

Consumer value - reality or myth?

 By [Colin Ramparsadh](#)

28 May 2012

Kevin Roberts once said, "Consumers don't stop buying when economies go through down cycles. They look harder for value." In the current economic climate, this still applies.

We are in a stage where value is the order of the day, whether in an economic downturn or not. Consumers are constantly evaluating their shopping habits. The major retailers and banks need to respond to these ever-changing consumers.

So who is adding value?

Does it very well

On the banking front, FNB does it very well. Its [eBucks programme](#) has been a constant hit with consumers. The bank simply rewards consumers with [eBucks](#) for just using their cards to pay for goods and services. There is no additional charge or change in habit required; consumers simply go about their business normally, [depending upon which card/account is linked](#).

Being an FNB client for the past three years, I have acquired a certain amount of eBucks. Recently, we needed some small electronic items for the house, so we went over to Makro and spent R900. We paid the entire amount with the eBucks card from the points accumulated from FNB. This to me was adding real value.

Sure, one may argue that we eventually pay for it via bank charges (a subject for another article) but FNB has just saved me R900 at Makro. So I am happy.

I was also at an Engen garage the other day and, after filling up, the attendant asked if I wanted to pay for my petrol with an eBucks card, so I obliged; FNB just saved me another R300.

Combined, I have used R1200 worth of eBucks, which I can equate to five months' worth of bank charges. FNB, you do offer customer value.

Moving in the right direction

On the retail side, I believe Pick n Pay is moving in the right direction. The introduction of the [Smart Shopper card](#) is nothing short of a master stroke.

Not only do I earn points on the shopper card but also continue to earn eBucks, as I pay for my goods with my FNB card. The [Smart Shopper card](#) points contribute to a cash voucher which I could eventually use at a Pick n Pay store or donate to charity.

As a member of the [WRewards programme](#) at Woolworths, you will receive lower prices on selected items and discount vouchers each week to use at a Woolworths store. If you have a MySchool or MyPlanet card, or if you link your Woolworths Difference Card, Store Card or Credit Card to the MySchool MyVillage MyPlanet fundraising programme, the retailer will automatically donate up to 1% of the value of your purchases on your behalf to the school or charity of your choice.

Makes me enjoy shopping

This certainly makes me enjoy shopping at Woolworths, knowing that a percentage of my spend is going to a good cause.

While I am not a Clicks shopper and don't have its loyalty card, I can't ignore the fact that the [Clicks ClubCard](#) offers discount vouchers to its members, which can be used in store and also at Nu Metro theatres. It also has regular discount vouchers and promotions for members. This is, again, a move in the right direction in offering customer value.

Occasionally I go to Dis-Chem and I am a member of its [loyalty programme](#). Apart from various direct benefits, what Dis-Chem does well is that the points I accumulate are sent to the Dis-Chem Foundation. It in turn supports various charities.

So, when I turn on 702 and hear the Dis-Chem Foundation giving R150 000 to a needy charity, it makes me feel good as I am contributing to that charity, even though it is indirect. It makes me feel good about shopping at Dis-Chem and I will continue to do so.

In the same fold as Dis-Chem is Spar (sadly, not nationally).

Occasionally I go to the West Rand Lifestyle Centre Superspar. Once I've paid for goods, on exit there is a cabinet with a number of pigeon holes, each one with the name of a school. All I have to do is put my till slip into pigeon hole of the school of my choice and then Spar will contribute an amount to that particular school.

Many schools could use a cash injection

Again, it makes me feel good about shopping there, even though there is no direct benefit in terms of vouchers or points. It is a strategy that Spar should look at adopting nationally as there are many schools in South Africa that could use a cash injection.

Who is not doing it very well?

Checkers is probably one the oldest and finest retailers in the country. Its marketing has promised consumers the lowest prices and the best products, and its entire business has been built on this promise. Its share price and profitability has increased over the last few years.

But with all of its successes, has Checkers lost touch with its consumers or failed to keep up with the change in times?

The reason for the question is Checkers' latest marketing effort, "Our Price Cuts have saved South Africa R200m since January" campaign.

I have been intrigued by this campaign as it has numerous TV commercials, one with a cute little girl telling the announcer how much she saved at Checkers that day and that she is going to buy a bicycle with the savings. A really nice ad and it certainly gets a "so cute" from my household.

The other ads on TV are fact-based ads as to why you should shop at Checkers and how much Checkers is saving you. One ad also has a subtle dig at the Smart Shopper loyalty programme from Pick n Pay.

There has also been various radio ads and, of course, the inserts in the various newspapers.

This was indeed a multimillion rand campaign across various channels. The only way you could miss an element of this campaign is if you were in hibernation. So, thank you, Checkers, for telling us how much you saved us.

But is that enough when there are retailers offering both savings and value? Does Checkers indeed save me money?

Armed with its one of its more recent inserts that I'd found in the local Caxton community newspaper (key no. Ninety9cents GNFOCCO341/E&A), I set out to buy a selection of its products to test the savings. The insert reads offer valid from Monday 23/04/2012 until Sunday 06/05/2012. Prices apply to Checkers and Checkers Hyper stores.

