The suitability of marketing products over the Internet in South Africa

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By
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CONFIDENTIALITY CLAUSE

31 May 2003

TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

This work is of strategic importance and involves information relating to a real business. The contents of this dissertation must remain confidential and not be circulated for a period of five years.
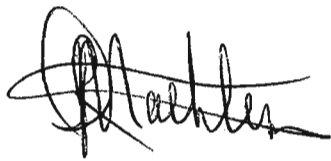
Sincerely,

David Reuben Maehler

DECLARATION

"I David Reuben Maehler, hereby declare that:

➢ The work in this report is my own original work,

➢ All sources used or referred to have been documented and recognised,

➢ This work has not been previously submitted in full or partial fulfilment of the requirements for an equivalent, or higher, qualification at any other recognised educational institution."

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David Reuben Maehler

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- ➢ Finally I would like to thank my dear wife, Nicky and my family for their patience, support and understanding throughout my degree.

EXECUTIVE SUMMARY

Strategy gives an organisation direction. In order to continue successfully into the future, the organisation's strategy must be developed to ensure that the vision is ultimately achieved. Strategy cannot be achieved successfully without an in depth understanding of the internal resources and capabilities of the organisation nor can it be achieved without a deep understanding of the changing external environment. The strategic question of the suitability of marketing products over the Internet in South Africa has been addressed. This study evaluates the Watches Unlimited organisation in relation to the changing environment of the South African economy with specific research into the changing requirements of the new electronic economy (e-conomy). The research covers the theory of strategy bringing to light the requirements of the new e-conomy. A model of strategic suitability has been developed and used to evaluate the internal resources of the Watches Unlimited organisation to the external environment. The evaluation reveals the suitability of the organisation to the changing requirements of the external environment, specifically the Internet, while not loosing sight of the vision, mission and objectives of the organisation. Having understood the requirements of the organisation and the South African external environment, strategic options have been developed to underpin the vision of the organisation. Recommendations have been made and conclusions drawn that will prepare the organisation for the grand strategy of market development.

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CHAPTER ONE – INTRODUCTION

1.1. Introduction to the Study

The proposed study has come about as a result of the changing face of business the world over. Future trends and changes in the external environment have forced many businesses to change strategic direction and explore new avenues and streams of income. South Africa is no exception. For businesses to survive in the new e-conomy they need to explore the opportunities that new markets offer. This study has a strategic focus in trying to unravel and understand the internal resources of an organisation and the external environment in which the organisation operates. Through a process of evaluation the study develops strategic options open to the organisation highlighting areas of strength, weakness, opportunity and threat. The study is exploratory in nature. In order to understand the external environment a survey has been designed and the respondent's information that has been used to provide a descriptive background to the buying habits of South African customers and their willingness to use the Internet as a new marketspace. The study's recommendations have been used to give the management team at Watches Unlimited strategic direction in light of the new e-conomy. In essence the study answers the question of how suitable an organisation is to selling watches via Business-to-Consumer (B2C) e-commerce within the South African environment.

1.2. Background Review

Watches Unlimited is a specialised retail business selling watches, and watches accessories in the South African market. The business up to now has been run strictly as a bricks and mortar business. This study explores the suitability of a change in strategic direction from a traditional bricks and mortar business to a clicks and mortar business in the South African environment. The study explores the rationale for a strategic change in direction. More

specifically the study focuses on the suitability of selling watches over the Internet in South Africa.

Ever since the Internet became an onramp to the super hi-way of e-commerce, businesses have needed to look at the Internet as a new medium for trading. It is a market place that has far less rigor and boundaries than any traditional business could ever have imagined. This is good news for those that understand the possibilities and the key to unlocking its potential as a source of income. Watches Unlimited is no exception and the management need little help being encouraged to explore the possibilities that it holds for the South African environment. Although excited at the prospect of being a first mover in the South African watch market, Watches Unlimited need to understand strategically where they currently are, where they want to be and what they need to do in order to close the gap between the two. How ready is the organisation to tackle the challenges of the Internet? Do the products they sell have a market within the South African e-conomy? Who has the Internet in South Africa and what confidence is there in the e-commerce B2C marketplace in South Africa? Environments need to be analysed and questions need to be answered in order to develop a framework upon which the question of the suitability of selling watches over the internet in South Africa can be answered.

The management at Watches Unlimited will use the research information to make real business decisions and therefore every effort has been made to ensure the confidentiality and accuracy of the results.

1.3. Research Objectives

To identify if there is a requirement for a traditional business to change its' strategic direction from a bricks and mortar business to a clicks and mortar business in the South African e-conomy.

1.4. The Problem Statement

The Internet is driving business in new directions, providing the opportunity to interact with customers and sell products online in the South African market. Should Watches Unlimited change its strategic direction and enter the B2C e-conomy in the South African environment?

1.5. The Research Design & Methodology

The research design and methodology has been structured to cover topics of strategic importance to the Watches Unlimited management team. The focus ensures that the information obtained is used to gauge the suitability of the organisation and its products, to the Internet and the customers in the South African e-conomy.

1.5.1. Sample & Sampling Technique

The research focuses on a sample of the South African population in the Durban area. There are three groups of respondents. The first is a random sample of customers that were willing to participate in the self-administered survey. These customers are people that have been drawn into one of the branches of the Watches Unlimited stores through normal market forces. They have been asked to fill out a self-administered questionnaire. The second group of respondents is a group of MBA students that have been asked to fill in the self-administered questionnaire. The third group of respondents is business executives that have been asked to fill out the questionnaire electronically. The sample has been randomly chosen from a group of executives in the Durban and surrounding areas.

The reason for the three groups of respondents was to capture a fair representation of the population. Group one are current customers that have be found shopping at one or more of the Watches Unlimited stores.

Group two are MBA students who have a relatively high degree of education and fit the profile of current & future professionals.

Group three are current professionals in the Durban and surrounding areas who have access to the Internet.

1.5.2. Method of Data Collection

The study is exploratory in nature. The data has been collected by means of a self-administered survey. Groups one and two have completed the survey on a hard copy. Group three was asked to complete the survey electronically.

1.5.3. Measuring Instrument

A questionnaire was self-administered. The questionnaire was very simple to answer and requested information relating to online shopping in the South African economy. The purpose of the questionnaire has been to extract a true reflection of the changing purchasing requirements of the South African population.

1.5.4. Design & Data Analysis Techniques

Appropriate statistical techniques have been employed to analyse the data. Attention has been paid to descriptive techniques to get a feel for the data and gauge central tendencies.

1.6. Significance / Benefits of the Study

"Should Watches Unlimited sell watches over the Internet in the South African environment?" The study will help the managing directors of Watches Unlimited decide whether or not they should change the company's strategic direction and move from a bricks and mortar business to a clicks and mortar business in the South African e-economy.

1.7. Research Limitations

The research limitations have been stated as it has been impossible, given the scope, limited resource and time constraints, to fully evaluate the suitability of Marketing products over the internet In South Africa without limitations.

1.7.1.Scope

The study has been limited to the Durban metropolitan area. The respondents have been chosen and self-chosen, voluntary in nature. The focus of the study is the watch business in the Durban, South African market. The study is limited to living standard measures (LSM) group 5, 6, 7 and 8. The study does not cover any financial analysis. The study does not cover implementation of the recommended strategic options.

1.7.2. Budget

The budget was set at a R2000.00 excluding the cost of the Researcher, the Watches Unlimited Management and Respondents time and effort.

1.7.3. Research Timeline

The research proposal has been completed. This forms chapter one of the final research dissertation. The research proposal was completed by the seventh of November 2002 and the full dissertation was completed by the sixth of June 2003. For the full project plan, refer to 'Table 1.1. The research project plan' and for the full timeline, refer to 'Figure 1.1. The Gantt chart showing the research tasks and time line'.

Table 1.1. The research project plan

	ⓘ	Task Name	Duration	% Complete	Start	Finish
1	✓	⊟ **Chapter 1**	**28 days**	**100%**	**Tue 10/1/02**	**Thu 11/7/02**
2	✓	☐ Development and design of the proposal	18 days	100%	Tue 10/1/02	Thu 10/24/02
3	✓	☐ Completion of the proposal with supervisors agreement	10 days	100%	Fri 10/25/02	Thu 11/7/02
4		⊟ **Chapter 2**	**24 days**	**0%**	**Wed 2/26/03**	**Mon 3/31/03**
5	▦	☐ Start of the research study	10 days	0%	Wed 2/26/03	Tue 3/11/03
6	▦	☐ Literature Review Documented	14 days	0%	Wed 3/12/03	Mon 3/31/03
7		⊟ **Chapter 3**	**13 days**	**0%**	**Tue 4/1/03**	**Thu 4/17/03**
8	▦	☐ Meet the Watches Unlimited management team and discuss the case study	1 day	0%	Tue 4/1/03	Tue 4/1/03
9	▦	☐ Preliminary data evaluated.	2 days	0%	Wed 4/2/03	Thu 4/3/03
10	▦	☐ Case Study Documented	10 days	0%	Fri 4/4/03	Thu 4/17/03
11		⊟ **Chapter 4**	**24 days**	**0%**	**Mon 4/21/03**	**Wed 5/21/03**
12	▦	☐ Design of the survey	3 days	0%	Mon 4/21/03	Wed 4/23/03
13	▦	☐ Questionnaire finalised.	2 days	0%	Fri 4/25/03	Mon 4/28/03
14	▦	☐ Distribution of the survey to the various respondents	1 day	0%	Thu 5/1/03	Thu 5/1/03
15	▦	☐ Collection of the completed surveys	3 days	0%	Fri 5/2/03	Tue 5/6/03
16	▦	☐ Analysis and interpretation of the data	2 days	0%	Wed 5/7/03	Thu 5/8/03
17	▦	☐ Evaluation documented	10 days	0%	Fri 5/9/03	Wed 5/21/03
18		⊟ **Chapter 5**	**5 days**	**0%**	**Thu 5/22/03**	**Wed 5/28/03**
19	▦	☐ Recommendations and Conclusion Documented	5 days	0%	Thu 5/22/03	Wed 5/28/03
20		⊟ **Finalisation**	**8 days**	**0%**	**Thu 5/29/03**	**Fri 6/6/03**
21	▦	☐ Final draft agreed with supervisor	3 days	0%	Thu 5/29/03	Sat 5/31/03
22	▦	☐ Final draft bound	4 days	0%	Mon 6/2/03	Thu 6/5/03
23	▦	☐ Final draft submitted	1 day	0%	Fri 6/6/03	Fri 6/6/03

Figure 1.1. Gantt chart showing the research tasks and time line.
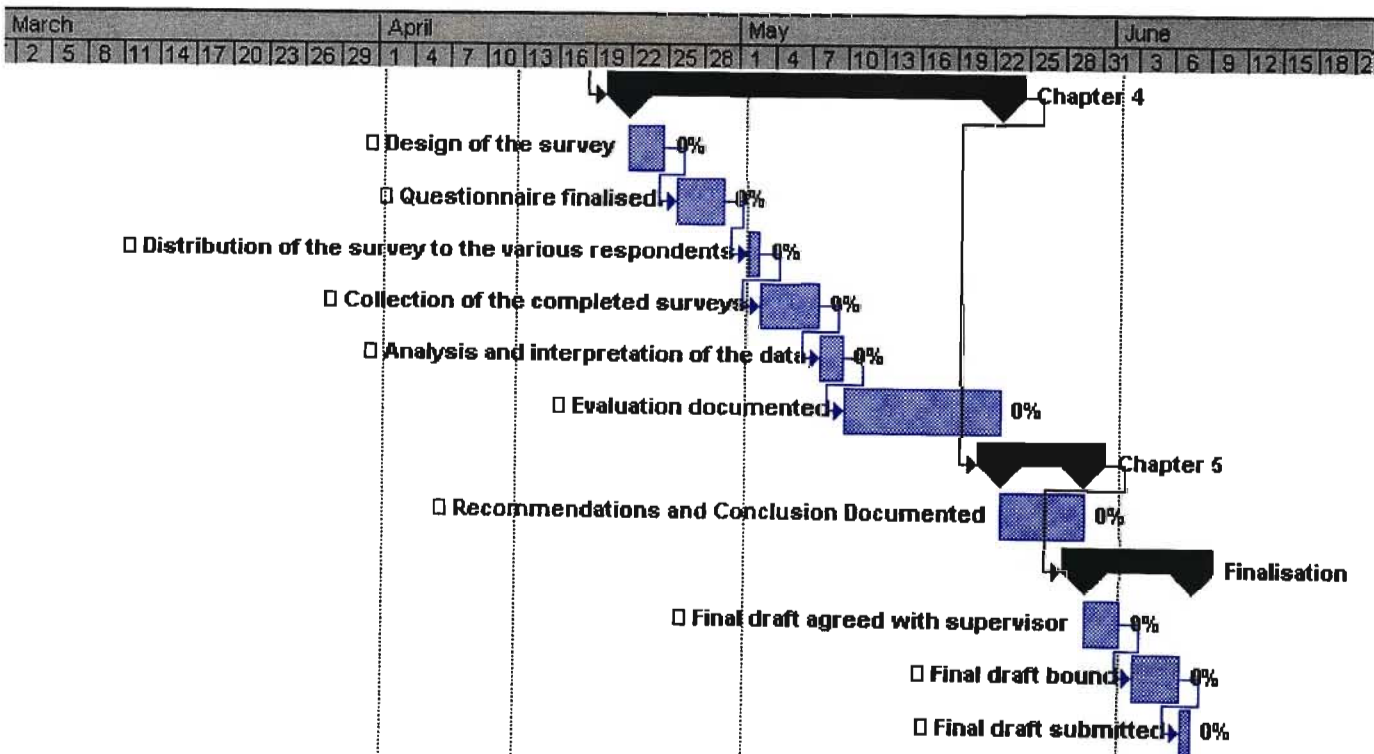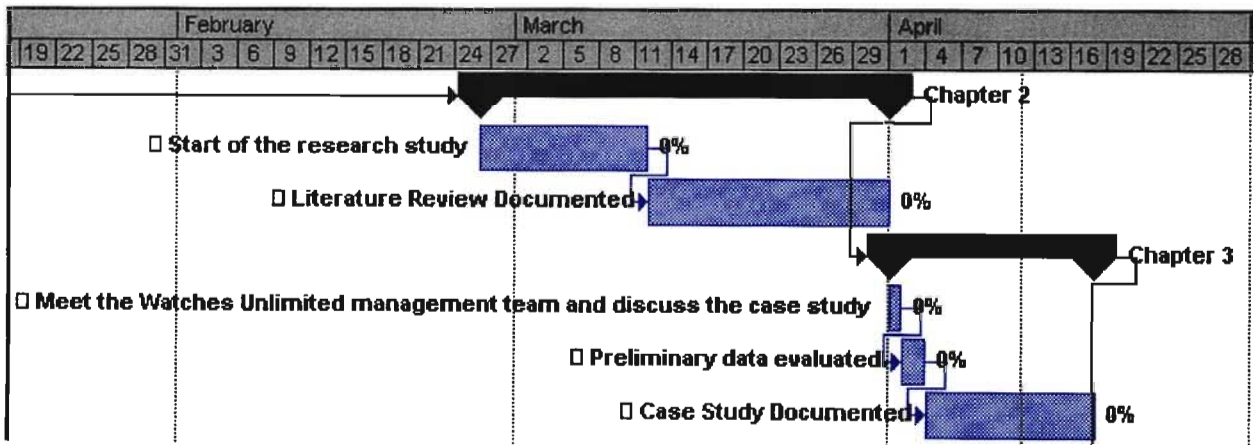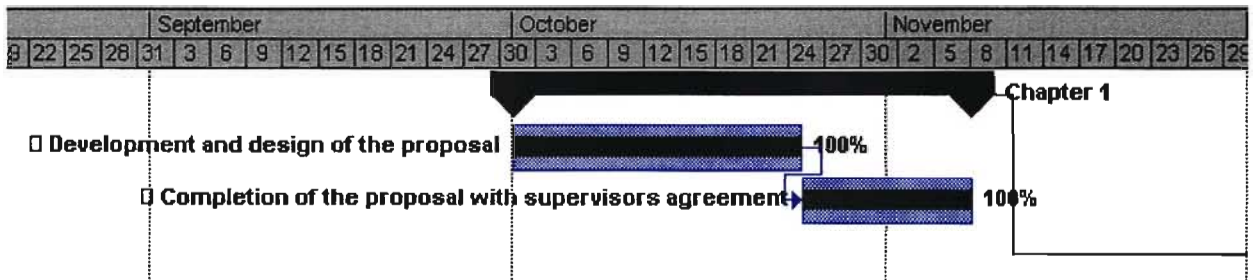
1.8. Structure of the Study

The dissertation has been broken down into five main chapters each with a specific focus. Chapter one comprises of the background to the study and focuses on the proposal presented to the Watches Unlimited management team. The research objectives, problem statement, research design and methodology, significance and benefits of the study and research limitations have been documented. Chapter two covers the literature review of corporate strategy, starting broadly with the essence of corporate strategy then narrowing the focus to the core areas of strategy. The two alternate processes, of how strategy develops, are compared and this is followed by a study of the steps in the strategic management process. The literature review would not be complete without delving into the new business models and strategies for the Internet economy. Chapter two is completed by developing a strategic model that will be used to discuss the suitability of the Watches Unlimited business to marketing products over the Internet in South Africa.

Chapter three takes a close look at the Watches Unlimited business. The business history -, the current business -, the business environment -, and the future business details, are documented as they stand today. The Watches Unlimited business has been explained in detail and it is against this backdrop that the future options are explored. Chapter four looks at the options resulting from the strategic analysis of the internal resources of the organisation and the external environment. A survey has been designed and a sample of the population has completed the survey successfully. The results of the survey have been evaluated using descriptive statistics. The focus of the evaluation is to highlight the internal strengths and weaknesses of the organisation and the opportunities and threats in the external environment. The model of suitability developed during the literature review has been used as the basis of the evaluation. Chapter five focuses on the options open to the organisation and the recommendations and conclusions that have been made as a result of the strategic analysis and evaluation of the organisations internal and external environment.

1.9. Chapter One Summary

Chapter one has put the study into context. The reasons for the study have been defined. The Watches Unlimited organisation is faced with the prospects of the Internet and what it holds for the organisation's future. Should the organisation carry on in its current manner or should changes in strategic direction be made to accommodate for the new e-conomy? The problem is strategic in nature. The objective is to understand the organisation's internal resources and how these match the external environment. The research will guide the management by probing the external environment to gain a clear understanding of the Internet in the South African context. A survey has been used to gather the required information. Due to the nature of the study there are specific limitations that cannot be avoided. In spite of these limitations the information will be used to guide real business decisions by evaluating the suitability of Watches Unlimited to marketing products over the Internet in South Africa. Chapter two explores corporate strategy in detail, resulting in the development of a model of strategic suitability.

CHAPTER TWO – CORPORATE STRATEGY

2.1. Introduction

Corporate strategy, when applied constructively by an organisation, will ensure that the organisation not only survives the tides of change but also becomes a champion of change. According to Professor John Kay (1993), "Successful strategy is rarely copycat strategy. It is based on doing well what rivals cannot do readily, not what they can do or are already doing."

In order to explore corporate strategy, one has to step back and start by explaining what in essence is corporate strategy. What are the core areas that make up the corporate strategic environment and why it is important that the organisation quantify those areas that feed into the strategic decision making process? What are the steps that make up the strategic management process and what are their characteristics? A discussion on how strategy develops leads to exploring the different environments that feed into the strategic management decisions. More specifically external and internal environments that drive change within the organisation. Special focus on new business models and strategies for the Internet economy has been undertaken in order to understand strategy in the new economy. Finally having reviewed the many facets of corporate strategy, a strategic model has been developed. This model has been used as the basis for evaluating the suitability of the external environment with the resources and purpose of the organisation. It has been used to help make recommendations on whether or not to market products over the Internet in South Africa? Further more it will enable the management team to make further decisions on how to approach the new economic environment of the Internet going into the future. Table 2.1. shows the structure of the literature review.

Table 2.1. Analysing corporate strategy

Structure of the literature review

2.2. The essence of corporate strategy and its importance

2.3. The core areas of corporate strategy

2.4. Development of the strategic management process? (prescriptive vs emergent strategic processes)

2.5. Steps in the Strategic Management Process

2.6. New business models and strategies for the Internet economy

2.7. Development of a strategic model of suitability

2.2. The Essence of Corporate Strategy

"Corporate strategy is concerned with an organisation's basic direction for the future: its purpose, its ambitions, its resources and how it interacts with the world in which it operates" (Richard Lynch, 2000). Corporate strategy is about a company's sense of purpose and the scope that the purpose incorporates. "A company's strategy is the game plan that management is using to stake out a market position, conduct its operations, attract and please customers,

compete successfully, and achieve organisational objectives. In crafting a strategy, management is saying, in effect, 'Among all the paths and actions we could have chosen, we have decided to move in this direction, focus on these customer needs, compete in this fashion, allocate our resources and energies in these ways, and rely on these particular approaches to doing business.' "A strategy thus entails managerial choices among alternatives and signals organisational commitment to specific markets, competitive approaches, and ways of operating" (Thompson & Strickland, 2001).

Corporate strategy gives direction to the organisation and provides a rationale for behaving in a particular fashion when dealing with customers and stakeholders of the organisation. It ensures that everyone in the organisation is sailing in the same direction towards a common goal.

2.3. The Core Areas of Corporate Strategy

When examining the organisation and the interaction of the organisation with the outside world, we realise that the organisation has to manage its strategies in three main areas, these we call the core areas of corporate strategy. The first core area is the organisations internal resources, the second core area is the external environment within which the organisation operates and the third core area is the ability of the firm to add value to what it does. Refer to figure 2.1.

Figure 2.1. Core areas of corporate strategy
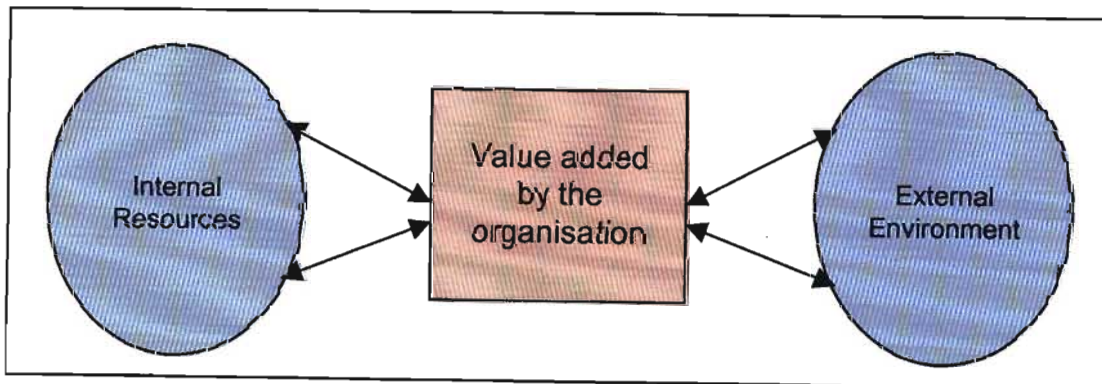
The internal resources of the organisation include any part of the organisation that form input into the process of value creation. This would include the human resource skills of the organisation, the capital and the investment resource of the organisation. An internal resource is any distinctive capabilities that the organisation has that allow it to survive into the future. The internal resources of the organisation are resources over which the organisation has control and can manipulate to its competitive advantage and long-term success.

The external environment would encompass the outside world. The external environment includes competitors, suppliers, customers, economic conditions and global events beyond the control of the organisation. The external environment would include any changes occurring outside the organisation. Fundamental to this would be any innovations introduced to the world such as changes in technology that allow for the creation and development of new ways of working. E-commerce is a brilliant example of a technology driven change in the external environment that has caused massive changes in strategic direction for many organisations.

Value is added by matching the internal resources of the organisation with the external environment. This matching process is critical to ensure that the organisation has a distinct advantage over its competitors. The matching process could be explained as the continual evaluation of the internal resources and their suitability to the outside world. Corporate strategy would ensure that the value added by the firm is focused in areas that will drive the long-term success of the organisation without compromising the short-term goals of profitability. According to Richard Lynch, there are five key elements of strategic decisions that are related to the organisation's ability to add value and compete in the market place. These include :-

i. Sustainability – decisions need to be made with the long-term in mind.

ii. Development of processes to deliver the strategy – processes need to be developed that will deliver the strategy, the "how".

iii. Offering competitive advantage – sustainable competitive advantage must be delivered over its actual or potential competitors.

iv. Exploiting linkages between the organisation and its environment: Linkages between the organisation and its external environment must be difficult to duplicate and must contribute to superior performance of the organisation.

v. Vision – the ability to move the organisation forward in a significant way beyond the current environment.

The core areas of strategic analysis - the internal resources, the external environment and the value added by the organisation - need to be analysed and evaluated in order that the strategic options selected ensure the sustainability of the organisation into the future.

2.4. Development of the Strategic Management Process - Prescriptive vs Emergent Strategic Processes

Developing a strategy, in its' broadest sense, can be described as being prescriptive or emergent in nature. The prescriptive approach to strategy development starts with defining the purpose of the organisation and then developing a range of strategic options that might achieve that purpose. A selection will then be made between the options via a process of evaluation. The strategy will then be implemented and evaluated on an ongoing basis. The process of evaluation and adjusting the strategy must be an ongoing process in order sustain a competitive advantage in the marketplace. These days of constant change necessitates continual review of the fit of the internal resources of the organisation to the external environment.

Emergent strategy is more of an exploration of strategic issues and is often a learning process through which an organisation evolves and develops strategic direction. An example of an emergent strategy is the learning based process. Table 2.2. Shows a comparison of the learning based process with the prescriptive process.

Table 2.2. Comparison of the learning-based strategic process with the prescriptive strategic process.

Prescriptive Model of Strategy	
Mission & Objectives	
External environmental analysis	
Internal resource analysis	
Strategy options generation	
Strategy selection	
Implementation	

Source: Lynch, Richard, Corportate Strategy, Second Edition, Pg 697.

Corporate strategy is important because it deals with the major, fundamental issues that affect the future of the organisation. When an organisation makes an error in corporate strategy, it will suffer the consequences - possibly risking its' own survival. When organisations develop strategy well, they reap the benefits. It has been argued by Thompson & Strickland (2001) that the tasks of crafting, implementing and executing company strategies are at the heart and soul of managing a business enterprise. The quote, "Without a strategy

the organisation is like a ship without a rudder." from Joel Ross & Michael Kami illustrate the importance of a sound strategy to the organisation. This study focuses on the prescriptive model of strategy development relating to the suitability of marketing products over the internet in South Africa.

2.5. The Strategic Management Process

The strategic management process according to Thompson & Strickland (2001) is made up of a number steps. The steps in table 2.3 need to be followed in order to ensure the successful development and implementation of an organisational strategy.

Table 2.3. Showing the steps in the strategic management process.

2.5.1. Developing a strategic vision & business mission.

The strategic management process must start with defining the business vision. The vision will set the direction for the strategic development process. The strategic analysis will help the organisation realise the business resources and understand the external environment within which they operate. According to Thompson and Strickland (2001), The vision needs to answer the question of "Where are we going?". Management's views and conclusions about what the organisation's long-term direction should be, what technology-product-customer focus it intends to pursue and the future business scope all constitute the strategic vision of the organisation. By drawing a carefully reasoned conclusion, about what the company's long-term

direction should be, encourages managers to take a closer look at the company's internal and external environment and form a clear sense of whether this will be achieved. The strategic vision allows the management and all the stakeholders of the organisation to start with the end in mind. This has significant strategic ramifications as it in a sense faces the ship in the right direction before setting sail and continues to give hope throughout the journey until such time as the destination has been reached. The organisation mission is about the now rather than the future. The mission describes "who we are and what we do", and includes the companies present products and services, the customers it serves and what technological and business capabilities it has. The mission statement has its role to play and will generally be found on annual reports; web sites and hung framed on the walls in and around the office. Managers who neglect to think strategically about the company's future business path or who are indecisive in committing the company to one direction instead of another, are prone to drift aimlessly and loose any claim to being an industry leader.

2.5.2. Setting objectives.

Strategic objectives need to be set in order that the organisation has a set goal to achieve within a limited space of time. Objectives must be set in line with the strategic vision in order that the organisation moves in the direction of the intended vision. "Managers of the best performing companies tend to set objectives that require stretch and disciplined effort," (Thompson and Strickland, 2001). There are two distinct types of measures that are needed in order to achieve a strategic vision: financial performance measures and those relating to strategic performance. A balanced score card should be developed that measures the pillars of the organisation. Financial performance on its own is not enough to guarantee the success of the organisation into the future. Unless a company's performance reflects improving competitive strength and a strong long-term market position its progress is less than inspiring and its ability to continue delivering good financial performance is suspect. As Mitchell Leibovitz, CEO of automotive parts retailer, The Pep

Boys – Manny, Moe & Jack, puts it, "If you want to have ho-hum results, have ho-hum objectives."

2.5.3. Crafting a strategy to achieve the objectives.

Crafting a strategy brings into play the critical managerial issue of *how* to achieve the targeted results in light of the organisations situation and prospects. "Objectives are the "ends" and strategy is the "means" of achieving them" (Thompson and Strickland, 2001). The *how* needs to take into account the company's internal strengths and weaknesses while understanding the external environmental opportunities and threats that exist. The *hows* of a corporate strategy are a blend of, (i) deliberate and purposeful actions, (ii) as-needed reactions to unanticipated developments and fresh market conditions and competitive pressures, and (iii) the collective learning of the organisation over time – not just the insights gained from its experiences but, more important, the internal activities it has learned to perform quite well and the competitive capabilities it has developed (Henry Mintzberg et al.).

Strategy making involves the development of an intended strategy, adapting it as events unfold and linking the firm's business approaches, actions and competitive initiatives closely to its competencies and capabilities. The actual strategy needs to be developed but then shaped and re-shaped as events transpire outside the company and as the internal resources evolve with time and technology.

Crafting a strategy is fundamentally a market-driven and customer-driven entrepreneurial activity. Those defining the strategy will ensure that the organisation capitalises on emerging market opportunities and thereby satisfy evolving customer needs. They need to have a flare for innovation and creativity and an appetite for prudent risk taking with a strong sense of what needs to be done to grow and strengthen the business.

For a company to be successful its strategy and business model must be well matched to the company's present and future environment. This will only happen if the organisation is steered in the right direction by first class

entrepreneurial mangers. According to Thompson and Strickland (2001), this entails studying market trends, listening to customers and anticipating their changing needs and expectations, scrutinising the business possibilities that spring from technological developments, building market positions via acquisitions or new-product introductions and pursuing ways to strengthen the firm's competitive capabilities. Strategy cannot exist without entrepreneurial spirit. Entrepreneurial strategy makers are inclined to be either first-movers or rapid followers adapting quickly to changing market conditions and aiming to delight not just satisfy customers needs. Today's dot-com companies are good examples of entrepreneurship in action. Derek Abell tabulated the company approaches with the future market conditions to summarise the strategic approaches that can be adopted by companies in the changing business world. Refer to figure 2.2.

Figure 2.2. Strategic approaches to preparing for the future market conditions.

		COMPANY APPROACHES	
		Reactive/Follower	Proactive/Leader
FUTURE MARKET CONDITIONS	Rapid revolutionary change	Rushing to catch up to keep from being swamped by the waves of change	Aggressively altering strategy to make waves and drive change within and without the business
	Gradual evolutionary change	Revising strategy to catch the waves (hopefully in time)	Anticipating change and initiating strategic actions to ride the crest of the waves

Source: Adapted from Derek F. Abell, "Competing today While Preparing for Tomorrow", Sloan Management Review 40 no. 3 (Spring 1999), Pg 75.

Generally there are companies that seek to be proactive leaders in reshaping their strategies and there are cautious, conservatively managed companies

that end up as reactive followers. It is common for companies to adjust their strategies and prepare for future market conditions at varying speeds and in varying ways. The path each company takes is unique to their situation. However if companies change strategy so fast and so fundamentally that their business model undergoes a major overhaul every year, questions have to be asked as to its validity and purpose. In most situations strategies ought to have a life of several years, even though they have to undergo modest revision to keep them in tune with changing circumstances.

Strategic plans consist of an organisation's mission and future direction, near-term and long-term performance targets and strategy. "The strategy is the internal actions to be used in achieving the targeted business results. This is the strategic plan for coping with the industry and competitive conditions, the expected actions of the industry key players, and the challenges and issues that stand as obstacles to the companies success" (Shaw, Brown & Bromiley 1998).

Strategic plans should be documented and reviewed by the company on a regular basis. In order for the strategy to be successful it must be a living reality and not something that is put in the bottom draw for the strategic period and then checked after five or so years. The strategic plan should be circulated to all managers and selected employees - with sensitive issues omitted if the need to keep certain information undisclosed exists. If the organisation does not wish to circulate a documented strategic plan, then oral understandings and commitments among managers about where to head, what to accomplish and how to proceed must be established. Organisational objectives are the part of the strategic plan most often spelled out explicitly and communicated to managers and employees. A number of companies present key elements of the strategic plans in the company's annual report to stakeholders or in statements provided to the business media.

Due to the nature of the continually changing external environment and competitive conditions, management teams are encouraged to modify action plans and not leave the process of strategizing to become a once a year process. This is most true in the fast changing "Internet Economy" where it

has become common place for quarterly reviews of business projections and expectations in the marketplace. "Strategy is something that ought to be modified whenever it is propitious to do so and certainly when unfolding events dictate" (Thompson & Strickland, 2001). According to Gary Hamel (1999), because of the change in many of today's industries, strategy life cycles are increasingly measured in months and single years, not decades or even five-year intervals.

