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Intensification Expansion Strategies: Their Impact on Profitability in Retail Sector in Zimbabwe

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***Abstract*— *The research analysed the impact of intensification expansion strategy on profitability in grocery retail sector. Theoretical framework was mainly guided by Glueck's (1976) expansion strategies. Quantitative research approach was used having 30% size that had 30 participants from the three main retailers in Zimbabwe; OK, TM Pick 'n' Pay and Spar. Relationship between intensification expansion strategy and profitability was tested using regression and correlation analysis. The research found out that intensification expansion strategies were leading to 31% differences in profit volumes. The study found out that it was crucial to address the issues and problems in the intensification strategy so as to achieve good profit volumes.*

***Keywords*— *Intensification expansion strategy, importing products and increase in trading space through renovations.*

I. Introduction

During the Zimdollar era in Zimbabwe the retail sector has been characterized by financial problems due to lack of products locally, low financial base and lesser outlets. However the introduction of multicurrency there was massive improvements in disposable income of consumers that revamped business for the sector. These retailers engaged in expansion strategies as a tool to maximise profitability (Makwembere, 2012). The sector contributes to the country through taxation and unemployment reduction.

1.1 Background of the study

After introduction of the multicurrency system in Zimbabwe grocery retailers in Zimbabwe expanded their business to cater for economic improvement. Some retailers would unceremoniously close or go out of business without showing any difficult signs before. However the main retailers in the country; OK Zimbabwe, TM Pick 'n' Pay and Spar embarked on intensification expansion strategies of increasing products by importing and increasing trading area through renovations.

These retailers have been competing in adding product range through importing products especially from South Africa, Sub-Saharan Africa and Asian markets (Karombo 2013; Chibaya, 2013) in an effort to increase products for sales. There has been competition targeting on expanding product range and fresh service departments (The Zimbabwe Independent, 18 November 2010). However their stock turn was decreasing. For example OK Zimbabwe's stock turn moved from 10.5% in 2011, 9.6% in 2012, 8.7% in 2013 and finally 9.2% in 2014 (OK Zimbabwe annual financial reports 2011 - 2014).

As explained throughout their Annual Financial reports (2011 – 2014), these retail outlets have been focusing on renovating their outlets so as to expand their trading area as well as improve their product and service delivery (Machichi, 2014; Ndlovu 2014). According to Ndlela (2013), Spar responded to OK and TM threats through what he referred to as 'The Spar Corporate Store Rationalisation Programme' where most Spar shops were being renovated and uplifted.

The number of shops refurbished for OK Zimbabwe was amounting to 15 in 2012 and 18 in 2013 (OK Zimbabwe Annual report, 2012). According to Zireva (2011), OK rebranded Pax Cash and Carry stores to OK stores making them bigger stores. TM Supermarket rebranded some of its branches making them bigger to Pick 'n' Pay brand after injection of the $13million shareholding from 2012 (http://www.meiklesinvestor.com). Spar has been closing smaller shops and reopening bigger shops that can compete with OK and TM (Innscor Spar Annual Financial Reports, 2013 – 2014). However Spar incurred a loss of $9million in 2014 despite the expansion of shops done (Innscor Spar Annual Financial report, 2014).

Operating costs have been accelerating upwards (OK, TM and Spar Annual Financial reports, 2011 - 2014). According to Lake (2014), operating costs for OK Zimbabwe increased at a higher rate than sales growth. OK Zimbabwe's Net operating expenses moved in an upward trend from $19.9million, $27.6million, $33million and $32.3million in 2011, 2012, 2013 and 2014 respectively (OK Annual reports, 2011- 2014). Their performance in terms of sales and profits increased from 2011 to 2012 but experienced a decrease from 2013 to 2014 for all organizations as shown in table 1.1 below. According to Zireva (2014) there was a decrease in profit before and after tax & interest for OK Zimbabwe by 20.7% and 21.8% respectively for the year ending 2014. Although sales for 2014 were higher than the previous period, the profits were below than those of the previous period as illustrated in table 1.1 below. Newsday (9 June 2014) also notified the public about the decrease in profits for the sector. TM- Pick 'n' Pay profits decreased by 16.6% from 2013 to 2014 (TM-Pick 'n' Pay Annual Report, 2014). However Spar Corporate stores had been experiencing losses from 2011 to 2014 as reported in the annual reports and the loss worsened in 2014 by -164, 5% (www.spar.co.zw).