The store I chose was Checkers Hyper in Sandton City and, for comparison, I chose Pick n Pay Hyper in Woodmead. I chose products on the Checkers leaflet and bought the exact same products at both stores. The results are below.

1 May 2012 - Products on the Checkers catalogue

GNFOCCO341/E&A	Checkers Hyper	Pick n Pay Hyper	% Difference
Kelloggs Corn Flakes 750g	R27.99	R32.99	17.9%
Roller Towel (4)	R19.99	R32.99	65.0%
Skip Intelligent	R53.99	R69.99	29.6%
Ultramel Custard	R17.99	R17.99	0.0%
Knorr Cup Asoup	R19.98	R21.98	10.0%
Joko tagless Tea	R18.79	R18.99	1.1%
Colgate TP	R15.98	R17.98	12.5%
Freshpack Tea	R14.69	R12.99	-11.6%
Bakers Marie	R5.99	R5.99	0.0%
S/Light Dishwash	R15.99	R15.99	0.0%
Take 5 Juice	R14.79	R19.99	35.2%
Mrs. Balls Chutney	R14.99	R14.99	0.0%
Tobasco Sauce	R14.99	R24.99	66.7%
White Sugar 2.5kg	R19.99	R24.89	24.5%
Bake Beans	R22.99	R25.96	12.9%
Peach slices	R7.99	R10.49	31.3%
Flora Lite	R17.99	R24.99	38.9%
Feta Cheese	R24.99	R23.99	-4.0%
Government Bag	R1.17	R1.17	0.0%
Total	R351.27	R419.34	19.4%

*Dairybelle Milk not available at Pick n Pay

Pick n Pay came in at 19% more expensive on the same products. So, yes, Checkers does save me money. But does it offer long-term value? Is paying 19% more for products and gaining loyalty points in the long term sufficient for me to shop at Pick n Pay?

Pick n Pay may argue that of course Checkers would be cheaper since I have chosen to purchase products off its catalogue and also during its promotional period. So I decided to do the exercise again but this time I chose mid-month and used a Pick n Pay leaflet (key no. 1170606) to see if Checkers could maintain its low prices over its major competitor outside of its promotional period.

Armed with my Pick n Pay leaflet, I set out to test this. I chose to shop at Pick n Pay Hyper in Northgate and Checkers Hyper in Fourways Mall. I must say the availability of specials during mid-month is quite limited. The results are below.

15 May 2012 - Products on the Pick n Pay catalogue

1170606	Pick n Pay Hyper	Checkers Hyper	% Difference
Omo Auto W/P	R49.99	R57.99	16.0%
Iwiza Maize Meal	R13.95	R16.99	21.8%
Lipton Yel Tea	R19.99	R23.89	19.5%
2ply Luxury	R38.99	R49.89	28.0%
All Gold Sauce	R13.89	R17.99	29.5%
McCain Mix Veg	R20.49	R28.99	41.5%
Gouda Cheese Slices	R17.99	R14.99	-16.7%
Iodated Salt 1kg	R12.99	R17.99	38.5%
Mr. Min surface	R15.99	R24.99	56.3%
Bake Beans	R4.79	R5.49	14.6%
Sunflower oil 2l	R27.95	R32.99	18.0%
Government Bag	R1.17	R0.78	-33.3%
Total	R238.18	R292.97	23.0%

*Serena Lasgna and Provita Multigrain were not available at Checkers.

The test indicates that Checkers was 23% more expensive than Pick n Pay. Note that the products were exactly the same.

So what does it prove? Simply, that Checkers, with all the will in the world, will not be able to offer low prices all the time. The same can be said for Pick n Pay. It is simply not a sustainable strategy.

Consumers need to be offered value so that their loyalty can be maintained. The introduction of the Smart Shopper card by Pick n Pay is a move in the right direction in offering value. The fact that it has over five million shoppers using its card illustrates its success. It is time for Checkers to take a hard look at its offering and move beyond low prices.

As a retailer, identifying ways to tap into loyalty to win over consumers for the long term is critical - no longer is standing on a rooftop with a bell in one and a megaphone in the other shouting low prices sufficient to attract and maintain customer loyalty.

Launching a loyalty programme is not cheap. As Pick n Pay will tell you that, while it showed healthy revenue growths of 8% in its [last trading update](#) (April 2012), its operational expenses were significantly up and that was mainly attributed to the launch of Smart Shopper. However, the expected medium-to-long-term incremental increase in revenue due to Smart Shopper will eventually pay for cost of the programme.

As indicated previously, saving money at major retailers such as Checkers or Pick n Pay is a hygiene factor that consumers expect from them - adding value to consumers is no longer a myth but a reality. So I would expect Checkers to respond in a more meaningful way to Pick n Pay's Smart Shopper offering, rather than looking at advertising to solve what really is a business issue.

ABOUT COLIN RAMPARSADH

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