done for continued sustainability. The FSC (The forestry Stewardship Council) discusses packaging alternatives in an exclusive article by Gerard Busse.

Post Covid-19 retail regeneration – The longer consumers spend in restricted living, the greater the economic, financial and social impacts will be. The consequences will become exacerbated and require strategies to Reboot economies and

consumption. There are six major areas of change that will impact consumption dynamics.

Hippo Zourides goes in-depth with George Skoutellas, owner and manager of four leading SPAR retailers in Gauteng. George is also a director of the SPAR Guild board. George has done an outstanding job protecting his staff and putting customers at ease with his safety and infection control measures during Covid-19.

Eye tracking in retailing – An investigation conducted by market research company IPSOS has shown that consumers decide on the purchase of more than 40% of all supermarket products while in the store and almost 20% of the items purchased are done on impulse, with no prior purchase plan in mind. Read more by Antonello Vilardi of Retail Watch adapted by Hippo Zourides.

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Blessings and blessings

*Helen Maister*

**Helen Maister**



# Kindle changed me

When we encounter a crisis,  
we often grow and improve from our pain



Aki Kalliatakis

Delight your customers

aki@leadershiplaunchpad.co.za

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In this series of Supermarket & Retailer's articles, we share stories of what some organisations and managers have done to motivate and inspire their teams. We give you practical ideas of what you can do to create the most amazing, customer-driven company in the world.



When a baby bird first hatches from its egg, the parents nurture it and feed it for a while (at least in most bird species). However, there comes a point in its early life when the older birds know it is time for it to leave, and they slowly start nudging it out of the nest or even off the edge of a cliff. The young bird resists this for a while, but eventually it gives in and leaves, not knowing that it can soar. But that's exactly what it does when it's given the push, and this is what happens to us as human beings when we encounter a crisis.

Inevitably we grow and improve from our pain.

For many years I resisted getting an eReader. I love the look and feel and smell of books, and I'd rationalise my stubborn resistance to the world of screens by saying things like, "... and, in any event, you can't take a tablet to the beach or the pool." I guess.

And then I saw a book I really wanted – but it was only available on Kindle, not on paper. Like that small bird, I hesitated for about 10 days, arguing with myself about the pros and cons, and doing

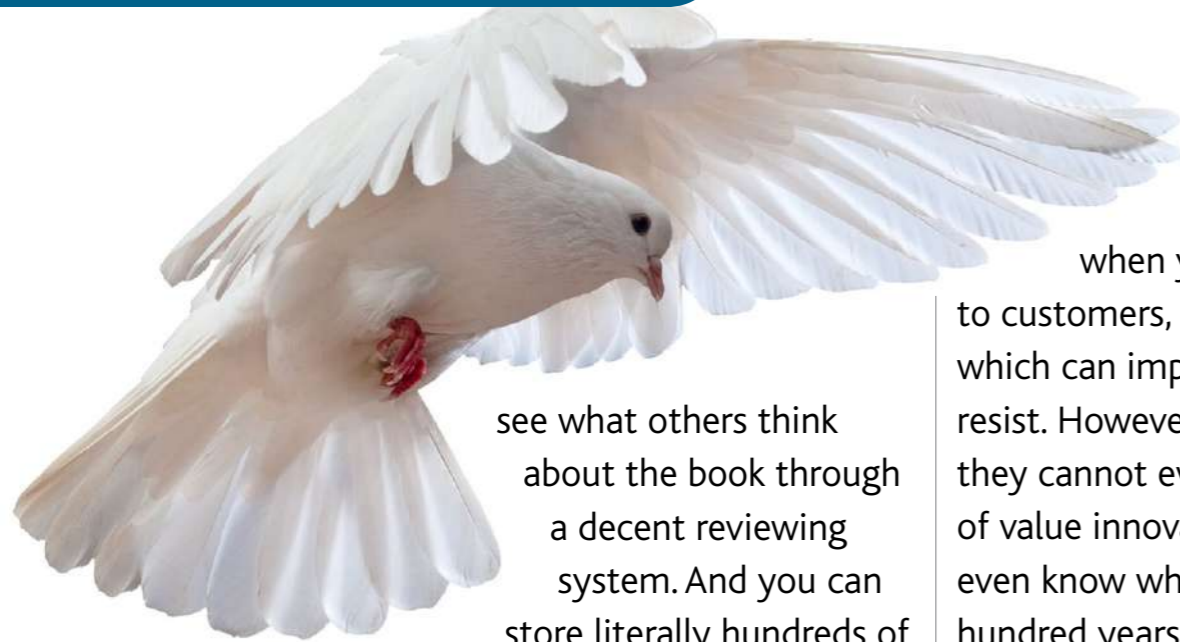
a bit of research on Amazon. Slowly, I began to realise one very important detail: Kindle books were often cheaper than 'real' books, and books on Amazon were also cheaper than most bookstores.

Now if there's one thing you can predict about my behaviour, it's that I don't like spending money. In fact, my wife calls me 'stingy' and 'tight' to anyone who cares to listen. So I downloaded the free Kindle App on my iPad,

and bought my first eBook. As I got to know what was doing, I realised that this was actually a really nice way to read books. After all, the words inside the book are the most important thing, aren't they?

And then, after a few purchases I discovered a few more benefits. You don't need to go to a mall to try to find a book that they may – or may not – have in stock. You order the book and it arrives on your tablet within seconds, so you start reading – instant gratification at its best. You immediately





see what others think about the book through a decent reviewing system. And you can store literally hundreds of

books in one small place without killing any trees.

But for those of you that also use an eReader, you will know how great it is to be able to highlight certain passages that you like just by swishing the screen with your finger, and you can send your favourites to your email, or easily share with others. There are all sorts of interesting things visible on your screen, including the page you're on, the time left to read the book or chapter, and you can even look up definitions of words that you don't understand, on the spot.

It has changed my reading habits so much, that now I am quite resentful about reading my old paper books when the need arises. I get irritated that I can't see the time in the corner of the screen. My finger futilely tries to highlight or copy passages until I remember that you can't do that in a conventional book. I try to turn the page by simply tapping on the right hand margin, but, of course, that is just stupid. To see chapter notes I have to go to the back of the book and look them up.

Kindle has changed my life for the better – but I needed a nudge. The obvious lesson from this is that when you launch new products and services to customers, things that are a bit different but which can improve their lives, they may initially resist. However, once they've tried the new thing, they cannot ever go back. That is the very essence of value innovation. Sometimes customers don't even know what they want. More than one hundred years ago Henry Ford was famous for saying that if he'd asked customers what they wanted, they would have said, "faster horses." And Steve Jobs of Apple said that customers don't know what they want until they see it.

So I'm encouraging you right now, no matter what you sell, to do something different, and to make customers love your brand for doing so.

But there's something else we can learn from the way things are in the world right now. Many businesses are struggling, and perhaps yours is one of them, but it's also a wonderful opportunity to redesign things. How often have you said to



yourself or to your colleagues, "If only we had the chance to start from scratch, or to design this from new"? Here is your chance! We now have a good excuse to make the changes to the way we do things, and to design a better future.

Of course you have to respond positively to the current events in the world with care, compassion and empathy. They probably look to you to bring help, support and even a sense of happiness while they are stuck at home. Ask what you can do to deliver more to them, to help them move to online channels, to do something to help with home schooling and feeling trapped at home. You have to reduce the risk to your staff and customers alike. And you need to respond to customers in financial distress in a practical and level-headed way. Those are all given, but making creative changes to the way you operate, in your communication and dealings with your customers, that is what will help your business to recover more quickly when things get back to 'normal'.

As for my books and reading, I really miss going to the warm and comfortable place that was my bookstore, and just browsing, maybe with some coffee and a slice of cake. I used to do this at least once a week, and it was always a nice little oasis in my hectic life, a place to refresh and be rejuvenated. I feel occasional pangs of guilt for all the people who worked there and who were so happy to help. But now I have flown away from that nest, and moved somewhere else.

I hope you know what to do to keep your customers. **SR**



# Feathering the (local) poultry nest

**H**igher import tariffs have been a double-edged sword in the South African poultry market for some years now. While local chicken suppliers have been under pressure from cheap imports flooding the local market, cash-strapped consumers have had access to cheaper poultry products. The argument that these products are inferior, or bulked up with brine, or dumped on the SA market, held little merit with budget-restrained consumers who only saw more chicken for less cash outlay at the till.

