



How to cope and survive with the economic chaos



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HOW TO COPE AND SURVIVE WITH THE ECONOMIC CHAOS

CASE STUDY: THOMAS MEIKLES SUPERMARKET (ZIMBABWE)

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How to cope and survive with the economic chaos:

Case study of Thomas Meikles supermarket (Zimbabwe)

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The objective of this thesis is to summarize and critically survey research on economic chaos of Zimbabwe (hyperinflation). The study of hyperinflation has drawn attention to many economists for many years, in part because the economists continue to be concerned about policies required to attain price stability. It is relevant in this research is to start this survey in question with an analysis of how inflation originated. Some survey findings point out that the civil disorder and weak government is the significance of the reparation payments and the role of the central bank independence. With all these facts elaborated out by seems to be modelling example of the real situation happening in the economics of Zimbabwe. Origins of the hyperinflation in Zimbabwe were caused by the issue of money to finance deficit spending.

Moreover, it seems that all those variables are not the main distributors of hyperinflation in the country. This was noted that almost as many historical episodes were the existence of weak government and civil disorder did not lead to inflation. There has been some interest in empirically assessing the reasons why some countries tend to be prone to rely on others whilst some are not. However, it concludes that the degree of maturity of the financial system and the type of exchange rate regime contributes more in determining inflation rates in developing countries.

Keywords: Coping and surviving, economic chaos

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1 INTRODUCTION

This section of the research comprises the background, research context, purpose of the study, structure of the research. The background clarifies why the topic was chosen, whereas the research problem presents the research context and question.

1.1 Background of the Study

The scope of the study is to analyze and search the impact of the economic crisis in the retail industry in Zimbabwe. The research will concentrate on the retail industry operations considering different factors contributing or affecting the retail growth in the economy of Zimbabwe. The research will analyze further how the retail outlet of Thomas Meikles can succeed in such an environment with harsh economic conditions of high inflation, local money shortages and foreign currency. This has been a thesis of interest because the motive came from the fact that the researcher of this work is a Zimbabwean, concerned and eager to see some changes in the economy of the motherland country.

1.2 Choice of the Research Context

This topic was chosen because Zimbabwe is a rich country with vast resources and all tourist resort areas need to be used productively. Zimbabwe has a well known crisis in the world which has created world attention; many illegal immigrants are migrating from this country to the neighboring countries as well as abroad looking for employment.

1.3 Purpose of the Study

The purpose of this study is to analyze how the retail industry of Zimbabwe operates in such a political and economical crisis. The research will determine ways and means the retail industry can succeed with the country's economic chaos. The objective is to research means and ways the retail industry can out compete and sustain itself in this hard economic environment of Zimbabwe. The research analyses the draw backs which need attention in the retail industry of Zimbabwe from an economics point of view. Another factor is also to determine how the economy and political situation affect the economy. With all these findings; the research will elaborate the essence of independent market system in the country. This research can also help to curb the 80% estimated unemployment rate; the findings will highlight the requisites needed to make the economy viable with the consideration of factors such as the rule of law (democracy). Hence if there is democracy, then the political influence will be minimized in the retail industry and the economy as well.

1.4 Structure of the Study

The structure of the study will consist of introduction, theoretical function, empirical analysis and the result findings on qualitative and quantitative approach. The empirical analysis presents an overview of the case study company, where as the result and findings shows the analysis of the findings. The last section will present an overview of conclusions and recommendations.

The research will be based both on qualitative and quantitative nature. There will be use of the quantitative approach to derive the statistical pattern of the inflation rates of Zimbabwe in comparison to other countries which has experienced the same economic chaos trend. The qualitative nature will be applied in explanatory support of the chaos in the business industry. Qualitative method can be used for elaborating non quantitative figures although it demands many supporting material. The research will be accomplished in such a way that the material will be well defined and easy to analyze, hence meaningful to the society.

2 ECONOMIC ENVIRONMENT OF ZIMBABWE

2.1 History of Zimbabwean Economy

Zimbabwe is a landlocked country located in the southern Africa sharing borders with Zambia, Malawi, Mozambique, South Africa and Botswana. The country was independent in 1980 when it was known as Southern Rhodesia under the British ruling. It was joined together with Zambia which was called the Northern Rhodesia. The country consists of about 15 million people (Zimbabwe population census 2006). When the country got independence, the powers were transferred to the black majority power. That was then when Mr. Mugabe was declared the president of Zimbabwe. He has been ruling Zimbabwe from 1980 up to now (2008)

2.2 Factors of Production

2.2.1 Agriculture

It is considered as the backbone of the economy of Zimbabwe as it contributes about 18, 5% of Gross domestic product and 23% of formal sector of employment. The agriculture of Zimbabwe is based mainly on tobacco, maize, cotton, sugar, tea and horticulture. There is high potential also in the processing of by products from sugar such as electricity generation, ethanol for blending petrol and molasses for stock feeds. All these commodities contribute a lot to the domestic economy of the country. Since Zimbabwe is an agricultural country, there is high possibility of investment opportunities in this sector such as the infrastructural of

dams, canals, piping. The infrastructural developments enhance the effectiveness in the production industry. (<http://www.rbz.co.zw/>)

The industry is the single largest employer of skilled and semi-skilled labor. Most tobacco is grown by long-established commercial farmers and increasingly also by communal or small-scale farmers, who get help through the Zimbabwe Tobacco Association's training establishments, extension officers and research centers. The auction floors are a significant employer. With the entry of Boka Tobacco Auction Floors into the industry, this sub sector now employs 2,000 people across all three floors. There are five processing plants, responsible for packing the tobacco bought off the auction floors for the export market. Bat and Rothmans are the two cigarette manufacturers. These companies use about three million kilogram's between them. (<http://www.rbz.co.zw/>)

2.2.2 Tourism

Tourism contributes about 6% of the Gross domestic product of the economy. There are many resort places in all of the cities of Zimbabwe. One of the famous tourist attractions is Victoria Falls, which is located on the north western part of Zimbabwe, sharing the border of Zimbabwe and Zambia. Many tourists all over the world visit this famous place as it has got falls which falls through out the year, well known as Mosia -tunya .As the tourists' visit this place, a lot of foreign currency is fuelled in the economy of Zimbabwe. That is where the portion of the 6% Gross domestic product comes from. In addition to the foreign currency gains from the tourists, a lot of job opportunities have been created in this field. (<http://www.rbz.co.zw/>)

2.2.3 Foreign Trade

Zimbabwe's foreign trade is based on imports and exports; hence the exports have to outweigh the imports to gain the revenue to the government. The main exports of Zimbabwe are based in gold, tobacco, processed cotton, steel and other several minerals contribute quite a lot to the export earnings. In addition to that, the horticultural sector contributes a lot of foreign currency to the economy since the horticultural products of Zimbabwe are so attractive to the European market. All of the mentioned commodities mentioned above are considered as the backbone of the economy of Zimbabwe. This is based on the fact that the resources create foreign exchange to the economy as well as creating the employment to the citizens of Zimbabwe. The foreign exchange is gained through selling to various trading partners in the European countries as well as the United States of America. Without good partner relations with all these strong countries, the economy will not manage to gain revenue as the products will not manage to make good earnings. So the sanction and

sabotages imposed on the Zimbabwean economy contribute negatively to the growth of the country's economy. As the country is exporting all these commodities, it has also to import machinery to process all those mentioned materials above. So in actual fact, the Government's export earnings has to be more than the import costs, otherwise, the country will end up in deficit crisis. (www.nationsencyclopedia.com)

2.2.4 Finance

The Reserve Bank of Zimbabwe is the central bank which controls the issue of currency as well as the decision making of the monetary and fiscal policies of the country. All of the mentioned responsibilities mentioned above are resided with the Central Bank Governor. The Reserve Bank Governor has the autonomy to make decisions which affect the country. The central bank controls all the financial and building institutions in Zimbabwe. It is the one that lend loans to the several institutions. In addition to that, the Reserve bank allocates foreign currency to companies such as the oil, manufacturing companies as well as Dunlop Zimbabwe. Unfortunately enough, this is not the case happening in Zimbabwe as the Governor is not making decisions solely but otherwise under the close supervision of the President .This is the reason why the country is not managing to implement its policies as well as the controlling of the inflation. It happens in such a way that the Governor has got his own aims to curb inflation down where as the President is aiming to gain majority power through vote buying. So in such a way , the country `s interest will not be met as the people have different objectives of the rules implemented .This is the reason why the economy of Zimbabwe has gone under economy crisis with hyperinflations as well as shortage of foreign currency in the formal market. (www.rbz.co.zw)

2.3 Authority Control

Zimbabwe is a planned economy, an economic system in which the state or government manages the economy. In such economy, the government controls all major sectors of the economy and formulates all decisions about their use and about the distribution of income. The planners decide what should be produced and direct enterprises to produce those goods. Planned economies are in contrast to unplanned economies, i.e. a market economy, where production, distribution, and pricing decisions are made by the private owners of the factors of production based upon their own and their customers' interests rather than upon furthering some overarching macroeconomic plan. (<http://www.allafrica.com>)

A planned economy may consist of state-owned enterprises, private enterprises directed by the state, or a combination of both. Though "planned economy" and "command economy" are often used as synonyms, some make the distinction that under a command economy, the

means of production are publicly owned. That is, a planned economy is "an economic system in which the government controls and regulates production, distribution, prices, etc.