1.2 Statement of the Problem

Grocery retail sector is one of the sector that contribute to taxation and also reduce unemployment in the country. Although the sector has implemented intensification expansion strategies by importing products and increasing trading space through refurbishment, profitability of the sector has been decreasing and performance still falling below the expected 4%.

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It is the purpose of the study to analyse impact of intensification expansion strategies on profitability in retail sector in Zimbabwe.

TABLE 1.1: OK, TM-Pick ‘n’ Pay and Innscor Spar Financial Performance Analysis

Name of Retailer	2011	2012	2013	2014
	Sales in US$			
OK Zimbabwe	257,426,323.00	412,563,027.00	479,635,937.00	483,660,043.00
TM-Pick n Pay	274,277,230.00	296,403,000.00	335,909,000.00	333,907,000.00
Innscor Spar	175,487,625.00	188,197,031.00	167,003,848.00	159,696,009.00
	Profits in US$			
OK Zimbabwe	4 285 700.00	10,306,497.00	12,382,278.00	9,685,412.00
TM-Pick n Pay	(467,483.00)	1,699,000.00	7,043,000.00	5,873,000.00
Innscor Spar	(2,442,421.00)	(1,698,367.00)	(547,486.00)	(9,561,505.00)

Source: OK, TM-Pick ‘n’ Pay and Innscor Spar Financial Reports, 2011 – 2014

1.3 Research Objective

To analyse the impact of intensification expansion strategy on profitability in retail sector in Zimbabwe

II. Expansion Strategies

Glueck (1976) explained that a company can come up with four strategies that determine its boundary. These strategies are stabilization, expansion, retrenchment and a combination. Expansion strategy involves redefining business by adding its scope and efforts (Pasteur et al., 2014 and Strickland et al., 2012). It is associated with success emanating from the business renewal. There are two groups of expansion strategy which are intensification and diversification (Pasteur et al, 2014). This review focus on intensification expansion strategy which is the main focus of the research.

2.1 Intensification Strategy

Intensification expansion strategy occurs when an organization concentrates on expanding its current business. This entails three alternatives which are market penetration, market development and product development strategies (Pearce and Robinson, 2013). Market penetration involves market share increase for a firm in the markets that already exists (Lasserrie & Macmillan, 2012 and Ovcina, 2010). This includes building, upgrading and improving existing products. It includes developing new products to existing markets or enters new segments with existing products. The researcher is of the opinion that some of the strategies include importing or increase in trading space. Market development constitutes searching and developing new markets for a business’ existing products (Johnson et al., 2011). Thus an organization expands into new geographical areas meaning it can be regional, national or international expansion. It is the least costly and risky. This mainly suits if the existing product also suits the needs of the new market segment. It normally strengthens the traditional lines by identifying new uses through new demographics, geographic or psychographic. Product development entails developing new products for the existing market (Yesilyurt, 2012). It involves developing substitutes, modificated products and adapting to other ideas. It constitutes improvements in quality and product proliferation. The researcher is of the opinion that this type of expansion is normally engaged in manufacturing and also common in service areas for retail sector. Service areas for retail sector constitute takeaway, bakery, butchery and fruit & veg departments where they develop their own products rather than the dry lines in the shelves.

2.2 Types of Intensification Expansion Strategies

Businesses can expand through many methods as indicated under Glueck’s (1976) strategic options. These fall into intensification and diversification. For the purpose of this study the following intensification expansion strategies were discussed; importing products and increase in trading area through renovations. The discussion involves the strategic process issues for each strategy.

