A Policy Analysis of Procurement Practices among Grocery Retailers in Zimbabwe

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Abstract
This study was undertaken with the aim of exposing the policies and practices of grocery retailers in Zimbabwe. The research was prompted by the paucity of data on grocery retailing in the country and yet this sector is one of the key economic activities in the country today. Since procurement is the nerve centre of all retail activities, this exploratory study was undertaken in a bid to generate insight and issues for further research in this area. A multiple case study approach was adopted for the study in which ten (10) major retailers in terms of turnover and employment were taken as the study units. Researcher administered questionnaires aimed at the chief or principal buyers of the chosen retailers were the primary data collection instruments. Secondary data in the form of company documents were also used to augment the primary data collection techniques employed by the researchers. This study revealed that there was a yawning absence of clear cut buying policies and procedures among grocery retailers in Zimbabwe. In relation to buying practices, this paper revealed that, retail buying was largely a decentralised activity. The study also revealed that, although there were a number of buying issues and concerns affecting the retailers’ buying practices in Zimbabwe, their practices largely reflected international theory and practice. The paper therefore recommends that all the issues and retail buying challenges raised in this paper be subjected to further research in order to provide a richer data base for the retailing sector in the country. In addition, more specific buying recommendations could be put forward for each issue or challenge to be probed further.

Key terms: Procurement practices, Grocery retailers, Buy-Grid, Purchasing, Policy analysis, Zimbabwe.

Introduction
Grocery retailing is one of the key economic activities in Zimbabwe today in terms of employment and contribution to GDP. In as much as the sector went through the country’s economic downturn of 2000 to 2009, this is the sector that has recovered most rapidly compared to the rest of the economy in terms of retail earnings and profits [Tsarwe, 2011]. At the centre of success of every retail organisation is the procurement function. This is the function that is concerned with “selecting the right materials, at the right time, in the right quantity, from the
right source and, at the right price” [Lindgreen, Revesz & Glynn, 2009:25]. All this is done in order to satisfy the customer and fulfil the company’s goals. The procurement process consists of a series of iterative steps that must be undertaken to supply and replenish stock within retail organisations. More specifically, these steps include, 1) Planning what to purchase 2) Determining the quality and quantity of items to be purchased (standards and specifications) 3) Supplier search and selection 4) Value analysis 5) Financing 6) Price negotiations 7) Purchasing 8) Supplier contract administration 9) Inventory control and stores 10) Disposal and other related functions. From these steps, it is clear that procurement is a difficult and complex process and its difficulty and complexity is exacerbated by the fact that, procurement within these retail organisations, involves thousands of products and it is increasingly being conducted at a more global scale. As the buyers go through this process, they also face a number of challenges that demand a certain level of professionalism. Under these circumstances, the need for clear cut policies and polished practices becomes a necessity.

At the heart of procurement is an old retailing adage that “goods well bought are half sold” [Dunne & Lusch, 1999: 302]. Thus the purchasing department plays a pivotal role for the success of any grocery retailer. This requires clear policies, procedures and practices to be put in place and applied for both domestic and international suppliers. Thus, it is necessary to inquire whether procurement policies exist and whether grocery retailers in Zimbabwe have the capacity to make beneficial use of them. It is also appropriate to examine the extent to which grocery retailing policies and practices in Zimbabwe, reflect theory and international practice. This research therefore sought to fulfil these objectives, given that no meaningful studies have been conducted in this area for Zimbabwe to date. The researchers felt that it was necessary to carry out this research in order to discover, identify, and describe procurement policies and practices currently applicable to the sector. The researchers also felt the need to determine the measures that retail companies have put in place to prevent any unethical practices by buyers as a result of flawed policies and practices that may exist.