(www.allafrica.com)

2.4 Origins of Inflation

It is widely accepted that hyperinflation result when there is total reliance on issue of money to finance deficit spending. Moreover, many economists argue that combination of weak governments, civil disorder and investments leads to conditions which facilitate loss of fiscal discipline. Siklos (1999, 6) noted that reparation of payments can be a possible origin of hyperinflation. For instance, Germany reparations in World War 1, yet some theorists tend to disagree that reparations had no impact to hyperinflation. However, analyzing different theories; it seems that Siklos` analysis on reparations had an impact on hyperinflation since government had to settle compensation. During that process of 1919-1923 treaty, country was relying on printing of money to settle any purchase. Nevertheless, role of reparations payments has tended to be under emphasized in studying origins of hyperinflation.

Eichengree (1986, 1812) suggested that, `a complete understanding of historical events prior to emergence of hyperinflation, and following its termination is necessary before reaching conclusions about key functions of policies which can lead to its successful termination'. This quotation can also be evidenced by good examples of countries such as Israel. There has been wars and civil disorder for many years but had never ran into runaway inflation. All factors of past history and policies play a vital role in understanding origins of inflation. For instance, Zimbabwe`s inflation came about when ruling Government evacuated commercial farmers. To a certain extent, it sounds more biased to say that evacuation of commercial farmers caused inflation. This is based on fact that Zimbabwe did not rely on agriculture alone. There are several sectors which contribute to economy growth. This point in question draws some assumptions that political and economical sabotage played a big role in Zimbabwean economy. Many countries such as Iraq have civil disorder and weak Governments but have not lead to a runaway inflation. At the moment, Iraq`s inflation is only at 5% as at December 2008 but there is no economy running. (www.inexmundi.com)

2.5 Hyperinflation

Cagan (1956 ,25) defined hyperinflation as ` beginning in the month the rise in prices exceeds 50 percent and as ending in the month before the monthly rise in prices drops below that amount and stays for at least a year`. Hyperinflation is extremely rare in the world economics. Many countries do normally face inflation which is a natural economical

feature of any country. The study of Zimbabwe is a classical example already as inflation exceeded 50% already. (Wang 1999, 3)

The approach to this thesis is to research solutions which can be done to reduce and stabilize hyperinflation of Zimbabwe. The findings of hyperinflation will enable smooth functioning of case company under study. Wang suggested that stabilization of a collapsing economy can only be done by controlling of money supply. In addition, another theorist, Sargent (1982) argued that, 'credible regime change through fiscal reforms and creating of an independent central bank is necessary and sufficient condition for stopping inflation'. Through analysis of different countries economics, a case of Bolivia showed that hyperinflation was controlled through control of foreign exchange rate stabilization. The Germany's hyperinflation in 1923, prices were rising four times in a month but government curbed hyperinflation by money supply and exchange rate stabilization. Zimbabwe's hyperinflation can be best be compared and analyzed with Georgian hyperinflation because causes of hyperinflation in these countries were almost same. The Georgian hyperinflation was mainly caused by combination of financial policies maintaining of stable prices to key commodities. The key commodities for Georgia were bread and energy where as Zimbabwe is bread and oil which is more or less the same. (Sargent 1993, 1212)

The hyperinflation of Zimbabwe is increasing rapidly because local currency is now being used as the medium of exchange in government transactions only. This is why parallel market has been created and growing so rapidly. No one is willing to use local currency as medium of exchange as currency has totally been debased on market. This is same situation which happened in Georgia that local currency was only used for government transactions in supplying food aid. Zimbabwe's economy can also be done by stabilizing exchange rate and prices in economy before establishment of credibility which takes time and demands a lot of initiatives from ruling government. The exchange rate formation can play an important role in maintaining price stability and form an effective process for credibility. (Wang 1999, 4)

2.6 Cost Push Inflation

Cost push inflation is caused by two main factors that are an increase in money wage rates and in money prices of raw materials. An increase of those two factors (money wage rates and increase of inputs) will increase cost of production. When Thomas Meikles supermarket's wage rates of workers and production costs increase, then this will reduce supply of goods and services. The company will lay off its workers in order to make profit. Otherwise, costs involved when wages and production costs increase will be more than sales revenue of company. (Parkin 2003, 681)

The increase of costs decrease supply of commodities but with a proportional increase in price. At same time, firm lays off employees. This situation will persist until either Government of Zimbabwe increase demand or price of commodities falls down. This is same situation happening in Thomas Meikles supermarket retail outlet. A lot of employees are being laid off and at same time acute shortages of commodities arises because of cost push inflation. (Parkin 2003, 681)

Siklos argued that cost push inflation is caused by unions always negotiating on increasing wages and at same time, can also be caused by cost of living. The trade unions have a big role to raise wages as they act independently in a society. Analyzing theories of Siklos and Parkins, conclusions can be drawn that cost push inflation of Zimbabwe is more under stable and proved with Siklos theory than Parkin`s theory. It seems that increase in prices (production costs) and proportional increase in wages have a relation to cost push inflation. The theory is related in the sense that when unions increase wages, for instance by 2%, an increase of 2% to prices will have an effect at same time. So with these two facts in question (prices and wages) have a correlation in one way or other. In simple terms, an increase in cost of living will definitely have an increase in wages and production costs. (Siklos 1995, 125)

In contrary to causes of cost push inflation above, Siklos concluded from a fairly detailed analysis that, 'the relation of wages to prices could not be more than 0,5%, which means that a 1% rise in prices causes only a 0,5% rise in wages'. It seems that there is no evidence consistent with this theory that wages and prices chase each other in a never ending spiral. However, it is most probable that unions have some power to increase wages when prices rises. Moreover, literature has not been able to rule out wage costs push as a theoretically possible major cause of inflation. (Siklos 1995, 127)

2.7 Demand Pull Inflation

Inflationary pressures arise because of main factors such as expansionary and fiscal policies. It is assumed that demand pull inflation will not change if Government`s gross domestic product and money wage rates are consistent. A slight increment of two mentioned factors above (Gross domestic product and money wages rate) will obviously show an increase in prices. As this occurs, economy will face an increase in money wage rate as well as unemployment. (Parkin 2003, 679)

As for situation of Zimbabwe, demand pull inflation has been caused by Government which has a budget deficit that it finances by selling bonds. As Reserve Bank of Zimbabwe buys bonds, there is an increase in money supply in market which increases the aggregate demand yearly. The increase of aggregate demand puts more pressure on prices. The economy end up

facing demand pull inflation. The expansionary of money have been main cause of Zimbabwe`s demand pull inflation. As quantity of money in trillions of dollars is printed, aggregate demand increase and this inflates economy to unnecessary deficits. Increase in money supply has a same effect to price level rises. (Parkin 2003, 680)

As for Thomas Meikles in Zimbabwe, demand pull inflation can best be illustrated by bread production in Thomas retail outlet. When demand of bread increase, so do production costs also. As bakery is attracted with higher price, bakery will increase overtime and increase production. The bakery production will in turn do increase wage rates of overtime. As wage rates rise, so do bakery costs. If demand of bread is consistent, bakery costs will increase but price of bread will not increase as quickly as its costs. The production manager will obviously reduce production, and at same time, money wage rates and costs increase by same percentage as rise of bread. In real terms, Thomas bakery will be in same situation as before. (Parkin 2003, 681)

2.8 Fiscal Policy

The two main instruments of fiscal policy are government spending and taxation. Fiscal policy is set by government to meet its goals and missions. It is an economical policy which requires changing taxes and government expenditure to improve economy .The objective of fiscal policy is to fine tune economy at its potential level at all times. This can be done by making sure that gross domestic product of economy is maintained at its best level .Fiscal policy can also reduce inflation taxes and reducing spending in an economy. As of Zimbabwean situation, Government is doing contrary to this principle that is why inflation is always rising at a fast rate .The reason being that Government is trying to secure its immediate supporters. It is impossible for government of Zimbabwe to cut its expenditures as its only way to secure itself in power at moment. (Lipsey 1999, 418)

Zimbabwe`s inflation is rising because monetary authorities do not want to devalue Zimbabwean currency. The Zimbabwe dollar is still at a fixed exchange rate where as in reality, rate is far much higher than that. If Government continues to trade under such fixed exchange rates, it will obviously create a huge inflationary gap in economy. In long run, prices of domestic goods will rise creating a trade deficit in economy. The raw materials to produce those domestic goods will be more expensive as country has no way buy currency on official market. (Lipsey 1999, 418)

However, Keynesian economists argue that fiscal policy can have a powerful effect as it was evidenced with Japanese economy when it went into recession in late 1990s. Another fact is to smooth out fluctuations in the economy by reducing Government expenditure or rising

taxes when economy booms. Moreover, policies have been argued that perfect tuning will never be possible as there are so many variations in policies. Nevertheless, many Keynesians argue that careful use of fiscal policy can make economy much or stable than it would otherwise be. (Sloman 2000,504)

Zimbabwe can improve its economy when it follows its fiscal policy accordingly. It would be of a great idea if Government approaches its economy by using contracting fiscal policy. This means that Government has to spend less than taxes it is collecting from public money. This can help government to lower its budget deficit. The Government has another alternative to use a neutral fiscal policy where government spends all revenue it receives without exceeding that limit. Unfortunately, Government has not followed any of mentioned principles above (contraction and neutral fiscal policy). Moreover; Government has decided to use expansionary fiscal policy where it spends more than it gains as revenue. This is why economy is facing high budget deficits as well as money printing to cover that deficit. (<http://en.wikipedia.org>)