2.5.4. Implementing and executing the strategy.

The task of implementing and executing the chosen strategy is all about the doing. How will the management team ensure that the chosen strategy is implemented in such a way that the organisation has a realistic opportunity to achieve its objectives? Organisational capabilities need to be mobilised and resources made available that ensure the strategic objectives can be achieved. Managerial skills are needed here to figure out what needs to be done to put the strategy in place and carry it out proficiently to produce good results. "The Strategy execution process is primarily a hands-on, close-to-the-scene administrative task that includes the following principal aspects:

➢ Building an organisation capable of carrying out the strategy successfully.

➢ Allocating company resources so that organisational units charged with performing strategy-critical activities and implementing new strategic initiatives have sufficient people and funds to do their work successfully.

➢ Establishing strategy supportive policies and operating procedures.

➢ Putting a freshly chosen strategy into place

➢ Motivating people in ways that induce them to pursue the target objectives energetically and, if need be, modifying their duties and job behaviour to better fit the strategy requirements of successful execution.

➢ Tying the reward structure to the achievement of targeted results.

➢ Creating a company culture and work climate conducive to successful strategy implementation and execution.

> Installing information, communication, and operating systems that enable company personnel to carry out their strategic roles effectively day in and day out.

> Instituting best practices and programs for continuous improvement.

> Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

Good strategy implementation involves creating a strong "fit" between the way things are done internally and what it will take for the strategy to succeed" (Thompson & Strickland, 2001).

Figure 2.3. The most important fit between strategy & the organisation when implementing & executing strategy.
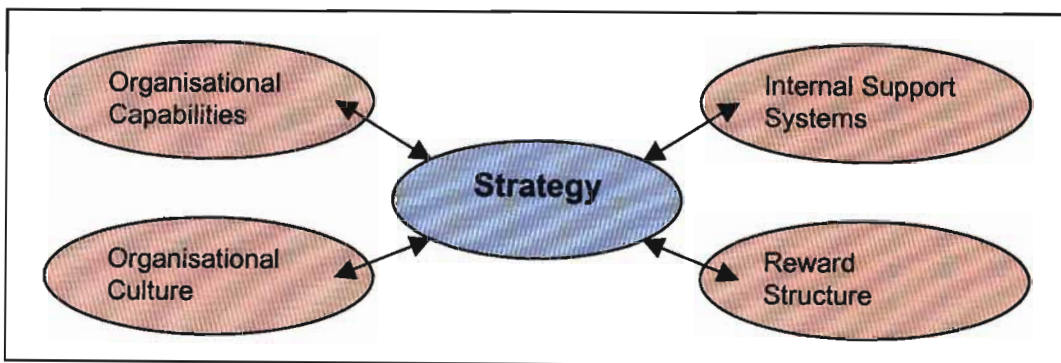
Figure 2.3 shows what the most important fits are between strategy and organisational capabilities, between strategy and the reward structure, between strategy and the internal support structure and between strategy and the organisational culture. The closer the fit the less change required in order to implement the strategy. Depending on the amount of change involved, full implementation and proficient execution can take several months to several years.

2.5.5. Evaluating performance, monitoring new developments and initiating corrective adjustments to tasks 1, 2, 3,or 4 as needed.

The final continuous step in the strategic management process involves corrective adjustment to the steps already completed during the process. Management must measure, evaluate and manage the organisation's performance and progress. Subpar performance or too little progress, as well as new external circumstances will require corrective action and tweaking in a company's long-term direction or strategy. Stickland and Thompson maintain that proficient strategy execution is a product of much organisational learning. It is not achieved at the same rate, coming quickly in some areas and proving nettlesome in others. Continual evaluation and tracking of progress with ongoing searches for ways to continuously improve coupled with corrective adjustments are thus considered normal.

2.6. New Business Models and Strategies for the Internet Economy

The Internet has opened up a whole new avenue of business possibilities and has changed the way traditional businesses think about the future. The result is a host of new opportunities and challenges that need to be tackled in a new strategic light.

Kevin Kelly describes the new business landscape in *New Rules for the New Economy.* "It is global. It favours intangible things – ideas, information, and relationships and it is intensely interlinked. These three things produce a new market place and society, one that is rooted in ubiquitous electronic networks." What this means is that the New Economy has been transformed by digital technology in the 'postindustrial' period. Value creation has shifted from physical goods to an economy that favours service, information, and intelligence as the primary sources of value creation.

Jeffrey Rayport and Bernard Jaworski (2001), characterise E-commerce as having several attributes:

➢ It is about the exchange of digital information between parties.

➢ It is technology enabled.

➢ It is technology mediated.

➢ It includes intra-organisational and inter-organisational activities that support the exchange of information.

In summary, they formally define e-commerce as: "Technology mediated exchanges between parties (individuals, organisations, or both) as well as the electronically based intra-organisational and inter-organisational activities that facilitate such exchanges".

2.6.1. Categories of E-Commerce

There are four distinct categories of electronic commerce that have been identified: business-to-business, business-to-consumer, consumer-to-consumer, and consumer-to-business. Refer to figure 2.4.

Figure 2.4. The four categories of e-commerce.
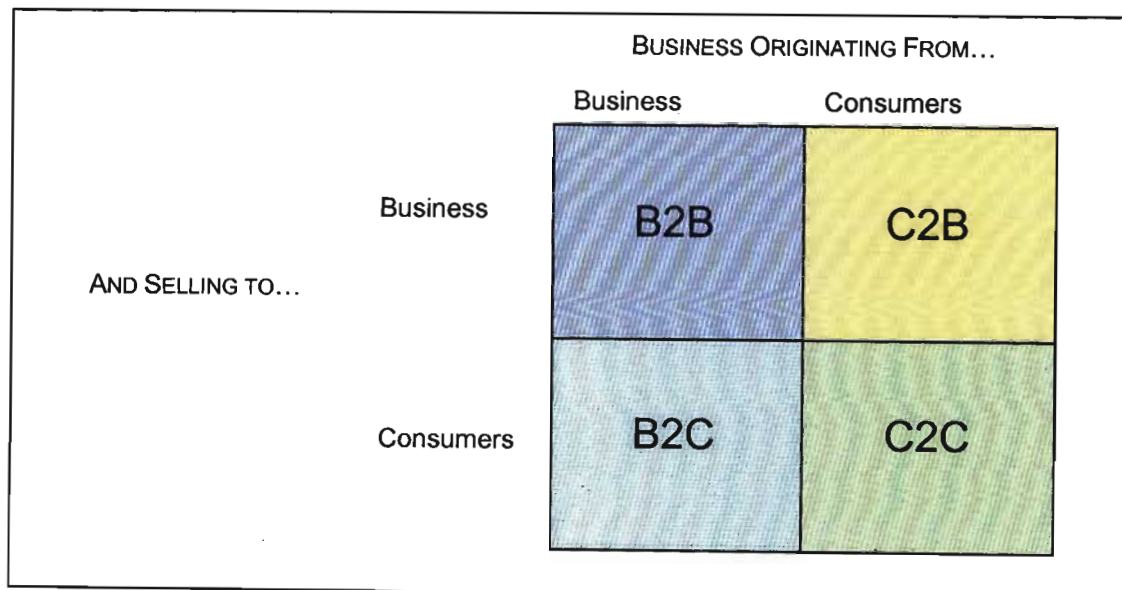
Source: Jeffery F. Rayport Bernard J. Jaworski, E-Commerce, International Edition, 2001, McGraw Hill, Pg. 4.

Business-to-business (B2B) – refers to the full spectrum of e-commerce that can occur between two organisations. This includes purchasing and

procurement, supplier management, inventory management, channel management, sales activities, payment management and service and support. Business-to-consumer (B2C) – refers to exchanges between businesses and customers. This includes front office activities such as customer search, sales, customer relationship management, frequently asked questions, and service and support. Consumer-to-consumer (C2C) – refers to transactions between and among customers. This includes customer to customer auction-exchanges, classified ads, games, web based communications, jobs, and personal services. Consumer-to-business (C2B) - refers to customers that band together to form and present themselves as a buyer group to businesses.

2.6.2. Value Creation in the New E-conomy

Before understanding strategies for the new economy we need to understand the difference between e-commerce and traditional commerce. E-commerce core strategic decisions are technology-based. Strategic decisions about the storefront, customer service, the look and feel of the customer experience, the content of the site are commingled with the technological decisions. These decisions relate to the selection of service providers, common business systems, and approaches to Web design and so on. Strategic writers Thomas Stalk Jr. and Thomas M. Hout., (1990) and Richard A. D'Aveni & Robert Gunther, (1994) have introduced the notion of speed-based competition and "hyper-competition" to denote the increased importance of speed in the brick and mortar world. This notion is carried one step further as the new economy emerges. The speed of decision making has been reduced from months to minutes, where dynamic dialogs, on the public platform of the web, are frequently engaged in the virtual business-to-consumer storefronts. Thus speed of innovation, branding, ease of use, operational effectiveness, product assortment, affiliate agreements, and other levers can be used by companies to maintain or increase differentiation. Another major difference is that the store is never closed. The web is open 24 hours x7 days a week x365 days a

year. This level of access has both significant implications for both customers and the firm. In the interactive world the customer does not interact with another human being. Rather the web largely employs a self-service model for managing commerce or community based interactions. The customer controls most aspects of the interaction on the Internet where in the commerce face-to-face environment the customer is open to persuasion and influence during the purchasing process. The virtual business needs to shape the customer interactions in such a way that the experience is unique. This could be done by creating a storefront that reflects the interests of the customers past behaviour while at the same time reconfiguring storefronts allowing for new offerings based on other customers with similar buying or click stream behaviours. The customer may control the interaction but the new economy allows firms to track individual customer behaviour as never before. Firms, through third party measurement firms, are able to track a host of behaviours: websites visited, length of stays, page views on each site, contents of wish lists and shopping cart purchases, Rand amounts of purchases, repeat purchase behaviour, conversion rates of visitors who have completed transactions, and other metrics. This level of customer behaviour tracking – as compared with tracking customer attitudes, knowledge, or behavioural intentions – is not possible (or, when it is, cost effective) in the bricks-and-mortar world. In strategic terms, an online business can actually position offers and merchandise in ways that uniquely appeal to specific customers. Jeffrey Rayport and Bernard Jaworski (2001), state that this ability to track behaviour translates into real-time customer financial estimates using metrics such as acquisition costs, retention costs, pricing structures (e.g., payment for "click-throughs" or commission on purchases). This turns conventional advertising on its' head, by replacing proxies for anticipated customer behaviour (e.g., reach, frequency, and impressions) with actual transactions. This is why native Web terms for media impact, such as "page views" or "hits" has become less salient to marketers than click-throughs and yields to purchase. 'Network Economics' is described by Metcalfe's Law, which is best expressed as the situation where the value of a product or

service rises as a function of how many other users are using the same product. In the new economy this involves standards of products and services. A classic example is the Microsoft office suite of business tools. The more users that use the Microsoft standards the larger the value to the other people who adopt those same standards and technologies. A key characteristic of network economics is positive feedback. As the installed base grows, the more and more users are likely to adopt the technology because of the installed base. By growing the installed base, the firm is attempting to 'lock-in' customers to the standard because of rising switching costs. This means that the importance of the word-of-mouth (WOM) phenomenon amongst potential customers is amplified in the new marketplace. It is this WOM phenomenon that makes viral marketing a reality for customer-oriented e-commerce businesses (Jeffrey Rayport 1996). The last major difference between e-commerce and traditional commerce is that there is no widely accepted method of evaluating and tracking the progress of an e-commerce business. Many highly valued e-commerce start-ups have negative cash flows and have no plans in the near-term to reverse that trend (Keith Regan, 2000). Figure 2.5 shows the key elements of value creation in the new marketspace.

Figure 2.5. Key elements of value creation in the new marketspace.
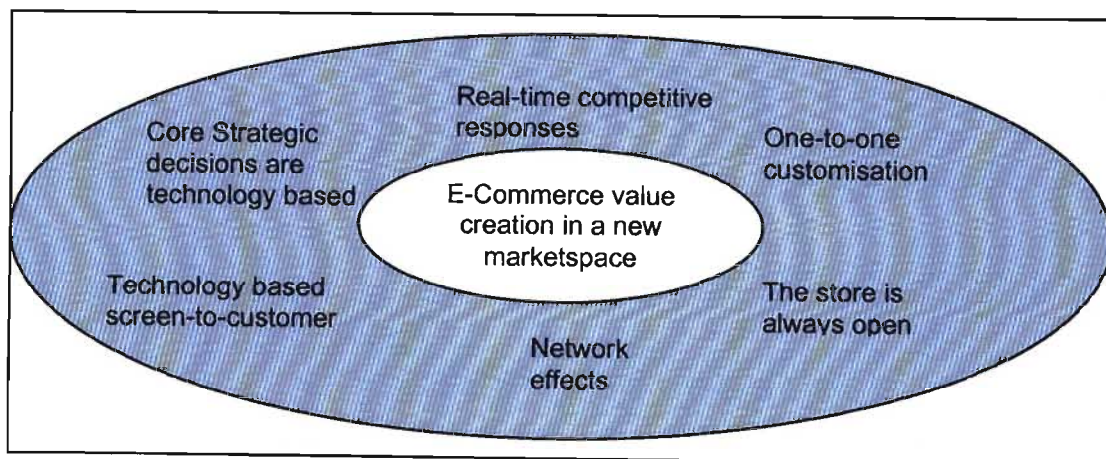
Each of these differences from traditional commerce makes e-commerce unique. The powers of these differences collectively combine to result in 'value increases' for both the customer and the firm. Both parties have increased access to unique, heretofore non-existent information. The customer gets more availability, convenience, ease of use, and contextual information, while the firm obtains objective behavioural data on customers and competitors. This combination leads to a highly dynamic and new competitive marketspace.

2.6.3. The Strategic Framework for E-Commerce

Understanding the dynamics of the new economy allows us to appreciate that strategy in this new marketspace will take a different approach. The task of crafting and implementing an online strategy can be divided into a number of interrelated sequential decisions. Jeffery F. Rayport and Bernard J. Jaworski, (2001) provide a framework for the study of electronic commerce. There are six interrelated and sequential decisions concerning market opportunity analysis, the business model, the customer interface, the market communications and branding, the implementation and the evaluation that need to be made to implement an e-commerce strategy. This forms the framework for the analysis and decisions within the control of the firm implementing the strategy and are therefore, from a management point of view, considered "controllables". The forces that are beyond the control of the firm that must be worked around are considered the "non-controllables". The definite non-controllables that all online firms must face when deciding on an e-commerce strategy are known as market infrastructure. By non-controllables we are suggesting that the firm has considerably less influence over these factors as compared to the e-commerce strategy. Figure 2.6. Depicts the strategic framework for e-commerce.

Figure 2.6. The strategic framework for e-commerce.
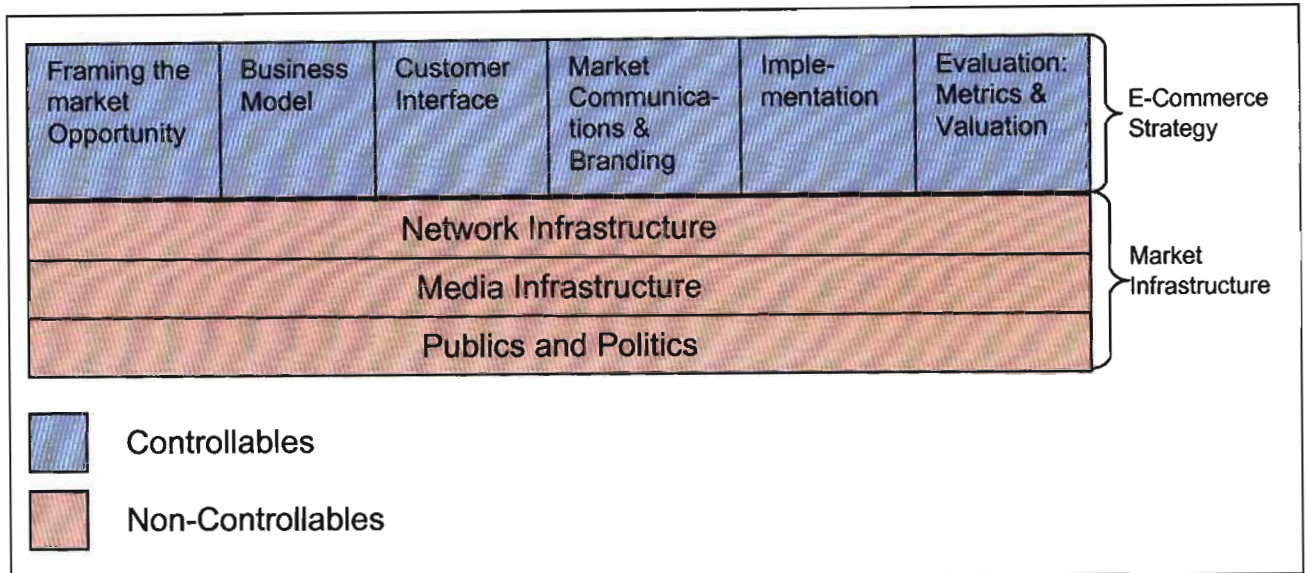
Source: Jeffery F. Rayport Bernard J. Jaworski, E-Commerce, International Edition, 2001, McGraw Hill, Pg. 18.

Framing the market opportunity focuses on players that have direct influence on the construction of the business strategy – customers, competitors and partners. The goal of market analysis is to understand the market as well as to locate portions of the market that are unserved or underserved. Five conditions must be analysed to determine if there is a market opportunity for the firm. These five conditions comprise the scope of a sound market opportunity analysis. (i) Identify an opportunity in an existing or new value system. By value system we refer to the entire 'chain' of suppliers, distributors, competitors, buyers and intermediaries that bring an existing offering to market. (ii) Uncover unmet needs or underserved needs. (iii) Identify and choose priority customer segments. (iv) Declare the companies (or potential partners) resource-based opportunity for advantage. (v) Assess competitive, technological and financial opportunity attractiveness.

Business models are made up of four components that constitute the core of the business model decisions. (i) The value proposition. The value proposition is made up of the choice of target segment, the choice of focal customer benefits and the rationale for why the firm can deliver the benefit package significantly better than competitors in the same space. (ii) The product

offering which includes the scope of the offering and the identification of the customer decision process. The scope could be for example category-specific dominance or on the other hand cross-category dominance. The customer decision process can be used to map the offering at each stage of the process – prepurchase, purchase and postpurchase stages. (iii) The resource system will be determined in order to deliver the benefits of the value proposition. According to Michael Porter (1986), these actions include the selection of capabilities and activities that uniquely deliver the value proposition. (iv) A financial model that enables the business to earn revenues and margins either through advertising, product, service, or information sales, transaction fees or subscription.

The 7C's of **customer interface** are referred to when focusing on the levers management can be used to provide more customer value. The 7C's framework provides a representation of a firm's value proposition. Refer to figure 2.7 showing the 7C's framework.

Figure 2.7. The 7C's of the customer interface.
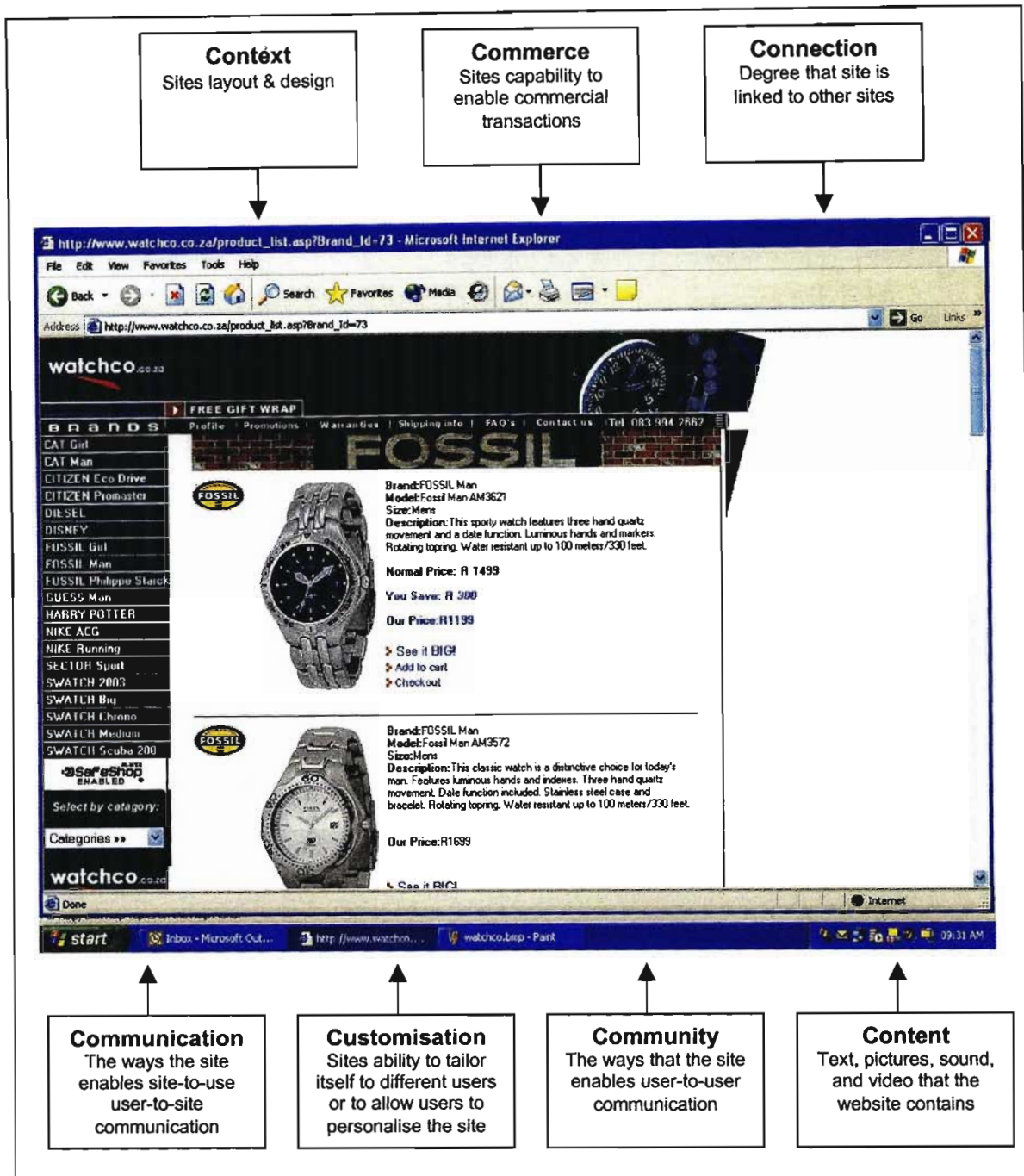
Source: Adopted from Jeffery F. Rayport Bernard J. Jaworski, E-Commerce, International Edition, 2001, McGraw Hill, Pg. 116.

Market communications are designed to build customer awareness and traffic, while **branding** conveys the brand meaning to the target customers. Brand equity refers to both benefits to the customers as well as the firm. There are four types of marketing communications namely: (i) General online,

(ii) personalised online, (iii) traditional mass media, and (iv) direct communications. Refer to figure 2.8 showing the market communications framework.

Figure 2.8. Framework for marketing communications.
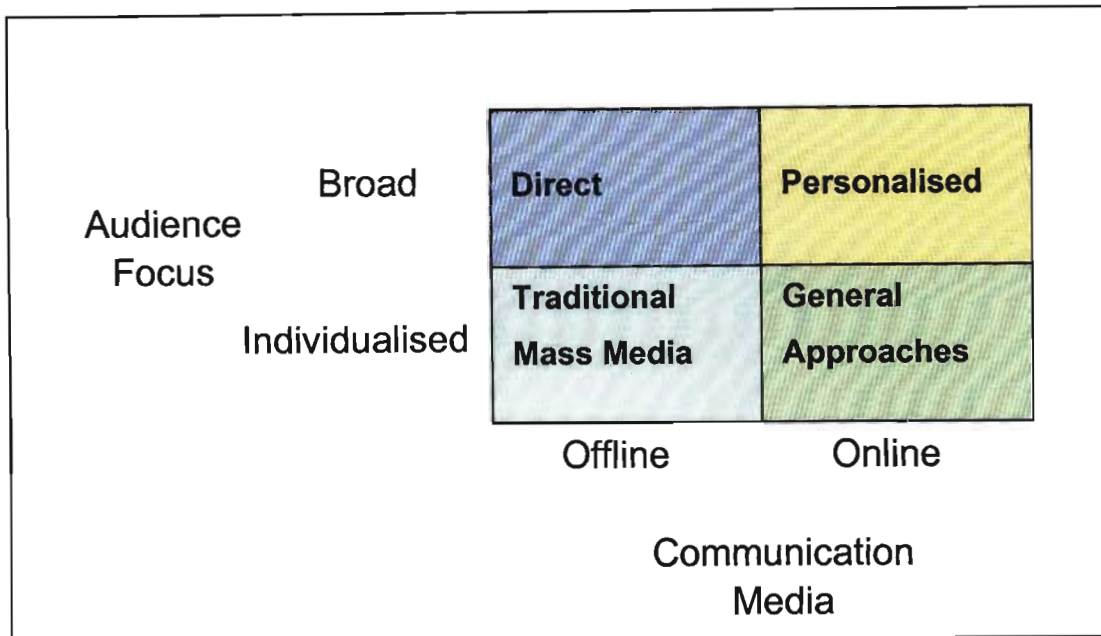
Source: Jeffery F. Rayport Bernard J. Jaworski, E-Commerce, International Edition, 2001, McGraw Hill, Pg. 173.

The *implementation process* is about "how to get the job done" where strategy is about "what to do". The objective of implementation is to achieve the strategic goals. To continue to execute and adapt strategy in this fast-changing, competitive environment, firms can no longer separate innovation from implementation. The essential challenges of online implementation involve lower switching costs for customers, complex linkages between alliances, more fluid organisational boundaries and a more dynamic market environment which all lead to an increased complexity of implementation and therefore the increased need for good implementation.

Evaluation is an ongoing process that requires the management team to keep the business on track with the e-commerce strategy. *Metrics* is used to reflect the performance of the organisation and should be used to develop a performance dashboard for the organisation. The performance dashboard

acts as an early warning system to the management of an organisation allowing them to make the required changes in order to meet organisational objectives.

The rush of new and existing enterprises to exploit the opportunities that are presented by this new age Internet economy is giving rise to innovative business models and radically different approaches to competitive strategy and market positioning. Existing businesses are being threatened in one way or another and the need to adapt their business models and strategies to the new environment is becoming increasingly important. Thompson & Strickland (2001) have gone as far as to focus on specific strategies for specific types of businesses in this e-conomy. This list is not definitive but gives an idea of the scope of impact the Internet has had on the business world today.

➢ Business models and strategies for communications equipment suppliers.

➢ Business models and strategies for communications service suppliers.

➢ Business models and strategies for computer hardware suppliers.

➢ Business models and strategies for specialised e-commerce software developers.

➢ Business models and strategies for e-commerce retailers.

➢ Brick and click strategies (an alternative to pure brick-and-mortar and pure dot-com strategies)

➢ Business models and strategies for e-commerce service suppliers.

➢ Business models and strategies for media companies and content providers.

Of key importance to this study is the idea of taking a pure brick-and-mortar business model and shaping it for the future. Few businesses, if any, can escape the need to integrate the use of the Internet into their operations. The following e-commerce initiatives are becoming common within brick and click strategies:

➢ Using Internet technology to communicate and collaborate closely with suppliers and distribution channel allies.

➢ Revamping company and industry value chains.

➢ Making greater use of build-to-order manufacturing and assembly.

> Building systems to pick and pack products that are shipped individually.

> Using the Internet for both existing and potential customers and providing another choice of how to interact with the company.

> Adopting the Internet as an integral distribution channel for accessing new buyers and geographic markets.

> Gathering real-time data on customers tastes and buying habits, doing real-time research, and using the results to respond more precisely to customer needs and wants, therefore offering fast, efficient and effective service.

According to Thompson and Strickland (2001) there are a number of important factors underlying the competitive success of e-commerce enterprises: (i) the use of an innovative business model, (ii) the capability to adjust the business model to changing conditions and emerging opportunities, (iii) focusing on a limited number of competencies and performing a relatively specialised number of value chain activities, (iv) staying on the cutting edge of technology, (v) using innovative marketing techniques that are efficient in reaching the target audience and effective in stimulating purchases or activities that are needed to produce a profitable revenue stream, and (vi) engineering an electronic value chain that enables differentiation or lower costs or better value for money.

The only strategic issues really to decide upon before considering the key success factors above, are to decide how and to what extent Internet technology will be made a core part of the "traditional" company's business.

2.7. Developing a Model of Strategic Suitability

The model of strategic suitability has been developed in order to evaluate an organisation's current position and make recommendations for its future. Suitability is a broad assessment of whether the strategy addresses the circumstances in which the organisation is operating. In order to assess suitability we first have to perform a strategic evaluation of the organisation and its external environment. Suitability is the extent to which new strategies

would fit the future trends and changes in the environment. Recommendations can then be made as to how different strategic options might exploit the core competencies of the organisation.

2.7.1. The Core Areas of Strategy

In order to assess suitability, the model must incorporate the core areas of strategy. The top half of figure 2.9 shows how these core areas integrate resulting in value creation. The core areas of corporate strategy take into account the organisations vision, mission and objectives, the internal resources of the organisation and the external environment and industry in which it operates, all resulting in value being added by the organisation.

2.7.2. Strategic Evaluation

The strategic evaluation will centre on the suitability of the internal resources of the organisation in relation to the external environment. The bottom half of figure 2.9 shows the evaluation techniques that need to be used to build a clear understanding of the resources of the organisation and its external environment. The analysis can be split into two separate activities. Firstly, in order to understand the internal organisation, its culture, its core competencies and how it adds value, we would perform an analysis of the organisations internal resources. Secondly, to understand the environment in which the organisation operates, an analysis of the remote environment, including the political, economic, social and technological changes taking place must be undertaken. This also includes comparing the firm to competitors in order to position it relative to them in terms of size and strength. The stage of the industry life cycle needs to be analysed in order to determine the maturity of the industry and how that affects the organisation's plans for growth. The organisation needs to be analysed in relation to the external environment so that strengths, weaknesses, opportunities and threats can be documented and evaluated. Market research should be conducted to determine the changing requirements of the external

environment and enable the organisation to better anticipate and prepare for changes. Research could also be used to gauge the reaction of the external environment to changes in strategic direction understanding the true perceptions that exist in the market place.

Techniques of Internal Resource Evaluation include the following:

(i) Core Competencies Analysis. Core competencies of the organisation lie in the collective learning of the organisation. How the organisation has learned, with a deep understanding of the requirements of the market, to offer it's products and services in order to meet the needs of the market. Key resources and competencies will need to be analysed in order to determine the relationship between the generic product/market strategy and the capabilities of the organisation (taking account of the future requirements of the interactive e-conomy).

(ii) Value Chain Analysis. The firms value chain will need to be analysed. Changes in strategy will necessitate changes in value creation that will result in the changes in the Value Chain. How drastic do the changes need to be and will these changes create synergies in other areas of the business? Do value chains exist that support the requirements of the changing market? Value chain analysis is the framework for taking knowledge that you have about a business and structuring that knowledge in such a way that it can provide you with new insights into that business. Porter's framework for value chain analysis is commonly used to make what is known by, an organisation, explicit.

(iii) Mapping Organisational Culture. Mapping the organisational culture can provide an understanding of the barriers to change within the organisation. Even when a strategy is formulated, perhaps based on sound rational argument, organisations often find that achieving significant change to current strategy is difficult. By developing or rather mapping a cultural web of the organisation it provides an understanding of the means necessary to deliver the strategy and overcome barriers to change. Figure 2.9 shows the components of the cultural web.

Figure 2.9. The cultural web of an organisation.
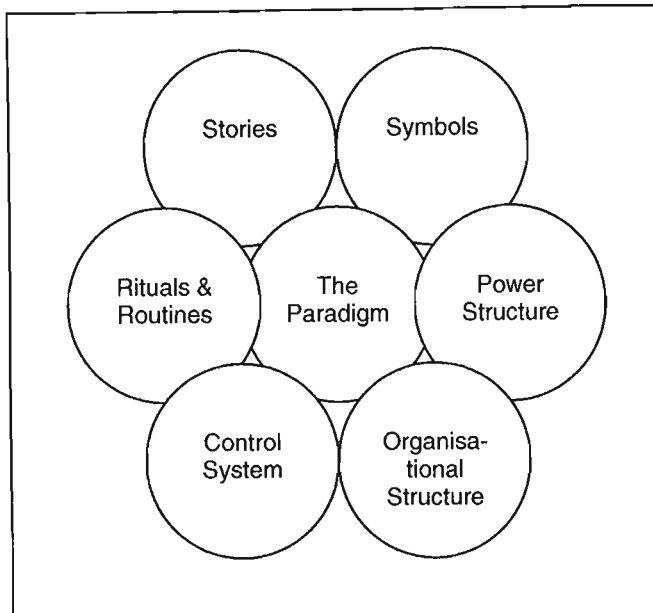
Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 138.

The paradigm is a set of common assumptions made about the organisation and taken for granted in the organisation. The routine ways in which members of the organisation behave toward each other and that link different parts of the organisation (i.e. the way we do things around here). *The rituals* of organisational life, such as training programs, promotion and assessment that signal what is especially valued. *The stories* told by members of the organisation to each other, to outsiders, to new recruits embed the history of the organisation. Other *symbolic aspects* of organisations such as logos, offices, cars and titles or type of language and terminology used. The formalised *control systems* that measure and enable reward and therefore focus the attention and activity of the individuals.

Power structures or powerful managerial groupings of the organisation that are most likely to be associated with core assumptions of the organisations beliefs about what is important. The formal *organisational structure* or the more informal ways the organisation works are likely to reflect power structures.