This exploratory study also comes at a time when retail management is being offered for study at degree level for the first time in the country by the Midlands State University. This means that this study is likely to provide important basic learning material to this degree programme and encourage further research in this area. Literature reveals that procurement is an important part of decision making within retail organisations. Pugh and Hickson [1989] aptly noted that this activity involves intelligence, design and choice activities. In retail literature, organisational buying
decisions are often discussed in the context of the well established 1967 BuyGrid model developed by Robinson, Faris & Wind. This has become the accepted wisdom in the procurement/buying literature. The BuyGrid model highlights the significance of different purchase situations and phases based on the relative novelty of the decision. However, the BuyGrid model relies heavily on the principles of rational choice. As Liang & Stump [2000:342] put it, “the original BuyGrid model implicitly assumes that perfect rationality exists.” In this rational framework, decision making is described as a multistage process consisting of three buyclasses or buying situations and eight buyphases or progressive stages in the buying process. Moreover, Johansson [2002] highlights the importance of the process rather than the specific points when decisions are made. He further reasons that buying is seen increasingly as a strategic activity and as Carr et al. [2000:1430] put it, procurement must “evolve to a strategic level to support the firm’s competitive position”.

Kotler and Keller, [2005] showed that procurement activities within companies reflected three different purchasing orientations, namely:

1) A buying orientation which has a short term and tactical horizon placing emphasis on seeking the lowest price for given quality and availability e.g. through commoditisation or multi-sourcing.

2) A procurement orientation where both quality improvements and cost reductions matter. Buyers thus seek collaboration with major suppliers and aim to achieve savings through better management of acquisition.

3) Supply chain management where the purchasing role is more strategic and value adding and seeks a seamless supply.

This evolutionary view is supported by Ellegaard [2009:295] who noted how small company owners [in manufacturing] “down prioritise purchasing and spend few resources on developing purchasing capabilities”. None of the companies had purchasing strategies, tools or written procedures for supplier evaluation, or selection. Policy is necessary but it cannot be assumed in all cases; and even where it exists, application can be inconsistent and contradictory. Companies need deliberate action to bring this about. Thus Carr et al. [2000] advised that as companies attempt to shift the direction of their purchasing functions from a clerical to a more strategic level, they should recognise the importance of skill development for purchasing professionals in the areas of general management skills and technical skills. The purchasing function must increase the skill level of its professionals before it can have a strategic orientation.
As noted earlier, retailers stock a very wide assortment of goods. Thus, as Kotler and Keller [2005] recognised, procurement is related to the purchasing processes adopted within companies on the basis of the products stocked as follows:

- Routine products—low value and cost; little risk. Aim to standardise and consolidate orders.
- High value and cost—little supply risk as many companies make the product.
- Strategic products—high value and cost; high risk; well known and trusted suppliers sought; alliances built.
- Bottle neck products—low value and cost. A guaranteed and steady supply is sought.

According to this view therefore, policy and practice is guided by the nature and criticality of the retail products in question. Data collection therefore must identify patterns of buying behaviour in the light of product types.

If buying is viewed as a decision making process, there is need to focus on both the sequence of activities leading up to the purchase decision as well as the decision itself. While accepting that the rational choice framework [of which the Buy Grid framework is a part] has proven useful in domestic procurement settings, Liang & Stump [2000] argue that, its application in international settings appears to be more limited. They noted that a higher proportion of international sourcing tasks, as compared to domestic sourcing tasks, fell beyond the bounds of rationality of many purchasing executives. Following this line of thought, it is indeed proper to ask if the Buy Grid model is also applicable to grocery retailers in Zimbabwe in the present circumstances. Liang & Stump [2000] argue that in retail, decision makers rely heavily on judgemental heuristics. Da Silva & Davies Naude, [2002] make a further point that buying is not an exact science; that it is therefore not totally objective and additionally that buyers are not a homogenous group.

It will therefore be appropriate to discover what approaches are used by Zimbabwean grocery retailers in sourcing and buying from the domestic market as opposed to the international/foreign market.

In relation to international buying, the Zimbabwean Finance Minister’s mid-term statement of 26 July 2011 estimated that, about 70% of the food retail shelf space in the country was stocked with imports. Similarly, in their financial statements for the year ended 31 March 2011, OK Zimbabwe, one of the leading local grocery retailers revealed that 65% of their merchandise was imported [Tsarwe, 2011]. This scenario, at least for now, clearly demonstrates that international sourcing
plays a significant role in Zimbabwe’s grocery retailing and hence the views expressed by Liang & Stump [2000] above are important.