2.9 Termination

The termination of hyperinflation can only be successful by an extensive understanding of literature that theory and evidence need to be further integrated to enhance our understanding of inflation stabilization in high inflation countries. The programs of hyperinflation which has been used to stabilize it suggest that end of it can only be effective with concentration on exchange rate stabilization. Moreover to exchange rate stabilization, use of devaluation of currency can be a possible means of ending inflation or at least to reduce it to a certain extent. (Siklos 1999, 36)

Other than exchange rate stabilization and devaluation, many countries have showed that money printing is most cause of hyperinflation as it finances budget deficits in an economy. Zimbabwe has a good illustration of money printing as an effect of hyperinflation. In addition, Uruguay and Argentina had 30% and 183% respectively due to money supply growth. The Government of Argentina reduced its inflation in 1975 with control of money supply and country's inflation was reduced to 90, 1%. Uruguay's inflation of 30% reduced to 19% because of effective stabilization programs which were followed. (Siklos 1999, 40)

It a challenging factor to end hyperinflation but possible ways is to reduce it to normal levels, preferably to double or single digit figures. The success can only be done by introducing of fiscal reforms giving central banks independence and possibly changing of domestic currency to United States of America's currency. If Zimbabwe's domestic currency could be converted

to United States dollar currency, then this could bring a better reduction of inflation. (Siklos 1999, 41)

Siklos (1999, 42) noted that exchange stabilization and price stability can reduce hyperinflation in a country. To illustrate this point, Hungary (1946) and Germany had inflation rates of 19800% and 455, 5% at an average respectively. Due to exchange rate stabilization, monthly averages dropped to 1, 3% and 0, 3% respectively. The Hungary and Germany proves as evidence that in hyperinflation situations, price stability can be immediate result of using exchange rate as control factor.

2.10 Stabilization and Structural Reform Program

The economy can be recovered through tight fiscal and monetary measures. First, central bank needs to control government access to bank credit and prohibition of bank borrowing to all local governments. The prices of those controlled key commodities need to be adjusted as well as reducing consumer subsidies. A good illustration of this situation happened in Georgia when price of bread was increased coupon (Georgia currency) 700 to coupon 200 000, a 285 times more than former price. Moreover to price adjustments to key commodities, Georgia adjusted wages for the citizens who were on pension and also refugees. This can be a possible and viable way to recover Zimbabwe`s economy from collapsing. (Wang 1999, 9)

2.11 Government`s Credibility

It is assumed by different analyst that Government`s credibility will never completely stabilize or end hyperinflation in a country. This has been supported by Georgian hyperinflation that there was no evidence that Government played any role to end hyperinflation in that country. The Government of Georgia did not enforce tax laws which had been implemented until after their currency (coupon) started declining. During that time, Central Bank of Georgia had no independence to perform its obligated duties. The external support such as International Monetary Fund and World Bank supported adjustment program can help establish credibility. It is of no doubt that lack of credibility is the reason why economists take long to recover. If Zimbabwe could follow credibility procedures, then it would be of high possibility to bring positive results to economy. (Wang 1999, 17)

Analyzing through documented information pertaining to hyperinflation, it has been found that great increase of money supply is determined as a cause of hyperinflation. This has been evidenced by several countries such as Russian Revolution and Germany occupation of Greece in second world war and Chinese currency during 1946-8. There is no exception to these countries that money printing was done to facilitate government purchase. (Lipsey 1999, 517)

According to Lipsey (1999, 604), he pointed out that there are several factors such as currency and bank crisis which might cause a rise in hyperinflation in a country. The author based his fact on currency when there is a continuous weakening of exchange rate on market. This usually occurs because domestic funds lose large amounts of international reserves and at same time, interest rates rise sharply to discourage capital outflows. Currency crisis can also worsen because of banking crisis in a country. As currency loses value on daily basis, depositors obviously lose confidence to save funds in banks. The banks will be left with no money and as a result; banks will be forced to borrow loans from institutions which demand high interest.

2.12 Currency Reforms

Mainly it involves reform of old currency through cancellation or deleting of zeros and probably through price stability and tightening of monetary policy. Furthermore, reform can be achieved by controlling credit to commercial banks. In such a way, reform can control money supply circulation. This reduces inflation and demand for old currency will reduce. When this happens, Government can now introduce new currency. (Wang 1999, 11)

3 METHODOLOGICAL THEORY

3.1 Case Study

According to Robson (2002, 178) case study is defined as a strategy for doing research which involves an empirical investigation of a particular phenomenon within its real life context using multiple sources of evidence. Yin (2003) also defined the importance of context, adding that, within a case study, the boundaries between facts being studied and the context within which it is being studied are not clearly evident. Morris (1991,259) argued that case study is of importance and interest if the researcher is interested to gain an understanding of the context of the research and the process being enacted. In addition, the case study has considerable ability to generate answers to the question `why?` as well as the `what?` and `how?` question, although what and how questions tend to be more the concern of the survey strategy. The case study is usually used in explanatory and exploratory research. The data collection techniques employed may be various and are likely to be used in combination, for instance, interviews observation, documentary analysis. There are multiple case studies that may be preferable to a single case study because the latter need to have a stronger justification of the choice than the former. The researcher of this project is applying the holistic case study of Thomas Meikles supermarket as well as the embedded case study of

Thomas Meikles's different departments such as personnel, marketing, purchasing, accounting and merchandising departmental units.

According to Gronhaug and Ghauri (2005, 115), a case study method is used to study a single organization when there is a need to identify factors involved in some aspects or behavior of an organization or a smaller unit of the organization. In addition, the above author stated that a case study is particularly useful when the phenomenon under investigation is difficult to study outside its natural setting and also when the concepts and variables under study are difficult to quantify

3.2 Data Collection

The research is qualitative in nature. This is not intended to maintain or manage existing features, but to research how existing features can be improved, or corrected, to operate better with other components. The purpose is to improve research experience, by researching how existing features can be improved or corrected, by trying to make components operate effectively, and by eventually developing new components. This project is intended to be a researching experience in a general manner, and to find weak areas where it can be improved. Each time an improvement is discovered; a corresponding task is designed and planned. The collection of data has been based on reports, books and other useful records.

Data collection method depends on a number of quite complex factors, as Floyd and Fowler 2002, 58 states that the choices of data collection mode such as mail, internet, personal interview or group administration are related to the research topic. The characteristics of the sample and available staff and facilities have implications for response rates, question form and survey costs.

In addition, Guba and Lincoln (1994, 105) argue that questions of research methods are of secondary importance to questions of which paradigm is applied to research. For any data collection to be successful in any research undertaken, the researcher needs to understand some of the key elements relevant such as the research philosophy. This term relates to the development of the knowledge and the nature of that knowledge. The influence to these two terms is likely to be the view of the relationship between knowledge and the process by which it is developed. The research philosophy contains three major elements about research such as the epistemology, ontology and axiology. These major elements contain important differences which will influence the way in which the research process is assumed.

Epistemology concerns what constitutes acceptable knowledge in a field of study where as the positivism research will reflect the principles which will probably be adopted in the

philosophical stance of the natural scientist. Like the resource research, phenomena that can observe will lead to the production of credible data. To generate a research strategy to collect these data, there is a possibility to use existing theory to develop hypotheses. These hypotheses will be tested and confirmed; leading to the further development of theory which may be tested with a further research (Saunders 2007, 103). Realism is another epistemological position that relates to the scientific enquiry. The essence of realism is that what the senses show as reality is the truth: that objects have an existence independent mind. The theory of realism is that there is a reality quite independent of the human mind (Saunders 2007, 103).

The advantage of the mixed method research (quantitative and qualitative) are applied in the research analysis is that it enables triangulation to take place, that is to look at the case on three angles in order to meet a concrete idea. The method has its own disadvantages in the sense that there is inevitably a relationship between the data collection technique chosen and the results obtained.

Yin suggested tactics for increasing research reliability (1994, 101) are to use case study protocols or to develop case study databases. The purpose of this is that a future researcher can repeat the exact same procedure and research, and thereby arrive at same findings and conclusions as well. This thesis explained procedures of research, in this, as well as in every other section. Furthermore, data collected was organised for each of the cases and structured thesis so that future researchers or readers can retrieve any desired material. However, when conducting interviews and questionnaire, personal biases may to some extent be present. Therefore, influence of respondents as well as researchers attitudes, expectations and values can always be questioned.