(iv) Stakeholder mapping. Stakeholder mapping is a tool used to assist managers in understanding the political context within which strategic decisions will be made. Stakeholder mapping makes use of the power-interest matrix. It is a template on which the orientation of different stakeholders groups can be mapped and through which political priorities can be established. Refer to figure 2.10

Figure 2.10. Stakeholder mapping: The power-interest matrix.
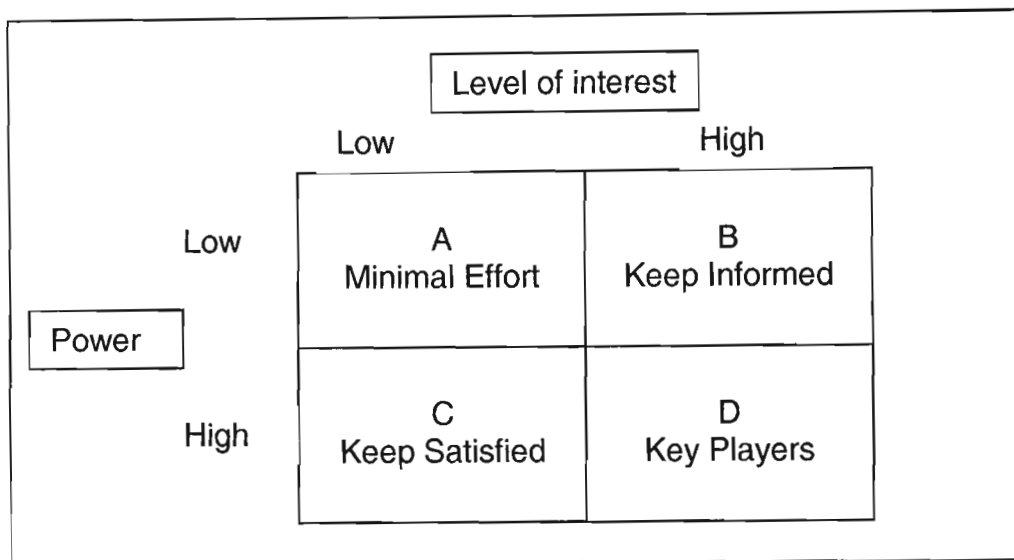
	Level of interest	
	Low	High
Low Power	A Minimal Effort	B Keep Informed
High	C Keep Satisfied	D Key Players

Source: Adapted from A. Mendelow, Proceedings of 2nd International Conference, on Information Systems, Cambridge, MA, 1991.

(v) Strategy Development Profiling. "The strategy development questionnaire (SDQ) consists of 36 statements, derived from extensive research, that relate to six dimensions of strategy development" (Johnson G, and Scholes K, 1997).The six dimensions include: *(i)The Planning Dimension.* Strategy is developed through analytic, intentional and sequential process planning. *(ii)The Incremental Dimension.* Strategy is developed through an evolutionary but purposeful manner, through an iterative and adaptive process of trail and error. *(iii)The Cultural Dimension.* Strategy is directed and guided by the cultural aspects of the organisation. It's history, shared assumptions and beliefs of its members. *(iv)The Political Dimension.* Strategy is developed

through a process of bargaining, negotiation and influence between internal interest groups. *(v)The Command Dimension.* Strategy is defined and determined by a particular powerful individual within the organisation. *(vi)The Enforced Choice Dimension.* Strategy is developed as a result of external pressures, which limit an organisation's ability to determine its own strategic direction. Refer to figure 2.11 showing the strategy development profiling tool used to map the profile of the organisation. The darkest ring at point 0 shows the relative point to which the profile is mapped. Refer to appendix three, four, and five for the SDQ and mapping tools.

Figure 2.11. Strategy Development Profile (SDP) Map.
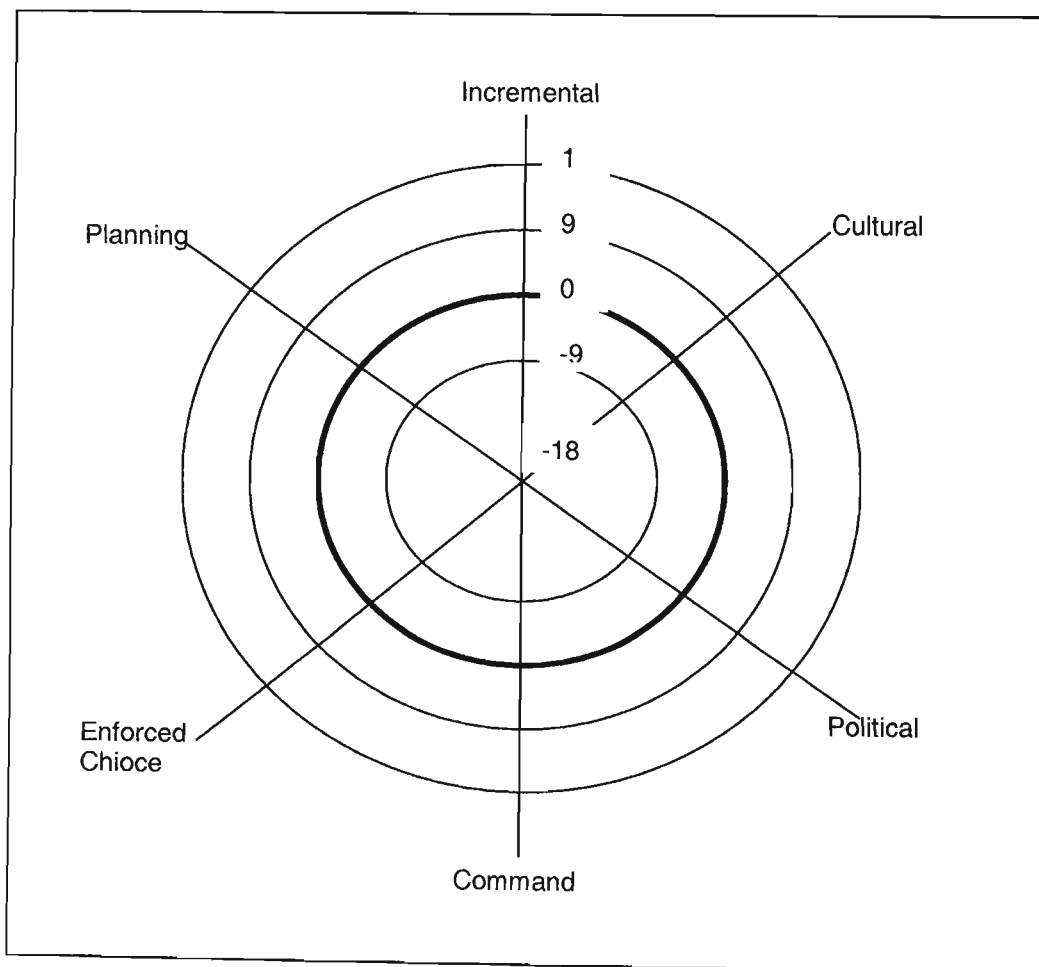
Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 201.

(vi) Portfolio Analysis. Portfolio analysis will help the organisation understand the balance of its brands or business units and how these can be exploited to realise the future requirements of the market and objectives of the organisation. The Boston Consulting Group (BCG) Matrix can be used to analyse a portfolio of products (brands) or business units in relation to the attractiveness of the market (market growth) and the market share it holds relative to the market leader or nearest competitor. Refer to figure 2.12.

Figure 2.12. BCG Matrix.
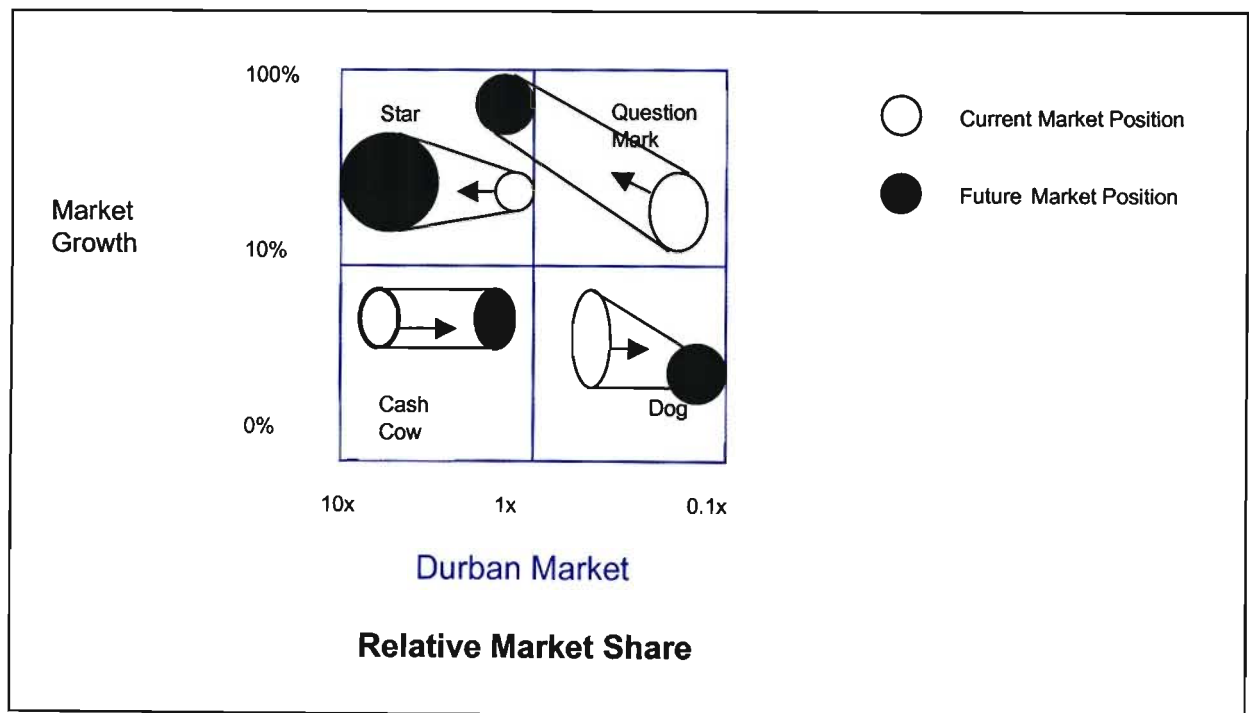
Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 206.

Techniques of Internal Resources Evaluation include the following:

(i) Remote Environment Analysis (PEST). Understanding the environment is an essential element of the development of corporate strategy. The aim of the remote environmental analysis is to try and minimise the uncertainty in the environment within which the business operates. By focusing on the political, economic, socio-cultural and technological (PEST) changes that are occurring

in the remote environment, the analysis will try to highlight areas of opportunity and threat that face the business's future success or failure. This is commonly referred to as a PEST analysis. The PEST analysis focuses on the broader environment and changes in that environment that need to be considered when developing a business strategy. A good PEST analysis will allow the business to become proactive. The analysis will identify positive opportunities and negative threats. The organisation will then be able to develop proactive strategies to exploit or cope with each situation.

(ii) Industry Dominant Economic Features. Industry dominant economic features are an analysis of the features in the industry that directly affect the business being analysed. Where a PEST analysis is a general analysis of the remote environment the industry dominant economic features are the features that are specific to the business for which the strategy is being developed. They are economic features that directly affect the strategic decisions being made. They could also be referred to as indicators of movement in that particular industry in the medium term. Examples of industry dominant economic features among others include market size, market growth rate, inflation rate and interest rates.

(iii) Competitor Analysis (Positioning). Positioning is a key test of suitability. Who are the competitors? Are they a threat? What are the organisation competencies relative to these competitors? Competition in an industry is rooted in its underlying economic structure and goes beyond the behaviour of current competition. The state of competition depends upon five basic competitive forces described by Michael Porter. This framework provides an analysis for considering how to squeeze the maximum competitive gain out of the environment in which the business finds itself or on the other hand how to minimise the prospect of being squeezed out of the market. Figure 2.13 shows the five competitive dimensions that a business confronts.

Figure 2.13. Porter's five competitive forces.
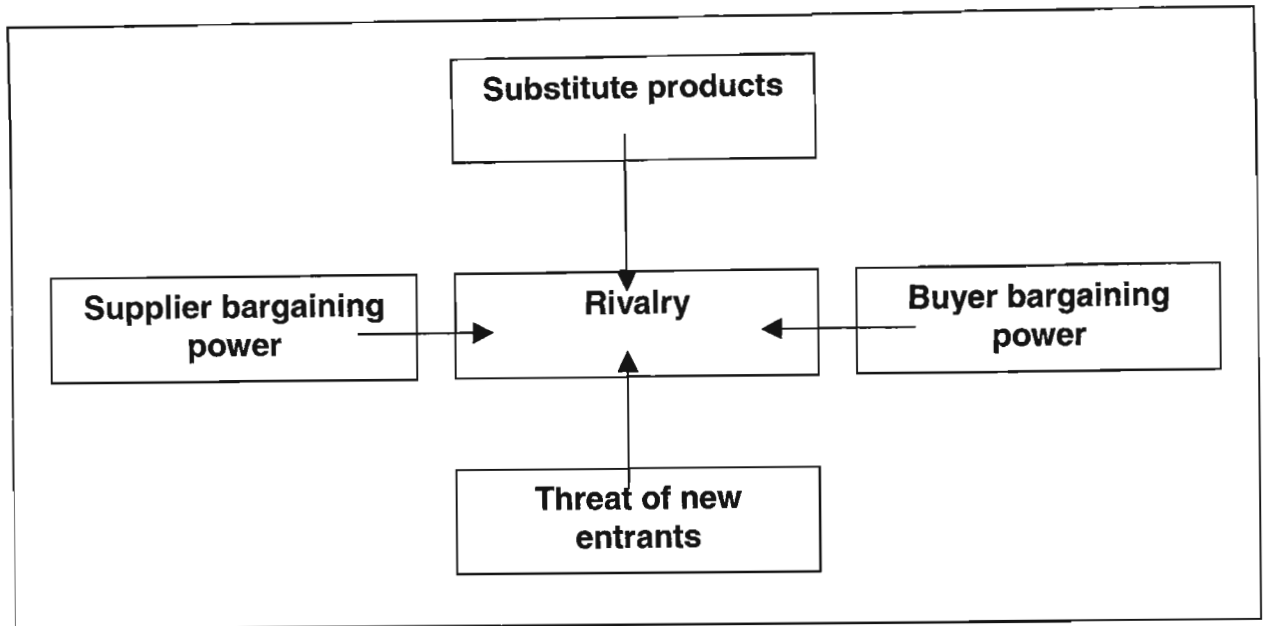
Source: Adapted from Michael E. Porter, Competitive Advantage, 1985.

(iv) Strengths, Weaknesses, Opportunity & Threats (S.W.O.T.) Analysis. SWOT analysis is a popular tool used as an organising framework for intuitive information and as a means of summarising and integrating the analysis of the external operating environment and the organisations current resources and capabilities. The strengths and weaknesses refer to the organisations internal resources whereas the opportunities and threats summarise the external operating environment. By scoring the strengths and weaknesses of the organisation with a positive and negative respectively against each opportunity and threat in the external environment one is able to develop an objective view of the organisations capabilities in regard to its environment. This helps the organisation to capitalise on new opportunities or defend itself against future threats. The analysis seeks to challenge the robustness of the organisations current strategy and highlight areas that might need change in order to sustain or develop its competitive position.

(v) Life Cycle Analysis. Life cycle analysis will help management understand the maturity of the industry together with the competitive position of the firm in the market. Is demand growing or is it declining in the industry as a whole.

More specifically is there and will there be extra demand created by changes in the external environment. An example of an external change in technology is the impact that Internet is having on the stage of an industry lifecycle. Changes such as this could send the industry from a stage of slow maturity to rapid grow. The lifecycle analysis assesses whether the strategy is likely to be appropriate given the stage of the Industry life cycle in relation to the competitive position of the organisation. There are four stages depicted by the generic lifecycle of an industry. Refer to figure 2.14.

Figure 2.14. The generic life cycle.
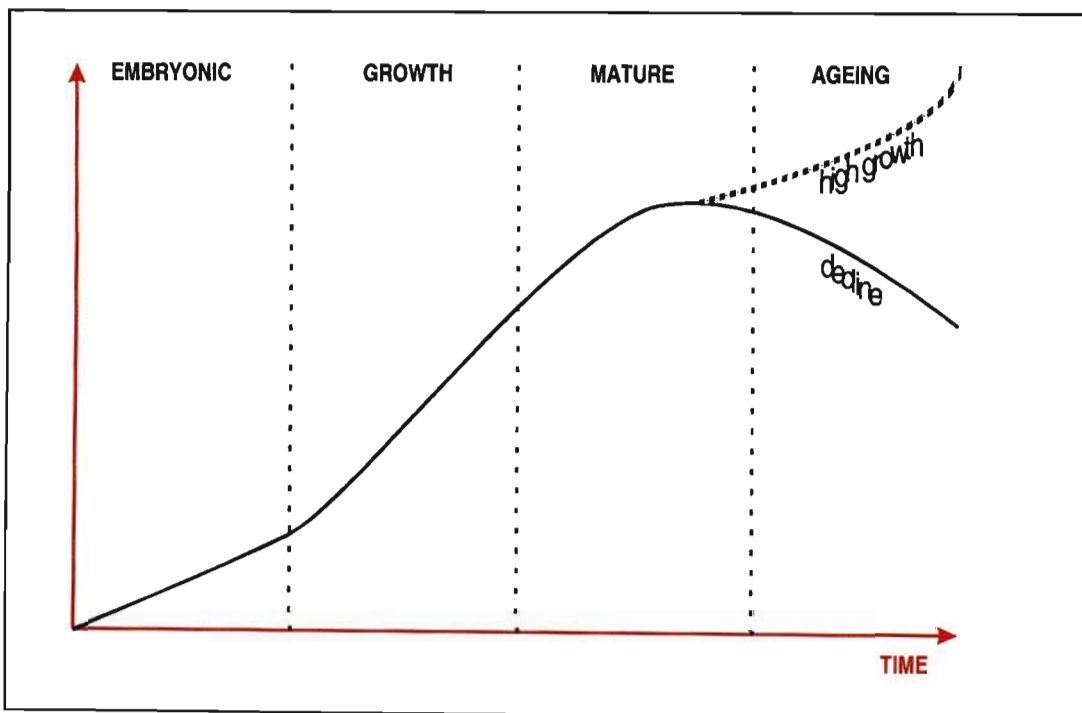
Source: Adapted from Corporate Strategy; Lynch: 2000: Pg. 112.

(vi) Market Research. Market research is a powerful tool used to gather information about the external environment. There are countless topics that can be researched. Research can be used to determine whether an organisation is making the correct strategic decisions or on the other hand to find out in what direction the market is heading before making strategic decisions. Research can be classified as either quantitative or qualitative in nature. The most common form of quantitative research is done using a self-

administered questionnaire. The most common form of qualitative research is done through formal or informal interviews. There are numerous forms of data collection. Research is an extremely powerful tool that should be used by organisations to gauge market tendencies and extrapolate market preferences instead of making assumptions that might be incorrect.

Options development and rational selection. The evaluation of the internal resources of the organisation and the external environment will result in a number of options both as a result of the internal strengths and weaknesses of the organisation and the opportunities and threats in the external environment. These options can be classified as resource-based options and environment-based options. The suitability of the options are then questioned and a rational selection will be made in order to give the organisation direction and ensure its success into the future.

Having established the rationale or strategic logic for each strategic option, management need to screen the merits that each has to offer. A number of approaches can be used to perform this analysis. Some of the more common approaches are ranking options against a set of predetermined factors. Decision trees and scenarios help us match specific options with a range of possible future outcomes. These methods are extremely helpful when considering new strategic options that have a high level of uncertainty and therefore are considered high risk.

The gap needs to be defined and then the best possible strategy needs to be followed in order to close the gap between where the organisation wants to be and where the organisation currently stands. Figure 2.15 shows how the strategy needs to be understood such that the gap between the current situation and the ideal strategic position can be closed.

Figure 2.15. Performance gap analysis.
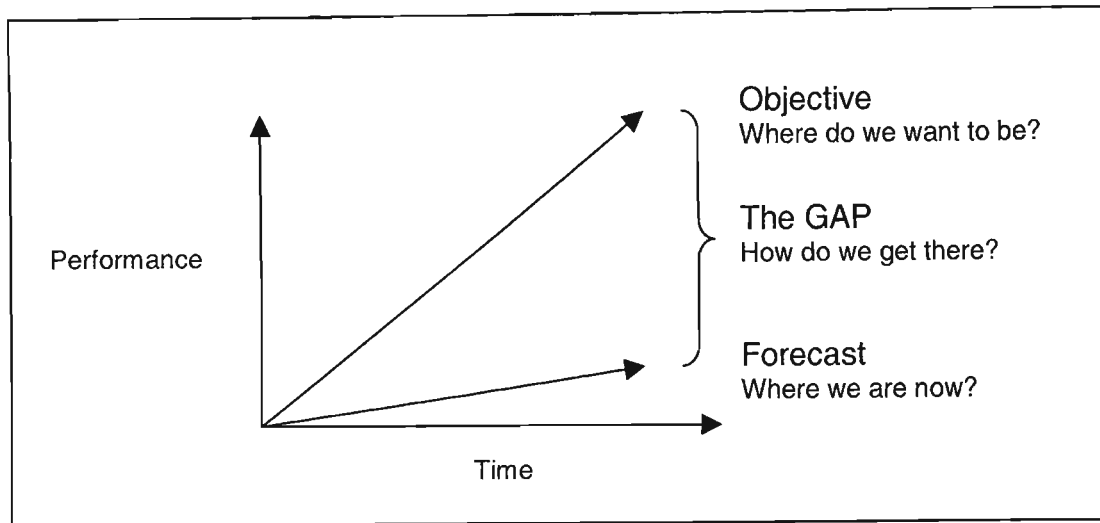
Source: Adapted from Corporate Strategy; Lynch: 2000: Pg. 112.

2.7.3. Strategy Implementation

The strategy implementation is all about the doing. Even a good strategy, if poorly implemented, will result in failure. Implementation must be driven from the top down in order to ensure success. There must be commitment to the strategy and the management team must ensure that the chosen strategy is implemented in such a way that the organisation has a realistic opportunity of achieving its objectives. Organisational capabilities need to be mobilised and resources made available to ensure the strategic objectives can be achieved. Strategy execution process is primarily a hands-on, close-to-the-scene administrative task. Figure 2.16 the model of strategic suitability recognises the importance of implementation even though the focus of this study is the suitability of the organisation to its external environment and the options that become apparent as a result of the strategic evaluation.

Figure 2.16. Model of strategic suitability.

Core Areas of Strategy

- Internal Resources of the Organisation
- Vision, Mision & Objectives of the Organisation
- External Environment & Industry Analysis
- Strengths & Weaknesses
- Opportunities & Threats
- Value added by the organisation

Strategic Evaluation

- Core Competencies Analysis
- Remote Environment Analysis (P.E.S.T.)
- Value Chain Analysis
- Industry Dominant Economic Features
- Mapping Organisational Culture
- Competitor Analysis (Positioning)
- Suitability
- Stakeholder Mapping
- Strategy Development Profile
- Life Cycle Analysis
- S.W.O.T. Analysis
- Portfolio Analysis (BCG Matrix)
- Market Research

Strategic Options Development

- Resource Based Options
- Environment Based Options

Rational Selection

Strategy Implementation

2.8. Chapter Two Summary

Successful organisations have a clear vision and a well defined strategy that enable them to achieve their objectives. Strategy is essentially defined by analysing the organisations internal resources, the external environment and planning to make optimal use of the internal resources of the organisation in such a way that the organisation is able to add unique value to the world. The literature review shows that there are two broad approaches to corporate strategy development. The prescriptive versus the emergent approach. This study focuses on the prescriptive approach to developing strategy. The prescriptive approach to strategy development is made up of a number of defined steps designed to evaluate the internal and external environments of the organisation. Although the prescriptive approach to strategy has been used by successful organisations for many years, the literature review would not be complete without a look at the new business models and strategies for the Internet economy. In order to evaluate the Watches Unlimited business a model of strategic suitability has been designed (refer to figure 2.16). This model has been used to evaluate the suitability of the organisation to its external environment and the changes that are taking place in the new e-conomy. Chapter three looks at the Watches Unlimited business in detail.

CHAPTER THREE – THE WATCHES UNLIMITED CASE STUDY

3.1. Introduction

This chapter discusses the history of the Watches Unlimited business from its incorporation through to its current situation. The rationale behind the management team and the vast experience that have enabled them to develop and refine the business in the local South African environment. The case study starts with the history of the business and more importantly the history of the management team and the learning's that have enabled them to develop a focused and streamlined business in a highly competitive environment. The management structure is discussed together with the entrepreneurial management style that is common place within Small & Medium Enterprises (SME's) the world over. The current business, its market and the value that the business resources add, to ensure success, have also been detailed. No business operates in a vacuum and the case study would not be complete without a deep understanding of the external forces and the competitors in the business environment. These external forces and competitors force management to continually evaluate and understand the changes that need to be made to become leaders in the marketplace. This leads to a discussion of the future and the business outlook going forward. What are the options open to the business and how does the management team plan to secure the future success of the Watches Unlimited business.

3.2. The Business History

Watches Unlimited is a closed corporation that was incorporated in the year 1991. The concept of stand alone watch retail specialist stores was started by Martin Mervis in Gauteng in the early 1990's. During the start-up years the business was specific to the Guateng business area with the first store in Hillbrow at the Carlton Centre, the second in Boksburg at the East Rand Mall, the third in Fourways at the Fourways Mall. The fourth store was the first store

to be opened in Kwa-Zulu Natal in 1993 at Westville at the new Pavilion Shopping Centre followed by a fifth store in Gauteng at the Bridge in Sandton City.

In order to be recognised as the Watches Unlimited business, a Watches Unlimited standard was established and used to brand the Watches Unlimited business. Watches Unlimited was a start-up business and subject to the many hardships that SME's owners and managers are faced with in any environment. Although the business was successful and had the potential for success, the owner had limited financial resources forcing him to look for alternative methods of funding in order to expand the business. Franchising, part-ownership, and other methods of raising capital where investigated.

It was at this point that the owner found it increasingly difficult to manage five stores as a single operator and decided to try and franchise the operation beginning with the Pavilion store in Kwa-Zulu Natal as it was the most distant from his base in Johannesburg.

It was at this time that he entered into a business deal with long standing businessmen Ivan and Bryan Maehler. Their extensive experience in the Jewellery trade in the Durban and surrounding areas gave them the credentials needed to take over the Durban operation.

He approached them with the idea of buying the Pavilion branch as a franchise with the option of exclusivity to opening further branches in Kwa-Zulu Natal in the future.

A deal was struck and the Maehler brothers took over the Natal store in 1994. Shortly after in August of that year a second store was opened in the La Lucia Shopping Mall near Umhlanga and in December 1994 a third store was opened in the revamped Musgrave Centre on the Berea. This gave Watches Unlimited strategic exposure to potential watch purchasers in all three of Durban's major shopping centres.

Ivan & Bryan Maehler's history and knowledge of the watch and jewellery business was unique. Not only were they professional jewellers but also experienced entrepreneurs within the KwaZulu Natal region. The list of businesses that they had started, run and managed since 1974 included:

➢ Durban Wholesale Jewellers

➢ West End Jewellers

➢ The Well Laid Table

➢ Maehler Bros.

This was a turning point in the Watches Unlimited business as operations in the Gauteng region belonged to Martin Mervis and operations in the KwaZulu Natal region now belonged to Ivan and Bryan Maehler.

Expansion in the Gauteng and KwaZulu Natal region continued with an agreement between the stores that ensured that Watches Unlimited was seen as a single business to the customer. Goods purchased in Gauteng would be guaranteed if returned in Durban and visa versa. The Watches Unlimited brand began to gain momentum and started to become a well-known brand to the Gauteng and KwaZulu Natal customer.

The strategic direction of the business has traditionally been emergent in nature. Decisions have been made by means of an iterative process of trial and error. There has been no clear long-term strategic direction in terms of expansion and decisions have been made from one year to the next taking the past years learning's into account. One would call the strategic process a learning based strategic approach.

In February 1997 the owner and founder of the Watches Unlimited business sadly passed on. This was a turning point in the history of the Watches Unlimited business. The business owned by Martin Mervis was put into provisional liquidation and the family of the deceased decided to sell off the assets to the highest bidder. The individual stores were sold off to the existing management and staff but the rights to the name Watches Unlimited the trademark and franchise business was bought by the KwaZulu Natal partners, Ivan and Bryan Maehler. The Gauteng shop owners, previously subject to trading agreements between Watches Unlimited, decided to go it alone under new trading names and existing contracts were cancelled. This resulted in a changed and much scaled down version of Watches Unlimited.

Watches Unlimited thereafter became a wholly owned business of the Maehler brothers.

The next few years were devoted to developing the business into a finely tuned watch specialist operation offering customers top service levels and defining the correct brands required to run the business at the most profitable and equitable level.

3.3. The Current Business

The watch business is currently a registered closed corporation trading as Watches Unlimited and falls under the direct control of Ivan and Bryan Maehler.

3.4.1. The Management Structure

The management structure is hierarchical in nature and depicts the manner in which business decisions are made. Due to the fact that the current business is an SME the number of people within the organisation is relatively small and this results in a lack of individual decision making. Although there is a management hierarchy, responsibility and accountability still rests with the owners. This can be inhibiting and frustrating to customers from time to time. There is a culture of reliance on the owners to make things happen. This restricts the business, in that, decisions are made at the top even though customer interaction is taking place at the store. Accountability for action needs to rest with each individual store and with the stores as a whole. Refer to figure 3.1. showing the current management structure.

Figure 3.1. The Watches Unlimited Management Structure.
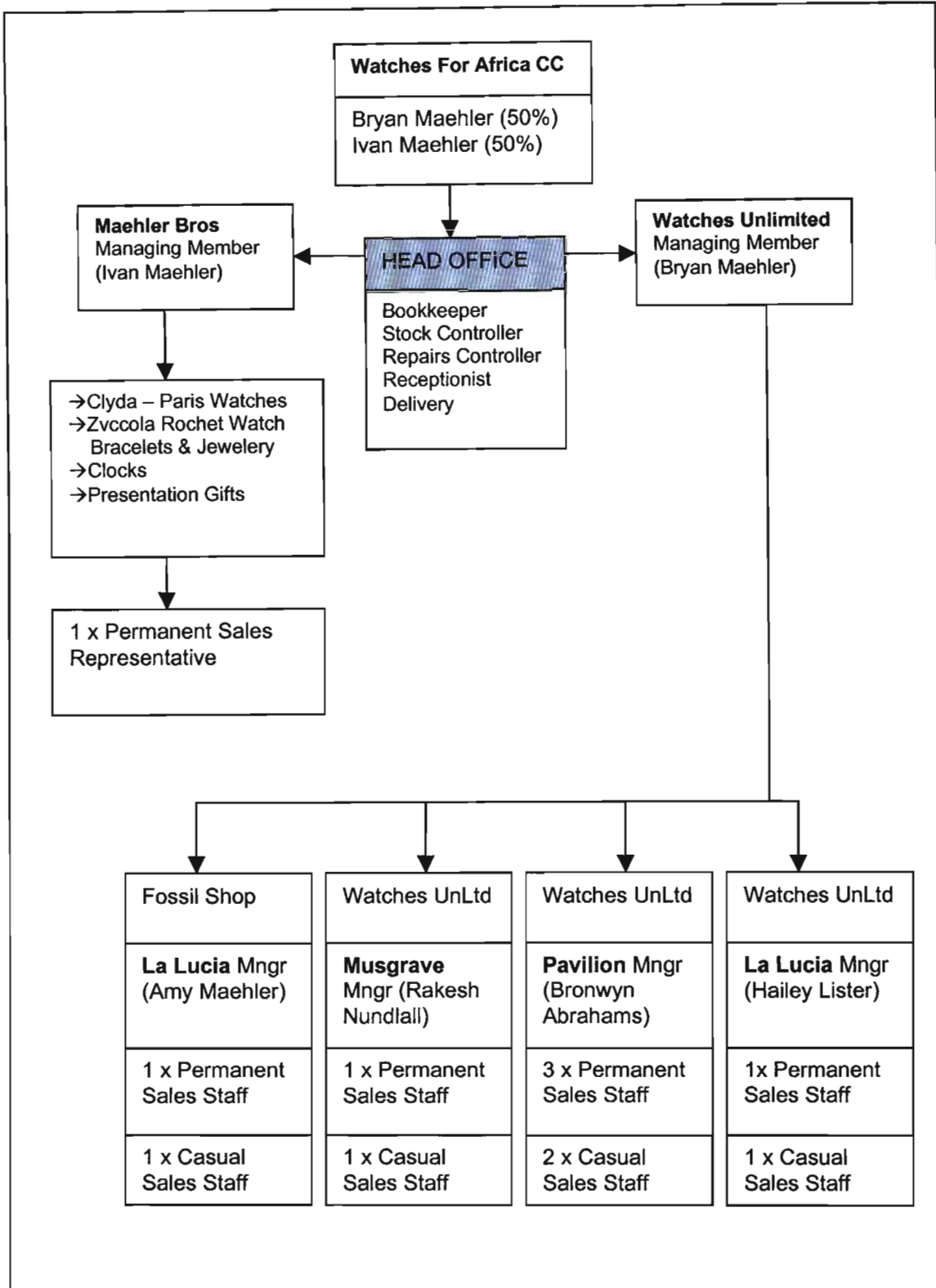
3.4.2. The Internal Resources of the Organisation

Organisational Capabilities

The Watches Unlimited business forms one of the businesses owned by Ivan and Bryan Maehler. Their other business called Maehler Bros. has become a specialist wholesale agent that has allowed them to backward integrate the operations to some extent. Not only do they have a stake in the front-end, retail segment of the market but they also have a stake in the back-end, wholesale segment of the watch market. Although the backward integration is a small part of the business, it is never-the-less a part of the business and therefore have the organisational capability for further backward integration should the business opportunity require it. The focus for this study is the Watches Unlimited business as a retail store. Currently the Watches Unlimited business is purely a bricks and mortar business. Their presence to the customer is through the stores at each of the major shopping centres within the Durban area. Although the stores are currently Durban based they have been Johannesburg based in the past and therefore customers as far as Johannesburg will still be cognisant of the Watches Unlimited brand. The Watches Unlimited brand has grown in strength and the business has become recognised for its slogan "Focused on time... *That* makes the difference."