Now that there has been a tariff increase, the local market is set to change – and there has been – predictably – mixed reactions. Some producers say there will be a negative impact on lower income consumers, while others believe it will boost the local economy and create jobs.

## Some background

The poultry import tariff increase, which was published in the Government Gazette on 13 March 2020, has been long-awaited by local suppliers. It sees the tariff on frozen bone-in chicken portions increase from 37% to 62%; and from 12% to 42% on frozen boneless chicken cuts.



## Keeping it local during Covid-19 and beyond

### Local poultry consumption

The poultry sector is the single largest contributor to the gross value of agricultural production in South Africa and – in ‘normal times’ – also provides the most affordable and preferred source of animal protein to South African consumers.

The broiler industry contributes around ZAR 56 billion annually, which equals roughly 17% of the total gross value of agricultural products.

Over the past decade, chicken consumption has also grown faster than any other meat type in South Africa. South Africa consumes about 3.9 million tonnes of poultry, beef, lamb and pork per annum. In 2018, the South African consumer spent approximately ZAR 285 billion on meat products (35% of total food expenditure) with poultry meat representing more than 60% of this.

However, for the last three years the poultry industry has been plagued by numerous difficulties, including the cost of feed and barriers to exports, as well as rising imports, mainly of bone-in chicken portions from Brazil, the EU and the US.

“Local [chicken] producers supply about 70% of consumption in South Africa, and the new tariffs will apply to over 30% of all imported chicken.

The reaction from exporting countries may very well negate the desired impact of these tariffs, should [these countries] merely re-price surplus products. Only time will tell if the new tariffs work as intended,” said Izaak Breitenbach, General Manager of the South African Poultry Association’s (SAPA) Broiler Organisation.

### A curved ball

As the revised import tariffs came into play, another gamechanger was making its presence felt. The Covid-19 pandemic resulted in a full lockdown for South Africa only weeks after the import tariff increase was announced. Restaurants and takeaways having to close resulted in an excess of chicken in the local market, leading to a drop in local pricing. So, the playing field has, in a strange turn of events, been levelled.

### Is there still a case for imports?

Historically, South Africa has imported a range of different chicken products, for various reasons. The largest contributors to total imports are mechanically deboned meat (MDM) and bone-in portions. Bone-in portions compete directly with individually quick frozen (IQF) portions – which account for the bulk of South Africa’s market. On the other hand, MDM is an input into various processed meat products that are not currently manufactured in South Africa. It is imported very cheaply and results from a mechanical process that removes the last meat from an eviscerated carcass. South Africa has a direct market for these carcasses, either as a carcass directly, or as an input into soup packs. As argued by Cliff Johnston, vice-chairperson of SANCU (South African National Consumer Union), these imports play a critical role in keeping local chicken prices in check, and thereby benefiting consumers. Consequently – and pre-Covid-19 – MDM imports were the most likely to survive the tariff increases. However, this scenario

“Higher import tariffs have been a double-edged sword in the South African poultry market for some years now. While local chicken suppliers have been under pressure from cheap imports flooding the local market, cash-strapped consumers have had access to cheaper poultry products.”



may no longer play out, with market forces now favouring the growth of a more self-sufficient and diversified local industry.

### Growing the local poultry industry

The development of master plans in the poultry sector are part of a series being developed across priority industries, as components of President Cyril Ramaphosa’s industrial strategy for South Africa. We can only expect this approach to intensify, the longer the country has to deal with the Covid-19 pandemic.

The latest of these, and the most comprehensive, is the recently gazetted (13 March 2020) master plan following a long period of consultation between various industry stakeholders, facilitated by the Department of Trade and Industry (DTI).

As Trade and Industry minister, Ebrahim Patel has said, “We need to find a road to a more competitive, inclusive industry employing more South Africans.”

The tariff increases are one of various initiatives which have been undertaken to put it on a more sustainable path.



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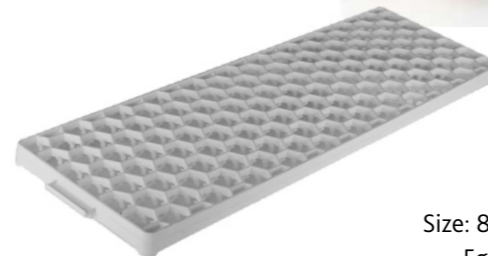


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 Carrying Load: 20 live birds  
 Stack Height: 202 mm  
 Material: HDPE

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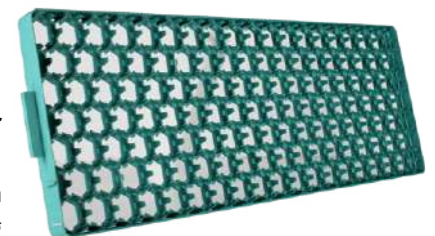


**Day Old Chick Crate**  
 Size: 528 x 462 x 135mm (H)  
 Carrying Load: 20 kg  
 Max Load on Base: 160 kg  
 Stack Height: 120 mm  
 Material: Polypropylene



**132 Egg Setter**  
 Size: 890 x 307 x 36 mm (H)  
 Egg Holder Lug: 32Ø mm  
 Carrying Load: 12 kg  
 Material: Polypropylene

**126 Egg Setter**  
 Size: 884 x 307 x 36 mm (H)  
 Egg Holder Lug: 32Ø mm  
 Carrying Load: 12 kg  
 Material: Polypropylene



**Chicken Coop**  
 Size: 740 x 545 x 308 mm (H)  
 Carrying Load: 37 kg  
 Stack Height: 302 mm  
 Material: Polypropylene



**Hatching Basket**  
 Size: 976 x 388 x 116 mm (H)  
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SAPA's Breitenbach explains: "The objectives of the plan hinge on increasing local chicken consumption and so growing the demand for chicken, while also addressing the exporting of locally-produced cooked and raw chicken products."

### The five pillars of poultry success

The master plan for the poultry sector has identified 'five pillars' that are instrumental in growing South Africa's poultry industry.

- The first pillar includes the establishment of partnerships to increase production and availability of feed, while simultaneously ensuring that workers are provided with training and development opportunities.
- The second pillar entails driving domestic demand and the affordability of local broiler products.
- The third concerns the establishment of the safety and veterinary requirements within markets and offering producers opportunities for exporting their chicken products.
- The fourth introduces measures to enhance the regulatory environment and ensure compliance. This includes making products traceable and announcing measures to ensure that the industry as a whole complies with trade requirements.
- The final pillar aims to protect the local chicken industry by considering specific rather than *ad valorem* tariffs; simplifying trade systems; undertaking anti-dumping measures where appropriate; and considering the introduction of import licenses to support compliance.



### Implications for poultry retail

For retailers, the second pillar of the master plan – i.e. driving domestic demand and the affordability of local broiler products – is undoubtedly the most relevant. And in order to drive sales and increase demand for the range of chicken products stocked in your store, there is a need to understand what motivates consumers to buy chicken in the first place.

- Traditional animal meat product purchase is driven by delicious taste, preparation versatility, family appeal and great value for price. In addition to these main motivating factors, trends in the market and advertising also contribute as further motivation.
- In short, consumers buy chicken for versatility, value and variety. Your stock selection and ordering of products, as well as your store merchandising and shop displays, should all strive to highlight these factors for your customers if you are to drive sales of chicken products.

- In addition, few South African consumers are willing and able to pay a premium for breast meat. This is in contrast to the European and American markets, where dark bone-in meat is perceived as inferior. However, here in South Africa the need for cheap animal protein continues to thrive, and drives sales of bone-in chicken cuts and chicken offal.

### Covid's curved ball hits again – and local poultry shows resilience

The lockdown situation has thrown a short-term curved ball at the poultry category. In South Africa, the current demand for eggs is high due to financial stress experienced by many people, says Robbie Capozorio, Business Development Manager of the OBC Chicken group.

This is in spite of the fact that chicken prices are lower and some meat prices, such as pork, have plummeted. Even so, the resilience of local poultry in the South African market has still been borne out by the growth of chicken giant RCL share prices during lockdown, with this group performing in the top five in March of this year, according to an IOL report.

Capozorio expects an increase in demand for chicken after lockdown, as it is considered a basic necessity by budget-conscious consumers: "The market will correct itself," he says. In addition, he adds, the exchange rate with a weaker Rand favours local products. With so many factors impacting on the category, Capozorio's advice to retailers is "keep it local and keep it quality."

# Get some excitement into your chicken sales

The current environment – and beyond – offers excellent opportunities for retailers to bring some excitement and action into the chicken category.

