

DESIGN ISSUE | 02

YHWM

2.1 INTRODUCTION

The following chapter addresses the design issue which includes the background and context as well as the real world problem which inspired the project. The client, Shoprite, is then analysed in relation to the design issue, and their target market investigated. This is to initiate the development of an appropriate interior design for Shoprite, which relates to their target market.

2.2 BACKGROUND AND CONTEXT

THE IDENTITY OF THE INTERIOR DESIGN PROFESSION

According to Breytenbach (2012), the discipline of interior design needs to **explore** and **strengthen participation** in the **retail sector** as a means of **establishing the identity** of the **profession** beyond the boundaries of the architecture discipline. This is a feasible strategy since the South African retail sector is an economically viable and growing sector which requires a number of role players to assist in the successful execution of a retailer's identity (Breytenbach 2012). The **interior designer** is **one** of these **role players** (Prinsloo 2011a).

THE PROMISING SOUTH AFRICAN RETAIL SECTOR

In 2011, **retail sales** in South Africa **exceeded a trillion rand** for the first time in history and this is expected to swell to R1.46tr. by 2016 (PWC 2012). The top five South African retailing companies are: Shoprite Holdings, with the largest market share; Pick n Pay Stores; the Spar Group; Massmart Holdings; and Woolworths Holdings. Together the top four companies mentioned, account for around 80 percent of local retail sales in South Africa. The **grocery retail sector** therefore continues to **dominate** the South African retail market with an increasingly complex competitive environment emerging in which the retailers are **competing** to **satisfy** evolving **customer needs** (Deloitte 2015, Euromonitor 2015 and PWC 2012).

THE INTERIOR DESIGNERS' CONTRIBUTION TO THE RETAIL SECTOR



According to Prinsloo (2011a), **interior designers** are currently **underutilised** within the **retail design sector** due to a **poor understanding** of the **functions** that **interior designers** can **perform** in retail design.

In attempting to determine the **role** of the **interior designer** in retailing, Prinsloo (2011a) concluded that interior designers can make a considerable **contribution** to retailers in terms of **store design**, used as **marketing communication** and as a **differentiation strategy**. Marketing communication is a fundamental and complex part of a retailer's marketing effort and can be described as **all the methods** used to **communicate** with **customers** (Cambridge Dictionaries 2015 and Mars 2013). A differentiation strategy is an approach used to **develop** and **market** the **unique attributes** of the **retailer** that are **valued** by their **target market**, as a means to gain or maintain a **competitive advantage** (Business Dictionary 2015, Quick MBA 2010 and Prinsloo 2011a). The above is manifested in a retailer's **brand promise** which serves to deliver the brand in a way that **connects emotionally** with **customers** and **differentiates** the **brand** from its **competition** (Smith & Co 2013).

As competition is intensifying between grocery retailers, especially with the acquisition of Massmart by the international retail giant Wal-mart, it is imperative that South African retailers exploit the use of differentiation as a strategic marketing activity to distinguish themselves from their competitors in order to become or remain appealing to their particular consumer market (Mazarella 2010, Prinsloo 2011a and PWC 2012). Professional **interior designers** can **assist clients** with this by **relating interior space** to the **brand promise** through applying creative and technical solutions to the building shells that are both **functional** and **aesthetically pleasing** (Mazarella 2010, Moore & Lochhead 1998, Murialdo 2008 and Petermans & Van Cleempoel 2010).

By fulfilling Shoprite's brand promise within the interior, the interior designer's value to the retail sector will therefore be revealed in order to strengthen participation in the retail sector and thereby help establish the identity of the young and developing profession that is interior design.

2.3 REAL WORLD PROBLEM

South Africa, being the 12th largest carbon dioxide (CO₂) emitter in the world, produces nearly 50 percent of the African continent's total CO₂ emissions and the corporate sector is responsible for almost half of these emissions (Economist Intelligence Unit 2009 and EDF & IETA 2014). The country's total greenhouse gas (GHG) emissions have increased with 25 percent between the years 2000 and 2010 to an annual 563 120 million tons in 2010, when inventory was last taken (DEA 2013, 2014). CO₂ accounts for 80 percent of the total GHG emissions of which the largest share of 48 percent is emitted by the energy sector due to its high dependence on coal (EDF & IETA 2014).