2.2.1 Importing products business

According to Martinuzzi et al. (2011), increase in products makes the organization realize new lines for making profit hence hedge against risk. Importing is buying products outside the country for resale (Wagner, 2011). The writer has the view that organizations import products to expand their range hence making it an expansion strategy. These scholars further postulated that importing has its own benefits and challenges. It can positively and negatively affect profitability. Imports increase business efficiency and organizations can secure cheaper products. They also result in better prices and a wider choice of products to consumers. Importing increase product range making retailers provide one stop shopping service. Lacs (2014) further added on this point that imports improve margins in the industry and also minimize prices instability. There are negative effects that can be obtained especially on the expenses involved in importing.

Organisations can make purchases for foreign suppliers through cash in advance, open account, consignment, draft or documentary collection and letter of credit (Geiersbach, 2010; Polasik and Fiszeder, 2009). Cash in Advance buyer does not have control over the goods and sometimes seller country’s political risk may affect the performance. It is expensive for the buyer since goods may take long on shipment. Funds would be tied in those goods without being rotated. The writer is of the opinion that this method usually affects retail performance because of low margins in the sector there is need for quick stock turning in order to realize more profits. Open account and consignment stocks reduces this risk.

Letters of credit which are commitments from importer’s bank mean that the buyer would pay for the goods to the exporter (Geiersbach, 2010). It is very crucial for the foreign

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supplier especially when it is difficult to get buyer's credit worthy. Buyer risk is reduced since he or she pays for the goods after shipment. Draft or Documentary collections is when foreign supplier entrusts payment collection of its goods through its bank. Supplier's bank remits some documents with buyer's needs to the collecting bank. Payment is done through these banks. These are less expensive than letters of credit. The writer is of the opinion that importers' profits are largely determined by the payment methods and type of merchandise. Use of cash in advance leads to low stock turn. Company funds would be tied in those imports for a long time lessening sales and profits.

2.2.2 Increase of trading area through Renovations

Klein (2012) described increase in trading space as an index indicating improvements by the retail to carry its total functions referred to as retailing networking. Butler (2014) had the opinion that increasing trading space will make use of dead space hence draw customers' attention and increase productivity. The researcher is of the opinion that retailers refurbish their outlets increasing their space in order to accommodate many products and services hence increase sales so as to maximize profits. However the researcher in this scenario had other opinion that these retailers were increasing their operating expenses hence eroding their profits. Some scholars provided two types of renovations which are refurbishments and redevelopment (Cheshire et al, 2011).

2.2.2.1 Refurbishments

This involves renovating an existing shop to modern styles. It constitutes modernizing shops to specifications. This usually involves modernizing for safety, lifts, and electrical installations (Cheshire et al., 2011). Main goal for refurbishments is to maintain position in the market and attracting customers.

2.2.2.2 Redevelopment

This is much wider than refurbishments. It includes facility overhaul and additional space building (Cheshire et al, 2011). It is meant for improving market position and sometimes to abide to legal conditions in terms of safety. The author is of the opinion that organizations can do both refurbishments and redevelopment at the same time.

2.3 Relationship between Expansion Strategies and profitability

According to Johnson et al (2011), criteria for evaluating strategy comprise suitability, acceptability and feasibility. Suitability looks if the strategies will be addressing key opportunities as well as the organizational constraints being faced. For a strategy to be acceptable it should win risk, return and shareholder value analysis. Under return analysis main focus as discussed by these authors was on return on assets. Ireland et al (2013) echo the same sentiments but further elaborated that return on assets is usually best to be evaluated for bigger old expanding firms than new ventures. However Pearce and Robinson (2013) postulated profitability as the main goal of businesses and it is the main measure for shareholders' wealthy. Feasibility checks if the proposed strategy would work and be financed. These writers further stated that it is essential to bridge a ground of understanding for a strategy and financial returns so as to have success. The cost-benefit is also essential in evaluating strategies. Most scholars have established an inverted u-shape relationship between unrelated expansion and performance (Rothaermel, 2013). The writer is of the opinion that evaluation of strategies is mainly focused on the strategic process.