## Enticement and differentiation

Products grouped together can put a customer's imagination to work. A display can group together items by use, price, size, type, or by colour scheme. Product grouping is enticing because it shows instead of tells by igniting consumers' imaginations. They'll be likely to take a closer look if they are enticed by the grouping in the display.



Differentiate products further by labelling and other information. For example, best price, on special, on promotion, free range, organic, locally sourced, locally produced, responsible farming practices, and so forth, depending on the consumer values of your market. Since consumers have so many different options when it comes to selecting their food, poultry companies and retailers will benefit by highlighting the unique selling position of a product.

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Whether the product is new or familiar, communicate its differentiated selling position with features such as the product's exceptional quality, value for money, origin or other unique characteristics. And, of course, freshness is always paramount!

**Local:** Many consumers feel that buying local is important. Join the local is lekker movement and let your customers know they are buying home grown chicken.

**Convenience:** Various preparation alternatives exist for the consumer, with products like pre-marinated chicken or chicken wraps that can be eaten by the mobile consumer or simply delivered to the home. As lockdown regulations ease, there will still be many opportunities for retailers to reach out to their customer base with quality pre-prepared foods substituting for a restaurant meal or takeaway.

### Engage the senses

While taste is the most powerful criteria for consumers to repeatedly purchase a food, perception is the leading driver of consumers' trial and first purchase of a product, so things like appearance, colour and packaging can help captivate the senses. This gives you an advantage over online shopping, as you can better motivate customers to buy your chicken products by creating a 'full body' experience. In the meantime, online shoppers have more visual capacity, so they are able to read a recipe that requires a specific chicken product, or take a longer look at what's on offer.



**Sight:** Use visual cues (lighting, colour, balance) to direct a customer's attention to your poultry products and displays. Contrasting heights and depths grab customer interest. Varying heights also fuel interaction among shoppers and products.

In the case of fresh poultry products, visual clarity is important. Packaging and presentation

must communicate freshness and suggest a positive taste experience. Regularly refresh displays and layouts. Small changes within your poultry or egg displays could inspire your customers to try a different product or buy more of a favourite product





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## POULTRY



**Smell and taste:** The sense of smell is more strongly associated with memory and connects with shoppers on an emotional level. Use this to your advantage. Create a sample table of prepared chicken products, especially value-added products,

or consider a service department rotisserie to entice buying.

### ***Carpe diem*** – and the opportunities

Chicken and poultry products are by far the most affordable and popular meat protein product in South Africa. In light of the government's master plan to expand the poultry sector and increase demand for poultry, chicken product sales have the potential to thrive even more; as well as boosting local production and job creation.

While the current economic climate – created by the onset of the Covid-19 pandemic and a strong possibility of a looming global depression – will impact on retail sales, local chicken at lower prices has the potential to create a win-win scenario,

where higher volume sales can compensate for lower value sales for suppliers and retailers, the local market grows and consumers have access to affordable, quality products. Healthy industry competition and appropriate legislation also have the potential to benefit price-conscious consumers and boost poultry retail. As OBC's Capozorio emphasises, prediction is almost impossible at the moment, but the import tariff increase combined with the above factors seem set to promote 'local and lekker' in poultry in the foreseeable future. **SR**



# Super effort by SuperSpar

The Corona virus pandemic has affected South Africa as much as anywhere else in the world, but both our Government and our retailers had some indication of what was to come. The Government initiatives have been lauded as timely, balanced and necessary and hopefully, over time our infection and death curves will be flatter than other countries.

All retailers have taken very stringent precautions to safeguard the safety of their staff and customers, but one group of stores stands head and shoulders above the rest.

The group of four stores, all based in Gauteng, is owned and managed by George Skoutellas, a leading SPAR retailer that is also a director of the SPAR Guild board. His stores are located mostly in the more affluent areas (Bedfordview, Blackheath in Johannesburg and Glen Acres, Kempton Park,) with one store in a working-class area, North Riding, Randburg.

George's priorities were the health and wellness of his 600 staff members as well as that of his thousands of customers.

## In the beginning...

The usual measures were implemented immediately:

- Hand sanitation as the customers entered the store
- Wiping down of trolley handles at the entrance



This outsourced team deep cleans all the stores bi-weekly and the fact is not hidden from the customers, who appreciate the effort.

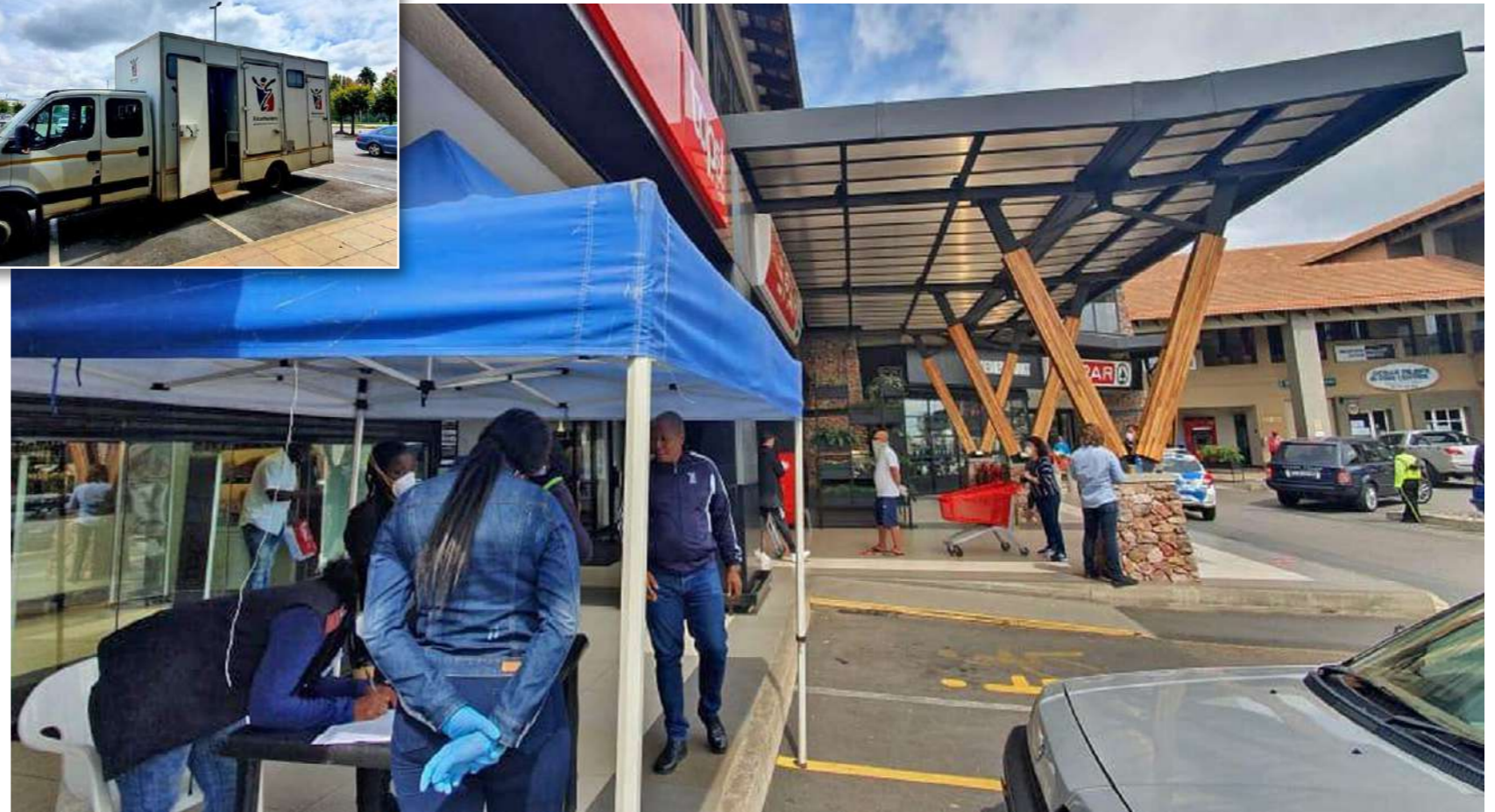


- Perspex shields to stop cashier/customer infection
- Floor signs to keep the distance of at least one metre between shoppers
- Face masks and hand gloves were also used.



But soon, George realised that these measures were not enough to stop the infection from spreading in his stores. He immediately embarked on a raft of new measures, which included...