4 THE EMPIRICAL RESEARCH

Thomas Meikles supermarket is a private limited company situated in Zimbabwe, and it was established in 1995. The Company is a subsidiary of Thomas Meikles limited which was originally found in a small city of Zimbabwe called Masvingo. As a result of growth and acquisition in the company, Thomas Meikles supermarket was found to be one of the retail subsidiary outlets operating in the capital city of Zimbabwe called Harare. Due to hyperinflation in Zimbabwe, Thomas Meikles supermarket has decided to research the way it can make profits through online selling to the citizens of Zimbabwe. In addition, research's objectives are to search alternative solutions the company can operate in such an economic chaos of Zimbabwe. Other than that, there is a threat that Thomas Meikles supermarket might close its retail operations in Central building District of Harare. That move will have an

impact to many factors such as loss of jobs and many stakeholders influence involved in parent company, which is Thomas Meikles Limited. (<http://www.bulawayo1872.com>)

In order for Thomas Meikles supermarket to succeed in the challenging high inflation of Zimbabwe, it needs effective economical strategies to ensure that the retail outlet can make adequate profits to operate in retail industry. The personnel of Thomas supermarket will help to answer questionnaires that relate to the challenges in retail industry. The answers and the feedback from the respective managers will be analyzed to make conclusions that can be followed to resolve the economy chaos of Zimbabwe. (<http://www.bulawayo1872.com>)

The retail employs seventy employees and it operates thirteen hours in a day in the central business district of Harare in Zimbabwe. The retail outlet needs power supply during its operations but it can no longer operate efficiently because of power shortages on daily basis. The supermarket is losing a lot of sales when there is a power shortage. The reason behind that is because of the foreign currency shortages to procure the necessary power needed in the retail industry. (Thomas Meikles Human resource manager)

At present there are forty employees working on full time basis at Thomas Supermarket. All employees work together to enable supermarket to outcompete competitors in market as well as to make profit. Based on reduction of employees mentioned above, a large number of employees are working on part time basis. These kind of employees are the functional and operational staff such as the till operators, assistant merchandisers and the bakery staff. Most of employees reduced were on bakery side, and that is where production has been affected so much because there is no wheat supply in retail industry. So with that, Thomas Meikles as a supermarket realized that it is of great concern to call that kind of staff on duty only when there is supply of commodities in market. (Thomas Meikles Human resource manager)

Thomas Meikles supermarket is one of leading retail store in Zimbabwe as its market share is higher in comparison to main competitors such as Jagers, OK Zimbabwe, Spar and other small supermarkets. It has different assortment of products from abroad and locally produced ones. Market share analysis has been done by the researcher from point of view that in every location where there is four shops of Thomas Meikles, you find two of OK, one of Jagers, one of Spar and other remaining market share is spitted into different local outlets (20%). So with that analysis, it can be deduced that Thomas Meikles is holding almost 25% market share in whole market of Zimbabwe as compared to other retail outlets. In addition, market share of Thomas Meikles derives fact that it has chances of obtaining high sales in market as many consumers will be shopping more in this retail store. The fact being that Thomas Meikles supermarket is conveniently located near attracting points such as business district and near

transport areas where clients can board transport easily to their residential areas.
(<http://www.sarpn.org.za>)

This section presents the outcome of the empirical study based on the analysis of data collected. The empirical part of the study constitutes empirical findings from secondary sources and questionnaires. Literature is integrated to findings early to give a clear picture of the context. The objective of the study is to determine alternative solutions to reduce inflation in Zimbabwe that will enable businesses to operate efficiently and making profit as well. The information collected from the questionnaires was categorized and analyzed based on qualitative analytical procedure. Comparison was applied by analyzing the research findings on inflation theories and concepts discussed throughout the theoretical section in order to reach conclusive recommendations. (Appendix)

The research has been based on bibliographic databases and electronic journals. On a further research analysis of the research, the methodology was approached with the use of research questionnaires. This was done by sending electronic mails to the departmental managers of the case company under study (Thomas Meikles). The researcher compiled questions which were of relevance to the research analysis under progress. It means that the researcher targeted questions which could not be answered from a general understanding, but in actual fact from the personnel involved in that industry. (Appendix)

So the approach targeted the five respective personnel of Thomas Meikles supermarket that is the accounting, marketing, purchasing, personnel and merchandising managers. The managers answered the compiled questionnaire with different overviews of what can be improved on economy chaos of Zimbabwe`s business. With all compilations done with the researcher, it was found that results or responses of the mentioned respective `managers were concentrating on same factors affecting economy. (Appendix)

The qualitative analysis of the research was based on secondary data. The data requested (desk research, articles and newspapers) to discuss or argue present and past experience of case company under study. The transcripts of different articles, books and newspapers were used as basis to research the economic chaos of Thomas Meikles. The designing of the questionnaire contributed to the qualitative analysis of the research work. In the questionnaire designing; the researcher had an idea about data requirements and way to design the questions. At the same time, the respondent decoded the questions in the way the researcher intended. In that way, designed questions to different managers of Thomas Meikles were found valid and reliable. The questions were open ended in such a way that it helped to bring the respondent`s ideas without restriction to one answer (closed question). (Saunders 2007, 472).

The qualitative analysis was made by the collection of non numeric data from the respondent managers of Thomas Meikles. It was actually the collection of all the short responses to the given open question in mail questionnaire. After the collection of the responses, the researcher analyzed the meanings and presented the concluded outcomes. In summary, the research was accomplished basing on results expressed through words and the classification of the findings into categories. So from that analysis, the researcher analyzed the findings basing on the results given. (Saunders 2007, 472).

The economic chaos of Zimbabwe can also be resolved by ending of inflation. This can be achieved by supporting Central Bank Governor of Zimbabwe to exercise his monetary policies without interference of Government. The Central Bank of Zimbabwe needs power to stop the unnecessary printing of money as it increases the inflation in the country. The central bank will reduce government expenditure and regulate all the economy policies in order to recover Zimbabwe's economy. If the Government stops money printing, then it means that the fiscal policies can work effectively to restore the economy (Sloman 2000, 504)

It follows that the success of currency reform does not yet imply an end to inflation. It will reduce political pressures and strikes to change monetary and fiscal policies which were so successful in fighting inflation. The objectives of economical reforms can be achieved by declaring constitutional law which cannot be changed easily by any president on power without support of majority rule. (Siklos 1995, 248)

4.1 Benchmarking

Kotler claims in his book `Principles of Marketing` (1999) that if a company want to commit to benchmarking, it may try to benchmark every activity. It may set up a benchmarking deeper to promote practice and to teach benchmarking techniques to departmental people. Benchmarking should be applied on critical tasks that deeply affect customers and company expenses. The firms need to use benchmarking technique as a management guide but without much reliance on it as it might mislead. (Kotler 1999, 513)

The benchmarking process includes methods of planning the study, collecting data, analyzing data and improvements. The process focuses more on company strategic objectives, competences and also weaknesses. The process document company information with competitor to figure out the competitor's capabilities and threats to your company. The documented information gathered from competition will be used as a guideline to make questionnaires which will manage to answer questions on how you can do better than competitor. In such a way, competitors will not imitate you as well. This demands resources

and will fail unless there is commitment from management to implement changes arising from the outcome. The only serious disadvantage of the process is that it can result in copying others rather than being innovative. (Jewell 2000, 448)

Collected responses from questionnaire will be a base to gather secondary information from competing partners. The information will then demands reviewing and critical analysis in order to determine strategy a company can take which will be unique and not easy to be duplicated with rival companies. The next approach will be to differentiate gap between your performance and what the rivals are doing in market. More importantly, it will become clear that only comparison and understanding of best practice of industry or leading leaders will ensure superiority. Then, to incorporate best, one has to learn from industry leaders and competition. If they are strong in some fields, discover why they are and reach that target. Therefore, finding those best practices and copying, modifying and incorporating them in operation are essential. If careful best practices have been installed, then a capitalization on existing strength, considered weaknesses to match market place are the essential considerations to be best (Camp 1989, 4)

Thomas Meikles needs effective marketing strategies to be competitive in market. The analysis of benchmark compares case study Company with different rival companies in retail sector. The comparison of Thomas Meikles and other companies will be on how other companies source their commodities and means of distribution from suppliers. It will emphasize more on prices of those commodities since supplier might be quite far from consumer market. Kotler (2004) defined competitors as all firms making the same product or class of products. The analysis and comparison of Thomas Meikles and other rival companies will enable to position itself in Zimbabwe`s challenging economy. The competitors of Thomas Meikles retail are those retail outlets which are satisfying same customer need or build relationships with the same customer group. From a marketing point of view, other rival companies are managing to supply all scarce commodities in market even though economic situation is very challenging and unfavorable. Benchmarking rival outlets can be a possible way that can be used to improve its strategies in retail business. This is based on fact that Thomas Meikles will conduct a research to find out how and where they are sourcing commodities. Kotler (2004, 567)

4.2 Company Strengths, Weaknesses, Opportunities, Threats (SWOT Analysis)

Strengths, weaknesses, opportunities and threats (Swot) analysis is a tool for auditing an organization and its environment. It is first stage of planning and helps marketers to focus on key issues. It involves identifying internal and external factors that are favorable for business to succeed. It can be used for developing an understanding of Thomas supermarket`s

strategic decision making for all sorts of situations in business. The analysis will provide a good framework for reviewing strategic position and decision of a company. The analysis is used to analyze or reveal company's competitive advantage as well as analyzing prospects for sales, profitability and product development. In the situation of Thomas Meikles, SWOT is there to prepare company to overcome economical problems of Zimbabwe. The Strengths, weaknesses, opportunities and threats(Swot) analysis is a process to identify where Thomas Meikles is strong and vulnerable and where it should depend and attack. SWOT analysis is only used as a guide and not a prescription. So it is of great advantage to change those negative weaknesses and threats to positive and to improve those competitive to your optimum potential. (www.rapidbio.com)

The reason for applying Swot analysis is that it provides an evolution of change and growth examining a firm's highs and lows. The strengths examine potential factors of firm that yields to benefit and profits. Weaknesses examine vulnerabilities to threats and risks. Threats are risks that can be derived both internally and externally thereby causing a concern to smooth flow of business. Finally, applying Swot analysis enables to examine growth and maturation of Thomas Meikles. (www.rapidbio.com)

This section discusses factors that impact Thomas Meikles strengths, weaknesses, opportunities and threats. Figure 1 presents factors that impact the Swot analysis.