The high levels of imports by retailers reflects the slow recovery of the Zimbabwe economy, especially in the manufacturing sector since 2009 when the country adopted the multi-currency regime to replace the Zimbabwe dollar following years of hyperinflation. In the same statement, the Finance Minister said average capacity utilisation in manufacturing during the first half of 2011 remained within the 40-50% bound, reflecting high levels of idle capacity. However, companies in the foodstuffs, drinks, beverages, tobacco, and chemicals recorded slight improvements in capacity utilisation. The Minister predicted that the economy was projected to grow at over 9% during the year making it one of the top ten performers in Africa in 2011 following nearly 6% growth in 2009 and just over 8% in 2010 [estimate]. Thus prospects for growth in the retail sector are good, hence it becomes critical to identify, study, review and analyse procurement practices of grocery retailers and assess how these support the financial goals of retailers.

While acknowledging this growth, a number of procurement related issues need to be taken note of. Firstly, though, merchandise forms a very significant proportion of a retailer’s overall investment. The risk of suboptimal decisions will thus always be high. In doing this, it is however also important to note that organisational buying can be a sensitive process involving personal relationships. Gronhaug & Venkatesh [1991] stress the necessity for need recognition in buying behaviour and they identify two broad classes of factors which influence buying namely; organisational and environmental factors, the latter covering buyers, suppliers, competitors and regulators. Da Silva et al [2002] also demonstrated that organisational buying was influenced by the buyer’s personal characteristics such as age, experience, qualification or indeed gender in addition to the pervasive influences of non-task variables such as emotion, personal goals and internal politics. Sternquist & Wang [2010], in a study of Chinese retail buying for example, recognised that buying decisions could be made individually/autonomously or collectively and they went a step further and warned of the dangers and risks of “individual, reciprocal and under-the-table” practices which may stifle the economic performance of any retail organisation. Or as Kotler and Keller [2005:215] put it “ultimately, individuals, not organisations make purchasing decisions.” In doing so, they are motivated by their own needs and perceptions. They go on to say that organisational needs “legitimate” the buying decision. Buying decisions are therefore both “rational” and “emotional”.

Of much more significance is also the issue of global sourcing risks as particular risks seem to be associated with international sourcing. With over 60% of merchandise on Zimbabwian shop shelves deriving from external suppliers, local retailers face significant risks. In this respect, Christopher et al. [2011] identified five significant categories of risks in the supply chain namely; supply, process, demand, control and environmental. They concluded that global sourcing in particular, created supply chains that were longer and more fragmented thus exposing firms to greater costs and risks. Companies therefore need to adopt a range of mitigatory strategies for these risks. It is therefore appropriate to ascertain how far such risks are recognised by Zimbabwian retailers and whether any mitigatory measures have been adopted.

In the literature review above, a thematic approach was adopted in which a number of issues related to procurement practices among grocery retailers were addressed. This write up has demonstrated that while there has been and there is still a lot of ongoing research on procurement in some countries, the same cannot be said for Zimbabwe. This situation and the resultant knowledge gap underscores the need for this research.

**Methodology**

In this study, ten, (10) major grocery retailers in Zimbabwe who are engaged in the resale of commodities directly to domestic end consumers for their own personal consumption or for their families were the study units. The major retailers namely OK Zimbabwe, Afro Foods, Food World, Stoppa Shoppa, Nyaningwe, Spar, Food Chain, Gutsai, TM Supermarket and Mohammed Mussa, were also chosen because they procure large volumes of products both locally and internationally and hence have a more complex buying process which requires policy and an adherence to certain practices. A multiple case study of the major grocery retailers was also particularly relevant for this research as it allowed for an in-depth study of the buying policies and practises employed by the same. In the absence of a sampling frame, probability sampling could not be employed for this research. The absence of a sample frame for grocery retailers is not peculiar to Zimbabwe only. Even in the UK, Da Silva & Davies [2002] could not find a list of retailers in that country and thus also employed non-probability sampling in their study. The choice of the 10 retailers for this study was therefore based on employment and turnover, and impressions gleaned from the local press and from informal discussions with prominent persons in the trade. Clearly such a sampling process sets limits on generalisability of the results. However, the researchers were convinced that important insights would emerge from this study at a conceptual level.
The study participants for this research consisted of 10 chief or principal buyers: one from each of the targeted retail companies. The buyers were purposively chosen as the key informants as they are the ones directly in charge of the procurement function in these organisations. For these participants, researcher administered questionnaires were used to collect most of the information. This method allowed the researchers to probe for further information in areas they deemed necessary. The researchers decided to let the company buyers remain anonymous for confidentiality reasons and thus enhancing the reliability and validity of the results.