2.3.1 Increase in Products in general and Profitability

An organization increases its products so as to increase sales and profits (Pearce and Robinson, 2013). There is need for technological changes for these products to be marketable. The author found that these scholars did not elaborate clearly how products and technology are related to profitability.

A study of expansion of products line in horizontally differentiated markets found out that increase of one firm's product lines will lead to profitability of all firms (Thomadsen, 2012). This explanation falls under the models which are; the basic model, hotel modeling, mixed logit and geographic spatial models. The basic model states that product line expansion by a rival enhances other firms' profits. The mixed logit stated that increase in product range by a rival will force changes in market prices leading to decrease in margins hence fall in profits. Profits may be also lost under this model when a rival's increase of product lines leads other firms' products not to sell hence fall in sales. Under the hotel modeling there are circumstances when rival positions by increasing product lines that may lead to increases in prices of other players' products hence increase in profits. This is common with new products that serve customers that were not served previously. The competitors may be less price aggressive allowing competitors to raise their own prices getting more profits. This increase in profits will incur to all firms. In geographic spatial model it was discovered that retailers that compete under geographical space expansion in product lines by a competitor lead to decrease in profits. However this phenomenon was found in fast foods for example BK fast foods in Santa Clara County in California experienced a slight increase in profits. Increase in new products can just lead customers to switch from buying old lines hence having a zero effect to profits. However Thomadsen's (2012) study was only focusing on what he termed variable profits which are profits before removing fixed costs. The writer is of the opinion that changes in profits will be very high after effecting fixed costs. It is crucial to look at profits after tax and interest.

The researcher found the main strategies to increase products in grocery retail sector at the time of study was through importing and increase in trading area. These are well debated in the following paragraphs.

2.3.2 Relationship between Importing products and profitability

Xinhua (2013) postulated that imports increase customer's choice hence improve sales and profits. Thus companies can access high quality products at low prices through importing. However importing can be unprofitable due to increase in defects and unsafe products especially imports from China and other foreign markets like toys, electronics clothing etc. (Xinhua, 2013; Goldberg et al, 2009). In United States of America through U.S Consumer Product Safety Commission it was found that at least two thirds of product recalls were from those imported and largely from China. The most affected companies were manufacturers, wholesalers and retailers. These companies will be liable for safety assurance of these foreign produced products. Usually importers will be treated as the owners of those products. These organizations face liability litigation if foreign manufacturer in which they are trading with does not have a local assets or insurance protection. Thus importing companies face reputation risk and financial risk through product recalls and liability litigations respectively. Failure to manage imports risk increases company liability with recalls that may result in negative impact on the company image hence decrease in sales and profits. Strategies to manage these risk include selection of qualified suppliers, specifying products and quality assurance, usage of product warnings, quality slippage monitoring, monitoring customer complaints, have an effective product recall program and monitoring risk in supply chain (Goldberg, 2009). These findings were done in developed economies. It is very crucial to carry a study in a developing country.

The researcher is of the opinion that many organizations in developing countries might be facing losses resulting from refunding and compensating customers. Even if the outside supplier is willing to take back the product, it will be expensive for the organizations to incur all the transportation bills. Breakages expired and spoiled imported lines might be a source of these losses.

Wagner (2011) found that most literature was demonstrating that firms that were engaging in importing were more productive than those that do business on national market only. However, he found out that profits for firms that import were being eroded by extra costs involved in the process. These extra costs include fixed costs that become sunk costs. This is mainly incurred through import agreements that organizations enter with foreign suppliers, negotiations, goods inspections, and formulation of contract. Organisations will tend to continue with import projects bearing these high costs since they would have started the project even when returns are not forth coming. A company will have profits if it manages to cover extra costs. He also found that firms that were profitable were those that were doing both importing and exporting rather than those that are just selling locally. Diouf et al (2011) found out that food importer especially in Africa were highly affected by high prices due to food and economic crisis hence decrease in sales. Literature shows that the main area affecting profitability was operating expenses involved in these strategies. However, this study was comparing global prices rather than looking at specific countries like Zimbabwe where the scenario was totally different since the country was from hyperinflation situation.