According to the World Economic Forum (2015), **"failure of climate-change adaptation"** is one of the top 10 global risks while **"innovation in products, services and operations"** as well as **"improving execution of strategy across business functions"** are in the top 10 business opportunities for 2015 (Ernst and Young 2013). In reaction to the above, the project was inspired since this holds particular opportunity for the **South African retail sector**, which according to the Green Business Journal, **does not perform well in terms of sustainability** (Savin 2014).

A shift towards a more sustainable retail industry is however evident. Household names such as Pick n Pay, Spar, Massmart and Woolworths have shown initiatives in climate change strategies, as evaluated through the Carbon Disclosure Project (CDP) (Savin 2014).

Shoprite Holdings Limited, South Africa's largest retailer, operates 1649 corporate and 371 franchise outlets in 15 countries across Africa and the Indian Ocean Islands (Shoprite Holdings 2014a). About 71 percent of South Africa's total adult population shops at one of the Group's supermarket outlets and they are responsible for more than 60 percent of the country's sales (A.T. Kearney 2014 and

Shoprite Holdings 2014b). As stated in their reports, the Group has an ongoing awareness of their impact on the environment. Efforts include lowering electricity consumption, fuel consumption, packaging, recycling and CDP reports – see **Corporate Identity** in Appendix A on page 63 for further information on Shoprite's sustainability efforts (Shoprite Holdings 2011, 2013b and 2014g). According to the Green Business Journal however, these efforts are not satisfactory in comparison to the other retailers, who seem to be doing more (Savin 2014).

Being the **largest retailer**, not only in South Africa, but Africa – with an increasing footprint across the continent – it is thus imperative that Shoprite starts using this power responsibly, for they can make the **biggest impact** in terms of sustainability within the retail sector. In addition, Shoprite needs to maintain a competitive advantage against other retailers, which in contemporary society entails adapting to climate change, amongst other things. Lastly, with the addition of the current energy crisis in South Africa, which is taking a toll on the country's economy, it is further evident that businesses need to adapt in order to survive (Oatway 2015).

By minimising energy, water and non renewable materials, it will aid in contributing to Shoprite's climate change adaptation strategy, while simultaneously enhancing the user experience by improving the indoor environmental quality. It will contribute to their innovation in services and operations, as well as improving execution of their business strategy. Especially in terms of keeping low prices through operational efficiency, enhanced productivity and comfort. By further maximising the user experience in terms of convenience, productivity and comfort, created by an appropriate retail design – which embodies the brand identity – Shoprite's business strategy will be further executed in terms of that which is in the power of the discipline of interior design. The project is therefore focussed on efficient interior design, which minimises resources and maximises the user experience.



2.4 CLIENT ANALYSIS

Shoprite's corporate- and brand identity is presented in Appendix A. Shoprite was analysed in order to get an in-depth understanding of the company. The most applicable findings to the project are elaborated on below.

2.4.1 SHOPRITE OVERVIEW

SHOPRITE HOLDINGS

With a reported turnover of R57 469 billion for the six months ended December 2014, Shoprite Holdings Ltd is the **largest fast moving consumer goods operation** on the **African continent** and the **107th largest retailer** in the **world**, leading 41 places ahead of its closest South African competitor (Deloitte 2015 and Shoprite Holdings 2014b, 2014c). They were also named the number one retailer in Africa and the Middle East by the Deloitte Global Powers of Retailing survey (Deloitte 2015 and Shoprite Holdings 2014a). They employ 129 926 people in total, mostly from local communities (Shoprite Holdings 2014b and 2014d).

The Group has 13 brands as can be seen on figure 2.4.1, each catering to a different living standards measure (LSM) target market (Shoprite Holdings 2014e).



Figure 2.4.1: Shoprite Holdings brands (Shoprite 2014e)

SHOPRITE BRAND

The **Shoprite brand** is rated the **most valuable** retail brand in **South Africa** and remains the **Group's core business and main brand**. With the **most existing outlets** and the **most proposed new outlets** underway in 2015, the Shoprite brand is the **brand of focus** for this project, since it will make the biggest impact, both in terms of the company and the South African retail sector (Shoprite Holdings 2014b, 2014e and 2014g).

