

Products

MAINTAINING A LOW-PRICE IMAGE

'Leading with low prices' has been the Group's strategic point of differentiation since its inception. The Group believes that consistent and real price leadership, based on superior cost control and management, has proven to be a sustainable and successful positioning. Price perception is critical in the South African context with its relatively low income levels and high unemployment. Consistently maintaining that image over time develops trust in the brand.

The 'every day low price' policy also gives the Group opportunities during tougher economic times, as more consumers become cost-conscious and turn to retailers they perceive to have low prices. Customer trust in the Group's low prices also creates opportunities to diversify into complementary business areas with less risk.

Policy and approach

The Group's policy is never to be out-priced on advertised products. The Group endeavours to beat competitors' prices on the same products in its advertising to protect the brand image. Almost 90% of the Group's marketing communication is focused on promotions featuring products and price information. The use of mass media such as daily newspapers, television and radio supports the fact that the Group is continually and consistently reducing prices on high demand products.

Management actions and performance during the period under review

The Group employs both employees and external companies to conduct price surveys on the customer's behalf. These occur on a daily, weekly and monthly basis. This information is analysed in order to ensure that the Group constantly leads with low prices. Continual work is being done to maintain the Group's low-price image.

The Group's success is clear from the fact that Shoprite Holdings has the largest market capitalisation of all the JSE Top-40-listed food and drug retailers. The Group grew its market share in South Africa by 1.2%, showing consistent growth over the last four years at the expense of its biggest rival.



FOOD AND PRODUCT SAFETY

The Group has a responsibility to provide products that are safe, as well as to communicate product information clearly and simply to its customers. Customer safety and satisfaction are of the utmost importance and managing these issues effectively minimises the short-term risk of complaints and returns and the long-term risk of losing customer loyalty and sales.

Policy and approach

The Group's Food Safety Policy – which must be implemented by all branch managers – covers the activities of all employees, suppliers, contractors and service providers. All product labelling is currently being reviewed in line with regulations published in terms of the Foodstuff, Cosmetics and Disinfectants Act and other Acts. All the Group's own-label products are regularly tested by independent laboratories for compliance with safety specifications. Own-label products display full product information and the Group works with its suppliers to ensure that the necessary information is also supplied on other brand labels.

Management actions and performance during the period under review

The Group is working with the Consumer Goods Council of South Africa (CGCSA) as part of the Food Safety Initiative (FSI) to establish minimum safety standards for the industry, as well as a standard audit for all food suppliers.

Processes are in place to manage the Group's own-label products and fresh food departments (meat markets, bakeries, delicatessens and fish markets) through independent audits.

The Group's Freshmark division performs random sample tests on fresh produce. Farmers who supply this division sign an agreement undertaking that they will comply with all legal food safety requirements. The majority of the farmers are all internationally approved through the GLOBALG.A.P. partnership for good agricultural practice.

MANAGING THE AFTER-SALES IMPACT OF PRODUCTS

Customer satisfaction is a top priority in the retail business and it is therefore critical that the Group manages the after-sales impact of its products effectively. How the Group manages after-sales complaints, returns and product recalls bears consequences for its brand reputation.

Policy and approach

The Group has a 'refund and replace' policy in place for the majority of its housebrand products. Food safety issues are critical and the Group has a specific recall process in place for any such incidences.

Management actions during the period under review

The Group currently manages this issue as one of high importance in terms of customer satisfaction issues. Please refer to the section on 'Meeting customer needs and ensuring great service' for more on this topic. Customer returns are monitored by ratio of returns to identify trends, which are then investigated and, if required, a product recall is initiated.

Performance during the period under review

The Group is pleased to report that in the period under review very few products were recalled on behalf of its suppliers. These incidents had no material effect on the Group's business. Of those products that were recalled, none were of the Group's own labels.

The Group is currently investigating the potential of building a returns centre for dry waste and packaging material in the Centurion area to service its Gauteng division. This centre would be used to manage the re-use or recycling of returned material.

Plans and targets for the next review period

The new Consumer Protection Act is set to give suppliers and retailers a shared responsibility in the risk for faulty products. The Group will implement various measures to mitigate risk in this regard.