Geiersbach (2010) avers that payment methods used by importers affect profitability. Cash in advance method results in high risk for the importer. Low stock turn result from cash in advance since cash is tied for a long time. Open account is better since the buyer pays for the products later during the trading course. Although not popular in foreign trade, consignment makes the buyer use his or her funds elsewhere so as to maximize profits. Letters of credit are expensive than documentary collections.

2.3.3 Relationship between Increase of trading area through renovations and profitability

Butler (2014) and Klein (2012) postulated that increase in trading space improves sales and profits. Butler (2014) discovered under her study that Network Rail in Britain had only £700million collected for five years from 2009 to 2014 but it forecasted to increase to £1.2billion for the next five years due to increase in trading space. The retail trading space had been increased by 20%. However, Klein (2012) further elaborated that size of trading space does not matter in sales and profitability but the services being offered by the retailer under one roof. The scholar further elaborated that better quality and wide variety of services in retail will help fast maximization of return on investments, sales, profitability and increase customer satisfaction. There is need for strategic merchandising initiatives. Klein’s (2012) research was done in a developed country. It is important to also look at developing countries.

The researcher had the opinion that increasing trading space by retailers makes a wide variety of products to be accommodated in the shops with increase in service areas hence increase in sales. However, this needs to be carefully managed since the company might not gain the expected returns on assets or investments and profitability due to increase in operating expenses and overheads (like increase penalties). Shrinkage might also be major problems that affect profitability.

Taylor and Rawlinson (2010) postulated that for organization to benefit from refurbishments there is need to create sustainable value. It should not negatively impact the environment since this will affect its capital value in the future. Organisations have to ensure the investments that they do brings results. Leaders should look at viability of actual returns of those refurbishments and the costs involved. The refurbishment should promote flexibility for the retail. For organizations to realize best returns from refurbishments, they should keep the programme and solutions simple so as to use fewer funds. They should maintain their trade.

Literature reviewed indicates debate and controversy on the relationship between intensification expansion strategies and profitability. Some postulate one expansion strategy better than the other and others asserting vice versa of others’ findings. It is the purpose of the study to find the effects of these strategies on profitability.

III. Methodology

The study used positivism research approach. Quantitative method was utilized to achieve explanatory design which was deductive. Sample size of 30 participants constituting 30% of the target population was used. Self-administered questionnaire and structured interviews were the research instruments used. Results were presented in quantitative methods. Regression and correlation analysis was used to test results.

IV. Findings

A total of 30 questionnaires were distributed and 28 were returned giving a response rate of 93.33%. Detailed presentation and analysis of findings is done below.

4.1 Relationship between importing business and profitability

The study intended to find the relationship between importing business and profitability. It further looked at the problems that were associated with importing business which had an impact on profitability performance.

4.1.1 Profitability performance of importing business

The study sought to find how importing business was performing in terms of profits after tax and interest, operating assets and return on assets. Table 4.1.1 below illustrates the results.

TABLE 4.1.1: Relationship between Importing business and profitability

	Strongly Disagree 1	**Disagree 2**	**Neither Agree or Disagree 3**	**Agree 4**	**Strongly Agree 5**
a)Increased profits after tax and interest	10 (36%)	4 (11%)	0 (0%)	5 (17%)	10 (36%)
b)Decreased Operating costs	6 (21%)	7 (25.0%)	0 (0%)	5 (18%)	10 (36%)
c) Increased return on assets	7 (25%)	6 (21%)	0 (0%)	4 (14%)	11 (40%)

Source: Research Survey 2015

Table 4.1.1 above depicts that 53% respondents agreed that profits were high for importing business. 54% agreed that there were low operating costs and increased return on assets for importing business. Only 46% respondents disagreed for low operating costs and increased return on assets. This reveals that importing business was better performing in terms of profitability. This is in agreement with Xinhua (2013) and Goldberg et al (2009) who found imports increasing customers' choice hence improve sales and profits.