- Public address system announcements requesting customers to keep their distance from each other, especially in service areas and at the checkouts
- Hand sanitising stations (altogether 50 of them in the four stores) spread throughout the stores, especially near the service areas
- Temperature reading of all staff members on arrival daily
- An outsourced deep cleaning company was engaged to deep cleanse the stores from top to bottom bi-weekly with food-safe disinfectants that cover a whole range of nasties (viruses, bacteria, fungi and protozoa)
- The local health department was invited to man a special shaded spot at the store entrance, where customers could answer basic questions about their health. Any suspected cases were taken to the specially fitted van, managed by the health department, for proper COVID-19 tests (no infection cases were reported).



Health department officials welcome customers and ask them basic questions about their health. The van is parked nearby for a thorough and professional test to be conducted.



Staff line up before starting their duties to have their body temperature scanned. In the event of a fever, they will be referred to the right clinic for attention.

## The customer response

The response by the shoppers was immediate and very positive. Posts by shoppers on the various social media linked to the group were ebullient about the care and attention that George and his team took in addressing this challenge.

The staff also felt that their work environment was a safe place to be working in.

Says George "I was heartened by the amazing level of trust displayed by both our customers and our staff. This emergency has brought out the best in people and the normal happy atmosphere in my stores was amplified by an elevated sense of trust and belonging, as we are in this together."



Some images of the empty shelves after the rush of the day before lockdown. However, very soon, the stores were stocked up to the hilt, with a few exceptions.



These two photos of the receiving area and the storeroom indicate the volume of stock that had to be delivered daily by the Spar DC to ensure that the supply chain continued as normal.

**The trends**

George is happy to share his insights into the various trends that affected his business before and during the lockdown.

The moment the public understood that the lockdown was imminent, additional purchases were made by all and sundry, but there was no panic buying. The week before the lockdown, sales were up by 20%. However, the day before the lockdown, store sales rocketed to a 300% increase. Like everyone else, stores were depleted of toilet rolls, cleaning products, yeast and long-life products.

George was very complimentary of the SPAR distribution centre capability and the way their stores were replenished quickly and efficiently. In fact, some suppliers quipped that SPAR was better organised for this event than many major chains.



These sanitising stations were specially produced for the store and are dotted around many positions within the shop, especially around the service areas.



Deep cleaning teams in action – every corner is covered and all shelves from top to bottom. Fresh departments are also done as the spray is food safe.



Happy, healthy staff make it a happy and safe shopping occasion.



Both cashiers and customers are well protected by the see-through screens at the till points.



Since the lockdown started (at the time of writing, it has another two weeks to go), sales are still very bullish, but the customer count has dropped by 50% while the average spend per customer has increased by 250%.

Customers pop into the store for their replenishment, while others email an order in advance and collect/pay it later. As the Tops liquor stores have been closed down by decree, the Tops staff are now used as pickers for orders placed by customers. No one has lost their job and the service levels continue to be top of class.

One last point made by George "Instead of using this period to create better margin for my store, I decided to create a 'Lockdown Special' campaign, where a whole range of basic essentials was reduced to cost price and the consumers can benefit from this. My margins may be down, but the goodwill generated cannot be measured in Rands in Cents."

Older shoppers have been catered for by opening specially for them from 7am to 8am each morning to keep them separate from younger shoppers to avoid infection.



**SPAR BEDFORDVIEW**  
 Chr Nicol & Van Buuren Road, Bedfordview.  
 Tel: (011) 450-1474  
 Trading Hours: Mon to Sun & Pub Holidays  
 07900 to 19800

**TO ALL OUR LOYAL CUSTOMERS**  
 The store will be open from  
**7 - 8am for our**  
**ELDERLY CUSTOMERS**

We ask for our other loyal customers to kindly refrain from shopping during this time to allow for this. Whilst we cannot guarantee the exclusivity during this time, we believe it will reduce their risk significantly.

We know that the Coronavirus is more of a threat to older people, and it is thus important that our older customers limit the number of times they are in busy spaces as much as possible.

THANK YOU SO MUCH  
 STAFF AND MANAGEMENT



Step one – wash and sanitise your hands many times a day!!!



Cigarette sales have been forbidden during the lockdown, so the store explains the matter to its clients plainly and clearly.

These striking stickers are self-explanatory and welcome the customer as she walks into the store. Store education + government education = a healthier society.





### Thank you

As a gesture of gratitude towards the community, George's SPAR group has embarked on a campaign to donate R1 million in essential goods to those who need it around each store.

Posters encouraging the customers to also participate are dotted around the stores and the staff has enthusiastically embraced the project to assist their community. On day one of the appeal, one ton of goods were donated by the public.

Says George "We must never forget those in need at times like these. We all take for granted that we have easy access to food and other essentials, but not everyone is able to do this."

Although there was no panic buying, the week before the lockdown, sales were up by 20%. However, the day before the lockdown, store sales rocketed to a 300% increase.



Customers have also adopted their own personal precautions – here a lady shopper uses her scarf to protect her face while shopping.



A community store looking after its community!



# Eye tracking in retailing

An investigation conducted by market research company IPSOS has shown that consumers decide on the purchase of more than 40% of all supermarket products while in the store and almost 20% of the items purchased are done on impulse, with no prior purchase plan in mind.

This article was written based on input made available by the Neuromarketing Research Center, Behavior and Brain Lab (reference Prof. Vincenzo Russo) and by the Retail Brand Communication Observatory (reference Prof. Francesco Massara).

By Antonello Vilardi (Retail Watch)  
as adapted by Hippo Zourides

According to this research, almost two thirds of the decision-making process of a consumer is made while in your store.

This is very significant, as it outlines the need to pay more attention to our display methods at store level and how we can influence purchasing patterns by applying what is known as the 'neuromarketing' criteria.

As she goes through your shelves, the consumer processes a great deal of information before she decides on her final purchase.

This research confirms that, statistically proven techniques do exist to help you plan your layouts



and improve your profitability.

Some of the factors that will influence the shopper's decision do not only cover shelf

positioning but also the specifics of the label and packaging design to differentiate themselves from other products.

There are many studies and techniques to advise retailers about the best way to display and sell products. However, many of these processes do not influence all the stimuli that the modern consumer requires during her decision-making process.

Neuromarketing, and in more specifically eye tracking, makes it possible to enhance the visibility of the on shelf products more objectively and the outcome is measurable.

Among the most interesting parameters analysed by the researchers are:

- **Dwell time** (the amount of time, in milliseconds, spent looking at the area of interest)
- **Number of fixations** on the area of interest
- **Time to first fixation** (time, in milliseconds, elapsed between exposure to the image and the first display of the area of interest)
- **Number of area reviews** (how many times the participant looks back on the same area of interest, i.e., re-interpretation).

### Research phases

The whole process consists of several phases that the consumer goes through

The first phase of approaching the shelf is based on the identification of the category: it takes place from about 8–5 metres away and includes a time span of 2–6 seconds.

The phase of understanding the logic of the shelf follows: it takes place between 6 and 2 metres away and lasts about 1–3 seconds. This is a delicate phase since it can influence the behaviour of choice. If the shelf is not easily understood, the risk

of abandonment is high.