Internal Support Systems

Ivan and Bryan, through Watches Unlimited have been able to develop strong internal support systems within their business and the watch industry as a whole. They have strong links and trading relationships with their suppliers and business stakeholders. Due to the focus of the business they have been able to offer quality products and a focused service to the customer through good relationships with suppliers. Not only are watches sold but they are also repaired and serviced at the customer's request. This enables the business to provide the customer with a comprehensive service. Each store is recognised by the common theme of service and watches can be exchanged and serviced at any of the stores at the customers' convenience. Stock is revolved between stores if a customer at any specific location needs a particular item.

Slight variations in the products offered at each store are maintained in order that shopper's expectations are provided for at each of the shopping centres and depending on the LSM in each particular area.

The Organisational Culture

The culture of the organisation has been one of focus. The Watches Unlimited catch phrase, "Focused on time...*That* makes the difference" has been the driving force behind the culture of the organisation. The catch phrase endeavours to instil a passion for time and everything that goes with providing a timeless experience for the customer. The stores supply a focused product to a niche market. Each member of the organisation is considered a watch specialist and is required to provide a high level of customer interaction and customer satisfaction with particular focus on product knowledge and being able to identify customer needs and direct them towards the correct product item.

The Reward Structure

The reward system is simple in nature. Each level within the organisation receives a level of remuneration based on their position and within that position based on the level of experience that they posses. The level of remuneration is local to the Durban market and is based on the retail industry as a standard. Remuneration is fixed and paid on a monthly basis. This is what is called "Base Pay". Base pay is supplemented by remuneration based on targets. This is termed "Variable Pay" and is determined by the performance of the organisation as well as the performance of the individual. Each month a target is set per store and within that a target is set per individual. If the store reaches its target the manager and staff receive a percentage of turn over starting from Rand one. If the individual reaches their target they are remunerated accordingly.

3.4.3. The Stores

The Watches Unlimited concept store was started in 1991 and has been branded as a store with a specific size, look and feel. The stores are all small, ranging from 14 to 32 square meters in size. The interiors are designed to exude a feel of modern fashion yet simple and elegant in nature. The showcases are purposefully built to allow for maximum lighting and easy access to the stock being exhibited. Figure 3.2 and 3.3 shows how the store concept has been developed over the years.

Figure 3.2 Showing the original store design.
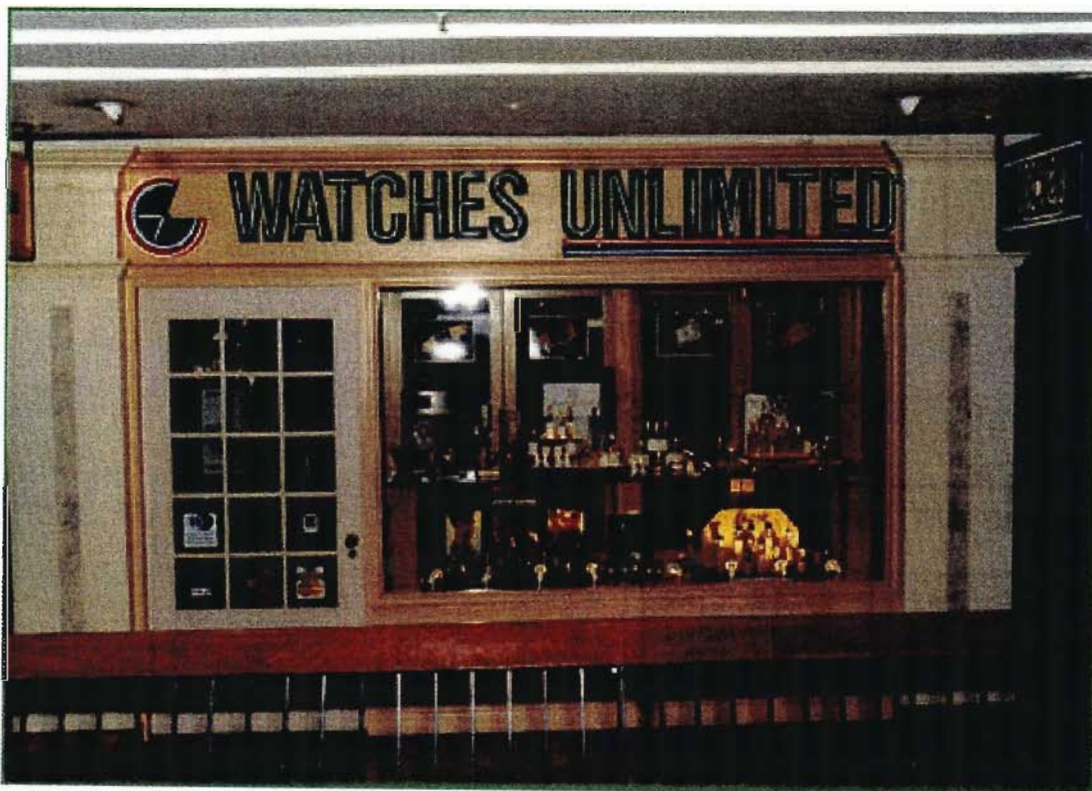
Figure 3.3 Showing the latest store design.

All sales are made directly from the store showcases and all stock is on display. There is no such thing as dormant stock within the Watches Unlimited business. Product sales are monitored physically and through sales analysis from figures produced on a monthly basis. If satisfactory stock-turn is not achieved within a reasonable time, the product is removed from stock or reduced to levels to suit sales trends. This results in good stock turnover and allows for changes and flow of stock within the stores. Figure 3.4 shows how the watches are displayed in the showcases.

Figure 3.4. The Watches Unlimited window displays.

The Watches Unlimited stores are located at each of the major shopping centres around Durban. The first store was opened at the Pavilion shopping centre in Westville in 1993. This shopping centre plays host to a total of 230 shops and has estimated 1.5 million shoppers per month out of season and 2.8 million shoppers per month during peak season. The second store was opened at the La Lucia shopping centre close to Umhlanga in August 1994. This shopping centre plays host to a total of 115 shops and has estimated 0.5 million shoppers per month out of season and 1 million shoppers per month during peak season. The third store was opened at the Musgrave shopping centre on the Berea in December 1994. This shopping centre plays host to a total of 114 shops and has estimated 1.3 million shoppers per week out of season and 1.7 million shoppers during peak season. The fourth store was opened in December 2002 at the La Lucia shopping mall, not as a Watches Unlimited store, but rather as a brand specific store. This was opened as the Fossil store in association with the Watches Unlimited stores. Figure 3.5. Shows the location of the Watches Unlimited stores in relation to Durban and the surrounding areas.

Figure 3.5. The location of the Watches Unlimited stores in Relation to Durban.
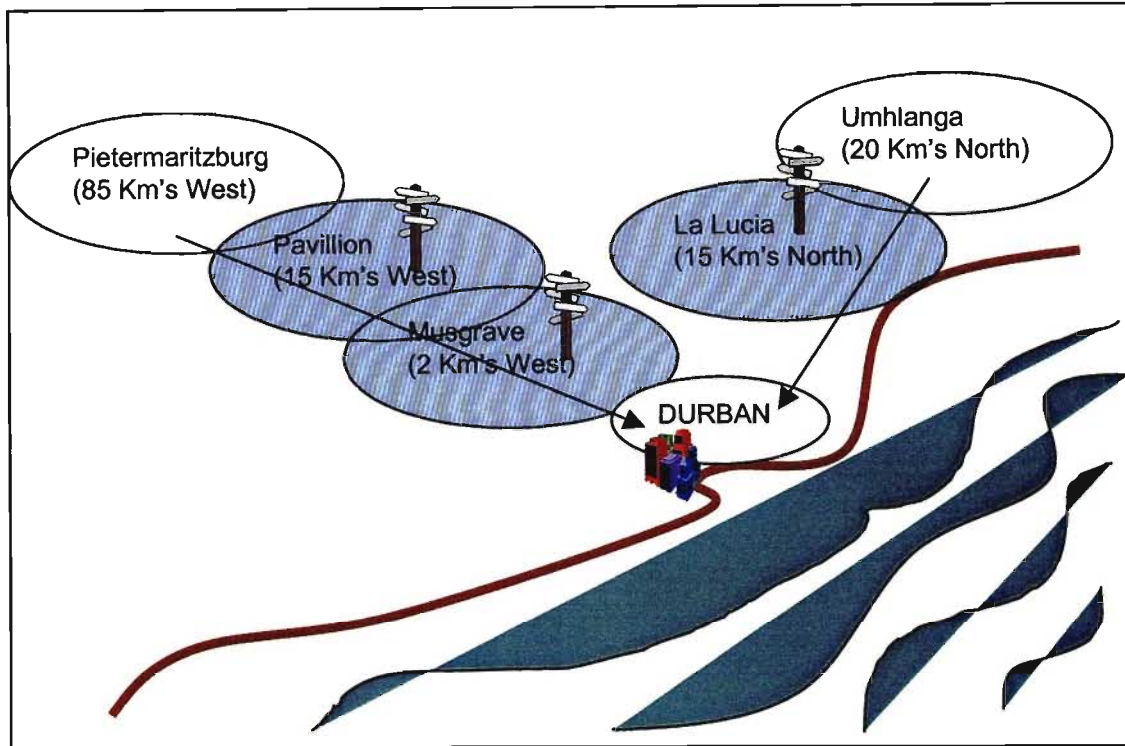
Although these are the stores currently open in the KZN area there have been others. Two others were opened and subsequently closed. The first was opened at the Shelly Beach Centre on the South Coast in September 1997 and closed in June 1999. The reason of the shop was closed is that the local population consisted mainly of retired individuals who were not interested in fashionable luxury goods. Although the area was a popular holiday destination, during the July and December holiday season, the fluctuation in trading and centre traffic was too inconsistent to sustain a profitable store all year round. The shopping centre plays host to a total of 95 shops and has estimated 0.33 million shoppers per week out of season and 0.75 million shoppers per month during peak season. The second store that was closed, was opened at the Springfield Park shopping centre in 1998. This store was opened as a sub-store within the Friendly Grocer Store. Unfortunately the Friendly Grocer closed due to poor trading conditions and therefore the sub-stores within the store had to close as a result. The current stores are well positioned at each of the main shopping centres around Durban.

3.4.4. The Products

Watches can be divided into a number of categories. They come in varying ranges, styles, sizes, movements and metals and vary in price from a R350 to R35000. Watches Unlimited have decided to stock a specific range of international watch brands catering for the whole family within group 5, 6, 7 & 8 of the Living Standards Measure (LSM). These watches fall into the fashion, sport and jewellery category of products and are selected from a range of recognised international brands. Many people regard a watch as a status symbol or a fashion accessory. The Watches Unlimited stores in essence provide an outlet for fashion, sport and jewellery accessories albeit that they are focused on watches. The categories of watches stocked at Watches Unlimited include: Dress watches, sports watches, specific purpose watches, including limited edition watches, general-purpose watches, children's watches and watch accessories such as bracelets and batteries. Refer to figure 3.6. showing the categories and brands of watches stocked at Watches Unlimited. The brands included in the Watches Unlimited product range include: Tag Heuer, Michelle Herbelin, Seiko, Timex, Timberland, Gucci, Georgio Armani, Diesel, Clyda, Fossil, Guess, Swatch, Tissot, Lanco, Calvin Klein, Casio, Omega, Disney, Klever Kids, Pulsar and Lorus. All Watches Unlimited products are backed up and serviced by qualified watchmakers and all workmanship is guaranteed. Watches Unlimited adds value to the customer by providing a comprehensive service on all products sold through their stores.

Figure 3.6. Categorisation of watches at Watches Unlimited.
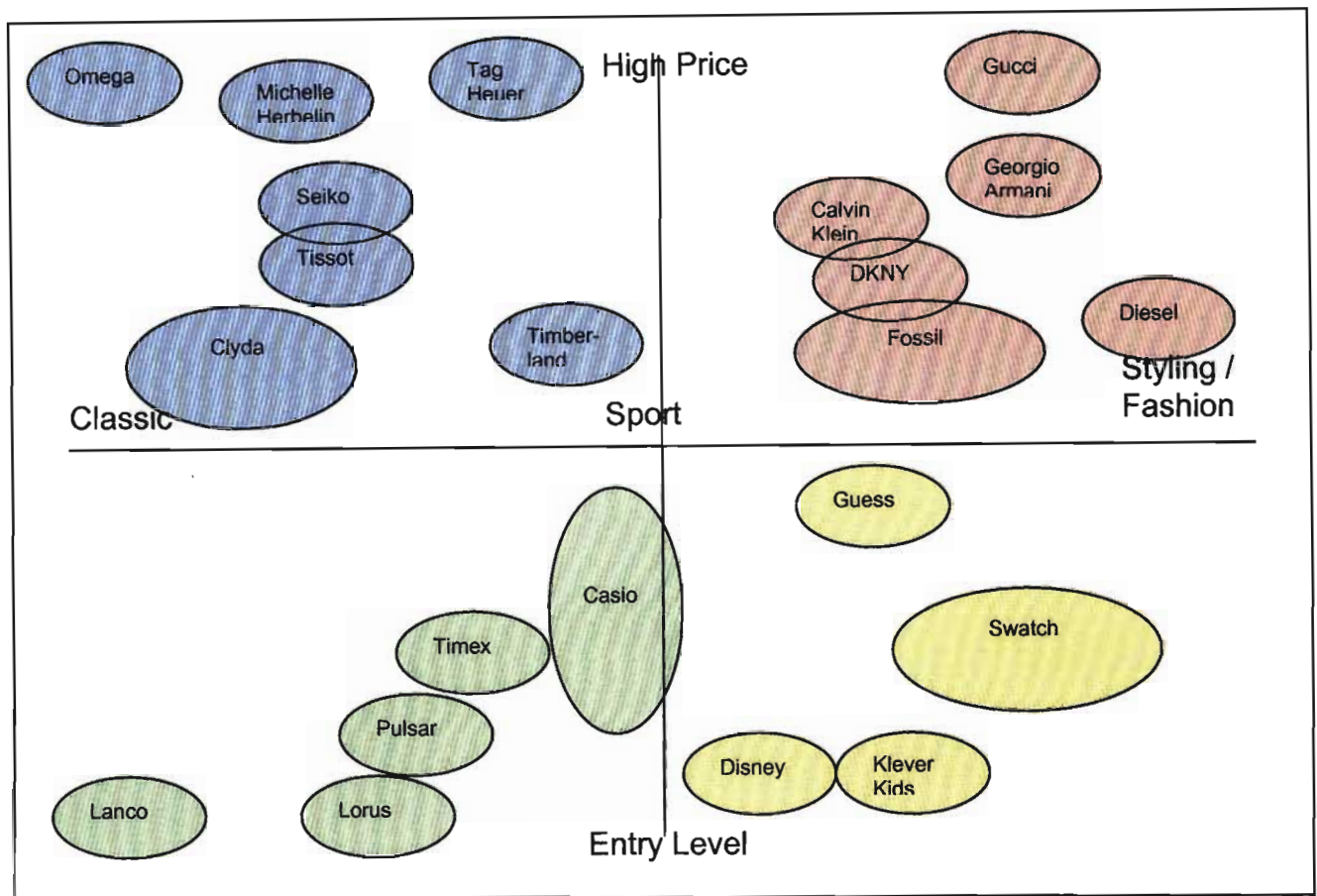
3.4.5. The Marketing

The promotion of the Watches Unlimited brand name is of primary importance to the business. Watches Unlimited is the brand and the catch phrase "Focused on time...*That* makes the difference." is used to encapsulate the culture of the organisation. During promotional campaigns certain brands of watches are exposed to the public and these are financially supported by the brand being promoted. Watches Unlimited works closely with its suppliers to ensure maximum exposure of the brands they stock.

The marketing media cover a broad spectrum including both above the line and below the line advertising. Above the line advertising includes local newspapers, radio stations and selected magazines. Advertising campaigns are planned throughout the year with special emphasis during festive

seasons, special events including comrades and special occasions such as mothers day and fathers day. Below the line advertising includes in store advertising, promotional coupons and advertising materials such as sponsorship of golf days and clothing and accessories for certain events. The message conveyed to the customer is always consistent with the Watches Unlimited brand name and ensures maximum mileage and exposure for the business.

3.5. The External Business Environment

The watch business is as big as the South African population. Each and every individual will at some stage or another own or possess a watch of some sort. This provides a very attractive opportunity to a number of entrepreneurs, which has resulted in a number of outlets at which a South African customer can purchase a watch. The market is saturated with stores willing to offer customers timepieces of one form or another. Hawkers offering so-called genuine brand names at unbelievably low prices have even confronted many people on the streets. On the other end of the scale are the numerous jewellery stores who traditionally were the only distributors of watches in the bygone days of the past. Today's modern age of choice has resulted in so-called confusion in the marketplace. This has resulted in a general desire for simplicity and security when purchasing items of value and on focused specialist operators offering variety, choice, product knowledge and service.

3.5.1. The Suppliers

All of the watches sold in the South African market are imported from overseas countries. There is no local producer of quality timepieces and therefore all brands are licensed to distributors who have the rights to market and distribute the brand in the South African market.

The major players in the South African market are:

> Goodman Brothers with the rights to Omega, Longines, Tissot and Swatch.

> Picot & Moss with the rights to Tag Heuer, Calvin Klein, Rado and Gucci.

> S. Bacher with the rights to Sector, Cat, Guess, Pierre Cardin and Lanco.

> Marick Wholesalers with the rights to Michelle Herbelin, Odgi, Raymond Weil, Seiko, Lorus, Timex, Timberland and Disney.

Other better and lesser-known brands are imported directly by import agents who distribute to the chains, groups and stores around the country.

3.5.2. The Institutions & Government

All businesses are subject to governing bodies and regulations and the watch and jewellery trade is no exception. Due to the fact that the watches are not produced locally and are imported from overseas countries, the watch business is subject to exchange control regulations. In previous years during the apartheid era, the government imposed a 25% ad-valorum tax and a 20% customs duty which resulted in the emergence of a 'grey' market where 'grey' market importers circumnavigated legitimate distributors and endeavoured to sell international products through the back-door to stockists. This caused huge problems for legitimate distributors who had difficulty identifying 'grey' stock which was being integrated into their stock and watering down sales. Eventually steps had to be taken. Severe court action against those caught in the act and eventually intervention by the South African Jewellers Association, by means of strong lobbying to the highest authorities in government, resulted in the stepped reduction over three years of first the ad-valorum tax and then the customs duty to zero. This took care of the 'grey' market importers and once more levelled the playing fields. The South African Watch Distributors Association under the auspices of the Jewellers Association of South Africa continues to play an important function of watchdog, monitoring the trade and trading conditions on behalf of all its members.

International business and the exchange rates have a huge impact on the cost of products sold in the local market. In recent years, fluctuations in

exchange rates have played havoc with the price of watches to the retail market.

3.5.3. The Competition

The South African market is highly competitive and is saturated with channels through which the customer can purchase watches. The opportunity arises due to the levels of saturation that has caused customers to look for a reputable channel through which quality products can be purchased. This results in less competition but still these reputable suppliers including the likes of jewellery groups, large retail fashion groups and niche players like Watches Unlimited result in stiff competition for a share of the market. The two major distinctions between the groups and the independent niche players are firstly the size of the groups when compared to the niche operators. For example the American Swiss and Sterns group have in the region of 300 stores through which to distribute watches where independents like Watches Unlimited have between one and ten. The second major distinction is that the groups offer six to twelve months credit where the independents operate strictly on a cash basis.

The businesses competing for a share in the South African watch market are:

Retail Fashion Groups:
- Edgars
- Truworths

Jewellery Groups:
- Galaxy Jewellers
- American Swiss
- Sterns Jewellers
- Arthur Kaplan Jewellers
- Natal Wholesale Jewellers (NWJ)

Niche Market Players:
- Worlds Finest Watches – National
- Watches Unlimited – KwaZulu Natal

➢ Time Watches – Cape Town

➢ World Time Machine – Gauteng

The competitors have been mapped on figure 3.7 depicting the impact they have on the watch business in the South African Market. The size of the oval gives an indication of the number of stores through which the group or independent sells watches and allows one to get a feel for the opportunities and threats in the marketplace.

Figure 3.7. The competitive map showing competitive strength in relation to the organisations strategic focus on selling watches.
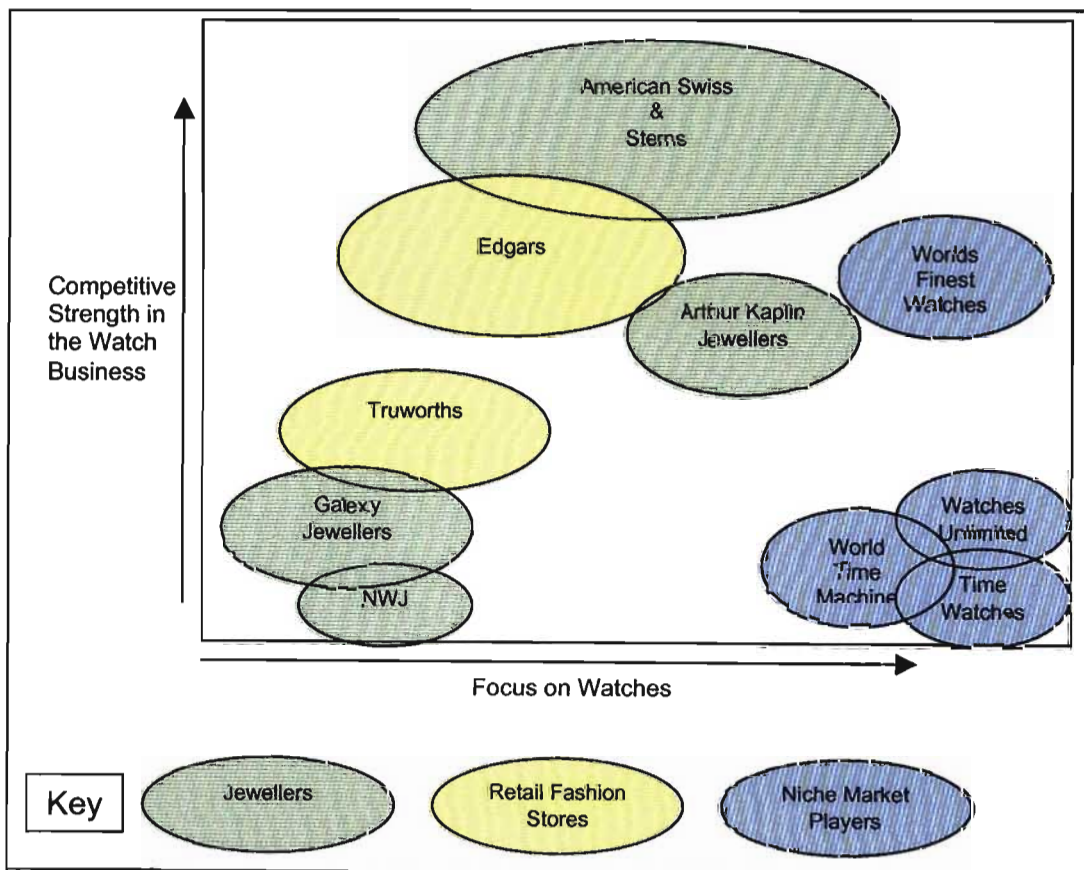
3.6. The Future Business

The view going forward looks towards expanding the business to have strategically placed branches covering all the major centres in Kwa-Zulu Natal and controlling and managing financial resources for future growth expansion - at a later stage into other regions such as Gauteng and the Western Cape. The Internet is changing the face of business the world over and the watch business is no exception. Untapped areas include using Internet as a means of customer relationship management (CRM), integrating to suppliers in order to increase efficiencies and decrease costs, and selling to customers in order to expand the customer base and generate new sources of income.

3.7. Chapter Three Summary

The Watches Unlimited business has been described in detail. The organisation has always been a pure bricks and mortar business. The Watches Unlimited brand has been nurtured over the years and has moved from being a Johannesburg based business to become a Durban based business as a result of changes in ownership. The business is small and constrained to the Durban area but has the potential for expansion into other areas of the country. The products are internationally recognised and the customer offering has been refined to cater for a niche segment of the South African market. Management experience plays a major role in the success of the organisation and strong ties in the Jewellery industry give the business credibility beyond its age. The external environment is characterised by strong competition located in the jewellery and retail fashion industry. Trading conditions are strongly influenced by exchange rates as all products are imported with no local producers of quality watches. The industry is monitored by the Jewellery Association of South Africa to ensure that all stock sold on the South African market is channelled through legal agents. Watches Unlimited's future plans include expansion into other areas of KwaZulu Natal and investigation into new areas of market penetration. The aim will then be to

manage funds for growth into the major cities in other regions around the country. Chapter four focuses on the evaluation of the Watches Unlimited. The model of strategic suitability is used to evaluate the Watches Unlimited business and its external environment highlighting the business strengths, weaknesses, opportunities and threats.

CHAPTER FOUR - EVALUATION

4.1. Introduction

E-commerce is a reality that needs to be taken seriously if a business intends being competitive in the future. The government has realised this and has taken steps to ensure that South African business is not left out in the cold. As recently as August 2002 the government released an Electronic Communications and Transactions Act, Act number 25 2002. The act provides for the development of a national e-strategy for the Republic, to promote the universal access to electronic communications and the use of electronic transactions by Small, Medium & Micro Enterprises (SMME's), (Electronic Communications and Transactions Act, 2002). The government is trying to shape the future of the South African economy by encouraging active participation in e-commerce. Businesses need to step change their strategies to become competitive in this new market place but at the same time need to research the realities of the requirements of the market before heading in the wrong direction. Recent research done by Forrester revealed an abundance of buyers out in the market but a lack of willing sellers. Those businesses that are willing to take the bull by the horns and delve into electronic commerce will either benefit due to first mover advantages or on the other hand suffer losses at the hand of the high risks taken. The market is rapidly changing and therefore businesses need to explore the opportunities that the Internet offers. Internet sales are growing and becoming a larger part of global sales, "We predict that 18.4% of total global sales will shift to the Net by 2006" (worldwide online trade balloons to $12.8 trillion by 2006, Jeremy Sharrard with Steven J. Kafka, Michael J. Tavilla, 26.12.2002). Obviously, South Africa stands out and accounts for, "50 percent of all Internet accounts and 66 percent of available international bandwidth to the African continent" (Giga Information Group Inc, Bernt Ostergaard, 02/17/2000). This makes South Africa the hub of Africa as far as technology and business are concerned. South African businesses need to take the lead in developing an online presence that will filter through

to the rest of the African continent. It is know that globally customer desires to buy online are still growing, Internet sales are growing and that businesses have been slow to make an online presence in the South African market. The question is why? In order to explore the answer to this question we need to ask ourselves how suitable the organisation is to the Internet and how ready and willing customers are to buy or even interact with businesses online in the South African market.

Andy Bartels from Gigatel predicts that, "large click-and-mortar sellers, a few large surviving dot com companies and many small niche sellers, will dominate B2C online sales, with midtier players largely squeezed out" (Gigatel, Andy Bartels, May 14, 2001). This is good news for the smaller companies like Watches Unlimited, who specialise and have a niche focus in the large customer fashion accessories market.

The model of strategic suitability developed during the literature review will be used to analyse the internal resources and external environment of the Watches Unlimited business. The focus of the evaluation will be strategic suitability. Refer to chapter 2, figure 2.16 showing the 'Model of Strategic Suitability'. The evaluation will use the strategic tools described by chapter 2 section 2.7 to evaluate the suitability of the Watches Unlimited business to its external environment. The evaluation will make plain and highlight the internal strengths and weaknesses and the external opportunities and threats facing the organisation in the future. The evaluation will be used to develop strategic options open to the business and guide the rational selection of strategic options resulting in recommendations to the Watches Unlimited management team.

4.2. Strategic Evaluation of the Internal Resources of the Organisation

Resource based options are options available to the organisation as a result of the internal strengths and weaknesses of the organisation. "The strategic capability of an organisation results from the resources which it owns or can access, the way that these resources are deployed to create competencies in

specific activities and, crucially, the way in which these separate activities are linked together, both inside and outside the organisation" (Exploring Techniques of Evaluation in Strategic Management, Veronique Ambrosini et al, 1998).

4.2.1. The Organisations Core Competencies

The value added by the organisation is a direct result of the core competencies that the organisation posses. Watches Unlimited offers their customers fashion items but it is not only the products that they offer that keep the customers coming back. Products are only one component of the business offering. Customer service is a strong part of the organisational culture. It has often been said that the products an organisation offer are only as good as the service with which they are offered. Customer service is certainly a core component of the Watches Unlimited business. The entire business supports the offering of products and all that goes with the product offering. The Core Competencies of the Watches Unlimited business have been identified by braking down the products and services offered to the customer. Figure 4.1 shows the core competencies of the Watches Unlimited business. Store location is of extreme importance to the success of the Watches Unlimited business. Previous Watches Unlimited stores that have been located in areas of low income groups resulted in losses and eventual store closure due to poor trading conditions. Core competencies are the enabling culture of the organisation and therefore includes more than just the store location. Location alone would not be enough to ensure success. The offering of a range of international brands gives the customer the choice required to satisfy a comprehensive range of needs. Watches Unlimited would not attract the number of customers it does if it where not for the full watchmaker service offered. The product knowledge needs to be imparted to the customer and therefore the customer needs to be convinced that the shop staff are more than sales people. They offer a deep understanding of the range of products on offer and are able to direct the customer to the correct

product based on their requirements. The marketing and sales functions of the business are core in ensuring that the Watches Unlimited brand name is visible to the customer in a manner consistent with the overall business culture. It is also the marketing and sales function to ensure that the business is consistent between the stores and that the stock is available to all customers at all times. Underlying the business is the vast experience of the Maehler brothers without whose energy and passion the Watches Unlimited business would not operate.

Figure 4.1. The core competencies of the Watches Unlimited business.

Creating and sustaining competitive advantage requires that organisations understand the unique resources and core competencies that give them advantage. The primary objective of the core competency analysis is to optimise the applied capability of the organisation not only to secure profits for today but also to position the business for the future and eventually take an industry lead.

4.2.2. Value Chain Analysis

The value of value chain analysis, as a strategic tool, lies in the way it forces management to make explicit what is already known. By spelling out what is thought to be the value-creating activities, and positioning them in the format referred to as the Porter's framework, forces management to think about the business in a different way. Figure 4.2. has been used to develop the Watches Unlimited value chain.

Figure 4.2. The Watches Unlimited value chain using Porter's framework.

Support Activities	Firm Infrastructure / General Admin	All stores are wholly owned, therefore decision making is very simple. Centralised head office supports distributed stores.				
	Human Resource Management	Programs to ensure that all sales staff are service oriented and have a thorough knowledge of all products including any new products introduced.				
	Technology Development	All stores are linked to Head Office via WAN which enables stock visibility between & across stores. Head office controlling system linked to distributed point of sale systems.				
	Procurement	Central procurement of stock for all Watches Unlimited stores ensures lowest prices and widest selection.				
		All inbound stock is receipted at head office away from the store. Controls ensure that procurement requirements are fulfilled.	Stock checked and priced at head office. All servicing and repairs are controlled by head office. Stores independent yet centrally controlled.	Daily deliveries to all stores from head office. Stock movement between stores where necessary.	Merchandising using inter-national brands as show cases. Small stores, well stocked, well positioned. Promotion to building the Watches Unlimited brand.	Service oriented, product knowledge, guarantees batteries, repairs, customer relation building.
		Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service

Primary Activities

Source: Pierce and Robinson: 2000: Page 301

Value is added to the Watches Unlimited organisation by means of primary activities and support activities. The primary activities include inbound logistics, operations, outbound logistics marketing & sales and service. For each of these primary activities there are a number of support activities that either help increase the value or add to the cost of the primary activity. The

value chain analysis will look at each of the primary activities in relation to the support activities and determine where value is added and where gaps exist that resemble weaknesses and therefore opportunities for the organisation.

Inbound logistics deals with the receipting of stock from external suppliers into the Watches Unlimited business. The support activity of procurement enables the handling of all stock receipts at head office. This ensures that the stores are separated from the task of managing any supplier. Stores only have to deal with head office, which results in simplified operating procedures at the stores. The inbound logistics activity is not supported by any technology and is operated on a manual basis. Watches Unlimited do not have a technology supported solution to the inbound logistics primary activity. There is a single person responsible for the inbound logistics and therefore once trained there is little need for human resource management as a support activity. General infrastructure of a central head office enables the management of stock from the head office before reaching the stores.

Operations would include all stock pricing and activities dealing with servicing and repairing of merchandise. The stores are operated independently yet they are controlled centrally. Head office mange stock for all the stores and ensure that repairs are carried out by the correct watchmakers and returned to the stores on time. All procurement is handled at head office. All stock is routed through head office and manual controls have been put in place to ensure that the business operations add value to the Watches Unlimited customers by ensuring processes are in place that enable store managers to make decisions autonomously. Investments in technology have enabled the connection of all stores to head office where visibility to sales, servicing and repairs information is enabled. Operational controls are ensured by head office monitoring the weekly operation of each store.

Outbound logistics is co-ordinated by head office. Stock is allocated to stores based on sales figures and manual decisions on what to send to each store. Customer demands also influence the outbound logistics of the organisation. Stock is moved when and where necessary to ensure good

stock turnover. No systems or technology support the outbound logistics of the organisation.