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Well formulated corporation strategies • Location: Central business district • Diverse products 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • No established website • Poor customer relationship • Poor network with clients
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Potential to increase sales • High market share 	<p>THREATS</p> <ul style="list-style-type: none"> • Competition from rival companies • Introduction of new products into market • Price wars with Zimbabwean Government • Supply shortages in Zimbabwean market • Inflation and unemployment

Figure 1 Swot analysis of Thomas Meikles Supermarket. (www.wikiswot.com)

4.3 Current Challenges

4.3.1 Strengths

Thomas Meikles supermarket has well developed strategies which have been formulated from parent company (Thomas Meikles Limited) which has and still use those operations. The corporation strategies are always followed and are realized as promises to be fulfilled to consumers. The case study (Thomas Meikles) has a competitive advantage because it is located in central business district where many residents do their grocery shopping. That advantage creates high sales for the outlet as well as high profits. There are diverse products in shop from grocery consumable products, videos, stationery and a large variety of other products including clothing which contributes to majority of sales. (www.wikiswot.com)

4.3.2 Weaknesses

The company is operating without a well established website to promote its products. The functionality of website is a great advantage to attract many customers through promotions. This is based on fact that company will promote its products easily with low costs. From questionnaires compiled by researcher, it has been noted that company is not aware of how important it is to build strong customer relationship with their suppliers. From observations made, it was realized that network of Thomas Meikles and suppliers is not all that good. (www.wikiswot.com)

4.3.3 Opportunities

The company has high potential to increase sales if supplies of commodities are well maintained. The company has high market share in central business district. The outlet uses variety of advertising to monitor customer behavior including print media and television. It offers advertising campaigns to reach customers. (www.wikiswot.com)

4.3.4 Threats

The current challenges faced by Thomas Meikles are classified as threats include competition from rival companies, supply shortages and costs of logistics complexities. A lot of new products are being introduced into market which leads to new challenges. Despite competition from rival companies, price wars are now a normal problem happening in Zimbabwe between Government and retail outlet (Thomas Meikles). The Government is always

trying to regulate prices below expected prices by retail outlet. This causes retail outlets to stop selling those products because there will be no positive return. Moreover, Zimbabwean economy has high inflation which is a threat for retail business as price increases on daily basis. Changing of prices and updating of financial statements on regular basis increases company labor costs. (www.wikiswot.com)

Thomas` future seems promising although it is losing a lot of sales because of current shortages in retail industry. The long term opportunities lie in its ability to track big suppliers as well as analyzing customer behavior patterns when they introduce foreign commodities. Their customer base has reduced because of scarce commodities in market. Despite this, their current business lies in networking with new suppliers to maintain stock. (www.wikiswot.com)

4.4 Qualitative Data Analysis

4.4.1 Analysis of Demographic Data

The demographic data on Thomas Meikles shows that the mean experience of the workers has been almost six years. The mean experience of the employees concludes that the normal distribution curve of the service experience has been more productive when the Zimbabwe economy was vibrant compared to the year 2006 and 2007. The workers helping with the research can be a good base to give reliable evidence on the economic chaos. The managers of Thomas Meikles have been used as the control factor to determine different determinants affecting the smooth business operations and managing of this retail outlet. The managers of Thomas Meikles have experience in the business from the period the retail started to operate. Their responses show that the managers are actively involved in the retail business operations.

4.4.2 Analysis of Managers' Description

The research findings revealed that Thomas Meikles had all the overall functions or roles expected in a business operating company. The integration of departments shows that the objectives, mission and the vision are well focused despite the harsh economic conditions prevailing in the Zimbabwe economy. The functions or roles of the departmental managers above serves the roles expected in a company. It is assumed that Zimbabwe is under chaos, but you still find that the departmental managers strive hard with constant research of suitable products for the market under the economic crisis. This tries to illustrate that when the economy is bad in a country, marketers tend to find commodities which are affordable and suitable for that environment. The roles of the departments interlink and the personnel

department is determined as the integrator of all the employees within different departments of the organization.

4.4.3 Coordination of Different Departments in Thomas Meikles Supermarket

The research findings show that communication is the main factor to integrate different departments of the organization. The communication of Thomas Meikles workers is flexible as the workers can communicate with each other on lateral, vertical and diagonal communication style. In addition, person to person is also another mode of communication used in this company.

4.4.4 Analysis of Solutions to Retail Problems

All the problems which happened in this retail shop can be solved by production shop workers, departmental managers and superiors. The company delegates duties according to the occupational level of the person in the company. From the researcher's point of view, every worker in this organisation has a role to play functional management of Thomas Meikles. The complicated tasks are reported to the management level.

The Zimbabwean dollar has been on a major decline against major currencies over the past two years of 2006 and 2007. This has increased the price of fuel, the key cost in production, to Z\$50 million a liter (approximately \$US1). The parallel market is now being the major source of foreign currency; companies have to adjust their prices according to the black market rate in order to remain viable. The Zimbabwean economy is losing trillions of dollars through power outages, which had intensified. The effects have been felt more on those products that depend on refrigeration. There are fears that escalating power cuts could significantly affect prospects for growth in the economy. Industrialists are already facing other problems such as foreign currency and spares shortages, fuel and labour shortages.

Inflation leads to two basic problems. First, many of the historical figures appearing on financial statements are not economically relevant because prices have changed since they were incurred. Secondly, since the figures on financial statements represent dollars estimated at different points of time and, in turn, embody different amounts of purchasing power, they do not balance.

A fixed exchange rate and shortage of foreign currency are the causes that are preventing Zimbabwe from increasing its exports and boosting its economy. With foreign currency available on the black market at four times the official exchange rate, exports have almost seized. The distortion of the exchange rate was a problem that needed to be addressed. The

industries in the nation are facing hardships in the form of a high inflation rate fuel shortages, and recurrent supply power and water cut. Since the central bank tightened exchange controls to halt the currency accessibility, the currency has been selling at Z\$101,195 against the U.S. dollar, the rate at which exporters are declaring their earnings to the central bank. Foreign currency shortages are forcing exporters to source foreign currency for key imports on the illegal parallel market.

Thomas Meikles is always out of stock since producers have nothing to supply .Inflationary pressure is causing prices to rise everyday to such an extent that consumers can not afford. Transportation of commodities from the supplier is one of the major problems as Thomas Meikles do not have foreign exchange to buy fuel.

There are high transactional costs due to the hyperinflation in Zimbabwe, prices are adjusted almost every day .The personnel adjusts the prices need to be paid .It affects the company's focused financial statements as prices fluctuate every day. This means that costs can only be determined but cannot determine your returns. The company is always reviewing the salary of the workers as their salaries are affected by hyperinflation. All in all, the company is makes loss as its costs (personnel) will increase when the revenue realized is being reduced by inflation. The mix of business and politics in the economy of Zimbabwe is the major contributory factor to the economic chaos.

Thomas Meikles has severe difficulties to source fuel for logistic operations, foreign currency to buy the commodities (inputs) as well as continuous power shortages in the country causing perishable commodities to contaminate. Even if companies need to use generators, the diesel and petrol are still a scarcity in the country as a whole. The Mozambican power utility has stopped supplies due to the non-payment of USD 26 million and Zimbabwe now only produces 1000 megawatts, about half of what it used to a few years ago. (<http://www.fingaz.co.zw/>)

4.4.5 Analysis of Challenges in Thomas Meikles Supermarket

As the economy problems continue, Thomas Meikles will have no option other than downsizing its operations. Many of the staff will lose their occupation since this problem has been persisting for more than five years. Some of the workers are no longer waiting to be lose their occupation, but do migrate for better opportunities in African region and the Western world .This is why Zimbabwe is losing many intellectual citizens in the country.

Foreign currency shortage is forcing exporters to source foreign currency for key imports on the illegal parallel market. This has lead to great loss to the government as there is no revenue gain to the government. As the citizens partake in the illegal parallel market, the

government loses commission revenue as there is no tax collection on illegal business. Individuals are now opting to keep funds in foreign currency in their homes. So the government and the banks are no longer gaining any commission but citizens are only transacting illegal business at a personal gain. The banks have been sidelined as the citizens of Zimbabwe have no confidence to bank their funds because of the prevailing inflation. So the banks` sustainability has been reduced as the banks can no longer charge commission and gain bank fees from customers. So with fact mentioned above, it means that the company will charge high interest to those who are going to borrow bank funds. This has caused the Thomas Meikles supermarket to pay back high interest returns on the loans borrowed.

The research analysis concludes that foreign currency is the central problem or challenge of the economy of Zimbabwe since there are no exports to gain currency to boost the economy. From the background of this study, the researcher illustrated that Zimbabwe is a country based on agriculture and minerals. Unfortunately, the agriculture and mineral industries are not contributing to the economy at all because of under utilization. This means that there is less to export.