The Shoprite brand, whose logo reads: "lower prices you can trust, always", cater to the **LSM 4-7 target market**, which as described by Shoprite Holdings (2014e), is the **price-conscious mass middle market** or the **middle-to- lower-income consumer**. They provide their customers with the lowest possible prices on a range of groceries and some durable items (PWC 2012, SAARF 2015 and Shoprite Holdings 2014e).

2.4.2 GROWTH STRATEGIES

According to PWC (2012), who reported on the South African retail and consumer products outlook for the years 2012-2016, the grocery retail sector is focused on three growth strategies, namely ongoing organic growth, an expansion into Africa, and a drive for greater efficiencies to control costs. Of these, the most obvious is **organic expansion**, which entails **opening new stores** as well as **squeezing more sales out of existing stores**. A drive for **efficiency** is therefore a prominent element, with much of the investment focussed on working out how to generate more revenue per square meter of existing retail space through **controlling in store operations**, among other things. Evidently, Shoprite Holdings' primary growth strategy and driver within South Africa, is also organic expansion (PWC 2012). Efficient interior design therefore holds tremendous opportunity in terms of contributing to Shoprite's growth strategy.

2.4.3 IMPROVING POSITIONING

PWC (2012) further recognises several levers to further improve a retailers positioning. The area in which interior design can prove of great benefit is **Store Operations**, which falls under **customer excellence**, and includes **store process optimisation, labour efficiency, and customer focus** (see figure 2.4.3).

This further strengthens the reason why the project focuses on minimising resources and maximising user experience, through that which is in the power of the discipline of interior design.

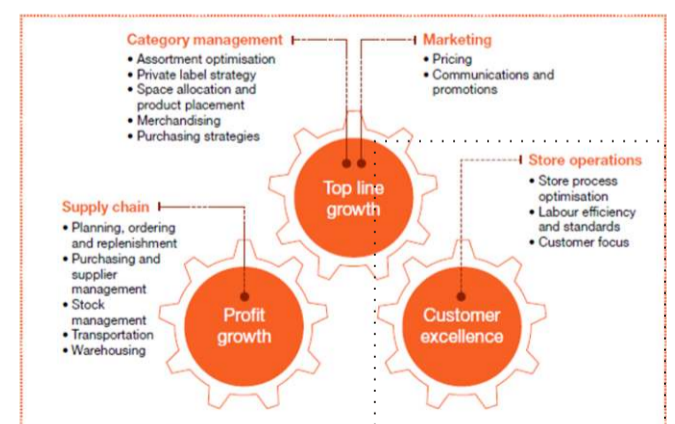


Figure 2.4.3: Levers to improve a retailers positioning (PWC 2012)

2.5 INTERIOR DESIGN STRATEGY SUMMARY

Shoprite's brand promise, which is not stated separately on either the Group's or brand's website, is therefore a combination of the Group's positioning and the brand's philosophy (Business Case Studies 2015, Smith & Co 2013 and Spiro 2010). As stated earlier in the document, it reads: *“providing the lowest possible prices in a satisfying and convenient first world shopping environment that is conducive to a comfortable and enjoyable shopping experience”* (Shoprite 2015b, 2015c; Shoprite Holdings 2014c and 2014e).

After an in depth analysis of the corporate- and brand identity (Appendix A), it is concluded that Shoprite's sustainability efforts are indeed unsatisfactory and that their promises are questionable. Through a few initial site visits, illustrated in chapter four, it was further noted that even though Shoprite is clearly a successful brand in terms of profitability, it is undeniable that the **existing shopping experience is unpleasant and time consuming**. This further conflicts with the brand promise as will become evident in chapter three and four.

Interior design holds the answer to improve this in terms of fulfilling the brand promise within the interior – by means of innovative interior design strategies to minimise resources and maximise user experience – which will enhance the **operational efficiency, productivity, comfort, convenience** and the **overall shopping experience**. This will particularly contribute to Shoprite's competitive advantage as a result of differentiation as strategic marketing strategy, discussed in 2.2; their climate change adaptation strategies as discussed in 2.3; as well as their growth strategy and store operations mentioned in 2.4.2 and 2.4.3. This will in turn serve to increase Shoprite's turnover, which in retail, and especially in Shoprite's case – since the products are priced so low – is always the determining factor and main goal of any improvement strategy (PWC 2012).