Marketing & sales are of strategic importance to the organisation. All marketing and sales are conducted in and around the stores. Product sales take place at the stores and links to head office ensure the visibility of the sales at each store. Investment in point of sale (POS) hardware and software enables the recording of each and every sale. The system acts purely as a sales device at each of the stores. Reporting functionality is limited but does facilitate the procurement of stock by being able to monitor sales on a daily, weekly and monthly basis. Improvement in areas of customer relationship management, product data catalogues and intelligent re-order systems and better reporting would result in increases in value to the customer. Human resource management plays a leading role in ensuring that all sales staff are competent and focused on service delivery to the customer.

Service is managed at each individual store. Procurement through head office ensures high levels of customer satisfaction due to centralised management of stock and movement of stock between branches when necessary. A comprehensive service includes full watchmaker services and guarantees on all mechanise sold through Watches Unlimited. Skilled sales staff ensures that the highest levels of service and product knowledge are offered to the customer through being able to influence purchasing decisions. Sales are largely a manually performed function with one-on-one sales staff to customer interaction. Sales staff have the support fellow sales staff in and across stores and have access to top management should the need arise. Customer service is key to success and value creation at Watches Unlimited. Customer service and the use of customer relationship management (CRM) need to be considered should the organisation wish to step change their customer service offering. Technology is an area that could be used to facilitate this process.

The value chain analysis states the primary - and support activities of the organisation and brings to light where value is currently added by the organisation. By logically retracing the sources of value added by the

organisation using the Porter's framework, areas of opportunity become apparent. The value chain of Watches Unlimited highlights the important function of head office and opportunities for improvement of its primary activities by better utilisation of support activities, most importantly, technology development resulting in overall improved profitability.

4.2.3. Mapping the Organisational Culture

The culture of the organisation are the basic assumptions that exist within the organisation and which ensure a common understanding of what the organisation is there to do, or the reasons for its success historically. Culture can also be thought of as the organisational routines, systems and structures that ensure its success (i.e. the way we do things around here). Cultures are extremely difficult to change, especially if the success of the organisation has been based upon it in the past.

The Watches Unlimited cultural web has been evaluated and mapped. Refer to figure 4.4. showing the cultural web of the Watches Unlimited organisation. **The paradigm** at Watches Unlimited is that the organisation is there to ensure customers are guided toward a watch or product that meets their requirements. The aim is to please the customer by providing customer service across the different branches of the organisation. This ensures a culture of co-operation and openness amongst the stores. **The rituals and routines** of organisational life at Watches Unlimited include opening and closing the stores, ensuring that stock is well managed and accounted for and that targets are striven for on a monthly basis. **The stories** told by members of the organisation are that it is owned and managed by the Maehler brothers who have vast experience in the Jewellery trade. To each other, and to new recruits they would say that what management says goes and that care should be taken when dealing with customers that are associated with the owners. Other **symbolic aspects** of organisations are that Watches Unlimited are focused on time and that they provide a full range of international watch brands. The members of the organisation see their products as status

symbols on the modern world. The formalised **control systems** that focus the individuals of the organisation include short-term budgetary controls, sales analysis and stock taking on a monthly basis. Less formal controls include manual inspections of the stores on a weekly basis by the owners. **Power structures** or powerful managerial groupings of the organisation are two fold at Watches Unlimited. There are the owners and the store managers. All staff report to the owners with the addition of sales staff having a dotted line through to the store managers. It is therefore of chief importance for those within the organisation to please the owners. The formal **organisational structure** reflects the power structures with less ownership control over what happens at the stores. In-store decisions are managed by the store managers, reporting through to the owners. All head office functions are centralised with sales activities taking place at the stores.

Figure 4.4. The Watches Unlimited cultural web.
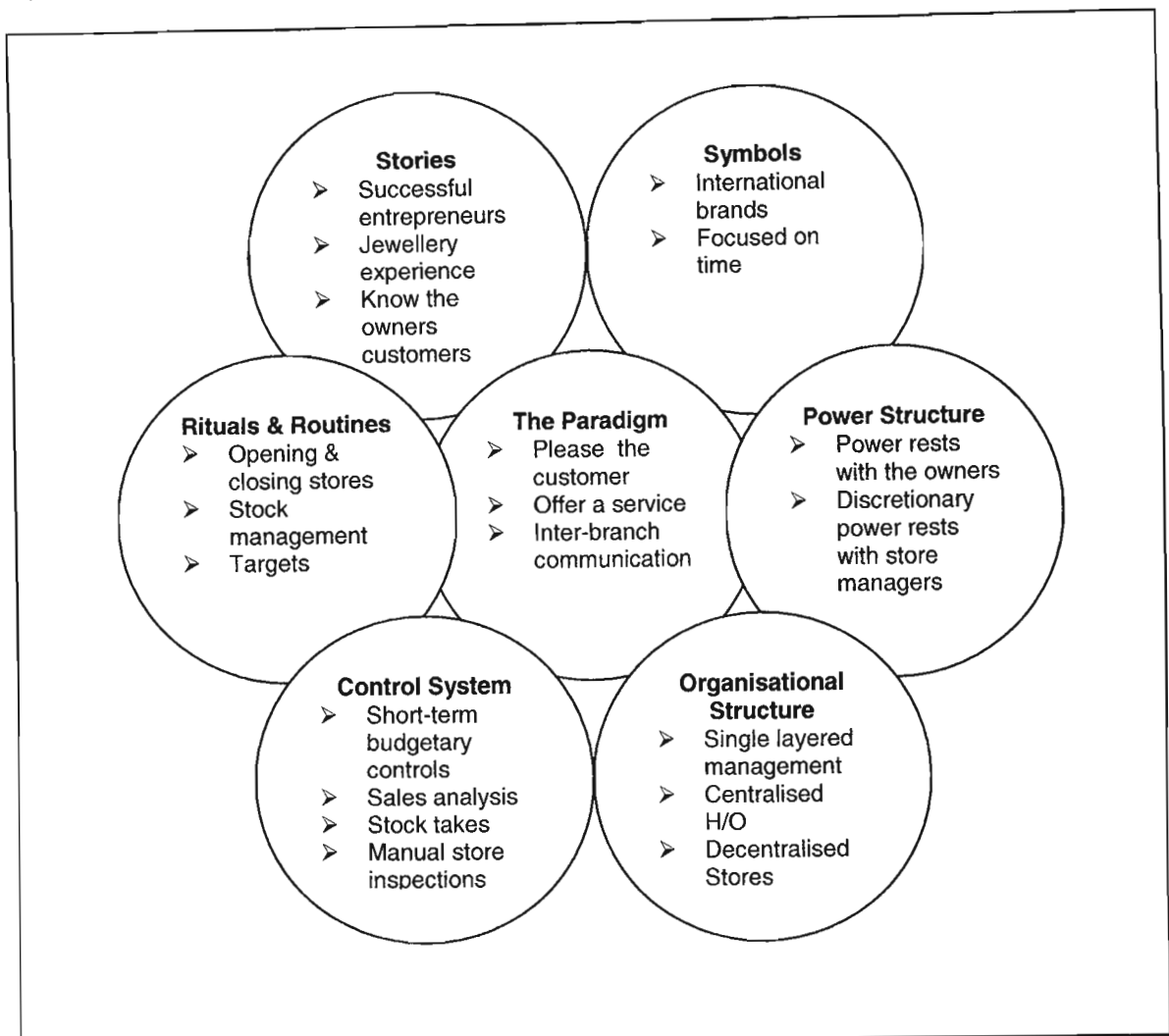
Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 138.

4.2.4. Stakeholder Mapping

The Watches Unlimited business is small and therefore the number of stakeholders that have influence on strategic decisions is small. Internally the owners jointly decide on the strategic direction of the organisation. They have a high level of interest and a high level of power when comes to strategic decision making. Other internal stakeholders are the head office staff, store

management and store staff. Strategically they have a high level of interest but low power to influence strategic decisions.

Figure 4.6. Stakeholder mapping: The power-interest matrix.

	Level of interest	
	Low	High
Low	**A** Minimal Effort Watch Brand Suppliers	**B** Keep Informed Competitors, H/O Staff, Store Management & Staff
High	**C** Keep Satisfied Customers	**D** Key Players Watches Unlimited Owners

Power

Source: Adapted from A. Mendelow, Proceedings of 2nd International Conference, on Information Systems, Cambridge, MA, 1991.

Externally the customers have strong influence on the success or failure of the decision and therefore customers or potential customers should be consulted and researched before making any fundamental changes to strategic direction. Customers are seen to have high power but low levels of interest when it comes to making strategic decisions. The Watches Unlimited suppliers currently have low interest and low power on strategic decisions made at Watches Unlimited. This situation could change should Watches Unlimited decide to sell products over the Internet. A close working

relationship with suppliers could be required to successfully meet the requirements of the Internet and a rapidly growing marketspace. Competitors have a high level of interest in the strategic decisions made at Watches Unlimited but have little power to influence decision making.

The current stakeholder situation reflects an Autocrats dream as there are no significantly powerful or interested stakeholders that need to be won over in order to make the strategic decision and therefore the business could proceed directly to implementation should it so decide. The pitfall of such a situation is that management become complacent with their situation and neglect to re-evaluate stakeholder reactions.

4.2.5. Discovering and Defining the Process of Strategy Development

The process of strategy development at Watches Unlimited has been evaluated in order to benchmark the decision-making processes used to drive the development of the organisation. The management at Watches Unlimited completed a Strategy Development Questionnaire (SDQ) that was then mapped to give a pictorial representation of the dominant processes operating within the organisation. Figure 4.7 shows the strategy development profile of the Watches Unlimited business. Refer to appendix three, four and five for the Strategy Development Questionnaire and Scoring Sheet.

Figure 4.7. Strategy Development Profile (SDP) at Watches Unlimited.
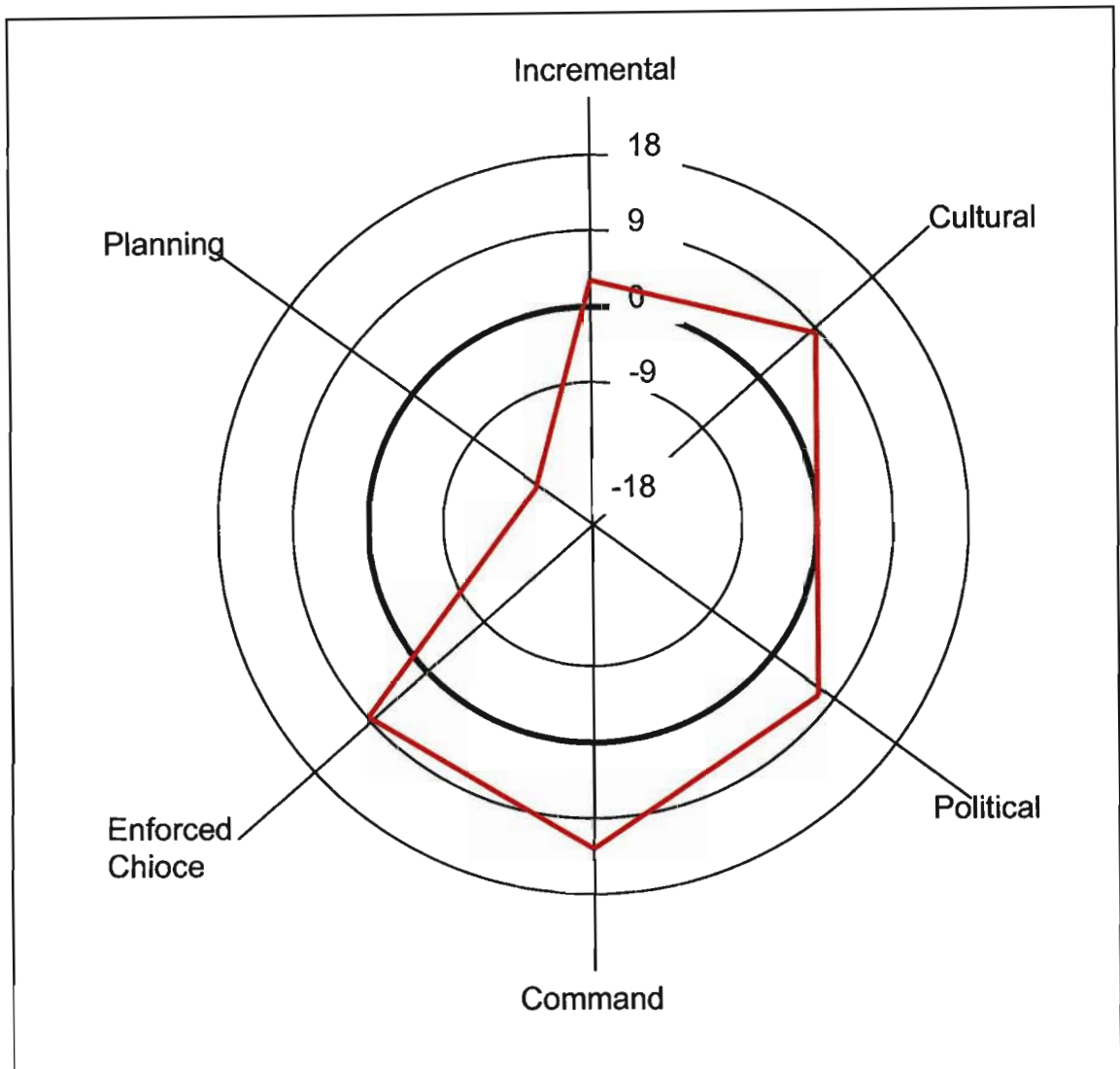
Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 201.

The Watches Unlimited SDP shows that the command dimension largely determines the organisation strategy. Strategy is defined and determined by particular powerful individuals within the organisation. There are a number of other influences impinging on the strategy development process. The other influences are the enforced choice, political, cultural and incremental dimensions that affect the decision making process. These indicate that the

management does not perceive the strategy development to be as a result of analytical, intentional and sequential process planning but rather that the planning is subject to other forces internal and external to the organisation which limit its ability to determine its own strategic direction. Such a profile reflects the fact that management is involved with the operational levels of the organisation rather than being purely focused on planning for the organisation's future. The management experiences political activity and cultural influences within the process of strategy development. As a result strategy is directed and guided by the cultural aspects of the organisation, it's history, shared assumptions and the beliefs of the owners. Strategy is developed through a process of bargaining, negotiation and influence between the two internal interest groups, being the two owners.

4.2.6. Portfolio Analysis (BCG Portfolio Matrix)

Watches Unlimited is a small business in the total South African watch market. Their strength lies in the fact that they are focused on providing a complete watch service in selected areas around Durban. Relative to Durban, they service a niche market where they have a relatively high market share and competitive strength. Relative to the bigger South African market, they have a low market share and medium competitive strength. It is for this reason that we have used two Boston boxes to depict the position of the Watches Unlimited business.

The first Boston Consulting Group (BCG) Matrix shows Watches Unlimited relative to the Durban Market. The Second BCG Matrix shows Watches Unlimited relative to the larger South African Market. Refer to figure 4.8. There is a clear lack of strength in regard to market share in the bigger South African Market and this should to be addressed as a weakness that needs to be overcome.

Figure 4.8. Watches Unlimited mapped onto the BCG Matrix in relation to the Durban and South African Markets Respectively.
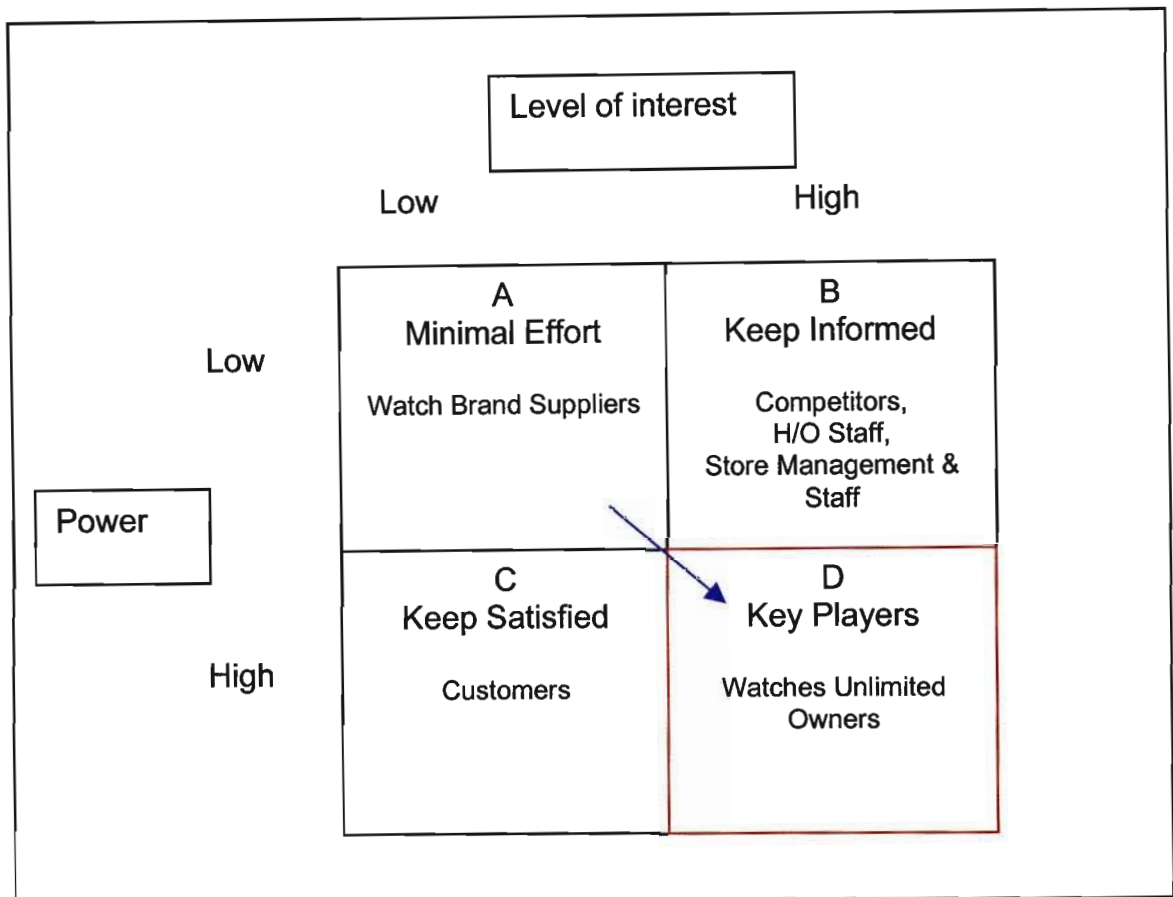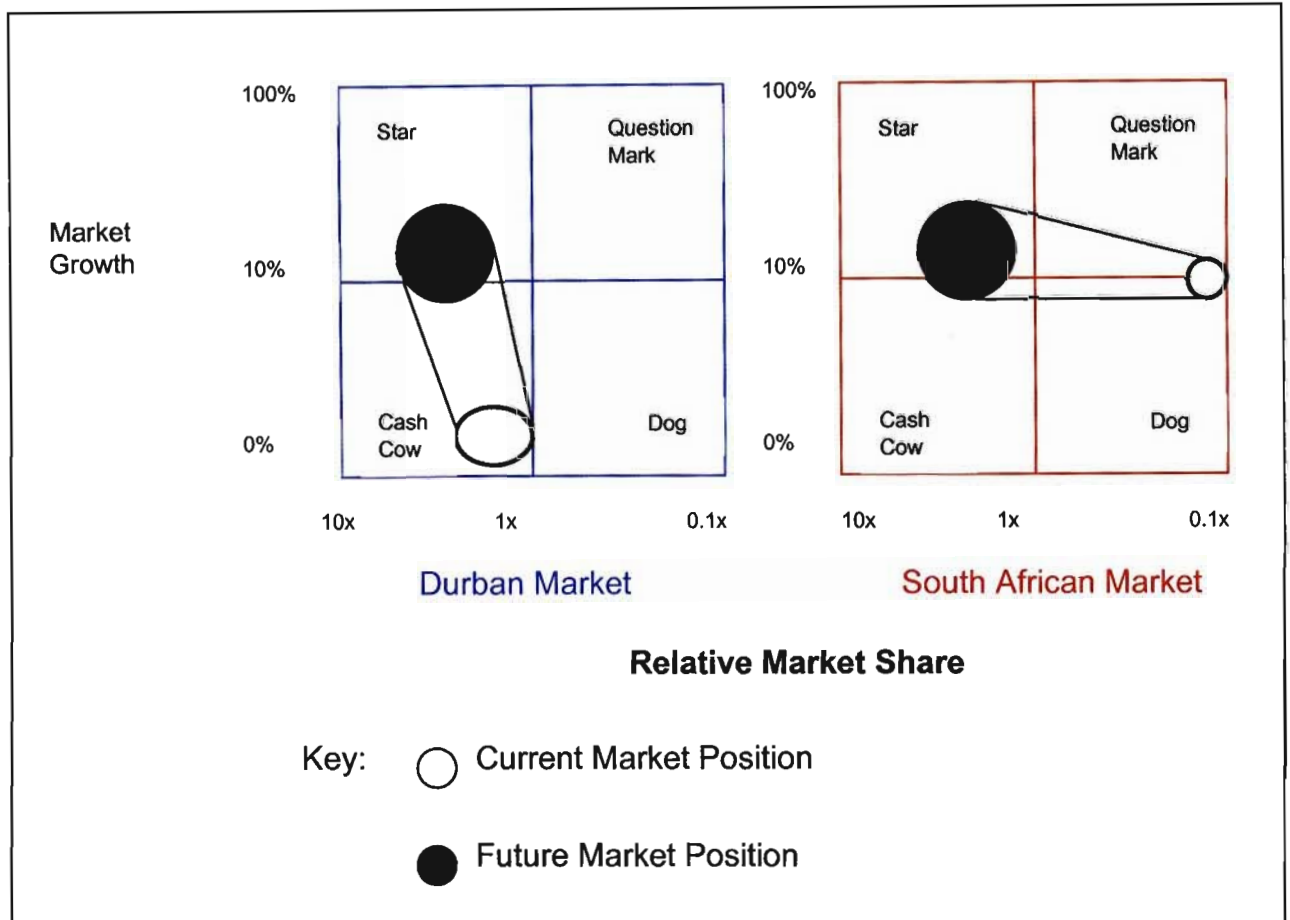

Source: Ambrosini, Veronique, Exploring Techniques of Analysis & Evaluation in Strategic Management, 1st Edition, 1998, Prentice Hall, Pg. 206.

Referring to figure 4.8, Watches Unlimited need to move from a position of Cash Cow in the Durban market and from being in-between a Question Mark and a Dog in the larger South African Market to become a Star with some elements of Cash Cow in each of the large trading centres around South Africa.

4.3. Strategic Evaluation of the External Environment

Environment based options are options available to the organisation as a result of the uncertainty in the external environment. The environmental analysis helps the organisation to better deal with uncertainty in the external environment resulting in environment based strategic options. The organisation needs to understand the political, economic, sociological and technological changes taking place in the external environment. This is commonly referred to as a PEST analysis. Competitor analysis or positioning the organisation in relation to the competitors in the environment is an important part of being able to sustain a competitive edge. An analysis of the organisations strengths, weaknesses and the opportunity and threats in the external environment provide a comprehensive analysis of the options open to firm as a result of these changes.

4.3.1. Analysis of the Remote Environment – Political, Economic, Sociological and Technological (PEST) Analysis

➤ **Political/Legal:** Firms can only purchase internationally branded merchandise through recognised agents. Legal action has closed the door on the grey watch market and which has levelled the playing fields.

➤ **Economic:** "We predict that 18.4% of total global sales will shift to the Net by 2006" (worldwide online trade balloons to $12.8 trillion by 2006, Jeremy Sharrard with Steven J. Kafka, Michael J. Tavilla, 26.12.2002). With the Watch business at a mature stage of its life cycle new revenues of income could help boost sales and rejuvenate the market.

➤ **Social:** From a demographic standpoint, most watches are sold to persons over 25 years although the youth account for a growing percentage of watch sales. A bigger fraction of this population group had diverse fashion interests, which made them more likely to shop online, where they could select from a range of international watch brands.

> **Technology:** Obviously, South Africa stands out and accounts for, "50 percent of all Internet accounts and 66 percent of available international bandwidth to the African continent" (Giga Information Group Inc, Bernt Ostergaard, 02/17/2000).

4.3.2. Industry Dominant Economic Features.

> **Market Size:** Slow growth (1.4%) - from R1.38 billion in 2000 to 1.4 billion in 2001, Accelerating to R1.58 billion in 2002 (12.9%). Anticipated slowdown to R1.7 billion in 2003 (7.5%).

> **Scope of competitive rivalry:** Local competition selling International Brands.

> **Market growth rate:** Slow.

> **Stage in life cycle:** Mature.

> **Number of companies in industry:** 3000 retail jewellery stores in South Africa.

> **Customers:** Over 9,5 million of the economically active population- ranging between the ages 16 to 65.

> **Degree of integration:** Alliances, between groups.

> **Ease of entry/exit:** Low barriers of entry at the low end of the market, high barriers of entry at the upper end of the market.

> **Technology/Innovation:** Sales is an age-old game with major innovations taking place on the Internet marketspace.

> **Product characteristics:** Highly branded products; the product sales are as a result of the agents promotional activities in the South African market.

> **Scale economies:** All companies have virtually the same costs in the bricks and mortar world. Store size and location determine costs.

> **Learning and experience curve effects:** Industry experience results in correct brands being mechanised through the correctly located store.

> **Industry profitability:** medium; the fashion accessories nature of the industry's product results in reasonable pricing.

4.3.3. Competitor Analysis (Positioning)

Competition in an industry is rooted in its underlying economic structure and goes beyond the behaviour of current competition. The state of competition depends upon five basic competitive forces described by Michael Porter. This framework provides an analysis for considering how to squeeze the maximum competitive gain out of the context in which the business is located – or how to minimise the prospect of being squeezed by it – on the five competitive dimensions that it confronts.

Rivalry in the watch industry can be considered fierce due to the diminishing profit margins resulting from companies wanting a greater market share. With more than 3000 competitors in South Africa, Watches Unlimited accounts for 15% of sales in the Durban area. However, other large players in the market could hinder sales. This cross-company rivalry is centred on both price and quality in the low and medium priced competitive market. The main rival competitors include *Retail Fashion Groups:* Edgars and Truworths; *Jewellery Groups:* Galaxy Jewellers, American Swiss, Sterns Jewellers, Arthur Kaplan Jewellers, Natal Wholesale Jewellers (NWJ), and *Niche Market Players:* Worlds Finest Watches – National, Time Watches – Cape Town, and World Time Machine – Gauteng.

New entrants can serve to increase the degree of competition in an industry. In turn, the threat of new entrants is largely a function of the extent to which barriers of entry exist in the market. With low limited barriers of entry into this industry, the emergence of small companies is intensified. The private companies are flexible and quick in responding to market demands but often lack financial support. Keeping costs to a minimum, results in higher price flexibility and greater profits. Internet start-ups could pose a threat to the traditional bricks and mortar retailers should they be successful in meeting customer demands. Their lower overheads could give them a competitive advantage when it comes to price not to mention the experience that the Internet could provide for the customer.

The presence of **substitute products** can reduce industry attractiveness and profitability by placing a ceiling on the prices the industry can charge for its products. These price ceilings, at the same time, put a lid on the profits that industry members can earn unless they find ways to cut costs. Other substitute products could include cell phones, personal digital diaries and other devices that provide the time to the world. The one advantage that watches do have is that they are fashionable items and provide a sense of status to those that own them.

Supplier bargaining power is strong in this industry. The agents largely determine the strength of the brand being distributed in the South African Market. This gives the agents with the biggest marketing budgets the draw card to set the price on the products they sell due to responding market demand. None of the suppliers invest in Research and Development (R&D) and, as such, do not offer any added value to their customers.

The competitive pressures stemming from **buyer bargaining power** is low within the small players and high for the large groups. This is largely due to the number of outlets through which an organisation is able to distribute the agents watch brands. The more doors, the stronger the groups bargaining power.

4.3.4. Strengths, Weaknesses, Opportunities & Threats (SWOT) Analysis

Table 4.1 has been used to tabulate and show the Watches Unlimited strengths, weaknesses, opportunities and threats. Refer to table 4.1.

Table 4.1. The Watches Unlimited strengths, weaknesses, opportunities & threats (SWOT).

Strengths	Weaknesses
• Well known, experienced entrepreneurs in the Jewellery trade • Niche market leaders in Durban, Kwazulu Natal • Well positioned stores • Good product offering – broad selection of international brands • First niche watches organisation in South Africa • Experienced sales staff • Competitive pricing • Strong promotional & marketing alliances with suppliers • Partially vertically integrated • Efficient inventory rotation • High customer satisfaction • Wholly owned business	• Small business therefore limited human resource • High store rentals • Expensive merchandise • Medium margins • Substitute digital products • Shorter operating history than other large competing retailers • Smaller customer base than other large competing retailers • Lower brand recognition • Lower financial, technological & marketing resources
Opportunities	Threats
• Expand into other regions as a bricks and mortar business • Move to become a bricks and clicks business • Predicted growth in the online sales (Growth to 18% of all sales by 2006) • Easy access to demographic & behavioural data about customers therefore greater opportunities for CRM online • Ability to offer a broad product selection & therefore to vertically integrate • The convenience of home shopping (24 by 7 by 365) • Internet is used to market to the middle to upper income group who generally have credit cards • Selling advertising & sponsorships to companies interested in promoting their goods & services • As a result of competition there are opportunities for cost reduction & opportunities for new efficiencies • Create a watches customer club service, increasing advertising and marketing	• Large competitor entering the niche watch market • Significant technology costs • Increase in aggressive price discounting for online retailers (the cost is offset against sales of advertising space on web sites) • Predicted that only 3 or 4 large retail sites will be supported by the on-line market • Low barriers to entry - increased competition from new entrants • Increase in competitors expenditure on site & systems development • Watches become obsolete

4.3.5. Lifecycle Analysis

The Watches industry in South African is at a "Mature" stage of its lifecycle. Sales within South Africa are growing at a slow to medium rate with no embryonic or accelerated growth in the Industry. Refer to figure 4.9 where the "X" denotes the lifecycle position of the Watch Industry in the South African market.

Figure 4.9. The Watches Life Cycle in South Africa.
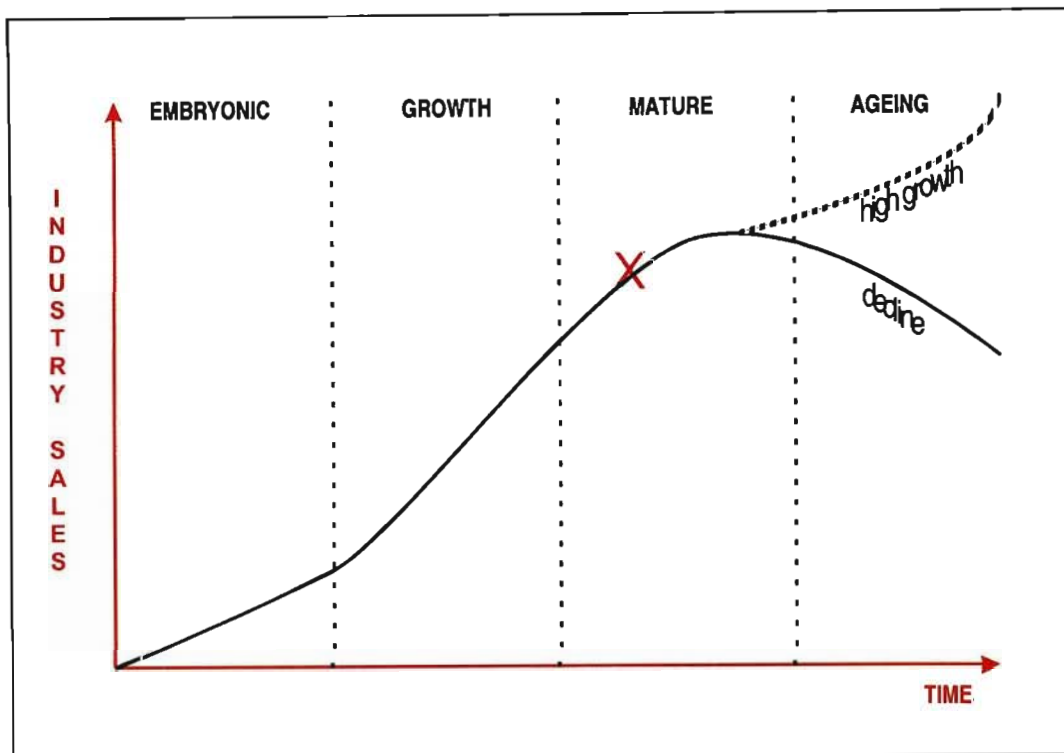
Source: Adapted from Corporate Strategy; Lynch: 2000: Pg. 112.

Watches Unlimited has a relatively strong competitive position within the Durban market but in relation to the South African market their position is only tenable. Strategies that would favour their position in the Durban market include attaining cost leadership, renewing focus, differentiation and growing with the market. Strategies favouring their position in the South African market include holding onto their niche in the market, differentiating their product and

service offering, other favourable strategies would suggest focus in order to play catch up in the South African Market and then growth with the industry. The cycle could change direction and enter a period of high growth or what is commonly referred to as rejuvenation of the industry. Innovation in technology and other areas of the Watch Industry could cause this rejuvenation and therefore spark a change the competitive position and strategic options open to the organisation.

