

THE EXPANSION OF REGIONAL SUPERMARKETS CHAINS, CHANGING MODELS OF RETAILING AND THE IMPLICATIONS FOR LOCAL SUPPLIER: A CASE OF ZIMBABWE:

BY GIBSON CHIGUMIRA; ERINAH CHIPUMHO; EVENGELISTA MUDZONGA AND GAMUCHIRAI CHIWUNZE



CHARACTERISTICS OF SUPERMARKET CHAINS IN ZIMBABWE

Supermarkets proliferating into smaller towns due to urbanization and rise of the middle class

Vigorous competition among dominant players resulting in closure of both local and foreign super-markets (Shoprite and Makro)

Merging with existing businesses key entry strategy of foreign supermarkets

Proliferation of small local supermarkets- retail reserved sector under Indigenization law.

SUPERMARKETS' PROCUREMENT STRATEGIES

Centralised distribution centre; reliance on imports of fruits such as apples, oranges and grapes

Local procurement -60-70% -following removal of a number of items from the Open General import licence (OGIL)

Indirect procurement of imports by supermarkets through local agents-circumventing the Competition and Tariff Commission by-laws

Reliance on suppliers' transport for merchandise deliveries

Large suppliers prefer direct delivery to supermarkets to preserve the quality/integrity of their products.

LEGISLATION GOVERNING FOOD PRODUCTS AND SUPERMARKET BUSINESS

Competition Act

Indigenisation and Economic Empowerment Act

Trade policy instruments.

SPREAD OF SUPERMARKETS AFFECTS LOCAL SUPPLIER FIRM CAPABILITIES THROUGH

Joint sales promotion

Advertising and marketing

Cash flow challenges

METHODOLOGY

Standard questionnaire to Supermarkets and Suppliers

Interviewed key informants (17 stakeholders interviewed)

Products -fresh fruit & vegetables; Dairy (milk); staple food (mealie meal, bread flour); processed foods (poultry and canned foods); edible oils (cooking oil and margarine) and household consumable product

STRATEGIES IN PLACE TO PROMOTE LOCAL PRODUCTION SO AS TO INCREASE THEIR SUPPLY TO SUPERMARKETS

AMA -information exchange and linkages to markets

Vendor card programme CZI, supported by Econet and the EU;

CSOs capacity building to boost farmers' productivity;

Online of product sales; import restrictions;

Retailers associations facilitating better terms for retailers to access credit through banks;

Suppliers' out grower schemes guarantee their feedstocks

Supermarkets selling own private brands & Ease of doing business reforms

CONCLUSION

Supermarkets have a critical role in fostering local and regional industrialization- through stocking local brands – guaranteed market for local suppliers boost capacity utilization; small scale farmers and suppliers constrained by stringent supermarket requirements and unfavourable payment terms that reduce cash flows. Huge productivity gaps between Zimbabwe and other competing countries that grow GMO material; high cost of doing business in Zimbabwe.

RECOMMENDATIONS

Supermarkets: Support growth of local value chains through guaranteed market access for local suppliers and reduction of listing/rental fees. Agro-processors: invest in out grower schemes; improving packaging to match current trends. Farmers: formation of farmer groups to improve suppliers' capabilities; production of quality crops; revitalize fruit plantations; invest in post-harvest technologies; packaging and irrigation. Government: time bound import licence regime, rehabilitation and expansion of enabling infrastructure; roads and rail network to reduce transport costs, initiatives to bring; resuscitate cattle head; invest in genetic improvements and traceability of the livestock and implement debt and arrears clearance strategy. Development partners: capacitate farmer groups throughout the country to improve supplier capabilities

SURVEY RESULTS

Supplier capabilities proportion of sales to supermarkets depends on the nature of the business of suppliers (mealie meal and flour - 70-80%; oil expressers - 40%; oil supply of 140,000 tonnes per annum against a national demand of about 100,000 tonnes, local brands enjoying Government protection; A competitor- Willowton set up oil expressing plant Zimbabwe; beverage manufacturers - 37%; Dairy sector: Notable increase in production capacity; Bakeries and confectionaries: national bread requirement is about one million loaves per day, installed capacity of 1.8 million loaves per day.

SUPERMARKETS' COMPETITIVENESS DYNAMICS REGIONAL SUPERMARKETS COMPETITIVENESS ADVANTAGE

Ability to provide a wide range of products; competitive pricing; quality of fresh foods; presentation which is a cut above the rest;

FACTORS AFFECTING THE COMPETITIVENESS OF LOCAL SUPPLIERS

Cost of the product quality; consistency of supplies; high cost of doing business; poor infrastructure; delays in border clearance of imported raw materials; lack of post-harvest technologies to preserve quality of produce; low investment in new or replacement capital due to binding liquidity constraints resulting in use of obsolete equipment

FACTOR INFLUENCING SUPPLIER ABILITY TO SUPPLY SUPERMARKETS

Cost – 92%; Quality – 67%; Brand awareness 56% ; ability to meet lead times 44%; consistency in supply 40%; Innovation capabilities still lagging behind; little investment in innovations due to constrained business operating environment;

FACTORS INDICATED AS IMPORTANT FOR LOCAL SUPPLIERS COMPETITIVENESS

Quality – 92%; Transport cost – 56%; Volume – 44%; Brand awareness – 40%; mixed reactions on factors like location, lead times and consistency.