The research went on to find costs that were involved in importing business and how they emanated. The only costs that were significant with importing business were shrinkage due to customer returns and expired lines. This is in agreement with Goldberg et al (2009) who postulated that imports are highly associated with customer returns especially those from Asian countries. The main reason leading to such problems is failure to evaluate foreign suppliers. Respondents did not find agreement costs of importing business and liability litigation costs that were discovered by Wagner (2011). These might be highly experienced in developed countries not a developing country like Zimbabwe. Payment methods were also probed and respondents revealed that that most of their foreign suppliers required cash in advances and these had an impact on their stock days. This is in agreement with Geiersbach (2010) who found cash in advance payment methods used by organizations affecting their profitability.

4.1.2 Problems in importing business

The study sought to problems that were experienced in importing business. These problems had an impact on profitability. Table 4.1.2 below illustrates the results.

TABLE 4.1.2: Problems in importing business

	Strongly Disagree 1	**Disagree 2**	**Neither Agree or Disagree 3**	**Agree 4**	**Strongly Agree 5**
a) Management is efficient in leading the strategy	0 (0%)	12 (43%)	0 (0%)	6 (21%)	10 (36%)
b) Evaluation of the process is done properly	5 (18%)	8 (28%)	0 (0%)	10 (36%)	5 (18%)
c) Customer returns on goods imported are low	6 (21%)	9 (32%)	0 (0%)	5 (18%)	8 (29%)
d)Levels of expired imported products whilst on shelf are low	9 (32%)	6 (21%)	0 (0%)	10 (36%)	3 (11%)
e)Time between order placing and delivery of products is short	12 (43%)	13 (46%)	0 (0%)	3 (11%)	0 (0%)
f)Import agreements are making us continue in the business	9 (32%)	4 (14%)	0 (0%)	5 (18%)	10 (36%)
g)We are continuing with importing business because there are no products locally	0 (0%)	13 (46%)	0 (0%)	0 (0%)	15 (54%)
h) We do not use cash in advance in paying for imports	15 (54%)	6 (21%)	0 (0%)	1 (4%)	6 (21%)

Source: Research Survey 2015

There were 89% respondents that disagreed with short lead times while 11% agreed. 75% respondents disagreed for not using cash in advance while 25% agreed using cash in advance payment method. This means that lead times were high for goods that would have been paid for leading to low stock turn which has an impact on sales and profitability. This is in agreement with Geiersbach (2010) who postulated that payment methods especially cash in advance adversely affect profitability for importing organisations. Customer returns and expired lines for imports were high. This is in agreement with Wagner (2011) who postulated that imports were highly associated with customer returns.

4.2 Relationship between renovated shops and profitability

The study intended to probe respondents for the relationship between increase in trading space through renovations and profitability. The research went further to probe problems that were being experienced in renovated shops.

4.2.1 Profitability performance of renovated shops

The study sought to find out how renovated shops were performing in terms of profits after tax and interest, operating costs and return on assets. Table 4.2.1 illustrates results obtained.

TABLE 4.2.1: Relationship between shops renovated and profitability

	Strongly Disagree 1	Disagree 2	Neither Agree or Disagree 3	Agree 4	Strongly Agree 5
a)Increased profits after tax and interest	8 (28%)	10 (36%)	0 (0%)	1 (4%)	9 (32%)
b)Decreased Operating costs	10 (36%)	10 (36%)	0 (0%)	6 (21%)	2 (7%)
c) Increased return on assets	9 (32%)	9 (32%)	0 (0%)	4 (15%)	6 (21%)