4.3.6. Researching the Suitability of Marketing Products over the Internet in South Africa

In order to make a strategic decision whether the Internet posses an opportunity for the Watches business in South Africa, and therefore the Watches Unlimited business, a questionnaire was designed and distributed within the Durban, South African market. The survey was self-administered and the questionnaire was focused on extracting information relating to online shopping in the South African economy. The purpose of the questionnaire was to extract a true reflection of the changing purchasing requirements of the Durban population. The surveys were conducted to get a deeper understanding of the suitability of business to consumer (B2C) opportunities in the South African environment. The results have been analysed using descriptive statistics to give a picture of the current and future Internet shopping requirements of South African customers. The random sample consisted of 90 respondents whose views have been extrapolated to represent the views of the South African population.

The Questionnaire was broken down into 5 main areas:

a) **Questions covering demographics.**

b) **Questions covering current & future shopping habits.**

c) **Questions covering Internet access.**

d) **Questions relating to the level of Internet interaction and confidence transacting over the Internet in South Africa.**

e) **Questions relating to services and value that the Internet could bring.**

a) Questions covering demographics.

Question 1: Age. The majority, 88% of the respondents where between the ages of 26 and 50 years old. Refer to figure 4.10.

Question 2: Gender. Males represented 70% of the sample with 30% being female.

Figure 4.10. Age of respondents that took part in the survey.
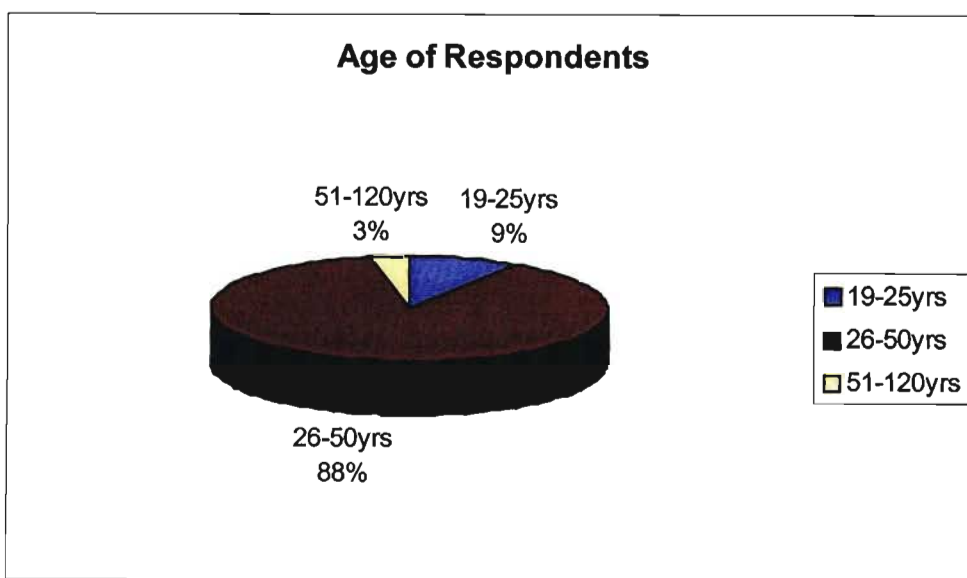
b) Questions covering current & future shopping habits.

Question 3: Methods of buying fashion accessories over the past 4 years.

It is interesting to note that 85.6% of shopping takes place at shopping malls with 35.6% taking place within the city centre. Only 4.4% of respondents have used the Internet to buy fashion accessories over the past four years. Refer to figure 4.11.

Figure 4.11. Methods of shopping used to buy fashion accessories over the past four years.
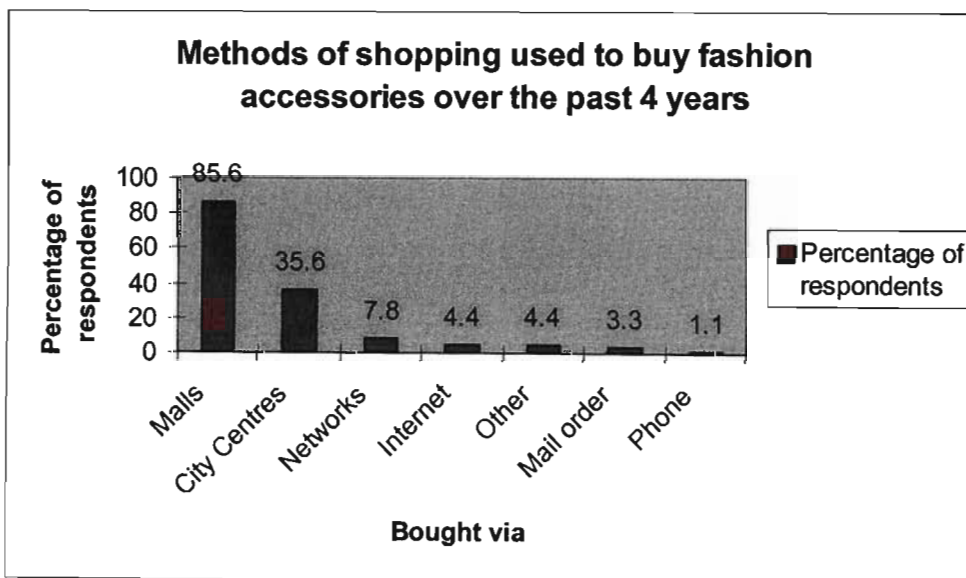
Question 4: Perceptions of how methods of shopping over the next 4 years.

The next 4 years will see the shopping malls, city centre and Internet being the main markets through which goods will be purchased. Refer to figure 4.12 where the blue shading shows the customers primary choice of shopping location, the light purple shading shows the second preferred method of shopping and the yellow shading shows the third preferred method of shopping and so on up to the sixth preferred method of shopping.

Figure 4.12. South African buying preferences over the next four years.
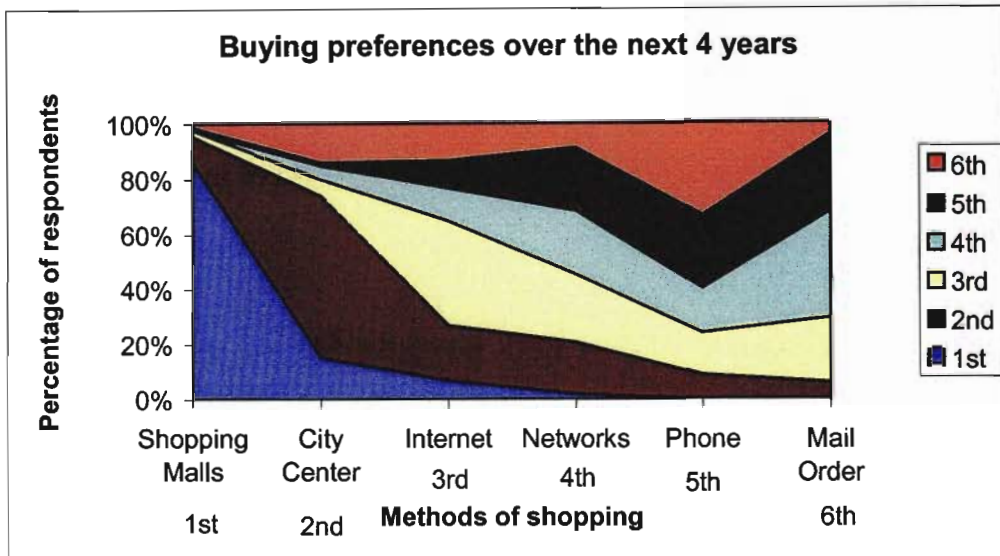
Question 5: Preferred methods of shopping 5 to 10 years from now. 5 to 10 years from now the same three methods of shopping will dominate but there will be a shift from shopping in shopping malls and city centres, to the Internet, with the Internet becoming the second most popular method of shopping after shopping malls. The primary choice of Shopping Malls will shift from 86% to 64%, the primary choice of the City Centre will shift from 15% to 8% where the primary choice of the Internet will shift from 6.7% to 38%. Refer to figure 4.13.

Figure 4.13. South African buying preferences 5 to 10 years from now.
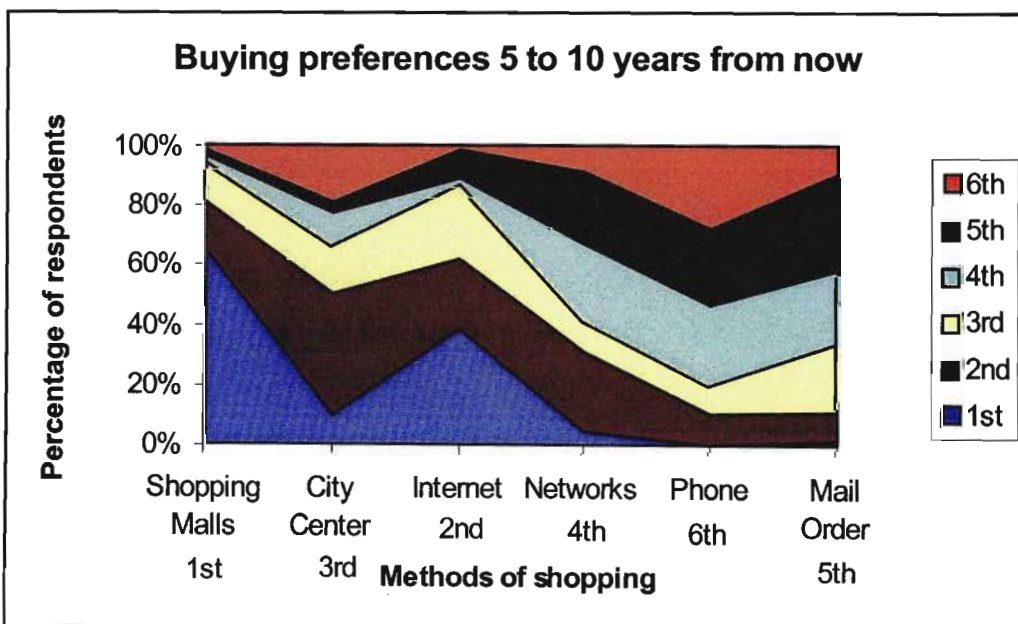
c) Questions covering Internet access.

Question 6: The number of people that have access to the Internet in South Africa is high. Of the respondents 99% had access to the Internet either at work, from home or through some other means (either through Universities or Schools, etc). Figure 4.14 shows that most people have access to the Internet at work and at home but most access the Internet from work.

Figure 4.14. Where South Africans have access to the Internet.
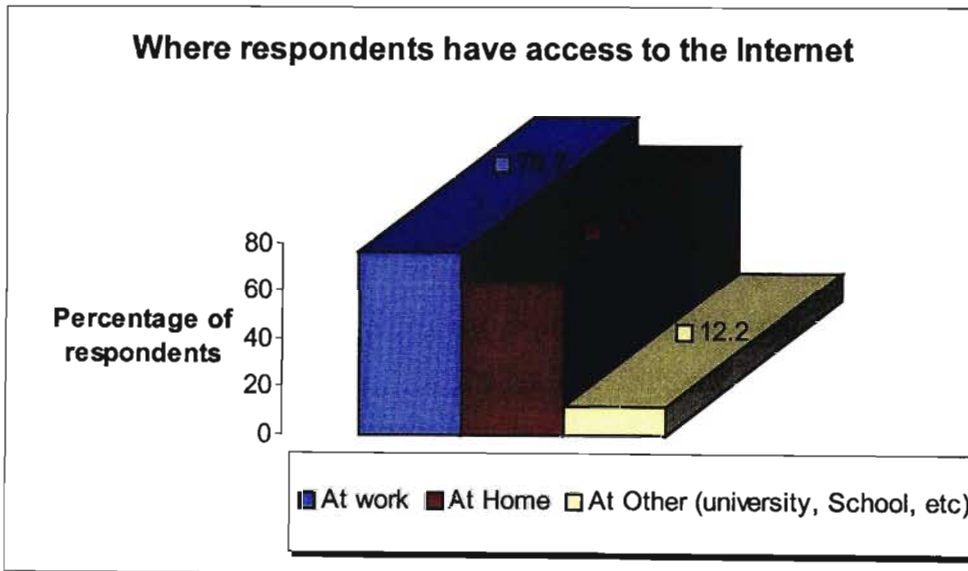
Question 7: Most people use the Internet daily (67%) with a cumulative 84% of people accessing the Internet every week. Refer to figure 4.15.

Figure 4.15 How frequently the Internet used by South Africans.

How often the Internet is used

Infrequently 9%
Monthly 7%
Weekly 17%
Daily 67%
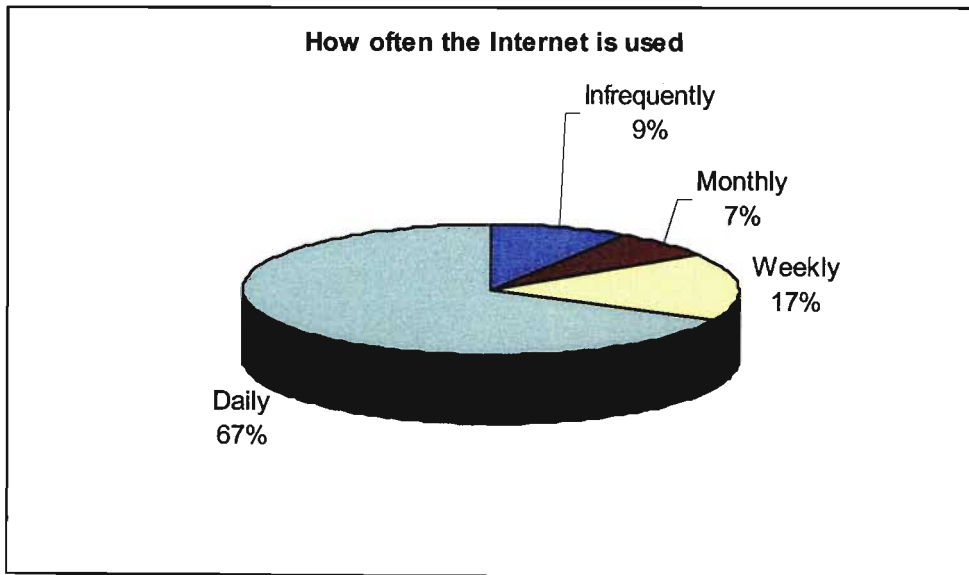
Question 8: The primary use of the Internet has been for information searching, banking and business. Refer to figure 4.16.

Figure 4.16. The primary purpose of the Internet in South Africa.

Respondents primary uses of the Internet

- Information Search
- Banking
- Business
- E-Mail
- Entertainment
- Share Trading

5%
12%
19%
59%
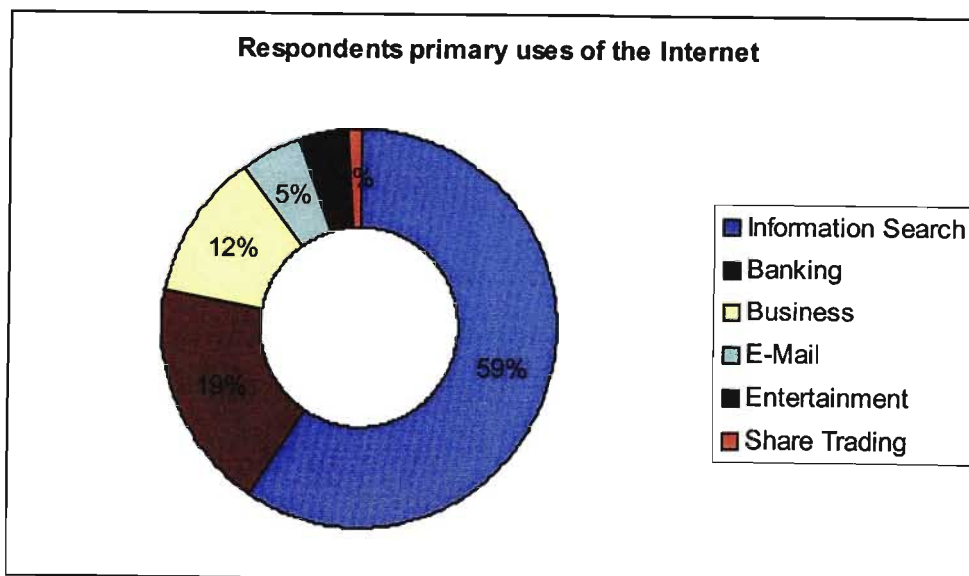
Question 9: 42% of respondents search the Internet on a daily basis with a cumulative 81% searching the Internet, for information and other data, weekly. Refer to figure 4.17.

Figure 4.17. How often the Internet is searched by South Africans.

Frequency of respondents searching the Internet

- Infrequently 10%
- Monthly 9%
- Daily 42%
- Weekly 39%
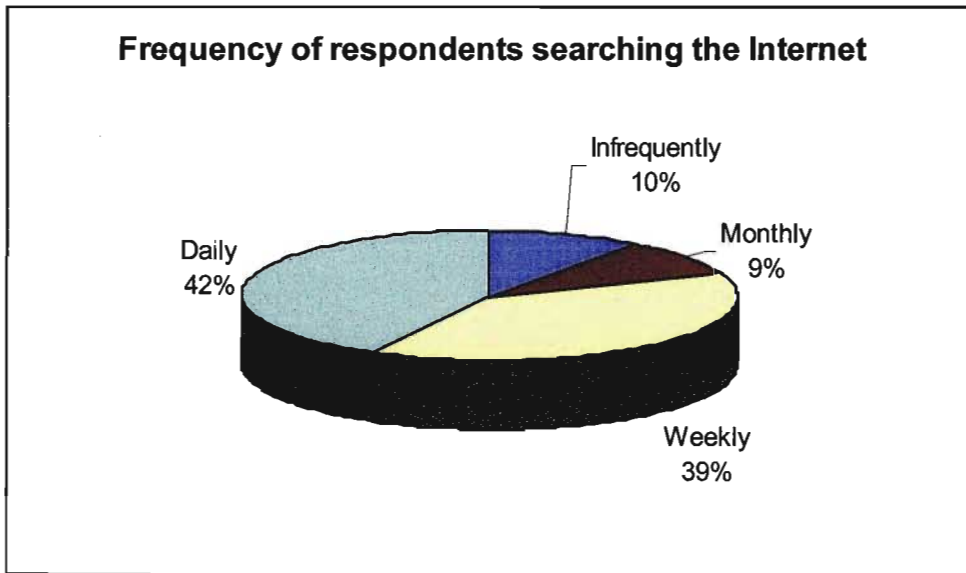
Question 10: The most frequently used search engines are Google and Yahoo, with Google being used by a staggering 73% of the market. Refer to figure 4.18.

Figure 4.18. The most frequently used search engines in South Africa.

Percentage of respondents using various search engines

3% 3% 1% 1% 1% 1% 1%

17%

73%

- Google
- Yahoo
- Alta Vista
- Ananzi
- Excite
- MSN
- Aardvark
- Lycos
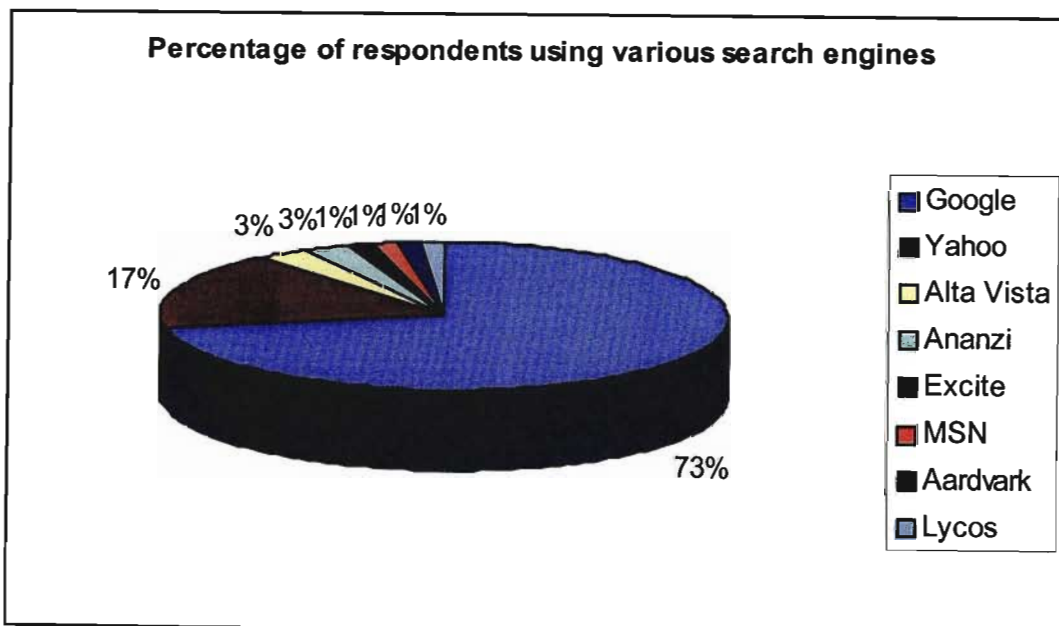
Question 11: Figure 4.19 gives an idea of the percent of respondents who use the Internet for various activities. Most people use the Internet for general information, travel & holidays and banking information.

Figure 4.19. Information searched for on the Internet by South Africans.
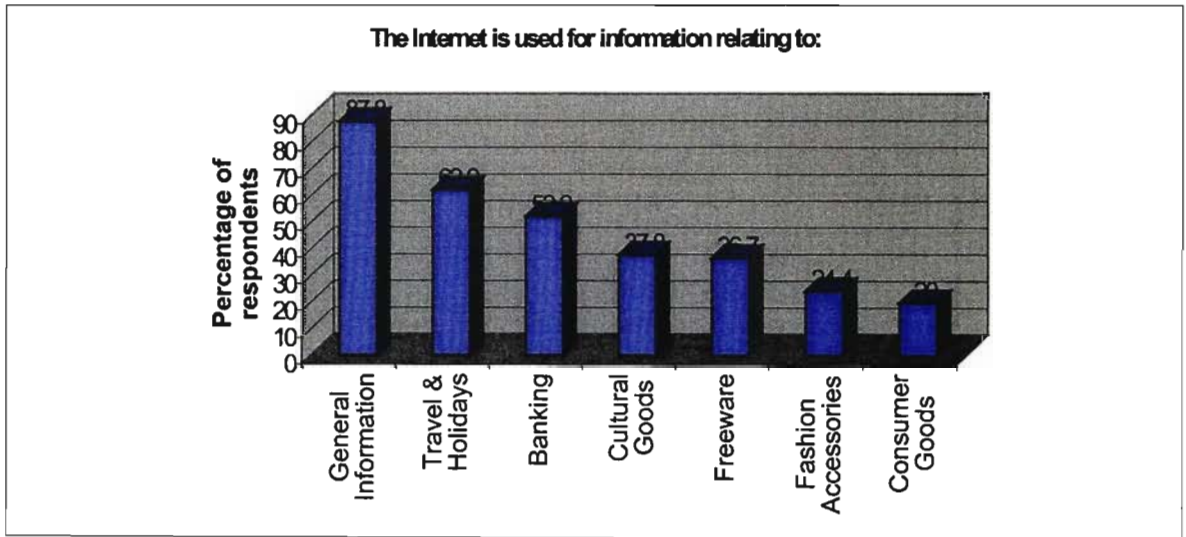
Question 12: Figure 4.20 shows the percentage of people who have transacted by paying for information or services in these categories. Banking is the primary (key) player when it comes to transacting over the Internet. 37.8% of respondents transact by banking over the Internet.

Figure 4.20. Services South Africans are paying for over the Internet.
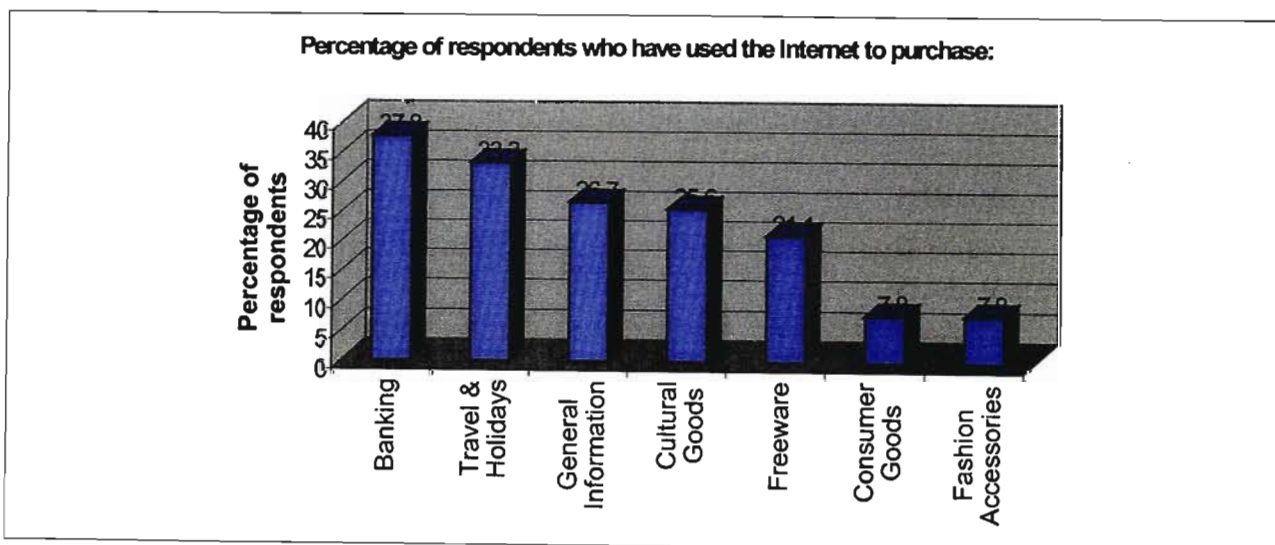
d) Questions relating to the level of Internet interaction and confidence transacting over the Internet in South Africa.

Question 13: 42% of South Africans think it safe to transact over the Internet with almost the same percent unsure whether it's safe or not. The figures show that there is a large amount of uncertainty in the South African population's minds as to the confidentiality and safety of transacting over the Internet. It will take a lot of convincing to gain the confidence of the people. Refer to figure 4.21.

Figure 4.21. Percent of South Africans that think it safe to transact over the Internet.

Is it safe to transact over the Internet?

Not Sure
39%

Yes
42%

No
19%
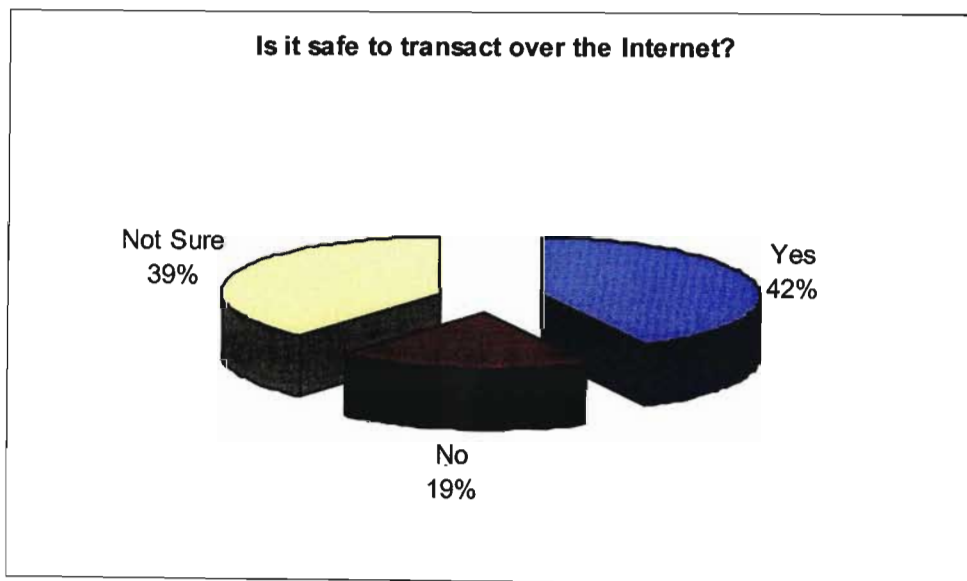
Question 14: On the positive side, the percent of people that have had a bad experience transacting over the Internet in South Africa is low. Only 6% of people have had a bad experience, which goes to show that even a small number of bad experiences result in people becoming extremely sceptical about who they deal with and can trust over the Internet. This is good news for reputable businesses that decide to become click & mortar businesses. They have won more than half the battle by having already gained the confidence of their customers. Refer to figure 4.22.

Figure 4.22. The percent of South Africans that have had bad experiences transacting over the Internet.

Have you had a bad experiences transacting over the Internet?

Yes
6%

No
94%
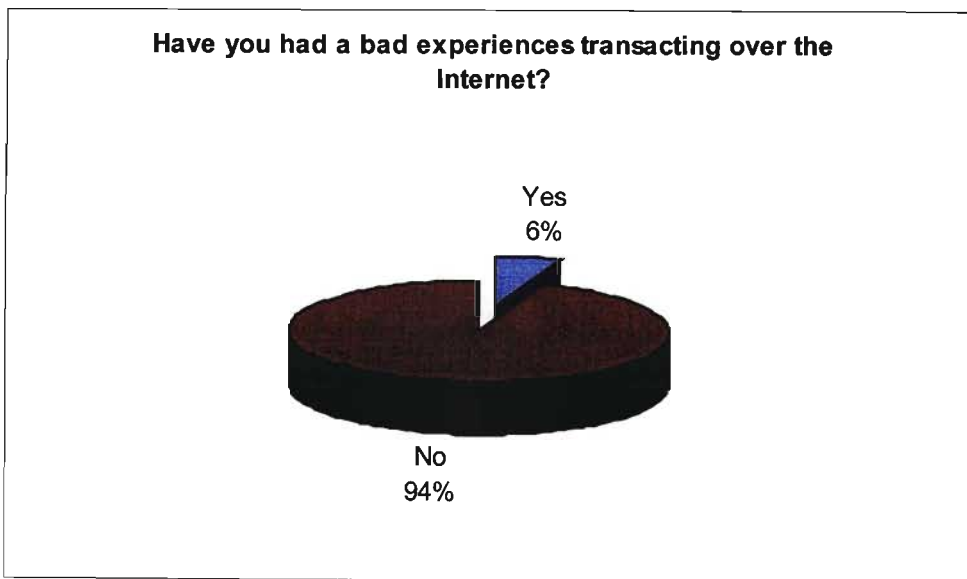
Question 15: 52% of people transact by paying accounts over the Internet. Most transacting takes place on a monthly basis. Although this is positive, a large number of people still do not transact by paying accounts over the Internet. Refer to figure 4.23.

Figure 4.23. How frequently the Internet is used to pay accounts.

How often are accounts paid over the Internet?

- Never 48%
- Infrequently 11%
- Monthly 28%
- Weekly 10%
- Daily 3%
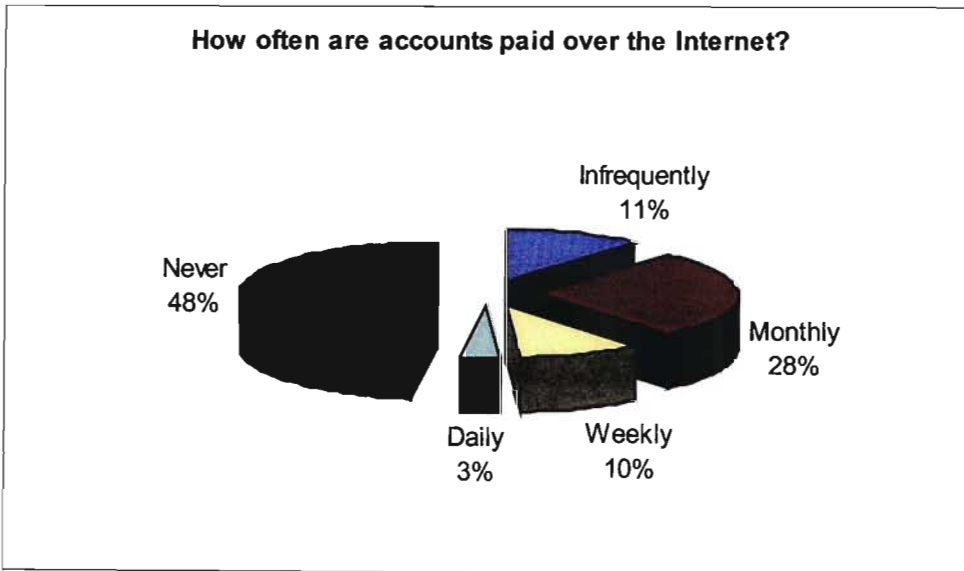
Question 16: The majority, 54%, of people have never bought anything over the Internet. 38% of those that do buy over the Internet only do so infrequently.

Figure 4.24. How frequently the Internet is used to make purchases.

How often to people buy over the Internet?

- 54%
- 38%
- 0% 8%

Legend:
- Infrequently
- Monthly
- Weekly
- Daily
- Never
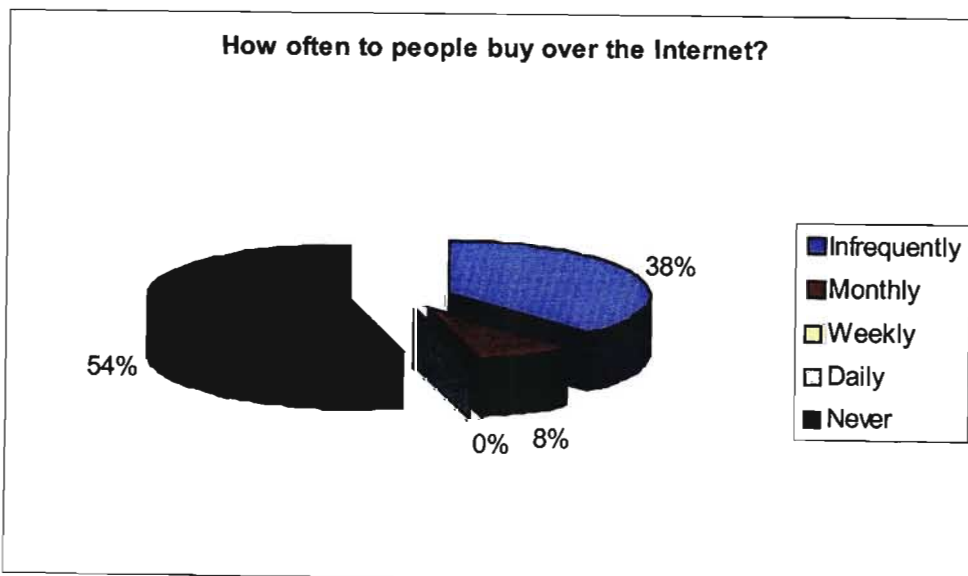
Question 17: Either this is a sign of the lack of confidence people have in transacting over the Internet or the fact that most of South African businesses are not offering South African customers products over the Internet yet.