In short, minimising resources and maximising the user experience as a means of fulfilling the brand promise within the interior, holds the greatest opportunity for interior designers to make a considerable contribution to the retail sector and to Shoprite in particular. This will be further explained in chapter three, by discussing how this will be executed.

2.6 TARGET MARKET



2.6.1 SOUTH AFRICAN CONSUMER OVERVIEW

A major role player in stimulating the retail sector's value growth (discussed in 2.2 under “The Promising South African Retail Sector”), is the expansion of middle-income consumers and more specifically the **black middle class** (Euromonitor 2015 and PWC 2012). For Shoprite, who caters to these consumers, it is thus vital to satisfy their evolving customer needs in order to maintain a competitive advantage (Deloitte 2015, Euromonitor 2015, PWC 2012 and Shoprite Holdings 2014e). In order to satisfy these needs, one has to know what these needs are.

As published in the 2014 African Retail Development Index, African consumers are **price sensitive** yet **brand conscious** and are very loyal to their brands. Consumers spend money sensibly and on useful items. The most important purchasing decisions for consumers are **price, brand** and **quality**. Retailers therefore need to be **innovative** in order to maintain **satisfaction** and **stay relevant** (A.T. Kearney 2014 and Mack 2013).

As a means for a brand to innovate and keep its competitive advantage, Abbing (2010) also suggests **fulfilling the brand promise**, as well as **increasing efficiency to cut prices, fulfilling unmet user needs, creating value** and **keeping a brand relevant**. In order to do so in a way that is fitting to Shoprite's target market and their evolving needs, the mass middle market is further analysed.

According to Mackay (2014), strong brands reflect and push society forward by being deeply embedded in local insights and understanding cultural shifts and nuances. Innovating new products, services and brands for the majority market will therefore create sustainable and successful businesses that hold the loyalty of millions of people.

As mentioned earlier, Shoprite draws its customers from the middle to lower-income group in the living standard measurement (LSM) 4-7 segment (Shoprite Holdings 2014e). The **LSM 4-7 segment** is the fastest growing consumer segment in the market, with massive spending power. This **mass middle market is dominated by the black middle class**, which is not homogeneous, but has a large variety of needs and outlooks. It is therefore extremely difficult to determine their shopping behaviour (Mack 2013, Mackay 2014 and Zharare 2015). Nevertheless, for the purpose of this study, which focuses on interior design, I will evaluate the target market and their consumer behaviour accordingly. This means, finding **general aspects** which are applicable to and can be influenced by interior design strategies to **resonate** with the **majority of the market**. This will initiate a relevant interior design for Shoprite's target market with an appropriate design language.

Mackay (2014) states that since the South African middle class is so diverse and will continue to diversify, some customers want **first world innovation** and the **latest trends and technologies**, while others want **brands that celebrate Africa** and “**Africanness**”. The rest want their brands to understand the pressure they are under and want to have their **lives made easier**. In general however, customers and employees seek **value, better experiences, more opportunity** and **better engagement**.

Shoppers support grocery stores for convenience, bulk buying and speciality products. Many middle class consumers however still use informal stores, since they are likely to be township dwellers. **Informal retail** still accounts for **30 percent** of South African food expenditure and is part of our daily lives, with street vendors on every other corner – even in urban areas. Middle class consumers use these stores for bread, airtime, milk and fresh produce, searching for the stores which offer them the best quality and which are conveniently located (Mack 2013, Mashaba 2013, Prinsloo 2014 and PWC 2012).

Most of these consumers still prefer to do a monthly bulk-shop, mostly on weekends (Mack 2013). A shift towards smaller shopping baskets is however evident in market research, due to more frequent shopping as socio-economic status rises. **Convenience shopping** is therefore vital (Prinsloo 2014). Additionally, 75 percent of all black South Africans LSM 4-7 are **commuters** – who use taxis, buses and/or trains weekly. This has a large influence on their daily lives and influences their shopping patterns, since the amount of products that are able to be transported are limited (Berman 2015 and Zharare 2015).