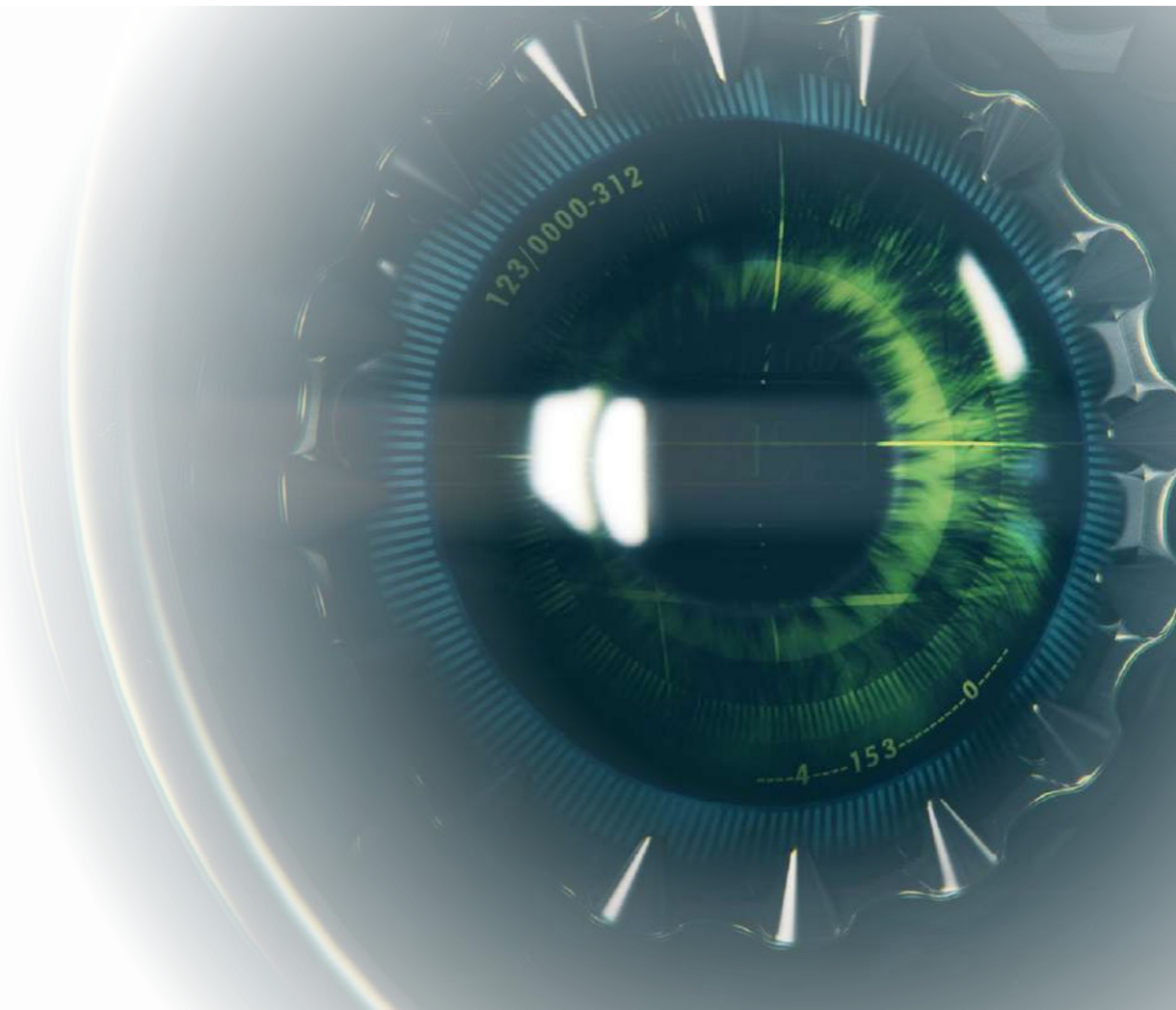
The final phase of analysis and choice can last from 4 to 40 seconds, depending on the degree of complexity of the product and takes place in the space of 1 metre or less (50 cm) from the display. In this phase, purchasing habits have a predominant role and the variables of the product's 'marketing mix' also have relevance.

The very first moments in which the category is decoded (and the shelf maps are built) take on very high importance in terms of visibility because, if the brand cannot be seen in those few milliseconds, the chances of the product being considered decrease considerably.

With such reduced times, neuroscientific techniques offer a useful contribution for measuring the capacity of the product to return to the expected format, distinguishing itself effectively. But, as mentioned before, the physical characteristics of the product (Packaging) and the information (Label) written on the labels are also important.

### Methodology

'Neuroscience' and 'neuromarketing' is the science of how to analyse the visual effect of labels and packaging through the measurement of eye movements, but also on the emotional reaction



that the stimulus manages to provoke.

Technically, the eye tracker is a physical device that uses a type of illumination close to infrared, in combination with high definition cameras, to project light into the eye and record the direction in which it is reflected by the cornea. Advanced algorithms are then used to calculate the position of the eye and determine exactly where the gaze is focused

The methodology allows us to study and measure visual behaviour and the smallest eye movements, since the position of the eye can be mapped several times per second.

### Amazing results

The outcome of a survey concerning the effectiveness of some labels involving experts and non-experts of the specific product category, is very illuminating.

In a research conducted with the Sommelier Association of the Lombardy area, from the visual analysis of the label of a wine brand with an eye tracking device, it was observed that the attention of expert consumers (sommeliers or wine connoisseurs) is focused on different aspects of the label, as compared to the vision of non-experts (an average consumer). The inexperienced person looks at areas that do not attract the attention of the sommeliers, such as the certification of origin, the alcoholic content and the size of the bottle.

Instead, they may look at the brand name, its variants and then check the shelf price. Evidently this is the information that the average consumer



Heat Map of a shelf – Red (most visual attention), yellow (middling) and green (least attention)



Visual interest on a gondola display can vary from shelf to shelf. In this display, it happened that the top shelf got the least attention.

understands about wine and which, consequently, processes with greater interest.

**Lessons for retailers and manufacturers**

Label designers would do well to use this technology to decide on label design, dependent on who their target market is.

For example, expensive wines that are sought by connoisseurs could have a specifically designed label to appease the buyer's expectation, while the details on a cheap table wine bought by non-discriminating shoppers could enjoy a somewhat altered label design.

Private label designers should also consider what are the most important aspects of the brand/product selected by most of their target audience and ensure that such details are enhanced in the label design to make it more accessible to the shopper.

Through eye tracking, the interpretation of data on 'fixations' and 'reinterpretations', combined with the analysis of 'dwell times', represents a good reconstruction of what the brain commands to the eye and attention of the shopping audience. **SR**

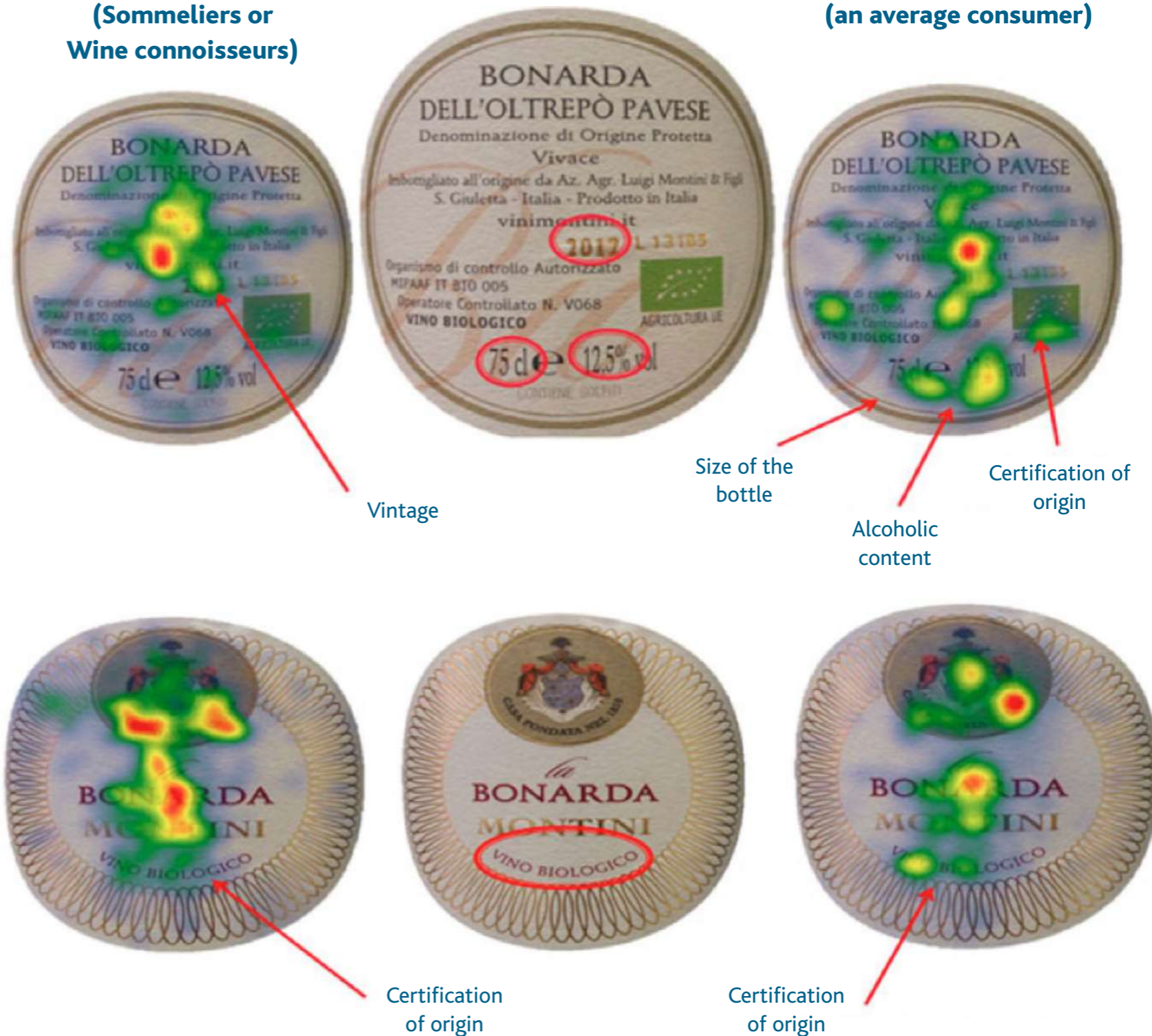


**Antonello Vilardi**

Intensely involved in the modern aspects of distribution marketing, with specific reference to organised sales networks, Antonello Vilardi has written three books: *Commercial intermediation in the grocery sector* (2010), *Complementary promo-merchandising* (2014) and *Fidelizzare la Clientela*