Source: Research Survey 2015

TABLE 4.2.2: Problems in renovated shops

	Strongly Disagree 1	Disagree 2	Neither Agree or Disagree 3	Agree 4	Strongly Agree 5
a) Management is highly efficient	3 (11%)	10 (36%)	0 (0%)	10 (36%)	5 (17%)
b) Values, beliefs and norms are well suited to the strategy	16 (57%)	3 (11%)	0 (0%)	2 (7%)	7 (25%)
c) There is viability in usage of resources	10 (36%)	10 (36%)	0 (0%)	1 (3%)	7 (25%)
d) We highly consider environmental impact when renovating shops	10 (36%)	10 (36%)	0 (0%)	6 (21%)	2 (7%)
e)Customers do not prefer more services offered under one roof	8 (29%)	6 (21%)	0 (0%)	0 (0%)	14 (50%)
f)Performance of shops highly do not depend on merchandising initiatives	4 (14%)	11 (39%)	0 (0%)	8 (29%)	5 (18%)
g)Customers do not prefer shops that are modernized to bigger space and outlook	7 (25%)	6 (21%)	0 (0%)	3 (11%)	12 (43%)

Source: Research Survey 2015

Table 4.2.1 above shows that 64% respondents disagreed for increased profits in renovated shops while 36% agreed. Moreover 72% disagreed for decreased operating costs while 28% agreed. This reveals that renovated shops were not necessarily profitable. This is contradicting Butler (2014) and Klein (2012) that postulated increase in trading space with improved sales, profits and return on assets.

Operating costs that were significant in shops renovated as discovered through the interview and open question under questionnaire were shrinkage control measures through CCTVs and human resources costs. These shops were now having high salaries and wage bills due to increase in service requirements. This is in agreement with Taylor and Rawlinson (2010) who found that organizations that failed to realize high profits in renovated shops would have failed to look at the viability of actual returns and the costs involved.

4.2.2 Problems in renovated shops

The study sought to find problems that were being experienced in renovated shops. These problems have effect on profitability performance. Table 4.2.2 illustrates the results.

Table 4.2.2 above shows that 68% disagreed with culture suited to the strategy while 32% agreed. 72% disagreed for viability in resources usage for renovated shops while 28% agreed.72% respondents disagreed for consideration of environment impact when renovating shops while 28% agreed. Among those that were agreeing were mainly top managers. This means that they would justify their moves in a way to protect their hubris or personal reputation as discovered by Johnson et al (2011) under the behavioral theory. Values, norms and beliefs were not matched with the strategy. This is contradicting Strickland et al (2012) who postulated that culture is very essential in a strategy and should be decided in the formulation process to ensure that it is suited to the strategy. This might have caused renovated shops' performance problems. Lack of viability is contradicting with Taylor and Rawlison (2010) who postulated that for organizations to benefit from renovations they must create sustainable value through environmental consideration and viability.

4.3 Hypothesis testing for Intensification expansion strategies

The research sought to test second hypothesis stated below:
HO: There is no relationship between intensification expansion strategies employed in retail sector and profitability in Zimbabwe
H1: There is a relationship between intensification expansion strategies and profitability in retail sector in Zimbabwe
Test of this hypothesis was done using regression and correlation analysis.

4.3.1 Regression and Correlation analysis for CCTV expenditure and profitability

This test focused on intensification expansion strategy leading to usage of CCTV expenditure. It therefore focuses on regression and correlation analysis using CCTV expenditure and profits after interest and tax. The rationale behind the test being that as organisations increase product range through importing and increase in trading space, shrinkage control measures through CCTV are used. CCTV expenditure formed the independent variable (X) representing increase in shrinkage control measures due to increase in product lines and space while profit volumes formed the dependent variable (Y) as shown in table below.