English is the common language used in public life and business in South Africa, apart from the fact that we have 11 official languages (A.T. Kearney 2014). In some communities, especially among the low-income consumers, people however **do not understand English** entirely or are **illiterate** (LiveMoya 2014). This can be solved with the appropriate use of signage.

According to Mackay (2014), the common needs of South African consumers across all income levels are **quality** and **value**. **Value** involves getting the **balance of price** and **benefit** right, therefore price, although very important, is not the only consideration, even for the lower income consumer. **Quality** on the other hand involves the **nature of the products, services or experience**.

Since no one likes to feel poor, customers need to feel included and made to feel valued, important and at home (Mackay 2014). A way to achieve this is to find **affordable ways to create great customer experiences**.

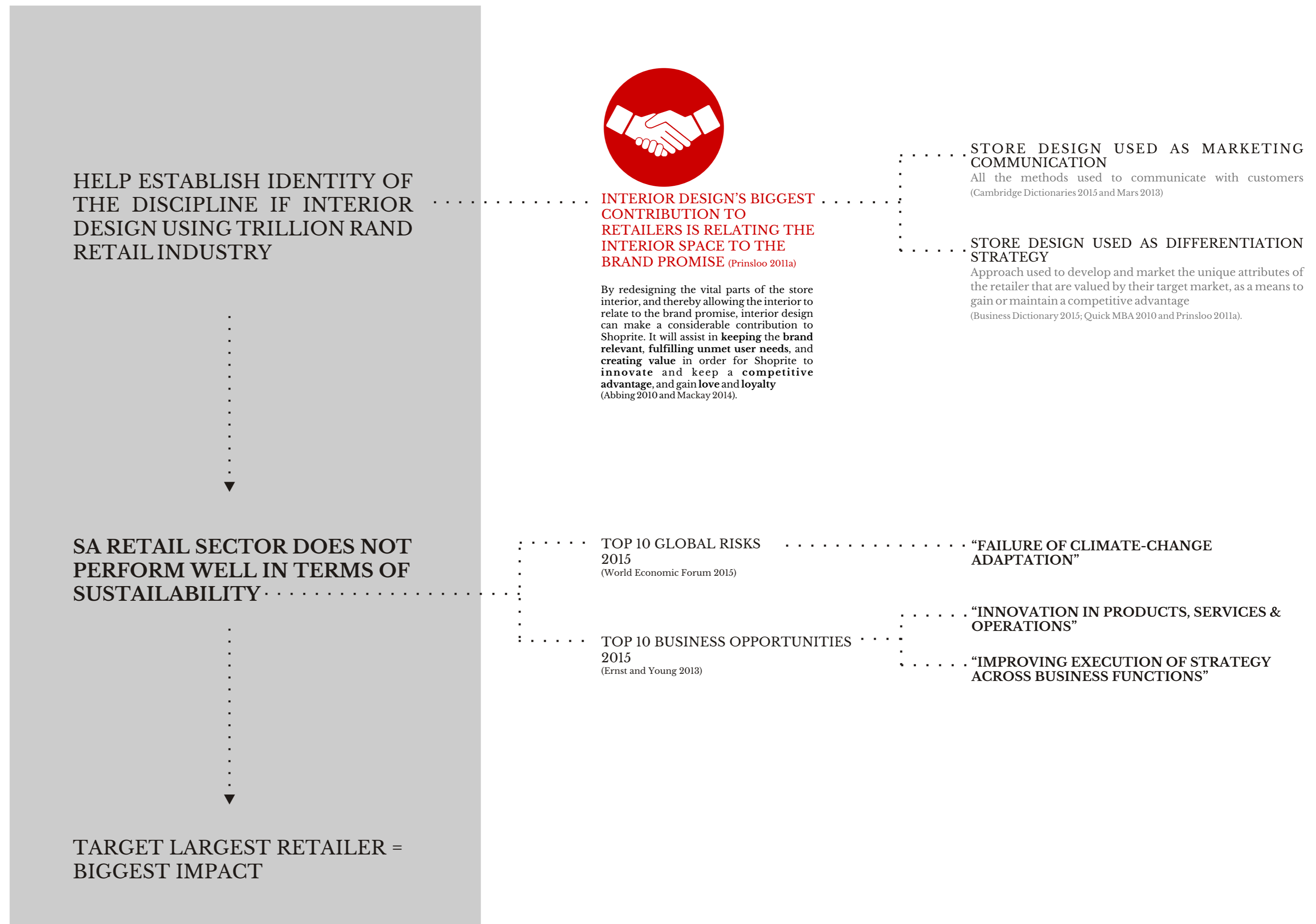
Due to higher expectations through increased exposure to upmarket retail, **customer experience** has gained substantial importance continues Mack (2013). Shopping is therefore not simply about consumption, but also about **convenience and shopping experience** (Prinsloo 2014).