90% of the respondents said that they would consider buying products over the Internet. This points to the idea that most people are willing to give it a try but have not been given a compelling enough reason to do so yet. Refer to figure 4.25.

Figure 4.25. Percent of South Africans that would consider future purchases over the Internet.
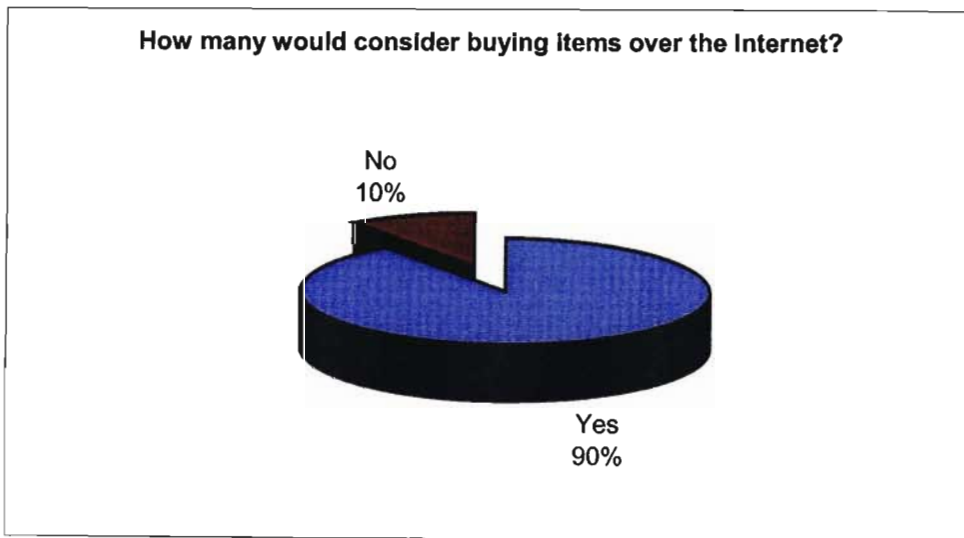
Question 18: 90% of people would be prepared to spend up to R500 over the Internet. Of them 57% would be prepared to spend up to R1000. Refer to figure 4.26.

Figure 4.26. How much people are willing to spend over the Internet in South Africa.
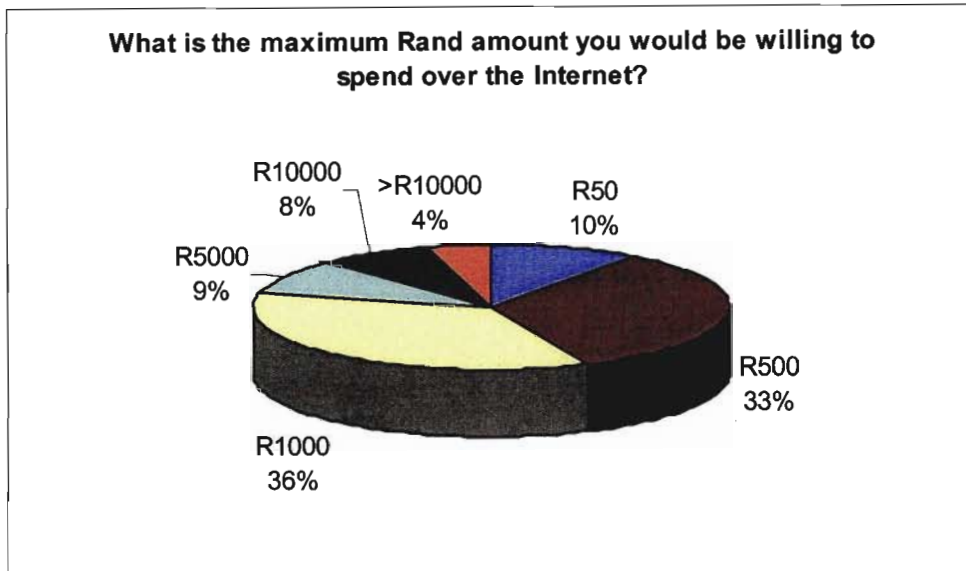
Question 19: Of those that would spend up to R1000, 86% would like the opportunity to view, feel, touch, or wear the item at a store before making the purchase over the Internet. Refer to figure 4.27.

Figure 4.27. Percent of people that would expect to view, feel, or touch an item costing R1000 before buying over the Internet.
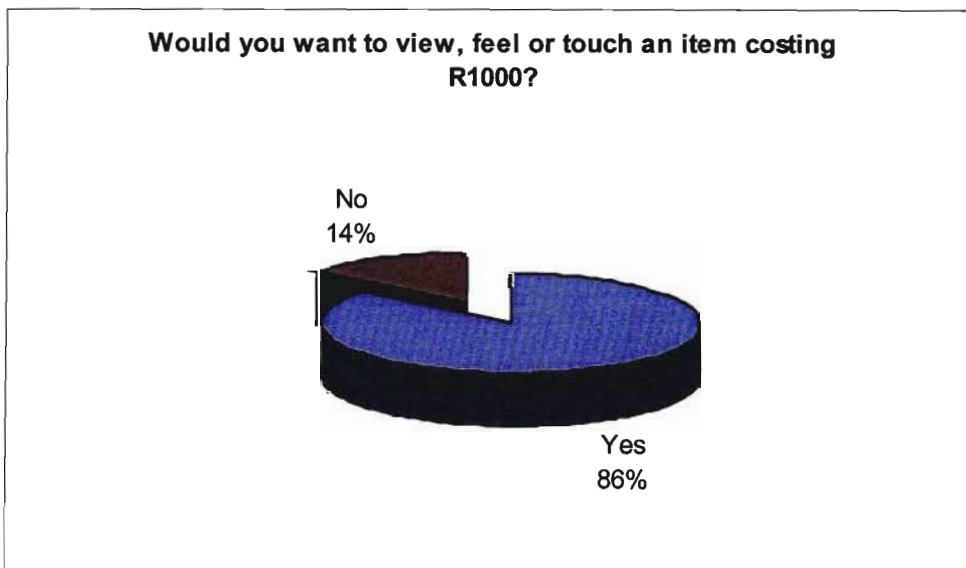
Question 20 & 27: 69% of customers would like to receive updated product related information about fashion accessories (i.e. watches, jewellery, handbags, etc) they have already purchased at traditional stores. Refer to figure 4.28. This leads businesses into the area of efficient consumer response (ECR) initiatives in order to connect with the customer on a more regular basis to form communities with which to interact. Refer to figure 4.29.

Figure 4.28. The percent of people that would like to receive product related information about products they have already bought at a traditional store.

Would you like to receive updated fashion accessories product information about products you have already purchased?

No 31%

Yes 69%
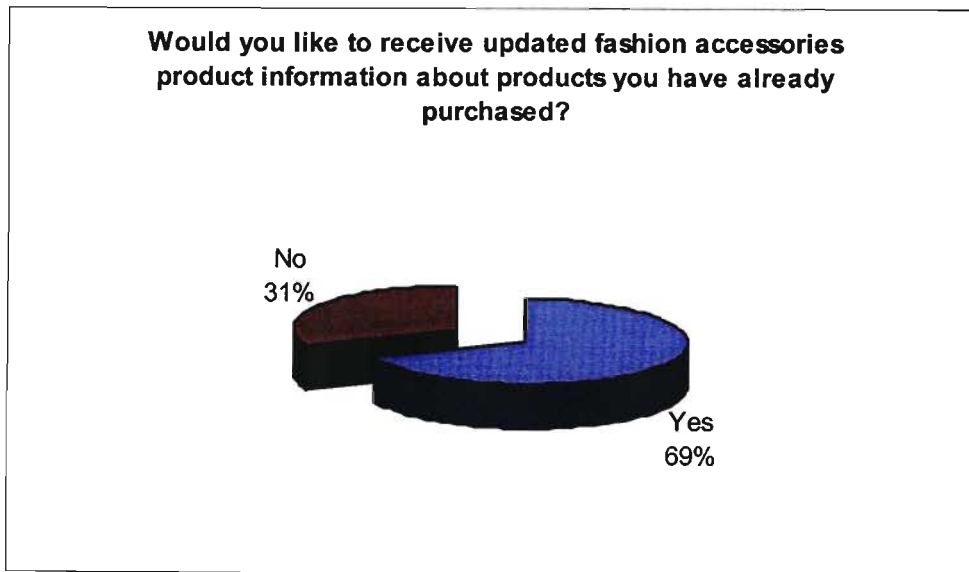
In order to embark on ECR initiatives, businesses need to gather customer-related information. Most people would be prepared to give their personal details in order to receive personal service and updates about information that would interest them.

Figure 4.29. Peoples willingness to give personal details in return for personal service.
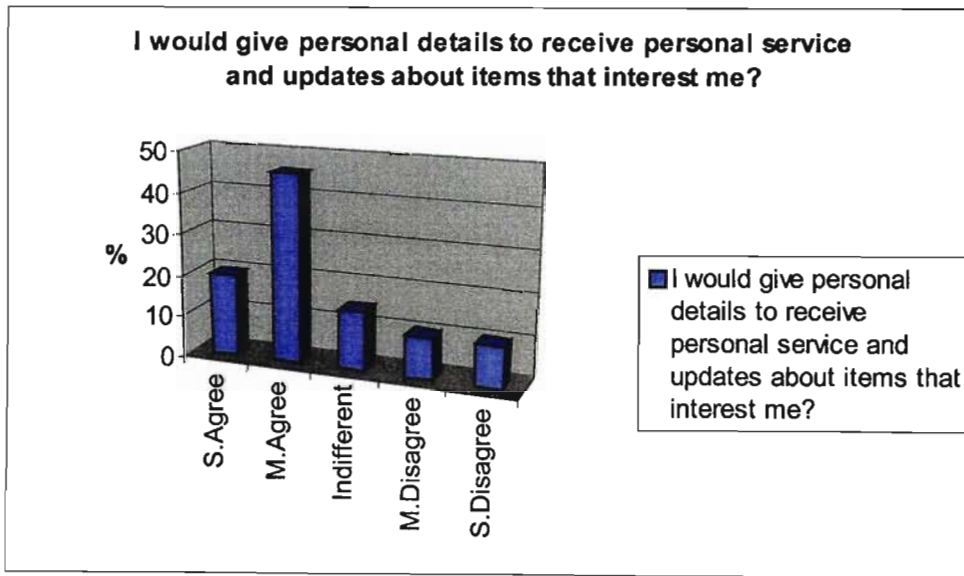
Questions relating to services and value that the Internet could bring.

Question 21 & 22: Two things are important to people buying over the Internet. (i) The price and (ii) the convenience, the service and the experience that they would receive. Although price is important, more important is the convenience, the service and the experience that the customer would expect to receive. This highlights the importance of the total experience the customer expects to receive when shopping over the Internet. Refer to figure 4.30.

Figure 4.30. Primary reasons for buying over the Internet.
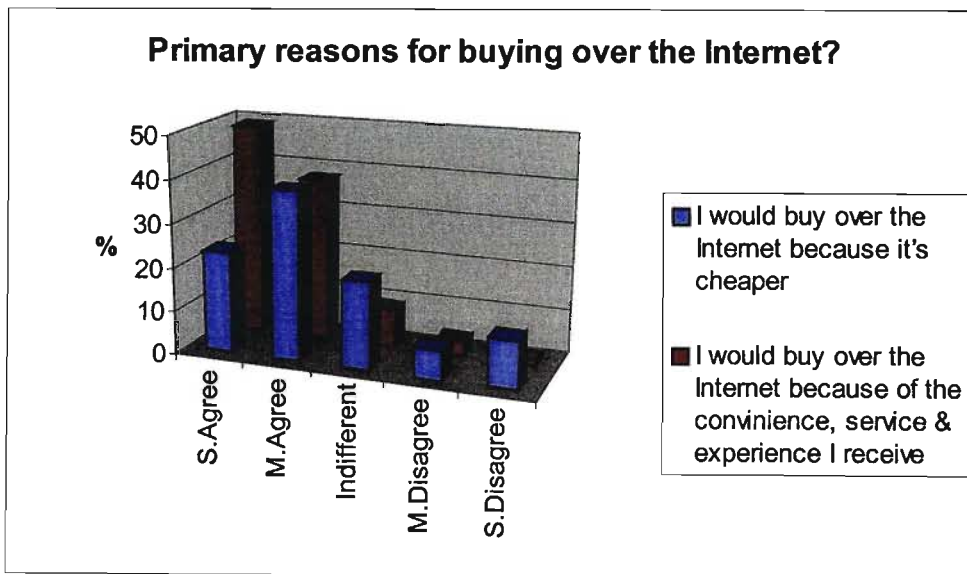
Question 23 & 24: Answers the question of whether it is more important to a customer that a business be purely an online business or a combination of a click and mortar business. People are definitely in favour of buying from click & mortar business when given the choice between click & mortar and a pure online business. Refer to figure 4.31.

Figure 4.31. The type of online businesses South Africans are willing to buy from.
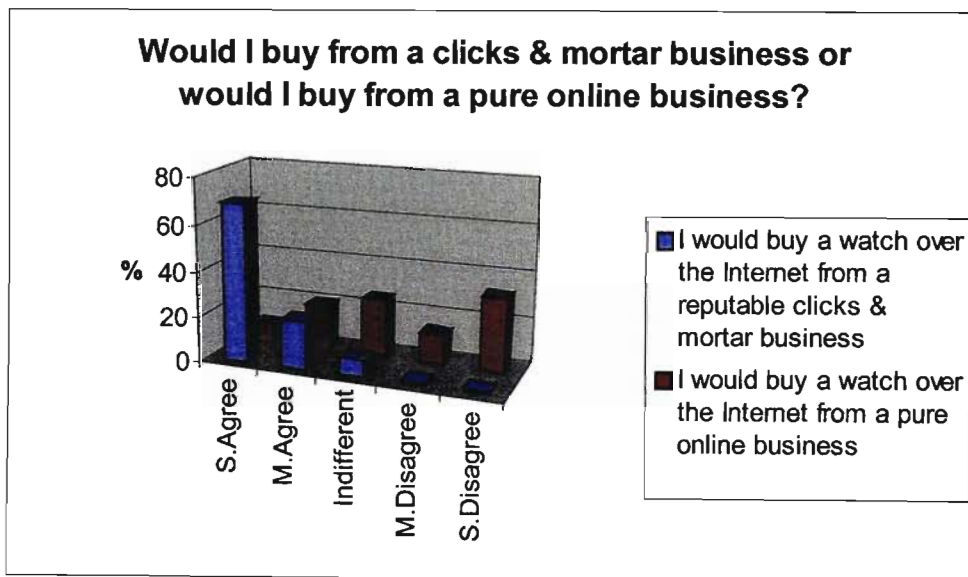
Question 25: There is strong agreement that items purchased over the Internet would need to be returnable. Customers want the flexibility of being able to return goods in there original condition within at least 14 days of receiving the goods. Refer to figure 4.32.

Figure 4.32. South African views on whether an item should be returnable when purchasing over the Internet.
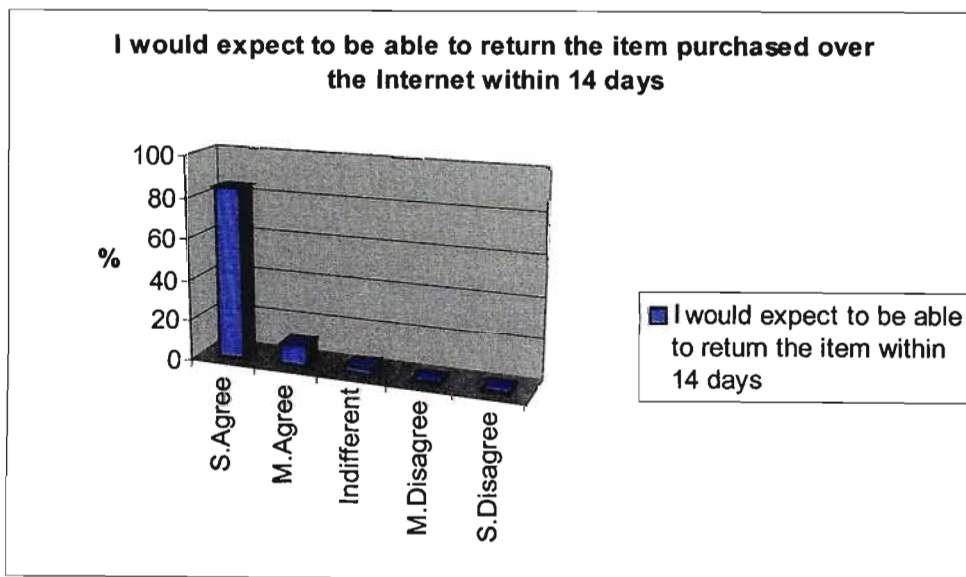
Question 26: When it comes to buying for ones self or for others. People are generally indifferent. As many would buy for themselves as would buy gifts for others. Refer to figure 4.33.

Figure 4.33. Would the Internet be used to buy gifts?

I would use the Internet to buy gifts rather than for myself
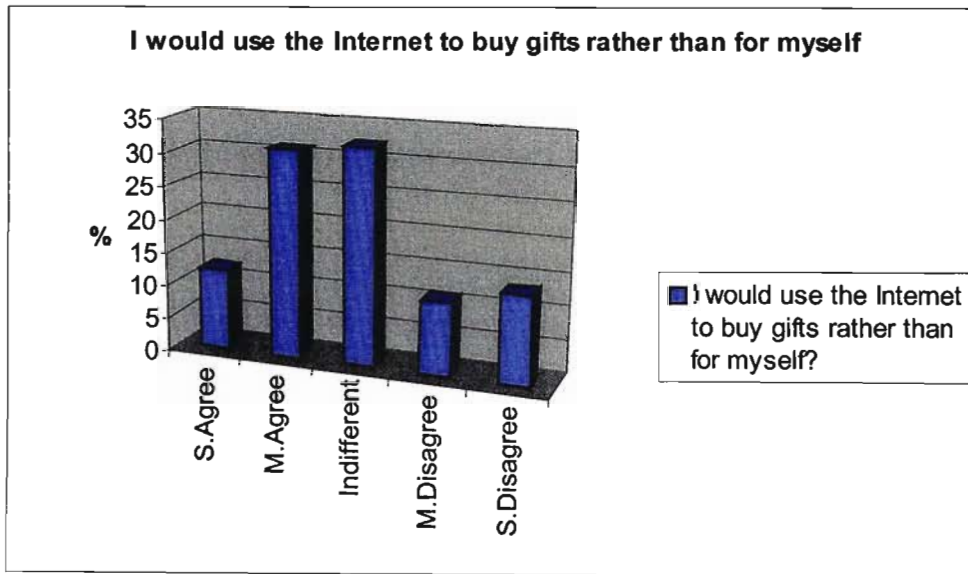
Question 28 & 29: Most people would agree to a delivery fee but would not be extremely happy. People do recognise that it costs to deliver products and expect to pay more for a better delivery service. Refer to figure 4.34.

Figure 4.34. South Africans expect to pay a delivery service when buying over the Internet.
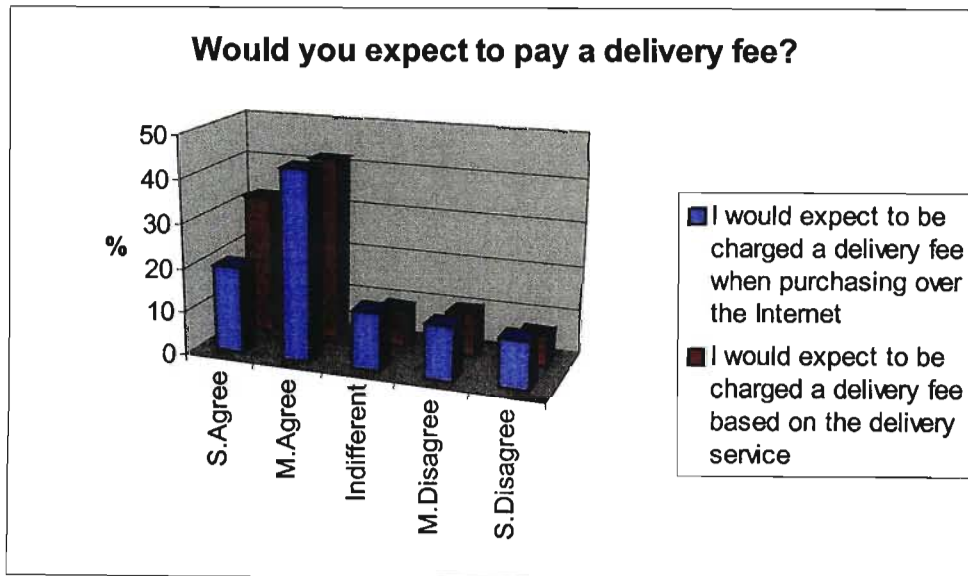
Question 30, 31 & 32: Most people are happy to pay for goods by means of a direct bank deposit or electronic funds transfer (EFT). There is a huge amount of negativity around people entering credit card details over the Internet or even giving them over the phone. Refer to figure 4.35.

Figure 4.35. How South Africans prefer to pay for items purchased over the Internet.

I am happy to pay for items in the following ways:
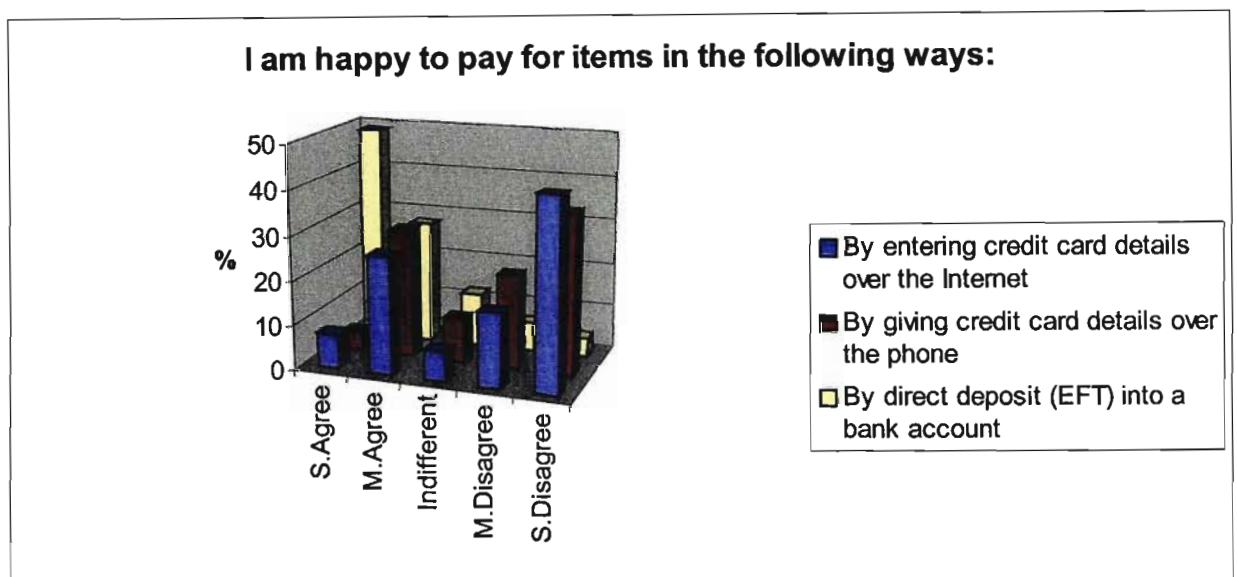
4.4. Chapter Four Summary

The model of strategic suitability developed during the literature review has been used as the framework for the evaluation of the Watches Unlimited business. The strategic evaluation started with an evaluation of the internal resources of the organisation. The core competencies revealed that factors such as store location and watchmaker service play major roles in the success of the organisation. The value chain analysis revealed the strong roll of head office in supporting the primary activities of the organisation. Areas of weakness, should the business expand, include inbound and outbound logistics due to lack of automation. The cultural web reveals that culture is

influenced by the fact that the organisation is small and controlled by the owners. Power rests with the owners. The organisation represents the international fashion culture and rituals revolve around managing the stores and pleasing the customers. The key stakeholders of the organisation are the owners who have the power to make decisions albeit the decisions are made in order to please the customers while at the same time not forgetting the impact on staff and suppliers. Strategy development at Watches Unlimited is command based and is strongly influenced by the culture and history of the organisation. There are dimensions that constrain the decision making process. The main weakness is that management does not perceive the strategy development to be as a result of analytic, intentional and sequential process planning but rather that the organisational planning is subject to other forces (internal and external) which limit its ability to determine its own strategic direction. Portfolio analysis recognises that the Watches Unlimited business has been successful in the Durban market but the lack of growth could result in loss of market share. The business needs to strive to become a star in the larger South African market. Understanding the strengths and weaknesses of the organisation is key to good strategy decision making. The evaluation of the external environment revealed changes in the technology could affect retail sales as online sales are expected to grow to 18.4 percent globally. South Africa is well poised to become the hub of Internet sales as it accounts for 66 percent of Africa's bandwidth. The Watch Industry is at a mature stage of its life cycle. The growth rate of watch sales is slow. There are many stores through watches can be purchased and therefore management of cost is imperative to gain market share. The strengths, weaknesses, opportunities and threats of the Watches Unlimited business have been tabulated showing that the main threat is competition be it in the form of bigger competitors in the retail market or through the possibility of low cost sellers over the Internet. The watch industry is at a mature stage of its life cycle but innovation in technology could result in rejuvenation. The external analysis included research on the suitability of marketing products over the Internet in South Africa. The results reveal that there is going to be a strong

move toward buying over the Internet in the distant future but until then there is a need for businesses to start interacting with their customers. This can be achieved by embarking on customer relationship management initiatives. The evaluation of the internal resources and external environments highlights the suitability or lack of suitability of the organisation to its environment. The next chapter focuses on the strategic options that have been developed and recommendations made regarding the suitability of the Watches Unlimited organisation to the changing environment and new e-conomy.

CHAPTER FIVE - RECOMMENDATIONS AND CONCLUSION

5.1. Introduction

The Watches Unlimited business has been evaluated using the model of strategic suitability. The organisation, in its current situation, adds value to its customers by arranging its internal resources in such a way that it provides unique value in the competitive environment in which it operates. It must be noted that value an organisation adds today may not be considered value tomorrow. The model of strategic suitability aims to ensure that the internal resources of the organisation are evaluated along side the external environment offering recommendations that will ensure the organisation continues to add value to its customers into the future. Good strategy development focuses on gearing the organisation for future changes and ensuring that the internal resources of the organisation are re-arranged in such a way as to take advantage of the changes taking place in the external environment. The internal resources must be re-arranged to ensure that value is added to customers in new ways. The strategy, in effect, aims to face the ship in the right direction and enables it not only to ride the waves of change but also to create them. The environmental analysis and research showed that the Internet is changing the way goods and services are being provided to the world and that South Africa is the hub of e-commerce in Africa. Competition in the watch business is strong and the barriers to entry are low. The Internet will change the competitive environment in the watch industry ten years from now and if no plans are put in place to prepare for the change, it could result in loss of business and even business failure. Suitable strategic options have been developed and recommendations made to Watches Unlimited in order to capitalise on the organisation's strengths and overcome their weaknesses in order to take advantage of opportunities and minimise threats facing the future success of the organisation.

5.2. Strategic Options Development via Rational Selection

Strategic options development starts with the end in mind. The organisation vision, mission and objectives set the scene for the future strategic direction. Mapping out where the organisation wants go will enable the development of a number of options explaining how to get there. The strategic options will address the gap that exists between the organisations current position and its' future vision.

5.2.1. Gap Analysis

Gap analysis focuses on the vision of the organisation and plots the gap between the current situation and the future goals of the organisation. Watches Unlimited have a vision, although the vision has not been brought to life. The organisation is small and the vision rests with the owners. There are no formal documents or forums where the vision of the organisation is shared with the business stakeholders and there is no method of measuring the success or failure of achieving the objectives of the vision. This according to Mintzberg and Quinn (1990) is referred to as 'Entrepreneurial Strategy', where the intention exists as the personal, unarticulated vision of leader of the organisation. Yes, Watches Unlimited has a vision but the vision has been hidden from the stakeholders that have a vested interest in the organisation's success. Figure 5.1 shows where the Watches Unlimited business is today, where its vision should take it in the future and the gap between the two. The gap between the organisational vision and the current situation needs to be closed in order to achieve the long-term vision of the organisation.

Figure 5.1. The Watches Unlimited (WU) Gap Analysis.
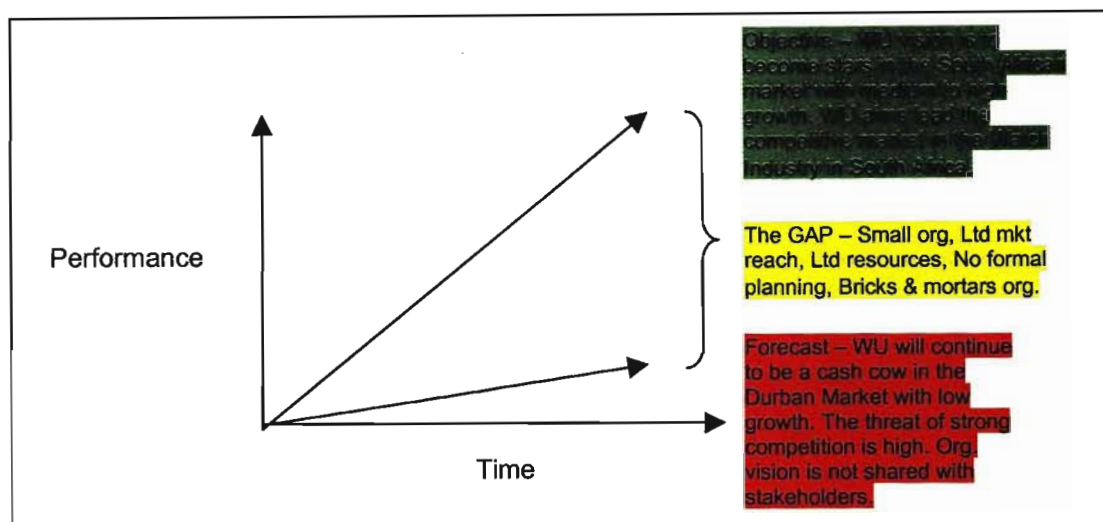
Source: Adapted from Corporate Strategy; Lynch: 2000: Pg. 112.

5.2.2. Generic Strategies

There are five generic strategies from which any long-term strategy could be derived. Either (i) a low-cost provider strategy, (ii) a broad differentiation strategy, (iii) a best-cost provider strategy, (iv) a focused (or market niche) strategy based on lower cost or (v) a focused (or market niche) strategy based on differentiation (Michael E. Porter, 1980). Each of these generic competitive approaches stakes out a different market position as shown by figure 5.2.

Figure 5.2. The five generic competitive strategies

Market Target		Types of Competitive Advantage	
		Lower Cost	Differentiation
	A Broad Cross Section of Buyers	Overall Low-Cost Leadership Strategy	Broad Differentiation Strategy
		Best-Cost Provider Strategy	
	A Narrow Buyer Segment	Focused Low-Cost Strategy	Focused Differentiation Strategy
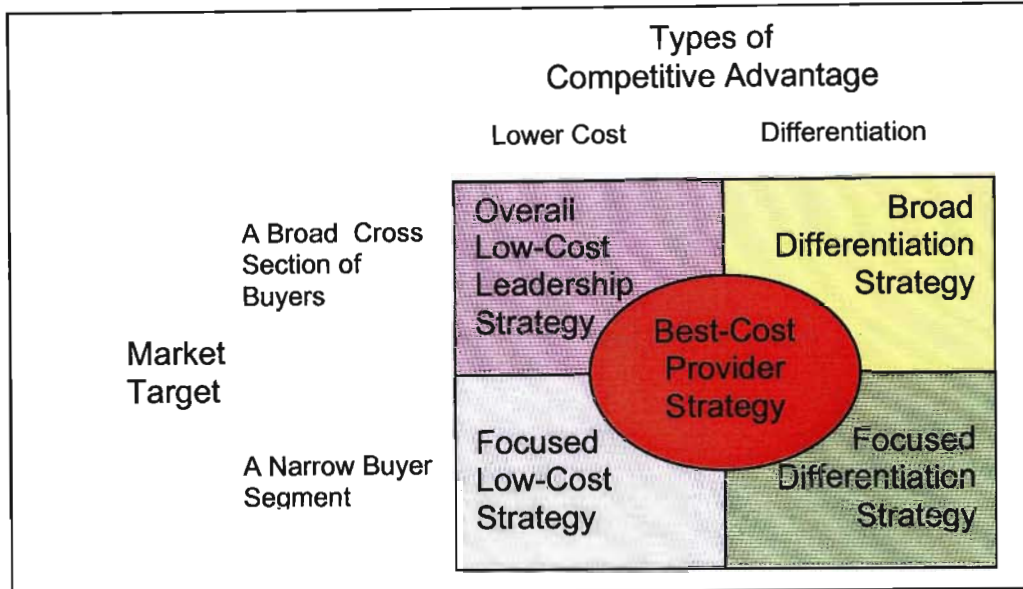
Source: Adapted from Michael E. Porter, Competitive Strategy, 1980.