4.4.6 Outsourcing Commodities (South Africa and Botswana to Zimbabwe)

Thomas Meikles supermarket is adjusting retail prices in proportion to the prevailing rate of inflation. This has been the main objective by the retail outlet in order to breakeven hoping for better economy in Zimbabwe. Thomas Meikles had tried by all means to price their commodities with the prevailing inflation percentages on the market. In addition, the retail shop is now more concerned with supplying profitable goods as well as selling its own brands as they are cheaper compared to suppliers` brands. The company can also source some commodities from the neighbouring country (South Africa) as well as specialising some goods which have good return as well as high demand. The ultimate solution for Thomas Meikles is outsourcing as well as bulk buying from local suppliers.

4.4.7 Analysis of Economic Chaos

It seems that outsourcing is the ultimate solution and bulk buying from the local suppliers when they (the local suppliers) have stock. The prices are of parallel market since the government is not offering any currency to the company under study. The company is now sourcing its currency at the parallel market rate that is why prices have increased.

4.4.8 Analysis of Responses

Thomas Meikles Supermarket has adjusted its trade to a free enterprise system. This means that when the cost of production increases, the company adjusts accordingly to make profit. As inflation is rising at a high rate, Thomas Meikles supermarket adjusts its prices in relation to the inflation rate. The researcher can draw a conclusion that Thomas Meikles supermarket is now a high pricing policy.

Merging with foreign retail supermarkets will maintain Thomas Meikles in the market because it will be easier to source products from neighboring countries. The retail problems can be resolved if the economy reforms are analyzed from the ruling government. The Government should reduce tax charges on the civil and private sector of Zimbabwe. The hyperinflation and inability of Financial Ministry and Reserve Bank of Zimbabwe to resolve economy chaos will contribute to a rapid hyperinflation and economy chaos. Salary workers are now paying executive rates of tax, reducing their disposable income. This further affects spending patterns and buying behaviour as more and more pay packages are now spent on basic essentials such as food, housing and transporting. Tax reduction will enhance the consumer disposable income and consumers can manage to spend more. Economy reforms might bring confidence in the economy. It would be a good suggestion also to devalue the Zimbabwean dollar against United States dollar. This will enhance import and export transactions since the foreign currency is only sourced on the expensive parallel market as compared to the official rates.

4.4.9 Analysis of Investments and International Relations

The researcher realised that good relations with the international community can bring confidence in the economy. In addition, economy reforms such as devaluation of the dollar to United States dollar can help export earnings to the country. Government should reduce the tax charges on the civil and private sector of Zimbabwe. This will help to boost the consumers' purchasing power.

The producers are not following the distribution channel; the producers are now bypassing the chain stores to maximize their profits as the suppliers will be selling directly to consumers. There is also shortage of foreign currency in the banks to source commodities from the producer. The suppliers' quality of product has been reduced as they do not have adequate inputs.

4.4.10 Analysis of Sourcing Products from Producers

Foreign currency shortage is forcing exporters to source foreign currency for key imports on the illegal parallel market. This has led to a great loss to the government as there is no

revenue gain to the government. With foreign currency available on the black market at four times the official exchange rate; exports have been reduced. The distortion of the exchange rate was a problem that needed to be addressed. In the mean time, industries in the nation are facing hardships in the form of a high inflation rate, fuel, supply of power and water shortages.

Disparities in pricing from the cost of services to cost of goods on the shelves continue to widen and this in itself generates another parallel economy as opportunists tend to exploit the situation.

The Zimbabwean producers are withholding the commodities anticipating higher prices in the market. In some circumstances, producers are now bypassing the retail outlets such as Thomas Meikles selling their products to general consumers.

Thomas Meikles has to stock excess non perishable commodities and maintaining a good and solid business relationship to many suppliers so that it can acquire many commodities. At present, Thomas Meikles is not affording to reserve buffer stock. The only reliable suppliers are from neighboring countries such as South Africa and Botswana, but the suppliers in question demand foreign currency, which the problem is prevailing in Zimbabwe.

Thomas Meikles can establish online retail selling targeting Zimbabweans abroad as well as citizens living in Zimbabwe. Online sales will be paid with different currency such as the euro, United States dollar and the British pound. This can create an opportunity to sustain the outlet in business because it opportunities for the Thomas Meikles to procure commodities in South Africa knowing that they can charge it in foreign currency. Selling or marketing Thomas Meikles own brand can create a marketing edge for the company since the suppliers' brands are expensive.

Full supply of essential materials in the retail industry such as the power supply, fuel supply and foreign currency accessibility can help to boost the economy. Without good trade relations with the world, the challenges of Zimbabwe and the retail industry will take time to be resolved. So it would be a good suggestion if the problem should be solved from the ruling Government where all the economy policies of Zimbabwe need to be reviewed, that is the fiscal policy, monetary policy and foreign currency supply. Equating of the Zimbabwe dollar to the South African rand, happened between South Africa and Namibia is another possible option.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Self Assessment of the Research Work of the Economy of Zimbabwe

This section summarizes the discussions and conclusions basing on the empirical findings and conclusions drawn. From the researcher's point of view, it has been realized that political problems of Zimbabwe have superseded the retail problems of the case company under study(Thomas Meikles supermarket).Therefore, the researcher has found it necessary to analyze the political and economy policies of Zimbabwe as a priority to enhance the success of the country .Otherwise, it is unnecessary to continue researching the economic chaos of the case company under study without solving the major determinants of the economic chaos. In conclusion, the researcher would say that the case company problems are not the major factors of economic chaos. The problem has been caused or contributed by the Government of Zimbabwe. Hence, the researcher has to analyze political issues as a concern before economy problems.

The fact that the public view the Government as having no credibility with regards to reduce inflation, as evidenced by the Government's action of money printing and unjustified expenditure increases mean that the real hyperinflation is yet to start.

It can be argued that Government's intention of protecting general consumers through controlled market/consumer prices has caused economy tension in most production industries, especially food sector as the prices have been below production costs, resulting in some companies reducing production, reducing quality or diverting production to other related goods (for instance, instead of producing normal flour which has controlled price, bakery companies are producing cake flour with uncontrolled price). These production problems have resulted in shortages of some basic commodities, leading to hyperinflation.

The research can draw one important conclusion from the fact that Zimbabwe`s currency can be replaced with new currency to reduce inflation. The continuous increase of inflation seems in itself, a sufficient condition for ending hyperinflation either through a successful currency reform or through currency stabilization. It follows that the success of the currency reform does not yet imply an end of economic chaos. The currency reform reduces political pressures, labor unrest and strikes to change the monetary and fiscal policies which were so successful in fighting inflation (Siklos 1995, 248).When there is a stable currency in the country of Zimbabwe, citizens will not continue queuing for basic commodities as well as striking for price reductions. The money which will be circulating will be of value to buy essential basic commodities. The objectives of the reforms can only be achieved by institutional changes preventing political majorities and new presidents from altering economic policies and property rights. There are institutions which could be used to attain such stability. One would be an independent central bank required by law to follow a sound

monetary policy , for example constitution requirements forbidding fiscal deficits , exchange controls and the expropriation of private property without due compensation in stable money.

It has been statistically analyzed by the authors of economics such as Parkin and others that more than 99 percent of all the successful hyperinflation stabilization programs that were instituted by once hyperinflationary countries such as Germany, Hungary, China, Greece, Georgia, Bolivia, Angola and Taiwan, to mention a few countries, money supply reduction was one of the major actions. In most of these case studies, stabilization programs gave monetary authorities (i.e., central banks) autonomy such that, on the first day of implementation of stabilization program, central bank could announce its immediate withdrawal of government deficit financing by means of money printing. The fact that stabilization programs succeeded in almost all countries where it was fully implemented means that Zimbabwe can also implement that if the authorities are seriously committed to terminating hyperinflation.

5.2 Summary of Findings

The study focuses on examining the economic chaos and the methods which can be used to implement the success of Thomas Meikles supermarket in the retail business. The empirical research involved five managers who were involved in the study and for the purpose of the study. The data was collected through questionnaires and was analyzed and interpreted using quantitative and qualitative analysis. The outcomes of the questionnaires were used as the bases to draw the conclusions which have been explained in the text below.

The summary findings are to find solutions to copy and survive in such an economic chaos. The findings also determine the challenges being faced in the managing of Thomas Meikles Supermarket. In addition, summary of findings investigate any future suggestions needed for the economy as well as to solve retail problems in Thomas Meikles supermarket

In the first objective mentioned above, the research revealed that Thomas Meikles supermarket needs to have full supply of essential materials in retail industry to boost the Zimbabwe`s economy. Without all necessities such as fuel and foreign currency, the economy worsens and the inflation will increase. The research found out that all essentials can be easily accessible only when the Government of Zimbabwe creates good relations with international community .This will enhance support from the International monetary fund and World Bank. If all these essentials are in place the Ministry of Finance and the Governor of the Reserve Bank of Zimbabwe will be given autonomy for the monetary decision making policy as well as the fiscal and foreign currency supply.

The economy challenges in Thomas Meikles are the shortage of foreign currency and the fixed exchange rate of the United States dollar to the Zimbabwean dollar. This has prevented the country from boosting its exports and the economy at large. The foreign currency can only be accessible on parallel market at triple times or more the official exchange rate. This has distorted the exchange rate and the impact affected industries as they are now buying fuel and the foreign currency at expensive rates. Thomas Meikles supermarket cannot compete in retail industry with such unstable economy.