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The next page contains a summary of the design issue for easy reference to the concepts discussed.

2.7 CONCLUSION

Chapter two clarified the design issue and therefore the relevance of the project in fulfilling Shoprite's brand promise by minimising resources and maximising the experience, as it holds the greatest opportunity for interior design to make a significant contribution to Shoprite, while also contributing to the South African retail sector and its impact on the environment. The client, Shoprite, was analysed in relation to the design issue and their target market investigated in order to identify consumer needs. This will assist in the execution of an appropriate interior design for Shoprite, which the target market can relate to. This will become evident in chapter three, which is concerned with how the project can and should be executed appropriately.

2.8 Design Issue Summary



Client Analysis

Starting from small beginnings in 1979, Shoprite Holdings Ltd has become the largest food retailer in Africa & the 107th largest retailer in the world (Shoprite Holdings 2014a, 2014b)

60% of countries sales

71% of the total adult population shops at 1 of the Groups supermarket outlets (Shoprite Holdings 2014b)

GROUP'S MOST VALUABLE BRAND

(Shoprite Holdings 2014e)



MOST STORES IN AFRICA

MOST PROPOSED NEW STORES

(Shoprite Holdings 2014g)

BRAND VALUES

- Low prices (value for money)
- Trust
- Convenience
- Advancement
- Pleasant shopping experience

PRIMARY GROWTH STRATEGY

ORGANIC EXPANSION

- OPENING NEW STORES
- GENERATE MORE REVENUE PER SQUARE METER OF EXISTING RETAIL SPACE
- Controlling in store operations

IMPROVING POSITIONING

STORE OPERATIONS

- STORE PROCESS OPTIMISATION
- LABOUR EFFICIENCY & STANDARDS
- CUSTOMER FOCUS

Target Market

LSM 4-7 (middle class consumers)

LSM (LIVING STANDARD MEASURE)
Based on the socio-economic status of adult consumers in South Africa

53% of total adult population falls within this segment, making it the largest consumer segment in SA (SAARF 2008)

VERY DIVERSE SEGMENT
The most prominent sub-segment being the 'new black middle class', representing about 12% of black adults and just over 20% of the purchasing power in South Africa (BFAP 2008).

WHAT CURRENTLY EARNS SHOPRITE BRAND LOYALTY

(Mackay 2014)

- Value for money
- Prices constantly low
- Large range of products
- Customers treated with respect



INCOME: RETAIL SHOPPING FREQUENCY:
% of consumers in group engaging in monthly bulk shopping

LSM 4: R2340	LSM 4: 52%
LSM 5: R3085	LSM 5: 52%
LSM 6: R5396	LSM 6: 33%
LSM 7: R8719	LSM 7: 48%

FOOD EXPENDITURE PATTERNS: estimated expenditure on dominant food groups as share of total food expenditure within wealth category

Bread & cereals:	22%
Meat:	28%
Vegetables:	9%
Dairy, eggs:	10%

MOST PROMINENT FOOD TRENDS IN THE SA FOOD SECTOR:

1. Dairy
2. Condiments (bread spreads, sauces, seasonings, dips)
3. Animal protein
4. Baked goods - sweet
5. Alcoholic beverages
6. Sweets (chocolate)
7. Non-alcoholic fruit beverages
8. Staple foods
9. Fats/oils
10. Tea

CUSTOMER VALUES

- Save money
- Quality
- Convenience
- Brand (make them feel good)
- Experience