A pilot test involving 3 buyers from 3 medium sized retailers in the city of Gweru was undertaken to test the validity and reliability of the research instruments. The pilot study helped the researchers to incorporate suggestions from the respondents. All the respondents from the pilot test indicated that they were not comfortable with taping the proceedings and hence the researchers decided not to employ this instrument. The researchers also realised that questions that required specifying the imported products were too demanding. The imported products were therefore grouped in order to address this problem. However, despite all efforts by the researchers to ensure high levels of validity and reliability of the research, the study still had its limitations particularly in terms of external validity. In essence, the results from this study are to some extent limited in terms of generalisability of results to the rest of the retailers in the country whether big or small and across different economic sectors of the economy. The buying policies and practices in this paper are discussed in the light of commodities including food provisions as well as bakery items, fruit and vegetables and household necessities such as basic clothing and house-ware products.

Since procurement is a two way street which creates relationships between two parties; namely the buyer [ie retailers in this study] one hand and the supplier on the other, it would have been desirable to poll data from the two parties. However, since this research only focused on the policies and practices of retailers, the researchers felt that soliciting information from the suppliers would significantly add on costs without necessarily enhancing the reliability and validity of the results.

Over and above the primary data collected through the questionnaires, company documents such as procurement policies were also scrutinized. The researchers manually analysed the data using open and axial coding. In this case, the procurement practices identified in the literature review were coded and these codes were used to also code the responses from the questionnaires. Similar coded responses were then summarised and conclusions drawn.
Results and Discussion

Profile of retailers

The 10 grocery retailers covered in this study were a varied group consisting of players who have been in business in Zimbabwe for decades as well as some new players. Three of these were local household names. Of these three, one operated as a ‘guild’ of independent grocery retailers and was part of the wider network of an international cartel. It operated two regional distribution centres for its members. These three retailers had branches across Zimbabwe. The remaining seven were newer players and were concentrated in Harare (Zimbabwe’s capital city) and were especially located in the high density residential areas and downtown. One of the 10 retail chains had more than 50 branches spread throughout the country. All the retail organisations except 1 had their head offices in Harare.

All the ten retailers in this study operated using the supermarket format. Two of them had departmental stores spread across the country. One had two wholesale outlets. An arrangement like this could have important implications for procurement practices for retail divisions. A similar effect could also arise from the use of own/private brands which in one retailer estimated to constitute up to 35% of grocery merchandise.

Profile of buyers

The study respondents which consisted of purchasing/buying executives in their respective companies were all found to be male mostly under 40 years of age. The depth of experience in procurement was varied. Three of the procurement managers had less than a year’s working experience. Two had degree qualifications; one had only a secondary school qualification. Only two held formal qualifications in procurement/buying. The procurement managers worked in small departments of between two and eleven people.

Retailers’ buying practices

For most retailers, buying was an inter-functional activity only when it came to new product procurement and modified re-buys. This was quite logical since the buying process for straight re-buys had limited problem solving and risks. This behaviour is supported by Zinszer (1997) who observed similar patterns in New York.
All the buyers concurred that a well managed relationship between them and the suppliers was a pre-requisite for the smooth functioning of the procurement function. The buyers indicated that they had entered into contracts with the suppliers and had lists of approved suppliers of their products, both domestic and international. The suppliers’ lists were strictly adhered to and in one extreme case, this was limited to 4 suppliers for any given product or product range. On a positive note, this strict adherence to suppliers’ lists had enabled the decentralisation of the buying function to other branches as the list bolstered consistency of products supplied to the retail organisations in question. This behaviour is in sharp contrast to what was observed by Mawson and Fearne (1997) in a study of UK restaurant chains. In this case, the buying function was highly centralised. Regrettably however, such fixed lists barred new potential suppliers who could actually come up with better deals to the benefit of the organisation.

The issue of tokens of appreciation and tips awarded to buyers and retail organisations for transacting with their suppliers received quite varied responses. In one extreme case, it was a taboo for buyers to receive these tokens and anyone found in breach of this instruction would be dismissed with immediate effect. The company had effected this instruction to avoid under the table deals between buyers and suppliers.