TABLE 4.3.1: Regression of CCTV Expenditure and Profits

Year	CCTV Expenditure (US$million)	Profits after tax and interest (US$million)
2011	28	(3)
2012	17	10
2013	23	19
2014	25	6
Total	**93**	**32**

Source: OK, TM-Pick 'n' Pay and Spar Annual Financial Reports (2011-2014)

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4.3.1.1 Regression showing linear relationship between CCTV expenditure and profitability

Linear equation describing the relationships among variables:

Y = a+bx

$$b = \frac{(n\sum xy-\sum x\sum y)}{(n\sum x^2-(\sum x)^2)}$$

$$a = \frac{(\sum y-b\sum x)}{n}$$

Results of test produced Y = 33.5-1.096X linear relationship

4.3.1.2 Pearson's Correlation coefficient for increase in products

Pearson's Correlation coefficient (rp) showing strength of the relationship between CCTV expenditure and profits:

$$rp = \frac{(n\sum xy-\sum x\sum y)}{\sqrt{[(n\sum^2-(\sum x)^2)X(n\sum y^2-(\sum y)^2}}$$

rp = -0.558061746

Interpretation: Therefore using Pearson correlation this shows that there exists a strong negative linear relationship between CCTV expenditure and corresponding profits after tax and interest.

4.3.1.3 Coefficient of determination for increase in products and Interpretation

$rp^2 = -0.558061746^2 \text{ X } 100\%$

$rp^2 = 31.14\%$

Interpretation: 31% of the differences in profit volumes were caused by amount spend in CCTVs in the retail sector. 69% of the differences in profit volumes were caused by some other factors.

Therefore, reject null hypothesis that states that there is no relationship between intensification expansion strategies and profitability. Accept alternative hypothesis that states that there is a relationship between intensification expansion strategies and profitability. There is a strong negative linear relationship between intensification expansion strategies and profitability -0.558061746. Intensification expansion strategies lead to differences in profit volumes by 31% while 69% is caused by other external factors.

4.4 Analysis of Strategic process used and profitability

The research further probed for key profitability issues in the strategic process. This was looking at the ways these retailers were carrying their strategic process looking at the key strategic issues that are essential for profitability. This reflects how each of the above expansion strategies would perform.

TABLE 4.4.1: Strategic Process and profitability

	Strongly Disagree 1	**Disagree 2**	**Neither Agree or Disagree 3**	**Agree 4**	**Strongly Agree 5**
a)We do detailed geographic segments analysis	2 (7%)	10 (36%)	0 (0%)	10 (36%)	6 (21%)
b) All managers are involved in strategic planning process	5 (18%)	5 (18%)	0 (0%)	2 (7%)	16 (57%)
c)Specification of targets is done by location area	2 (7%)	0 (0%)	0 (0%)	0 (0%)	26 (93%)
d) There are specifications of sales targets	0 (0%)	0 (0%)	0 (0%)	6 (21%)	22 (79%)
e)Cost targets are specified in goals	5 (18%)	5 (18%)	0 (0%)	10 (36%)	8 (28%)
f)Decisions are based on strategic plan	10 (36%)	0 (0%)	0 (0%)	5 (18%)	13 (46%)
g) Action plan responsibility are clearly assigned	0 (0%)	10 (36%)	0 (0%)	10 (36%)	8 (28%)
h)Company structure is designed to suit new activities	14 (50%)	3 (11%)	0 (0%)	6 (21%)	5 (18%)
i)Checking targets and actual performance is being done	5 (18%)	6 (21%)	0 (0%)	5 (18%)	12 (43%)

Source: Research Survey 2015

Table 4.4.1 above reveals that 61% respondents disagreed for company structure suited to strategies while 39% agreed. Among those that agreed were all top managers and a few heads of departments. All branch managers and their assistants revealed that they were not provided with cost specifications forming 36%. This is contradicting Strickland et al (2012) who postulated that the success of each strategy depends on matching structure to the strategy. Furthermore, this contradicts Pearce and Robinson (2013) who emphasized that cost targets should be specified in strategy formulation and communicated clearly throughout the organisation for the strategy to be profitable.

V. CONCLUSION

The study concluded that there was a strong negative linear relationship between intensification expansion strategies and profitability of -0,558061746. Intensification expansion strategies lead to differences in profit volumes by 31% while 69% was caused by other external factors. Retailers need to address problems and issues in their intensification expansion strategy so as to enjoy sustainable profitability from the strategy.

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