**Expert consumers (Sommeliers or Wine connoisseurs)**

**Non-experts (an average consumer)**



**Labels: what do experts (sommelier) and non-experts (inesperti) look at?**

Red indicates where the vision is mostly concentrated, Yellow shows a little lesser visual contact and Green the least visual concentration. Where there is no colour, there is no eye contact

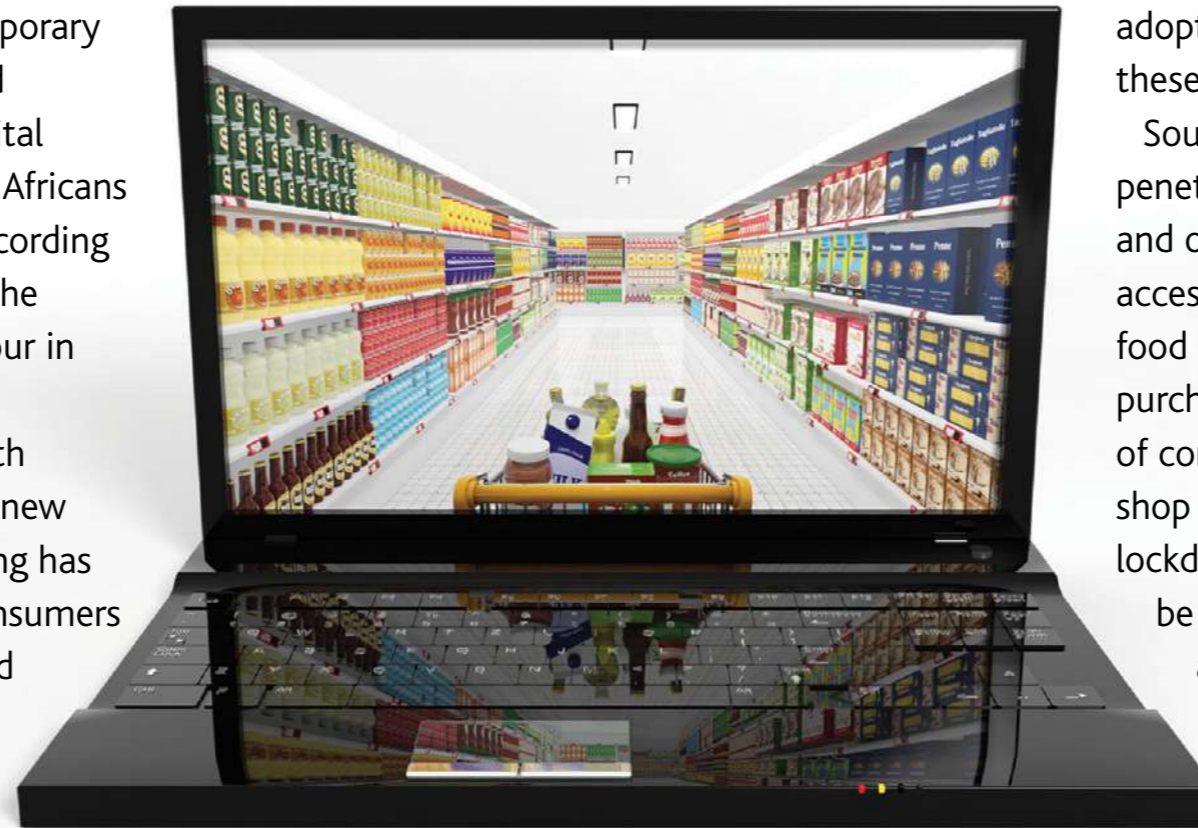
# 37% of South Africans say they are shopping online more

**W**ith the current lockdown and temporary ban of non-essential products and services, consumers have switched to digital shopping alternatives with 37% of South Africans saying they are shopping more online, according to a recent Nielsen syndicated study on the impact of Covid-19 on consumer behaviour in South Africa.

Nielsen South Africa Retailer Lead Gareth Paterson comments; "Amidst the strange new world of Covid-19, online grocery shopping has been a lifeline for many South African consumers who have desperately sought out safe and secure shopping alternatives amidst the uncertainty of lockdown living. As a result, available online shopping platforms, especially for groceries, medicines, and other necessary items, have seen a surge in usage over the last few weeks as consumers prefer not to venture into stores and have increasingly opted for these reduced touchpoint alternatives."

## New affinity for online shopping

This development points to an interesting shift in shopping behaviour. Where previously fashion, travel and entertainment categories have been



## Permanent uplift in online shopping expected

the frontrunners for consumers to enter the online retail sphere, with grocery categories, particularly packaged and fresh goods, being slower to gain traction; the lockdown has now accelerated

adoption of online shopping for some of these categories.

South Africa's online grocery shopping penetration and usage has also been quite niche and of the 58% of South Africans with internet access, only 1–2% had regularly purchased food and groceries online and only 8–10% have purchased in the past year. However, one-third of consumers had expressed a willingness to shop online. This coupled with the current lockdown scenario means there is likely to be prolonged behavioural changes in in-store and online shopping, with services like click and collect, automated online subscriptions, and the personal shopping all having the potential for growth.

## Meeting demand

Unfortunately, this rapid rise in popularity has also highlighted constraints in current online offerings, for example, extended delivery timelines for online shopping options, as retailers have had to boost their online capacity to match the increasing online shopper traffic and maintain their ability to fulfil the demand from consumers.



It is important to note though, similar challenges have been faced around the world, and retailers that have managed to scale up their supply and delivery logistics have seen exponential growth in online retailing. For example, Spain and Australia, where penetration of online shopping for grocery goods has previously been lower, have shown sizeable increases in online retail sales, a clear sign that online retail shopping is starting to yield benefits for consumers.

**Permanent uplift in online shopping**

Paterson says what this rapid evolution in online makes clear is that technology adoption in the current situation is paving the way for a sustained development of online shopping, in terms of infrastructure and consumer acceptance. "We can therefore expect a permanent uplift in online shopping numbers – albeit off a small base in South Africa – even after the pandemic has ended, since many behaviours adopted during the COVID-19 period are likely to translate into more permanent long term habits."

**ACCELERATED INNOVATION**



- Another outcome of the current situation is the emergence of local innovations to fill the need gap. For example, services where consumers place an order with a retailer and have their order delivered to their car in a pre-arranged parking bay have emerged, ensuring not only increased health and safety but speedier fulfilment of online orders.
- Existing online retailers have also quickly shifted their existing product offering to supply essential goods, such as a large eCommerce gifting platform now delivering fresh produce and former Uber Eats drivers who are maintaining an income through the delivery of groceries for retailers.

However, Paterson cautions; "Retailers will need to quickly address the main barriers or hesitations that non-users had expressed in the past – be it freshness guarantees or free delivery. It will be critical for retailers to make the migration from offline to online as seamless as possible by communicating potential stock outages, advising of delayed delivery timelines, and providing additional online navigation tools and support to first-time users on their platforms will be key to keeping consumers online once stores reopen their doors." **SR**



\*ONLINE STATS: Source: Nielsen’s Connected Commerce, Shopper Trends, and COVID-19 syndicated surveys.

# How is a loyalty leader responding to Covid-19?

## Clicks goes the extra mile for its customers & staff during Covid-19 lockdown

**A**manda Graham, Head of Digital and Customer Engagement at Clicks, was asked how Clicks has had to respond to Covid-19.

“ It has been a difficult and challenging time for the country and as an essential service company, we are pleased that we can be part of supporting our customers through this time. ”

Amanda Graham

### How has Clicks been affected by Covid-19?

The speed at which this situation came upon us and the speed at which its impact shifted was a big challenge for us to react to and implement across 700 stores.