The fact that the retailers were rarely switching the suppliers meant a high level of customer loyalty to their suppliers. The causes of this loyalty could be unearthed through further research. Speculatively, some of the major reasons could be limited quality supplier options for the buyers. The high level of customer loyalty was also revealed by Ellegaard (2009) in his studies of the purchasing orientations of small company owners in Denmark.

The buyers concurred that they were facing all the sourcing risks highlighted and summarised by Christopher et al. (2011) as shown in Table 1.

Table 1: Summary of domestic and global sourcing risks

<table>
<thead>
<tr>
<th>Sourcing Risk</th>
<th>Example</th>
</tr>
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<tbody>
<tr>
<td>Supply risk</td>
<td>Supply disruptions, unreliable suppliers</td>
</tr>
<tr>
<td>Environmental and sustainability risk</td>
<td>Fluctuations on interest rates, quota restrictions, unanticipated resource requirements.</td>
</tr>
<tr>
<td>Process and control risk</td>
<td>Inefficient supply teams in the organisations</td>
</tr>
<tr>
<td>Demand risk</td>
<td>Variations in demand, uncertainties in the demand market</td>
</tr>
</tbody>
</table>

Source: Christopher et al. (2011)
As also observed by Mawson and Fearne (1997), the Buy Grid model was found to be a good predictor of the procurement procedures for the grocery retailers in question. Most procurement decisions were made at branch level. However, one of the retailers reported overwhelming centralisation except in the case of fruit and vegetables.

Two companies reported that 60% of their retail products were imported [mostly from South Africa]. One company claimed that imports constituted only 5% of their inventory but this was highly unlikely. The most popular imports were fruit juices, cheese products, cooking oil, soaps, cosmetic products and rice. For both domestic and foreign products, procurement managers placed emphasis on price and quality. In addition, most companies in this group cited the two factors [together with range of products] as the chief benefits of foreign sourcing over domestic sourcing. As might be expected, most companies reported that procurement decisions for new products were done at head offices and usually involved the most senior staff. Notable also was the involvement of buying teams at head offices. This was reported by two companies. On problems of using foreign suppliers, the main issues concerned exchange rate fluctuations, cost, logistics and transport.

Again as might be expected, local suppliers dominated in the supply of fruit and vegetables and butchery products. Foreign suppliers showed an appearance over dry grocery products in equal or greater numbers compared to domestic suppliers.

In the case of straight re-buys, no company reported using a buying committee. Two of the ten companies did not use buying committees at all. Where buying committees were used, they consisted of an average of four [4] people drawn from departments such as marketing, operations and accounting.

Four companies stated that they had a procurement policy. However, in three of these cases, the buying policies were not readily accessible to the researchers and hence it was difficult to verify whether they had them or not. In only one case were the researchers shown a soft copy and a handwritten summary of the buying policy which covered issues of supplier selection and assessment, purchase order generation procedures, inventory management and procurement documentation. This company had had such a document for the last 5 years; the last revision having been held last year. Those companies that did not have a written manual/handbook orally described their guidelines covering supplier or product performance.

All companies reported that their buying committees were audited semi-annually, quarterly, monthly, and even weekly. This was so, even where companies in response to an earlier question had stated that they did not use buying committees at all!
None of the companies had a buying office in the foreign market [mostly South Africa] and made use of either a local/foreign professional association, or another retailer, or visits by senior executives to identify suppliers.

The decision to engage a new supplier in most cases seemed to be informed by using a variety of sources e.g. colleagues in the department, reference to a superior or members of the trade or a manual where this existed. Only one respondent admitted to the use of personal judgement /intuition. There seemed to be little or no distinction in the frequency of evaluating domestic or foreign suppliers. Thus in one case, the evaluation occurred only when a problem arose. This result was consistent with the response to an earlier question which showed that switching of suppliers occurred “rarely” or “very rarely”. Most of the companies appeared to proceed on the basis of approved lists of suppliers [foreign and domestic]. Two of the four companies explained that their lists of suppliers were operated flexibly and so a non-performing company could be deleted or downgraded at any time.