The study also revealed that Thomas Meikles supermarket operates under the regulatory rules of the Government. The Government has price controls on all retail commodities causing the company under study to make severe losses or else to stop functioning in retail industry. This regulatory measure is not conducive for Zimbabwean economy in the sense that it does not attract retail companies from operating since retail outlets are sourcing their commodities with currency sourced on parallel market. The Government needs to establish a private enterprise system in order to maintain the operations. In addition, the Government has no right to regulate the prices in the retail industry. The prices have to be done through demand and supply factors in the economy. It has been found that economy operations of Thomas Meikles should not be influenced by politics. If such a condition continues without any control, many retail shops such as Thomas Meikles will stop operating in the retail industry.

The findings from the questionnaire suggested that Thomas Meikles supermarket has to price its commodities in foreign currency such as the South African rand or the United States dollar. This will help retail operations to continue as well as supplying all the needed commodities on the market. It has been revealed that the charging of commodities in foreign currency will encourage many retailers to remain in business as the retailers will make profit as well as reducing inflation. Without that in place, many retail shops are forced to close and the shortage of commodities in the market will still continue.

5.3 Recommendations

Based on the findings and conclusions, the recommendations below are proposed as possible measures for the success of Thomas Meikles supermarket. The careful use of fiscal policy can make the economy more stable than it would otherwise be. The simple policy recommendations constructed from the research analysis questionnaire are also in correspondence to the policies involved to reducing money supply. Thus, as has been shown, money supply has effect on hyperinflation trend in Zimbabwe and as such its decline will result in reduction in hyperinflation rate. Zimbabwe's authorities needs to seriously control monetary supply in order to reduce hyperinflation. Although such an action may result in Government failing to meet some of its expenditures, the Reserve Bank of Zimbabwe need to

stop financing the government deficits through money printing as it has been doing in recent years. The Government can reduce the severity of its deficit and expenditures if it can take a serious initiative to reduce some of its enlarged expenditure outlay. Otherwise, any failure to reduce money supply will increase inflation. The theoretical relationship between money supply and hyperinflation has shown that reduction of money supply as a prerequisite.

Merging with foreign stores will maintain Thomas Meikles in market because it will be easier to source products from foreign stores in neighboring countries. The merging will facilitate currency solutions to Thomas Meikles as well as enough supply of retail commodities in market. In addition, it creates a competitive edge to Thomas supermarket in a way that will definitely out compete other competitors in market. A full supply of all those scarcity commodities will mean that sales of company under study will increase in a way that turnover and profits will be so high.

The research found out that all essentials can be easily accessible only when Government of Zimbabwe creates good relations with international community .This will enhance support from the International monetary fund and World Bank. If all these essentials are in place the Ministry of Finance and the Governor of the Reserve Bank of Zimbabwe will be given autonomy for the monetary decision making policy as well as the fiscal and foreign currency supply. In addition, Thomas supermarket will have accessibility to bank loan.

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Appendices

Interview

S., Moyo 2007. Telephone interview with the human resource manager 1.9.2008

APPENDICES

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QUESTIONNAIRE 1

This Questionnaire was designed by Voyage Mabuto, a Zimbabwean nationality who is pursuing his Business Management and Administration degree majoring in marketing in Finland at the Laurea University of Applied Sciences. It has been of my interest to do my thesis pertaining to my country's problems because I have hope and vision that my contributions will make a better Zimbabwe. So your time and effort to fill this questionnaire will make my research a success.

This questionnaire serves to analyze the economic chaos in the retail chain store in Zimbabwe (Thomas Meikles). The analysis and the respondents' answers will facilitate this research to bring some valid solutions to this chaos. This questionnaire will be forwarded to different departments of Thomas Meikles, namely, Purchasing, Marketing, Merchandising, Accounting and the Personnel department to get different views from the functional managers.

Please take a moment to fill in the following form and send it to me by email.

Your honest answers will help me to prepare an analysis and a report.

All your answers will be treated in confidence.

Accounting Manager

For how long have you been employed with Thomas Meikles Supermarket?

4years

What are your roles /functions in your department?

Handling all the financial statements of Thomas Meikles

How do you coordinate your department with other functional departments?

Communication is the key

How do you normally solve retail business problems in your company?

Channel the problems to my superior

What are the challenges that you are facing in the managing of Thomas Meikles?

The Zimbabwean dollar has been on a major slide against major currencies over the past two months. This has pushed the price of fuel, the key cost in production, to \$50 million a liter.

With the parallel market now being the major source of foreign currency, it means companies

have to adjust their prices according to the black market rate in order to remain viable. The Zimbabwean economy is losing trillions of dollars through power outages, which has intensified. The effects have been felt more on those products that depend on refrigeration. There are fears that the escalating power cuts could significantly militate against prospects for growth in the beleaguered economy.

Industrialists are already suffering from other problems such as foreign currency and spares shortages, fuel and massive brain drain.

Misleading reporting under hyperinflation, inflation leads to two basic problems. First, many of the historical numbers appearing on financial statements are not economically relevant because prices have changed since they were incurred. Second, since the numbers on financial statements represent dollars expended at different points of time and, in turn, embody different amounts of purchasing power, they are simply not additive. Hence, adding cash of \$10,000 held on December 31, 2002, with \$10,000 representing the cost of land acquired in 1955 (when the price level was significantly lower) is a dubious operation because of the significantly different amount of purchasing power represented by the two numbers

How are you managing to survive and compete in such a harsh economy?

Means companies have to adjust their prices according to the black market rate to remain viable.

What kind of pricing policies are you applying on your products as we understand that inflation is hitting everyday?

As I said before, we have to adjust on what is happening on the parallel market as well as the inflation rate at that moment.

What are your future suggestions as the Functional Manager of Thomas Meikles?

International relations with International Monetary Fund

A core responsibility of the IMF is to provide loans to countries experiencing balance of payments problems. This financial assistance enables countries to rebuild their international reserves; stabilize their currencies; continue paying for imports; and restore conditions for strong economic growth. So why is Zimbabwe suffering itself anyway?

What are the difficulties in sourcing and buying products from producers in Zimbabwe?

Fuel and foreign shortages

How are you managing to meet the challenges of maintaining stock in your chain store?

Outsourcing is the only option

Can you elaborate any marketing techniques you have in place in comparison to your competitors?

Selling out Thomas Meikles brands is now more affordable to the customers

What are your solutions to copy and survive in such an economic chaos?

Relations with the rest of the world would change Zimbabwe to be a better place.

Good governance brings confidence to the economy and encourages investment to the country

Country `s currency should be revised in such a way that it equates to the South African currency (rand)

The Reserve Bank of Zimbabwe has to stop the financing of the Government through money printing

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Other Comments or suggestions

Comments & Suggestions for the future business turn around of the Zimbabwe retail industry.

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Thank you for your time. I really appreciate your help. Have a good day ☺

Best Regards, Voyage Mabuto

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QUESTIONNAIRE 2

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Please take a moment to fill in the following form and send it to me by email.

Your honest answers will help me to prepare an analysis and a report.

All your answers will be treated in confidence.

Marketing manager

For how long have you been employed at Thomas Meikles Supermarket?

Working for 8years now

What are your roles /functions in your department?

Promotions (road show campaigns)

Advertising

Marketing research of new products as well as launching new products

How do you coordinate your department with other functional departments?

Source the commodities they need, then we do a marketing research to plan for the stocking of those commodities

How do you normally solve retail business problems in your company?

Communicating with consumers when we do promotions to know the problems they face.

Then we forward to the marketing director

What are the challenges that you are facing in the managing of Thomas Meikles?

High transactional costs Due to the hyperinflation hitting Zimbabwe, prices are adjusted almost everyday .Personnel who do that job need to be paid .It derails the company focused financial statements as the prices fluctuate every day , this means that you can only determine your costs but you can not determine your returns. The company is always reviewing the salary of the workers as their salaries are hit by hyperinflation. All in all, the company is left to suffer as its costs (personnel) will shoot up when the revenue realized is being hit by inflation. The mix of business and politics is the major factor ruining the economy of Zimbabwe. That political influence is causing cash shortage and the creeping of the economy of Zimbabwe

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How are you managing to survive and compete in such a harsh economy?

Source some commodities from the neighboring country (South Africa) as well as specializing on some goods which do not have good return as well as high demand

What kind of pricing policies are you applying on your products as we understand that inflation is hitting everyday?

Adopting free enterprise system and do pricing which covers our costs to gain revenue

What are your future suggestions as the Functional Manager of Thomas Meikles?

Government should reduce the tax charges on the civil and private sector of Zimbabwe .Because of the hyperinflation and inability of Ministry and Reserve bank of Zimbabwe to cope, most salary workers are now paying executive rates of tax, drastically reducing their disposable income. This further affects spending patterns and behavior as more and more of the pay packages is now spent on bare essentials such as food, housing and transport. In my own opinion, tax reduction will enhance the consumer disposable income and they can manage to spend more

What are the difficulties in sourcing and buying products from producers in Zimbabwe?

Disparities in pricing across the spectrum, from the cost of services to cost of goods on the shelves continue to widen and this in itself, generates another parallel economy as opportunist pounce to exploit the situation. A local economist predicts that the USD will be placed in the region of 100 million to 1 in June 2008.