Our primary focus was planning and executing how we could best protect our staff and customers and then how to consider meeting customer needs – from sourcing visors, sanitisers and sneeze guards in huge quantities, to increasing our online delivery capacity.

We were also working in the context of new legislative requirements and new global learnings about the nature of Covid-19.



### What has Clicks done to help their ClubCard members?

Clubcard members are 7/10 of our customers so all our plans are really for our important loyalty customers. Amongst other initiatives, we have done the following:

#### For our customers:

- Cashback expiry has been extended by two months
- Price promise to hold prices on all hygiene items before there was any government intervention
- Sneeze guards implemented for pharmacy and tills, and sanitisers available for customers





**What has been your members' reaction?**  
 We recently sent out a questionnaire to our customers regarding their experience of Clicks during these Covid-19 days. They have been incredibly complimentary of our communication and initiatives to support customers.

- Flu clinics: we have implemented an additional 200 points and 35 walk in clinics to meet urgent and unprecedented demand
- Our communication has moved into digital and regular CEO communications have been implemented. New digital initiatives such as Facebook Q&A with ICAS wellbeing support, especially mental wellbeing during lockdown
- We have met unprecedented demand for products from masks (in the local textile industry) to huge quantities of sanitiser
- We have increased our online ordering capacity by six fold

**For our staff:**

- Each employee will receive two masks, sourced locally to support the textile industry
- Visors are implemented for stores staff

- We have provided all employees access to the flu vaccine, at no cost
- We have implemented ICAS wellbeing support especially mental wellbeing with a specific Covid-19 care

**For the community:**

- Clicks directors and non-executive directors recently announced that they will forego up to 30 percent of their salaries over the next three months and donate to the Solidarity fund
- R750 000 free flu vaccines have been donated to health workers in Western Cape
- Free primary care consultations have been made available in the afternoons (+/-R3.5m of time available)

**Collectively, if companies could work together, could they do anything more powerful to help customers?**

If I reflect on the teams of brightest minds all around the world focussing on the one goal of developing a vaccine against Covid-19, they are not working as one company, but they are working to one objective and know the parameters in which they can work.

I believe our government has set us an exceptionally good framework to work within. It is important that we all work to comply to this and deliver to the direction for the benefit of the South African community.

I am not sure right now with the speed of change that trying to align with other companies other than through regulatory compliance would be in the best interest of the consumer as I believe it would slow down our ability to react. **SR**

# Practical solutions for retailers to embrace sustainable packaging

According to a recent Accenture global survey, 83% of people surveyed believe it's important or extremely important for companies to develop products that are meant to be reused or recycled and 72% of these same respondents said they are currently buying more environmentally friendly products than they were five years ago, while another 81% stated they expected to buy more ecologically friendly products over the next five years.

Consumer demand as seen from this research is resulting in consumer goods companies, not only embracing sustainable packaging, but also pushing boundaries in terms of both product and packaging innovation.

This brings us to the concept of sustainability and what we understand it to mean. According to the United States Environmental Protection Agency (EPA)...

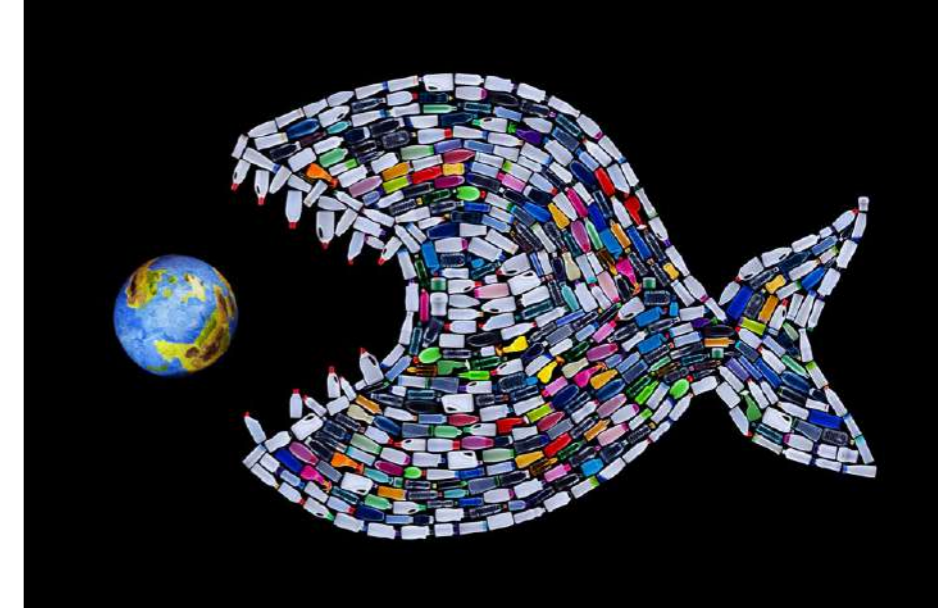
"Sustainability is based on a simple principle. Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony that permit fulfilling the social, economic and other requirements of present and future generations."

By Gerard Busse  
Marketing Manager South Africa  
Forest Stewardship Council (FSC)

So, if we unpack this further, sustainability for an organisation should involve the responsible management of environmental, economic and social resources and impacts. According to the Fibre Box Association, sustainability should then become a business survival strategy driven by public opinion, government regulation, dramatic changes in major retailers' purchasing criteria and increased consumer awareness.

This in turn has profound implications for packaging in terms reviewing the current status quo and subsequently innovation. The world's leading retailers are now demanding measurable improvements in packaging sustainability for the product they both use and sell to consumers.

Consumers are becoming more aware of the implications on the environment of the packaging of the products that they are consuming, to the extent that they are willing to pay more for products with recyclable packaging or those produced from sustainable sources. This is also been driven, particularly in more developed countries, by the growth in online retailing or



e-tailing where the sustainability message is being driven on these e-tailers' websites and on their social media platforms.

The USA Environmental Protection Agency says that a critical measurement for sustainable packaging is the recovery rate in recycling:

- Paper and Paperboard: 73.3%
- Steel: 73.1%
- Glass: 33.9%
- Aluminium: 32.8%
- Plastic: 13%

In a report by The Association of Packaging and Processing Technologies, the global sustainable packaging market is estimated to be worth US\$ 220 billion in 2018 and forecast to reach US\$280 billion by 2025; this is an estimate compound annual growth rate of 6%. Consumer goods companies were asked how they were achieving more environmentally friendly packaging options:

- 36% implementing re-use/return/refill packaging
- 89% designing recyclable packaging



- 80% were minimising packaging to reduce waste through initiatives such as using lighter weight material and reducing what goes to landfill
- 56% redesigning packaging using more sustainable materials
- 27% choosing renewable sourced material, for example, using more bio-based material.



Bio based packaging – corn packaging

Corrugated cardboard

With more sceptical Generation Z and Millennial consumers, it entails more than just ‘slapping’ a label on a product listing the use of recyclable materials, but extends to doing something different, the bar is being made higher.

In her article, *Three Trends to Watch in Sustainable Packaging*, Pamela Webber mentions trends to watch out for:

- **Plant based packaging:** We’re seeing products presented wrapped in banana skins, corn starch or bamboo. Iconic furniture brand Ikea is now replacing styrofoam packaging with a compostable mushroom-based packaging material called MycoComposite.
- **Re-usable packaging** is another option growing in popularity. Loop, a start-up backed by Unilever, will deliver some Unilever products in re-usable

containers. Products ranging from soft drinks to washing powder and shampoo will be delivered in refillable containers to your front door. Borrowing on the bygone era of the milkman delivering your dairy products to your doorstep.

- **Edible packaging** may not be a mainstream packaging but is certainly appealing to the more environmentally conscious, for example edible drinking straws and edible cutlery.

As public awareness around the environmental impact of plastics reaches new heights, businesses, organisations and the government have announced ways in which they have committed to change and innovate, in order to counter the tidal wave of waste.

In addition to reduction and reuse initiatives, the movement away from plastics is likely to mean a step towards customer-favoured renewable and recyclable materials: paper and cardboard.



## South African retailers are doing their bit

In 2018, Woolworths set themselves a vision of working towards zero packaging waste to landfill. To achieve this vision, they articulated a clear set of targets and commitments, underpinned by two key public-facing goals. The first was to ensure that all their plastic packaging is either reusable or recyclable by 2022; and the second was to phase out single-use plastic shopping bags from their stores by 2020. According to Woolworths, they recognise that their vision and goals...