Conclusion

As stated elsewhere in this paper, this was an exploratory study. The sample of ten grocery retailers chosen for study were deemed to be the largest players, certainly in urban areas and the majority had branches in all the provinces. Five have been operating in this country for decades while five were relatively newer players namely Afro Foods, Food World, Stoppa Shoppa, Food Chain, and Gutsai. Thus although the data reported and the conclusions made in this research may have limited generalisability countrywide, they nevertheless reveal important insights into the policies and practices of grocery retailers in Zimbabwe.

The most prominent characteristics of the respondent buyers were that they were mostly youthful [generally under 40 years of age]; except for one, the rest had no formal qualifications in procurement. Indeed, only two had university degree qualifications. In addition, they had rather limited depth of experience in grocery procurement; three of them had worked for less than a year in this role. Carr et al. [2000] highlighted the close connection between knowledge and skills on one hand and strategic purchasing on the other. It seems that the retailers sampled in this study were making insufficient investment in procurement personnel. The retailers in this study resemble the small company owners in Ellegaard’s study who “who down-prioritise purchasing and spend few resources on developing their purchasing capabilities” [2009:291]. This may make it harder for such firms to secure their competitive position in the long term.
From the research data, the use of approved lists of suppliers seemed widespread and so was strict adherence to the same. This practice allowed retailers to decentralise procurement to branches as processes had been routinised. However, in situations where there were no documented procurement procedures as in the majority of retailers polled and auditing was erratic at best, there may be instances of suboptimal procurement which could be compromising profitability.

Most grocery retailers in this study showed high levels of customer loyalty with their suppliers; they rarely switched their suppliers. Evaluation of suppliers took place mostly on a reactive basis as when a problem arose. This may be related to limited supplier options or to restricted exposure to appropriate tools for supplier appraisal.

All the buyers were aware of the sourcing risks attached to domestic and global procurement. However, this issue is one of the many issues that require further study. Particularly significant is global sourcing risk as our data showed high levels of procurement from South Africa.

**Recommendations**

There is need for retailers in the country to engage chief procurement managers who have formal qualifications in buying. Such a central function to the retailing activity cannot be manned by unsuitably qualified personnel. As Carr *et al.* [2000:1433] put it “companies ... must recognise the importance of skill development for purchasing professionals in the areas of general management skills and technical skills...the purchasing function must increase the skill level of its professionals”. Data gathered by the researchers revealed that no buyers had attended any refresher courses in line with their duties for a whole year. Clearly there exists ample scope for institutions of higher learning in the country to come up with short courses aimed at improving the skills of the buyers.

The percentage of imported goods seemed to be rather too high. Data reported in this study supports the assertion by the Finance Minister in his mid-year statement [July 2011] that about 70% of the food retail shelf space was stocked with imports. Given the volatility of the Zimbabwean economy, one would wish that the percentage of imported goods be further reduced to levels possibly below 5%. This way, the retailers might not close shop in the event of souring of relations between the trading countries. The over-reliance on South African suppliers should also be avoided. If this trend continues, the retailers should consider setting up offices in South Africa to facilitate their purchasing transactions.
The retailers should evaluate their suppliers on a more regular basis irrespective of the existence of buying problems. The use of buying committees for new products and modified re-buys should be maintained so that the result of any poor purchase would not fall squarely on the buyers alone.

In relation to sourcing risks, for the meantime, the retailers could adopt the framework of strategies for mitigating sourcing risks proposed by Christopher et al. [2011]. However, in the long-run, more tailor-made mitigatory measures and models could be crafted after in-depth studies of the sourcing risks.

On the issue of personal tokens of appreciation and tips to buyers from supplies, one would not condemn the drastic action taken by some retailers of making it a taboo for buyers to receive such tokens. This position is supported by Hui et al. [2011] who recommended that such actions be taken to ensure the integrity of the buyers. However, the researchers wish to recommend the approach employed by one of the retailers whose automated retail system had provisions for such personal tokens to be transparently captured and then be given to customers as promotional material and sometimes shared among the employees.

By way of conclusion, this study has provided baseline information on the procurement function among grocery retailers in Zimbabwe. As already indicated under results and conclusions, there is need for in-depth studies of the issues raised in this paper in order to come up with strategies that can enhance the performance of this critical function in the retail sector in the country.

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