How are you managing to meet the challenges of maintaining stock in your chain store?

The company is not managing it at all

Can you elaborate any marketing techniques you have in place in comparison to your competitors?

Selling or marketing our own brand can create a marketing edge for our company since the suppliers' brands are pretty expensive at the moment. Massive advertising on commodities on demand

What are your solutions to copy and survive in such an economic chaos?

Full supply of essential materials in the industry such as the power supply, fuel supply and foreign accessibility without good relations with the world, the challenges of Zimbabwe and the retail industry will never be met. So I suggest the problem should be solved from the super authority Government to the essential Ministry such as finance where all the economical policies of Zimbabwe need to be reviewed, that is the fiscal policy, monetary policy and foreign supply

Other Comments or suggestions

Comments & Suggestions for the future business turn around of the Zimbabwe retail industry.

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Thank you for your time. I really appreciate your help. Have a good day ☺

Best Regards, Voyage Mabuto

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QUESTIONNAIRE 3

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Your honest answers will help me to prepare an analysis and a report.

All your answers will be treated in confidence.

Personnel Manager

For how long have you been employed with Thomas Meikles Supermarket?

Seven years

What are your roles /functions in your department?

Employee welfare

How do you coordinate your department with other functional departments?

Upward, downward and lateral communication

How do you normally solve retail business problems in your company?

Forward them to the superior bosses

What are the challenges that you are facing in the managing of Thomas Meikles?

A fixed exchange rate and a sharp shortage of foreign currency are the stumbling blocks that are preventing Zimbabwe from increasing its exports and boosting its economy. With foreign currency being available on the black market at four times the official exchange rate, exports have almost come to a total stop. The distortion of the exchange rate was a problem that needed to be addressed. In the mean time, industries in the nation are facing hardships in the form of a high inflation rate fuel shortages, and recurrent cuts in the supply of power and water

Since the central bank tightened exchange controls in January to halt the unit's freefall, the currency has been held steady at 101,195 against the U.S. dollar, the rate at which exporters are forced to surrender their earnings to the central bank. But a crippling foreign currency

crunch is forcing exporters to source foreign currency for key imports on the illegal parallel market.

How are you managing to survive and compete in such a harsh economy?

Difficult to survive as there is high labor turnover, boycotting and strikes which reduces the productivity in the retail sector

What kind of pricing policies are you applying on your products as we understand that inflation is hitting everyday?

High pricing policy

What are your future suggestions as the Functional Manager of Thomas Meikles?

No price controls in the economy

No interference of the government with the politics to the retail sector

What are the difficulties in sourcing and buying products from producers in Zimbabwe?

Foreign scarcity

Fuel and power shortage

How are you managing to meet the challenges of maintaining stock in your chain store?

Difficult to maintain it at all

Can you elaborate any marketing techniques you have in place in comparison to your competitors?

Recruiting students on vacations, and this has enabled our company to reduce a lot of personnel costs such as the benefits (pensions to the full time worker). We always train students now and then to manage our shop floor management. This is a strategy to reduce personnel costs so as to realize more profit

What are your solutions to cope and survive in such an economic chaos?

Reduce money supply in the economy

Reserve Bank of Zimbabwe governor should be given autonomy to exercise his position without the interference of the government to print more money

Other Comments or suggestions

Comments & Suggestions for the future business turn around of the Zimbabwe retail industry.

Taking of office by the new government as well as improving of the political right across the spectrum

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Thank you for your time. I really appreciate your help. Have a good day ☺

Best Regards, Voyage Mabuto

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QUESTIONNAIRE 4

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Your honest answers will help me to prepare an analysis and a report.

All your answers will be treated in confidence.

Merchandising Manager

For how long have you been employed with Thomas Meikles Supermarket?

Ten years now, have been working as a cashier for the first three years and then promoted to the merchandising supervisor for two years. Now I have been practicing this position for almost five years.

What are your roles /functions in your department?

Outbound sales

How do you coordinate your department with other functional departments?

Upward, downward and lateral communication with shop floor workers, peers as well as the bosses

How do you normally solve retail business problems in your company?

If it is to do with the customer, there is customer service desk meant to resolve all the internal and external problems

What are the challenges that you are facing in the managing of Thomas Meikles?

Thomas Meikles is facing severe difficulties to source fuel for logistic operations; foreign currency to buy inputs as well as continuous power shortage in the country causing perishable

commodities to go bad now and then, even if we need to use generators, the diesel and petrol is still a scarcity in the country as a whole. Massive power outages have wreaked havoc and this is a combination of faults remaining un-repaired for weeks (shortage of spares and foreign and deliberate load shedding. The Mozambican power utility has shut off supplies due to the non-payment of USD 26 million and Zimbabwe now only produces only about 1000 megawatts, about half of what it used to a few years ago.

How are you managing to survive and compete in such a harsh economy?

Outsourcing is the ultimate solution and bulk buying from the local suppliers when there commodities in stock

What kind of pricing policies are you applying on your products as we understand that inflation is hitting everyday?

We do pricing which is proportional to the inflation rate on the market

What are your future suggestions as the Functional Manager of Thomas Meikles?

Economical reforms might bring confidence in the economy .I would suggest also the devaluation of the Zimbabwean dollar to us dollar This will enhance better import and export transactions since the foreign currency is only sourced on the parallel market with high rates as compared to the official market rates

What are the difficulties in sourcing and buying products from producers in Zimbabwe?

Producers are now hoarding commodities expecting that prices will shoot up

How are you managing to meet the challenges of maintaining stock in your chain store?

Thomas Meikles do bilk buying from the local suppliers as well as outsourcing from countries such as South Africa and Botswana

Can you elaborate any marketing techniques you have in place in comparison to your competitors?

Trying to merchandise goods with good return as well as selling our own brand goods such as those named extra commodities

What are your solutions to copy and survive in such an economic chaos?

Change of government

Equating of the Zimbabwe dollar to the South African rand like what happened between South Africa and Namibia

Other Comments or suggestions

Comments & Suggestions for the future business turn around of the Zimbabwe retail industry.

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Thank you for your time. I really appreciate your help. Have a good day ☺
Best Regards, Voyage Mabuto

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QUESTIONNAIRE 5

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Your honest answers will help me to prepare an analysis and a report.

All your answers will be treated in confidence.

Purchasing manager

For how long have you been employed with Thomas Meikles Supermarket?

5years

What are your roles /functions in your department?

Sourcing retail commodities from different suppliers

Maintaining stock in our retail store as well as maintaining good relationship with our suppliers

How do you coordinate your department with other functional departments?

Since our department is there for purchasing as a core business, we are there to communicate with different departments (marketing, merchandising) gathering information of what the market demands since those mentioned departments are the ones that go in the field. From the accounting department, we get feedback of the financial results every three months; the results will be mainly concerned to analyze the profit gained from different products of different suppliers.

How do you normally solve retail business problems in your company?

It depends with the type of the problems, if it is a problem on retail level, that is between our company and the producer. We forward it to the purchasing director who is responsible for those issues. If it is a minor issue, such as wrong product supply from the producer, we follow the normal communication procedures to resolve it.

What are the challenges that you are facing in the managing of Thomas Meikles?

Scarcity of the retail commodities, Thomas Meikles is always out of stock since producers have nothing to supply. Inflationary pressure is hitting our business badly as the prices rise everyday to such an extent that consumers can not cope up. Transportation of commodities from the supplier is one of the major problems as we do not have foreign currency to buy fuel

How are you managing to survive and compete in such a harsh economy?

The company is managing to survive at the moment by outsourcing commodities and tallying their pricing with the prevailing inflation percentages on the market. In addition to that, the company (TM) is now selling more of the goods which has a good return such as their company brands as the suppliers brands such as olive are much more expensive

What kind of pricing policies are you applying on your understand that inflation is hitting everyday?
Pricing according to the inflation rate on the market

QUESTIONNAIRE CONTINUATION

What are your future suggestions as the Functional Manager of Thomas Meikles?

Merging with foreign stores will maintain TM in the market because it will be easier to source products from those countries. It's also a shame to say that nothing can change the retail business problems much except if the economical reforms are done from the top government

What are the difficulties in sourcing and buying products from producers in Zimbabwe?

Supply chain is not flowing as it supposed to be. The producers are now bypassing the chain stores to maximize their profits as the suppliers will be selling direct to the consumers. There is also shortage of foreign the banks to source commodities from the producer. The quality of the products from the suppliers have reduced drastically as they do not have inputs

How are you managing to meet the challenges of maintaining stock in your chain store?

Excess stocking of non perishable commodities and maintaining business relationship to many suppliers so that we can acquire many commodities from them when the producers have commodities

Can you elaborate any marketing techniques you have in place in comparison to your competitors?

Establishing an online retail selling especially targeting the Zimbabweans in Europe. The online sale will be paid in foreign currency. This can sustain the outlet in business because it gives room to procure commodities in South Africa knowing that they can charge in foreign currency

What are your solutions to copy and survive in such an economic chaos?

Thomas Meikles can start an online selling of grocery commodities

The Reserve Bank of Zimbabwe can revise its policies
A free enterprise system needs to be put in place

Other Comments or suggestions

Comments & Suggestions for the future business turn around of the Zimbabwe retail industry.

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Thank you for your time. I really appreciate your help. Have a good day ☺

Best Regards, Voyage Mabuto