“...can only be achieved through collaboration and innovation, by working with a range of stakeholders including suppliers, packaging producers, the recycling industry, government, and other role players.”

Further demonstrating their commitment is the fact that they were the first African head-quartered company to sign *The Ellen MacArthur Foundation’s New Plastics Economy Global Commitment* in 2018 and also became founding members of the South African Plastics Pact this year.

In addition, they continue to work towards using only sustainably sourced or recycled wood and paper products throughout their operations. Where they use forest products like wood, paper, and board for packaging, they aim to ensure that they are sourced from sustainably managed forests and certified by the Forest Stewardship Council (FSC).



The Shoprite Group recognises that, packaging, while useful as a “primary protector and preserver of food products and protector of non-food products, is a key driver of environmental degradation on land and in marine environments when not handled responsibly.” A coordinated and collaborative response with stakeholders is needed. We support a circular economy approach to packaging, incorporating all aspects of the value chain, adopting a design-for-sustainability approach to packaging based on life-cycle thinking and innovation and promoting and supporting local community recycling initiatives. In line with United Nation’s Sustainable Development Goal 12.4, we aim to substantially reduce waste generation by 2030 and have set our objectives accordingly.

Shoprite has partnered with the Packa-Ching initiative, which ‘buys’ recyclable materials from communities, starting in Langa in the Western Cape in 2017, in exchange for credits which can be used to buy goods at many supermarkets, including Shoprite, Usave and Checkers stores.

The Shoprite Group, in its 2019 financial year, also recycled 3 995 tons of plastic waste, 33 658 tons of cardboard and through its distribution centres re-used 2 781 tons of cardboard packaging in partnership with another retailer.



**Trends**

In a nationally representative survey of 500 UK adults, respondents were asked which packaging material they preferred – glass, metal, paper & cardboard, or plastic – based on a number of different reasons. The findings were that paper & cardboard were the most preferred packaging material in terms of environmental-friendliness, recyclability and practicality. They received the highest score as being better for the environment as easier to recycle and, in terms of practicality – easier to open and close, easier to store, lighter weight, safer to use and more practical.

As this renaissance takes hold, it is important that organisations making the transition to paper and card consider its environmental impact. Switching

from plastic to cardboard packaging can be a positive move. However, if this packaging is not responsibly sourced, it can still have a detrimental impact on the environment.

Packaging made from forest-fibre has the potential to be both renewable and recyclable or biodegradable, but only when it is responsibly sourced and sensitively processed. Forest Stewardship Council certified packaging can help to demonstrate a commitment to responsible sourcing using FSC certified materials and the application of the FSC labels.

Packaging can carry the FSC label if it is produced using FSC certified materials under a valid FSC chain of custody certificate. Including the FSC label on packaging is a great way to demonstrate sustainability, alignment to the United Nations Sustainable Development Goals and supply chain integrity which are independently verified.

In the next two articles we will find out more about providing practical solutions for the supply chain to embrace sustainable packaging, and how to further communicate commitment to sustainability. **SR**



The Forest Stewardship Council (FSC) is a global not-for-profit organisation dedicated to promoting environmentally sound, socially

beneficial and economically prosperous management of the world’s forests. It helps consumers and businesses identify products from well-managed forests and sets standards by which forests are certified, offering credible verification to people who are buying wood and wood products. For more information visit [www.fsc.org](http://www.fsc.org)

# Charting a course for post-Covid-19 retail regeneration

Global analytics company Nielsen looks at South Africa's path from 'restricted living to precautionary living'. There are likely to be significant new and adjusted consumer behaviour and consumption dynamics, many of which are likely to be rebalanced and fundamentally altered for consumers.

Speaking during the webinar Nielsen South Africa Connect MD Kelly Arnold commented...

“The longer consumers remain in restricted living conditions, the more significant the economic, financial and social impacts will be and the more time consumers will have had to significantly adjust their behaviour and consumption dynamics and adopt these habits as necessary or entrenched behaviours.”

Against this backdrop, Nielsen has assessed various future scenarios to establish a clear Regeneration path for retailers and manufacturers based on

## Insights shared at a Nielsen industry webinar Life Beyond COVID-19: Rebound, Reboot or Reinvent



short, medium, and long term exit time horizons. The framework: Rebound, Reboot or Reinvent, takes into account global macro conditions such as unemployment, bailout packages, and interest rates along with attitudinal inputs from consumers' purchasing preferences based on governments

response to healthcare and disease management, thereby linking into expected future FMCG sales.

In countries where consumers spend less time in lockdown, Arnold explained that there will possibly be more partial impacts, where countries and companies will be able to Rebound more easily to prior conditions, patterns and habits.

The longer consumers spend in restricted living, the greater the economic, financial and social impacts will be. The consequences will become exacerbated and require strategies to Reboot economies and consumption.

In the third time horizon, consumers may spend up to nine months or more in highly restricted living conditions, and will be faced with severe economic, financial and social shocks, which will heavily impact future, post lockdown living standards and conditions. Business strategies in these environments may require significant Reinvention to re-establish product portfolios and attributes, which are relevant to drastically altered consumer means and needs.



Across these scenarios, Nielsen has identified **Six Major Areas Of Change** that will impact consumption dynamics.

- **Re-Shaped Wallets** – In the initial Rebound stages consumers may be able to add back some discretionary spend (fashion, home/tech upgrades, local holidays) but out of home consumption is likely to remain subdued due to ongoing precautionary measures. 'Homebody Economies' will benefit at the expense of out of home wallet allocation (restaurants, entertainment, takeaways).

Within each consumption environment Nielsen has identified two types of consumers namely **Insulated Spenders** who are able to buy what they want and need, are predominately higher income individuals and have not experienced an employment impact and **Constrained Spenders** who are predominantly lower income, have experienced a severe employment impact and are only able to afford the basics.

- **Rebalanced Repertoires and FMCG basket composition** – With polarising ability to spend,

**Insulated Spenders** in earlier emergence stages, will initially splurge on discretionary grocery items post lockdown and take a break from pantry filling for home prepared meals, adding back takeaways and home deliveries. **Constrained Spenders** may add back some protein, dairy, confectionary and beverage treats, but on a smaller scale. New shopping habits will also become entrenched as evidenced by 66% of South Africans who say they have reduced shopping in supermarkets and 65% who have reduced shopping in spazas.

- **Changing product needs and demand will lead to Reassessed Pricing Mechanisms** – The lockdown period has seen a significant decline in promotional activity which will provide the unique opportunity for manufacturers and retailers to reset the depth and frequency of future promotional cycles. As lockdown is gradually lifted the nature of promotions are likely to change with promotional budgets possibly allocated to maintaining everyday low pricing or price caps on essential items for severely constrained and vulnerable consumers.

- **Brand and product choice attributes will lead to Reprioritised Values** – Health, Safety and Quality assurances have become important accelerators in brand and product decision making and will remain significant choice drivers into the future, Consumers will increasingly look for hygiene, efficacy and immunity attributes ahead of sustainability and environmental product claims.







● **Origin matters** – Due to occasions of product shortages and out of stock situations during the lockdown period, consumers moved to what was available, which was often locally sourced. As global supply may remain obstructed for many months to come, consumers will increasingly rely and depend upon local and micro-local supply. To protect and rebuild local economies governments may implement incentives and policies to protect local manufacturers. This will allow for lesser known local brands to strengthen their positioning and expand their footprint.

● **Brand conduct influences affinity** – Many brands have struggled to determine their optimal level of marketing and advertising during the lockdown period. As brands start to reinstate their marketing activity they will need to look at where audiences have shifted in terms of their listening, viewing, engaging and socialising, and consider how they will need to repair broken, or strengthen new relationships, via their messaging, tone and content. Brand legacies during COVID-19 will echo into the future, with brands assessed and treated based on their action and inaction.



Looking ahead, Arnold said that the seismic and unforeseen shocks from the global COVID-19 pandemic will draw consumers, industries and societies into a course of restoration and renewal as they look to revive growth.

“As FMCG manufacturers and retailers reflect, rebuild and reconsider the orientation of their businesses and brands for the future, they will need to base their ecosystems and strategies upon a deep understanding of what economies and consumers have endured and how they will emerge.”

“In line with this they will need to urgently examine the range of products being offered and the pricing dynamics to get to grips with the raft of rapidly changing demand dynamics across all channels,” Arnold concluded. **SR**