Watches Unlimited is a focused niche market business. Their aim is to provide a quality watchmaker service to their customers by focusing on time. The objective of the organisation is not to become a low cost leader but rather to provide their customers with more value for money by providing a watchmaker service at a fair price. They aim to differentiate themselves from their competitors based on the core competencies that have made them successful in the past. The generic strategy recommended to Watches Unlimited is one of 'Focused Differentiation' with the long-term aim of becoming a 'Best Cost Provider'. The objective is to grow the business by delivering superior value to buyers by satisfying their expectations on key quality-service-features-performance attributes and beating their expectations on price (given that competitors are charging for much the same product without the attributes being offered by the Watches Unlimited business). In order to attain a longer-term best cost provider strategy, the interim strategy of focused differentiation will be used to grow the business by providing good profit margins. By investing for the future and growing the business into all the major regions of South Africa, the business will be able to achieve scale economies through distribution of costs. This will allow for the delivery of the longer-term strategic

goal of becoming the best cost provider. The focused differentiation strategy will follow onto a best cost provider strategy through business expansion into the greater of the South African market.

5.2.3. Grand Strategies

There are number of grand strategies that an organisation can follow in order to direct efforts toward achieving the organisations long-term strategic goals. Grand strategies provide basic direction for strategic actions. According to Philip Kotler (1999) there are fourteen grand strategies that strategic managers should consider. The organisation must decide on the most appropriate combination of these strategies that together will be referred to as the optimal grand strategy for the organisation to follow in order to achieve its long-term objectives. The fourteen grand strategies are: Concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, concentric diversification, turnaround, divestiture, liquidation, bankruptcy, joint venture, strategic alliances, and consortia. Any one of these strategies or a combination of them could serve as the basis for achieving the major long-term objectives of the firm.

Watches Unlimited is a successful business in the Durban market with the vision of becoming a best cost provider in the South African market. The grand strategies that provide a rational path to the accomplishment of this strategic objective are as follows: concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, joint venture and strategic alliance. The recommendation is that Watches Unlimited focus chiefly on market development that will lead to a greater presence in the market. The grand strategy of market development will result in spin-offs into other grand strategies of concentrated growth, product development, and opportunities for horizontal and vertical integration due to buying power and scale economies. The grand strategies of innovation, joint venture and strategic alliance could be the means through which market development is achieved and should be considered. The Watches Unlimited

optimal grand strategy is Market Development. Refer to table 5.1. showing the specific options that should be followed under the grand strategy of market development.

Table 5.1. Specific options under the grand strategy of market development.

Market Development (Selling present products in new markets):
1. Opening additional geographic markets:
a. Regional Expansion
b. National Expansion
c. International Expansion
2. Attracting other market segments:
a. Introducing product versions that appeal to other segments
b. Entering other channels of distribution
c. Advertising in other media

Source: Adapted from Philip Kotler, 1999

5.3. Recommendations

The recommendations will focus on initiatives that will help the organisation achieve the generic strategy of best cost provider through the optimal grand strategy of market development. The optimal grand strategy of market development will result in spin-off strategies of concentrated growth, product development, and opportunities for horizontal and vertical integration due to buying power and scale economies. Other strategies, through which the optimal grand strategy of market development could be achieved, are innovation, joint venture and strategic alliance. The evaluation of the organisation and its external environment provided in chapter four highlights the organisations strengths, weaknesses, opportunities and threats and provides the basis upon which the recommendations have been made. The recommendations endeavour to address the gap between where the organisation currently stands and where it wants to be in order to achieve its vision and strategic objective of market leadership. The recommendations

focus on particular areas that will enable to the organisation to achieve expansion into other geographical markets while at the same time attracting other market segments, hence achieving the grand strategy of market development.

5.3.1. Emergent vs Prescriptive Strategy Development

Watches Unlimited is an SME that is run on the principal of emergent strategic development. There are no formal methods of strategy development and each year plans are decided upon based on the results of the last. The strength of such a strategic development process lies in the fact that it is extremely flexible and as such the organisation is able to change strategic direction at the drop of a hat. There are no measures that measure whether the objectives of the organisation are being achieved. The stakeholders do not know that a vision exists and hence there is a lack of direction at the lower levels of the organisation as to the true intentions of the owners. The flexibility that this method of strategy development provides is outweighed by the cost of lack of control and direction given to the organisation. The strategic development profile developed during the evaluation showed a strong aversion to planning and a strong sense of being controlled by the external forces of the market resulting in enforced choice. This lack of control is directly attributable to the fact that the organisations strategy development is emergent in nature. The management needs to evaluate the vision of the organisation and formally plan to achieve that vision. Time lines need to be drawn and clear measurable objectives need to be set in order that the organisation is given direction. This will prevent the organisation being tossed about by the waves of change. The strategy should be designed and formally presented to the stakeholders within the organisation. Regular reviews should be made in order that under performance can be addressed and that focus on achieving the strategic objectives of the organisation is maintained. The organisation must change its method of strategy development from being emergent to become prescriptive in nature.

5.3.2. Culture Shift

The Watches Unlimited organisation is currently owned and managed by the Maehler Brothers. All decisions are made autonomously at the top without input from lower levels of the organisation. In order to move from being a small medium enterprise (SME) to becoming a medium large enterprise (MLE) there will need to be a shift of control from owner/manager to manager/manager. The people are the key assets of the organisation and therefore must be empowered to bring value to the decision making table. The store is the interface to the customer. It is at this level that the inefficiencies of the daily operation are experienced. Management needs to tap this source of knowledge while at the same time empowering management at lower levels of the organisation, allowing them to positively influence the operation of the business. Controls need to be put in place and authority needs to be given to the internal stakeholders of the organisation such that their influence and input will help improve the organisational efficiency and customer experience. The organisation's vision needs to be shared so common goals can be achieved across the organisation. The cultural web should be changed to reflect a multi-layered organisational structure that has influence over decision making in the organisation. The power structure should change to rest with the managers at the stores. The stories that are told must change from being about the owner's customers to be about the store manager's - and staff's customers. The shift in paradigm of the workforce should move from being sales staff providing a service to the owner's customers to become business partners providing a watchmaker service to their own customers.

5.3.3. Primary Value Chain Activities.

The Inbound and Outbound logistics areas of the organisation must be improved in order to gear the organisation for future expansion. Currently head office provides a crucial role in the receipting in and distribution of new stock to the various stores in the Durban area. Currently there are no systems

in place to facilitate this process. This does not cause a problem as the business stands, due to the fact that all the stores are Durban based. When the business starts to expand its market penetration into other areas of the country, a large movement of stock in and out of the head office will result in inefficiencies due to lack of technology facilitating this process. The primary importance that the head office plays in facilitating stock procurement and distribution must be highlighted. It is this function that allows the stores to focus on the primary task of providing an efficient and professional service to the customer. The strategic objective of market development must be supported by the primary activities of the organisation as defined by the value chain analysis. The organisation must look at ways of improving the management of stock in and out of head office and to and from the stores. The objective of market development is to expand into new geographical regions and into the marketspace of the Internet in the future. Watches Unlimited must realise the primary role of stock movement between head office and the stores and between the stores themselves and the role this plays in providing a differentiated flexible offering to the customer. Objectives must be set which will ensure the organisation prepares its primary value chain activities for future market expansion and therefore increased movement of stock through the inbound and outbound activities of the organisation.

5.3.4. Core Competency Realisation

The management at Watches Unlimited must take cognisance of the core competencies that make the organisation unique to the customer. It is these core competencies that ensure value is added to the customer and results in profitability for the organisation. Key importance is store location. Experience has shown that the Watches Unlimited concept will not work if it is incorrectly located. The recommendation to the management at Watches Unlimited is that they develop a profile for the location of their stores. Factors such as passing traffic flow during peak and low seasons, community profiles and

customer profiles, that ensure the success of the business need to be developed. This will ensure that when embarking upon market expansion, store locations in other areas of the country are evaluated against a predetermined set of criteria. The decision to open a store must not only be subjective as it has been in the past but must allow for objective evaluation of the location. Other innovative methods of finding and ensuring that the store location is appropriate to the Watches Unlimited customer profile need to be developed. These processes will help provide guidelines for future expansion. Other core competencies include the value added to the customer by providing a watchmaker service. The watchmaker service element needs to come through more strongly for the organisation to differentiate itself from its competitors. The watchmaker service can only be delivered through providing the customer with qualified watchmaker sales staff. The employees need to be trained to provide a passionate watchmaker service. Currently there is no formal training programs providing the Watches Unlimited sales team with this expertise. Management needs to address this training issue in order to gear the organisation for market development and maintain its core competencies during expansion.

5.3.5. Portfolio Analysis

The Watches Unlimited business is currently a cash cow in the Durban market and bordering between a dog and a question mark in the larger South African market (Refer to figure 5.3). The business has been profitable for some time now with very little market growth. In order to achieve the strategic objective of market development, the management at Watches Unlimited will need to change the profile of the organisation from a cash cow to a star. There will need to be a definite increase in market share in order to move the business into the star quadrant of the BCG matrix in the Durban market. The opportunity exists for Watches Unlimited to achieve market development in the larger South African market through expansion into new geographical locations. The increase in Watches Unlimited market share will be achieved

through real market growth as a result of advertising as well as through cannibalisation of competitor market share. Management needs to make concerted effort to prepare the business for expansion and then move it into the rest of South Africa to take its position as a star within all the major trading centres of South Africa.

Figure 5.3. Watches Unlimited mapped onto the BCG Matrix in relation to the Durban and South African Markets Respectively.
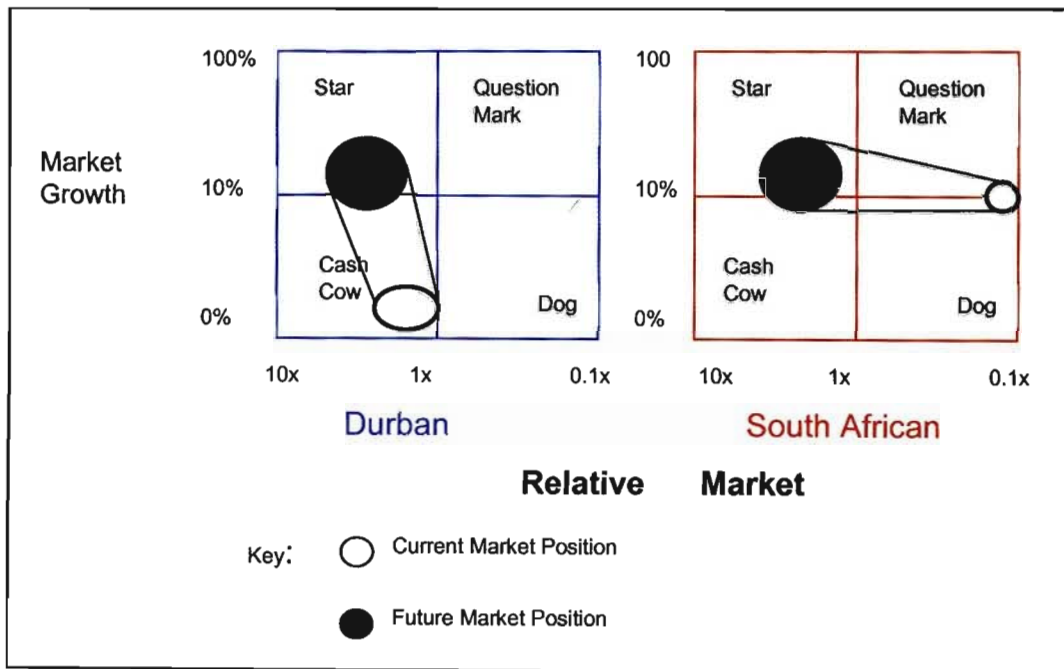
Source: Adapted from A. Mendelow, Proceedings of 2nd International Conference, on Information Systems, Cambridge, MA, 1991.

5.3.6. E-Commerce

One of the key reasons for the research was to answer the question of the suitability of the Watches Unlimited business to the new e-conomy and the specific Internet requirements of the South African customer. The external analysis revealed that world trading is shifting to the Internet and businesses are finding new innovative ways to interact with each other and their customers using the Internet. Watches Unlimited is part of this new e-conomy

and they need to embark on initiatives that exploit technology to their own - and their customers benefit. The Internet provides a huge opportunity for market development and innovation and must be used by Watches Unlimited to connect with their customers while preparing to become a first mover clicks and mortar watch business in the South African e-conomy. The research conducted revealed a number of key learning's that strategically apply to the Watches Unlimited business and to businesses in general in the South African environment.

Who has access to the Internet and from where? All respondents, most of whom are between the ages of 19 and 50 years old, have access to the Internet in South Africa. Most people have access to the Internet at work (76%) with a large percentage connecting from home (64%). ***Through what business medium have fashion accessories been bought in the past?*** The most popular method of buying fashion accessories has been through shopping malls (86%) with very few sales currently taking place over the Internet (4.4%). ***Where will fashion accessories be bought in the future?*** The future sees a change in buying habits as people turn to the Internet as a marketplace. Over the next four years shopping malls will still hold the lions share of the market (+-80%) with the city centre taking second place (+-16%) followed by the Internet at (+-8%). The situation changes dramatically five to ten years from now with shopping malls still accounting for the largest, although decreased, percent of the market (+-60%), followed by the Internet (+-40%) with sales having shifted away from the city centre (+-10%). This is a decrease in purchasing from shopping malls by 20% and an increase in buying over the Internet by 35%. The change in landscape has strategic significance for businesses whose primary source of income is derived through shopping malls. The recommendation to Watches Unlimited is that they start preparing themselves now to trading over the Internet in five to ten years from now. The next five years must be used to prepare the business for the new e-conomy. These changes will result in a change in way the organisation adds value to its customers. By embarking on efficient consumer response (ECR) and customer relationship management (CRM) initiatives

now, the business will be gearing up for the new e-conomy. **How often do people use the Internet?** The survey results show that the Internet is currently used on a weekly basis by 84% of people. This shows that Watches Unlimited have the opportunity to interact with a large portion of the South African market. They must begin to build customer information so that customer profiles can be developed for the future. **Who is prepared to transact over the Internet?** Of all the respondents only 42% think it is safe to transact over the Internet today with the majority of people only willing to buy over the Internet infrequently. There is a large amount of uncertainty (39%) as to whether people can safely transact over the Internet. People are not sure whether information is secure over the Internet although only 6% of respondents had ever had a bad experience transacting over the Internet. As people become more familiar with the security features that the Internet can provide and once the issue of safety has been addressed, people will start to use the Internet as a market place for trading. When asked who would be prepared to transact over the Internet in the future, 90% of respondents responded positively. This reaffirms that the Internet will become the marketplace of the future and that Watches Unlimited must become a first mover to secure their future success. **How much are people be willing to spend over the Internet?** 90% of people are willing to spend up to R500 with 57% of people willing to spend up to R1000. The recommendation to Watches Unlimited is that the Internet is used to focus on and promote items up to R1000 and that higher priced items should be displayed for informational purposes. **How are people willing to pay for items purchased over the Internet?** The risk of providing credit card information over the Internet or even over the telephone is regarded as high. Most people are not prepared to divulge credit card information verbally or electronically. The preferred method of payment is by direct deposit into a bank account either physically or via electronic funds transfer (EFT). **Would the item be expected to be returnable?** There is strong agreement that all items purchased should be able to be returned in their original condition within a reasonable time frame. Watches Unlimited would need to provide this flexibility into their Internet

offering. ***Would people expect to pay a delivery fee when buying over the Internet?*** Most people would expect to be charged a service related delivery fee for goods purchased over the Internet. Although the customer is willing to pay a delivery fee, it is recommended that the delivery fee is kept to a minimum. As Watches Unlimited begin to deliver on their market development strategy so their market penetration and product distribution costs will be absorbed by the geographically larger business and the cost savings will be able to be passed onto the Internet community through reduced delivery fees and increased service levels as a result of having stock at each of the major regions in the country. ***Which Internet sites currently attract the highest number of transactions?*** Today the most common uses for the Internet are general information, travel & holidays and banking with most transactions taking place in order to bank and book travel & holiday arrangements. This reaffirms the fact that the South African customer is not ready to buy fashion accessories over the Internet at this stage. Watches Unlimited should prepare for the future as people gain confidence and the momentum of the Internet begins to develop. ***Clicks & Mortar vs Clicks & Clicks?*** Most people (86%) willing to spend up to R1000 over the Internet would like to view, feel, touch or wear the item at a store before making the purchase over the Internet. This reveals that those organisations that have a clicks & mortar approach to business have a high probability that their Internet sites will be more popular than those businesses that have purely an online presence. When asked whether respondents would buy a watch from a clicks & mortar business opposed to a pure online business the response was extremely positive. These results show the importance of complementing an online presence with a physical brick and mortar store. Watches Unlimited must take steps to prepare to become a clicks and mortar business in the future. ***Why would people buy over the Internet?*** There are two important reasons why people are prepared to buy over the Internet. One is price and the other is the convenience, service and experience that they receive as a result of buying over the Internet. The more important of the two is the element of convenience, service and experience. It is extremely important for Watches

Unlimited to realise this when embarking on an e-commerce strategy. The convenience, service and experience that the customers receive must be such that it entices them back to the site again and again. The Internet is about communities and so it is important for the Watches Unlimited organisation to provide the convenience, service and experience that meets the requirements of the fashion community of South Africa. **Should the Internet site be aimed at becoming a gift store?** Most people are indifferent as to whether they would buy for themselves or for others when buying over the Internet. The Internet site should promote the presence of the real bricks and mortar business that it represents rather than changing the business concept and loosing the core competencies that has made the Watches Unlimited business successful in the past. **What search engines are used most frequently?** The most frequently used search engine is Google.com followed by Yahoo.com. 81% of people search the Internet on a weekly basis. Google would be the ideal service provider with whom to register the Watches Unlimited website as it attracts 70% of the South African Internet Community. **Are people willing to interact with businesses over the Internet?** Most people are not yet ready to transact over the Internet, but there is a majority of people who are willing to interact over the Internet. 69% of people would like to receive updated product related information about fashion accessories that they have already purchased at a retail store. Most people would agree to give personal details in order to receive personal service and information updates about items that interest them. This reconfirms that, although South African customers are not ready to purchase items over the Internet, most are willing to interact with businesses in order to benefit by receiving product-related information and personal service. CRM and ECR initiatives must be undertaken by Watches Unlimited in order to build a solid foundation upon which a full-scale e-commerce clicks and mortar business can be developed in the future.

5.3.7. Technology Mediated Strategy

The new e-conomy requires a new set of skills. In order to successfully develop an e-commerce strategy - and compete in the Internet world - technology mediated strategic decisions need to be made. Many of the strategic decisions regarding an e-commerce strategy will require a specific understanding of the technology underpinning the new e-conomy. It is strongly recommended that Watches Unlimited gain the skills required to fulfil the role of chief information officer (CIO) for the organisation. It may be that the skills are purchased during the early stages of an e-commerce strategy but as the need to transact over the Internet grows so does the need for the organisation to own the resources that influence the strategic decision making process. Decisions regarding storefront, customer interface, market communications and branding, implementation and evaluation are all mediated by technology and require a deep understanding of the long-term impact on the organisation. Initially, the skills could be provided by a collaboration with an e-commerce service provider but as the business grows and becomes more reliant on the income generated by the e-commerce strategy so increases the requirement that e-commerce skills become part of the core competencies.

5.4. Conclusion

Watches Unlimited is a successful niche market business in the South African economy. The organisation provides value to the market by arranging its internal resources in such a way that they take advantage of the requirements of the external environment. The model of strategic suitability was used to evaluate the internal resources of the organisation and the changing requirements of the external environment. The results show that the Watches Unlimited organisation has strengths that make it successful today but there are definite weaknesses that could spell disaster in the future. The external environment does not stand still. The research has shown that the external environment is changing and that the Internet will become the marketspace of the future. Watches Unlimited must place more emphasis on strategic planning in order to take advantage of the changes in the external environment. Currently, the business resources need to be arranged in such a way that they become suitable to the strategy of market development. Strategy must be developed that force the business to achieve specific objectives that will ensure the vision of the organisation is achieved. The organisation must strive to implement a strategy of market development. The business is restricted to the Durban market within the confines of the bricks and mortar world. Watches Unlimited have the opportunity to expand into the rest of South Africa and into the world of e-commerce. They must prepare the primary business activities in order to facilitate market expansion. The Internet holds huge potential for interaction with the fashion and watch community. E-commerce initiatives must be started in the very near future with the aim of being fully prepared to transact with customers five years from now. The objective must be to connect with the customer. The opportunities, if seized, will result in external threats being minimised. Watches Unlimited must grow it's market share in the South African economy through a combination of clicks and mortar strategy. They must learn how to profile customers and become first movers in the South African e-conomy. By understanding the requirements of the external environment, Watches Unlimited will not only

change from being an organisation that feels forced to make changes as a result of environmental pressures, but will become a champion of change in the new marketspace. The South African economy is open for market development and the South African customer is ready and willing to interact with businesses over the Internet. Watches Unlimited must make plans to achieve their vision of market leadership through careful strategic planning and market development both in the bricks and clicks e-comony. The question of the suitability of marketing products over the Internet in South Africa has been addressed. It is not a question of, "if the Internet will become the marketspace of the future?", but rather, "how soon will the Internet become the marketspace of the future and how ready will businesses be to take advantage of that change?". Watches Unlimited must seize the opportunity to lead the way forward.

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APPENDICES

Appendix 1 – The Research Questionnaire

Appendix 2 – The Research Questionnaire Coding Sheets and Raw Data

Appendix 3 – Strategy Development Questionnaire

Appendix 4 – Strategy Development Questionnaire Scoring Sheet

Appendix 5 – Strategy Development Profile

Appendix 1 – The Research Questionnaire

Dear Respondent,

I am currently completing my University of Natal MBA through the Graduate School of Business under the supervision of Professor Elza Thomson. A research project comprises of one of the requirements for this degree.

The topic of the research project is "The suitability of marketing products over the Internet in South Africa."

I understand that your time is precious and therefore appreciate the time you are taking to complete this questionnaire. I would like to thank you for your contributions in helping me understand the suitability of marketing products over the Internet in the South African environment.

This is not a marketing exercise. Complete confidentiality will be maintained throughout this survey. Only questionnaires that have been completed in full with no errors will be used in the final analysis. In order that as many questionnaires as possible are reliable, I ask that care be taken when filling out the information. I would dearly like to avoid inaccuracies so please be as honest as possible.

If you have any queries regarding the questionnaire please do not hesitate to contact me on 082 360 2829. Please indicate in the survey if you would like a copy of the finished report.

The completed questionnaires need to be returned to me by the 5th of May 2003.

Many Thanks

David Maehler

When answering the survey, please mark the appropriate box or boxes with an "X".

First we would like to ask you some **general questions** about yourself and your background (please be assured that the information in this survey will be kept confidential).

1. Into what age bracket do you fall?

Younger than 12 ☐
From 12 to18 ☐
From 19 to 25 ☐
From 26 to 50 ☐
Older than 50 ☐

2. What is your gender?

Male ☐   Female   ☐

3. Which methods of shopping have you used to buy fashion accessories (i.e. watches, jewellery, handbags, etc.) over the past 4 years (please mark all appropriate boxes)?

Phone ☐
Mail order ☐
Networks (i.e. Avon) ☐
Internet ☐
Retail stores in shopping malls ☐
Retail stores in the city centre ☐
Other – Please specify ☐ _____

4. Please rank/order (number) the methods of shopping you see yourself using to buy fashion accessories (watches, jewellery, handbags, etc.) over the next 4 years? (1 = most likely, 2 = second most likely, etc…)

Phone ☐
Mail order ☐
Networks (i.e. Avon) ☐
Internet ☐
Retail stores in shopping malls ☐
Retail stores in the city centre ☐
Other – Please specify ☐ _____

5. Please rank/order (number) the methods of shopping you see yourself using to buy fashion accessories (watches, jewellery, handbags, etc.) 5 to 10 years from now? (1 = most likely, 2 = second most likely, etc…)

Phone ☐
Mail order ☐
Networks (i.e. Avon) ☐
Internet ☐
Retail stores in shopping malls ☐
Retail stores in the city centre ☐
Other – Please specify ☐ _____

The following questions will be used to rate your **level of Internet interaction**.

6. Do you have access to a computer (please mark all appropriate boxes)?

No ☐
Yes – at work ☐
Yes – at Home ☐
Yes – other (please specify) ☐ _____

7. Do you use the Internet?

Infrequently ☐   Monthly ☐   Weekly ☐   Daily ☐   Never ☐

If the answer to question 7 was "Never", then proceed to question 13.

8. If you do use the Internet, for what primary purpose do you use the Internet?

9. Do you search the Internet?

Infrequently ☐   Monthly ☐   Weekly ☐   Daily ☐   Never ☐

10. If you do search the Internet, which search engine do you use most frequently?

11. Have you used the Internet to find information about the following (please mark all appropriate boxes)?

Information (i.e. statistics, news, articles) ☐
Banking ☐
Travel & Holidays ☐
Consumer goods (i.e. food) ☐
Accessory items (i.e. clothes, watches, jewellery) ☐
Cultural goods (i.e. books, music, art) ☐
Freeware (i.e. free software) ☐
Other things (please specify) ☐ _____

12. Have you used the Internet to purchase any of the following (please mark all appropriate boxes)?

Information (i.e. statistics, news, articles) ☐
Banking ☐
Travel & Holidays ☐
Consumer goods (i.e. food) ☐
Accessory items (i.e. clothing, watches, jewellery) ☐
Cultural goods (i.e. books, music, art) ☐
Freeware (i.e. free software) ☐
Other things (please specify) ☐ _____

The security of the Internet has been debated over the past few years. This section will be used to gauge **the level of confidence transacting over the Internet** in South Africa.

13. Do you think it is safe to transact (i.e. pay accounts or buy items) over the Internet in South Africa?

Yes ☐   No ☐   Not Sure ☐

14. Have you ever had a bad experience using the Internet, if "Yes" please give a brief description?

Yes ☐   No ☐

15. Do you transact by paying accounts over the Internet?

Infrequently ☐   Monthly ☐   Weekly ☐   Daily ☐   Never ☐

16. Do you transact by buying items over the Internet, if "Never" please give brief explanation why?

Infrequently ☐   Monthly ☐   Weekly ☐   Daily ☐   Never ☐

17. If you answered "Never" to question 16, would you consider buying items over the Internet in the future?

Yes ☐   No ☐

18. What would be the maximum Rand amount that you would be willing to pay over the Internet for the purchase of a single item?

Up to R50   ☐
Up to R500   ☐
Up to R1 000   ☐
Up to R5 000   ☐
Up to R10 000   ☐
More than R10 000   ☐

19. If the purchase over the Internet involved spending more than R1000, would you want to physically view/feel/touch/wear the item at a store before purchasing over the Internet?

Yes ☐   No ☐

20. Would you like to receive updated product related information about fashion accessories (i.e. watches, jewellery, handbags, etc.) you have already purchased at a traditional store?

Yes ☐   No ☐

Here we unravel the **services and value that the Internet could bring to you**.

Please indicate your degree of agreement with the statements below. All the statements refer to purchasing items over the Internet in South Africa. Please mark if you strongly agree, mildly agree, neither agree nor disagree, mildly disagree, or strongly disagree.

21. If you were to buy an item over the Internet it would be primarily because it was cheaper.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

22. If you were to buy an item over the Internet it would be primarily because of the convenience, service and experience that you would receive.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

23. If I were to buy a watch over the Internet it would be from a reputable company that had a traditional retail store in one of the shopping centres.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

24. If I were to buy a watch over the Internet it would be from a company that was purely an online business.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

25. If I were not satisfied with my purchase over the Internet, I would expect that I could return the item in its original condition within 14 days.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

26. I would use the Internet to buy gifts for others rather than myself.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

27. I would be prepared to give personal details to a business if I could receive personal service and updates about items that interest me.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

28. I would expect to be charged a delivery fee for delivery of an item purchased over the Internet.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

29. I would expect to be charged a delivery fee based on the delivery service, e.g. door-to-door courier service/surface mail. (i.e. the faster the delivery, the more costly the delivery fee).

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

30. I am happy to enter my credit card details over the Internet.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

31. I am happy to pay for purchases by personally giving my credit card details over the phone.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

32. I am happy to pay for purchases by directly depositing funds into a bank account.

Strongly Agree	Mildly Agree	Neither Agree Nor Disagree	Mildly Disagree	Strongly Disagree
☐	☐	☐	☐	☐

Once again thank you for your time and effort in providing me with this information.

Would you be interested in a finished copy of the report?
Yes ☐   No ☐

If 'Yes' please specify postal or e-mail address.

_____

_____

_____

_____

Appendix 2 – The Research Questionnaire Coding Sheet

General Questions

Q1	Age	(1=0-11, 2=12-18, 3=19-25, 4=26-50, 5=51-120)
Q2	Gender	(1=Male, 2=Female)
Q3a	Phone	(1=Yes, 2=No)
Q3b	Mail order	(1=Yes, 2=No)
Q3c	Networks	(i.e. Avon) (1=Yes, 2=No)
Q3d	Internet	(1=Yes, 2=No)
Q3e	Retail stores in shopping malls	(1=Yes, 2=No)
Q3f	Retail stores in the city centre	(1=Yes, 2=No)
Q3g	Other – Please specify	(1=Yes, 2=No)
Q4a	Phone	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4b	Mail order	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4c	Networks (i.e. Avon)	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4d	Internet	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4e	Retail stores in shopping malls	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4f	Retail stores in the city centre	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q4g	Other – Please specify	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5a	Phone	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5b	Mail order (1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)	
Q5c	Networks (i.e. Avon)	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5d	Internet	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5e	Retail stores in shopping malls	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5f	Retail stores in the city centre	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)
Q5g	Other – Please specify	(1=1st, 2=2nd, 3=3rd, 4=4th, 5=5th, 6=6th, 7=Blank)

Level of Internet Interaction

Q6a	Do you have access to a computer	(1=Yes, 2=No)
Q6b	At work	(1=Yes, 2=No)
Q6c	At home	(1=Yes, 2=No)
Q6d	Other - Please specify	(1=Yes, 2=No)
Q7	Do you use the Internet	(1=infrequently, 2=mthly, 3=wkly, 4=dly, 5=never)
Q8	Primary purpose of internet	(1=Blank, 2= Share Trading, 3=Banking, 4=Information Search, 5=Business, 6=E-Mail, 7=Entertainment)
Q9	Do you search the internet	(1=infrequently, 2=mthly, 3=wkly, 4=dly, 5=never)
Q10	Search engine used	(1=Blank, 2=Yahoo, 3=Excite, 4=Google, 5=Alta Vista, 6=MSN, 7=Business.com, 8=Aardvark, 9=Ask Jeeves, 10=Dogpile, 11=Sawubona.com, 12=Lycos, 13=Ananzi)
Q11a	Information (i.e. statistics, news, articles)	(1=Yes, 2=No)
Q11b	Banking	

(1=Yes, 2=No)

Q11c   Travel & Holidays
(1=Yes, 2=No)

Q11d   Consumer goods (i.e. food)
(1=Yes, 2=No)

Q11e   Accessory items (i.e. clothes, watches, jewellery)
(1=Yes, 2=No)

Q11f   Cultural goods (i.e. books, music, art)
(1=Yes, 2=No)

Q11g   Freeware (i.e. free software)
(1=Yes, 2=No)

Q11h   Other things (please specify)
(1=Yes, 2=No)

Q12a   Information (i.e. statistics, news, articles)
(1=Yes, 2=No)

Q12b   Banking
(1=Yes, 2=No)

Q12c   Travel & Holidays
(1=Yes, 2=No)

Q12d   Consumer goods (i.e. food)
(1=Yes, 2=No)

Q12e   Accessory items (i.e. clothes, watches, jewellery)
(1=Yes, 2=No)

Q12f   Cultural goods (i.e. books, music, art)
(1=Yes, 2=No)

Q12g   Freeware (i.e. free software)
(1=Yes, 2=No)

Q12h   Other things (please specify)
(1=Yes, 2=No)

Level of Confidence Transacting Over the Internet

Q13   Safe to transact
(1=Yes, 2=No, 3=Not Sure)

Q14   Had a bad experience using internet
(1=Yes, 2=No)

Q15   Pay accounts over internet
(1=infrequently, 2=mthly, 3=wkly, 4=dly, 5=never)

Q16   Buy items over internet
(1=infrequently, 2=mthly, 3=wkly, 4=dly, 5=never)

Q17   Consider buying items over the item
(1=Yes, 2=No)

Q18   Max. amt for a single item purchased on the internet
(1=R50, 2=R500, 3=R1000, 4=R5000, 5=R10000, 6=>R10000)

Q19   Would you want to physically view/feel/touch the item
(1=Yes, 2=No)

Q20   Would you like to receive product info about items already purchased
(1=Yes, 2=No)

Services & Value the Internet Could Bring to You

Q21   I would buy over the internet because its cheaper
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q22   I would buy over the internet because of the convenience/service/experience
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q23   I would buy a watch over the internet from a reputable company that has a retail store
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q24   I would buy a watch over the internet from a pure online company
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q25   I would expect to be able to return the item within 14 days
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q26   I would use the internet to buy gifts for others than rather than myself
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q27   I would give personal details to a business for personal service & product updates
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q28   I would expect to be charged a delivery fee for items purchased over the internet
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q29   I would expect to be charged a delivery fee based on the delivery service
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q30   I am happy to enter my credit card details over the internet
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q31   I am happy to give my credit card details over the phone
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Q32   I am happy to pay by directly depositing funds into a bank account
(1=S.Agree, 2=M.Agree, 3=Indifferent, 4=M.Disagree, 5=S.Disagree)

Appendix 3 – Strategy Development Questionnaire

Strategy Development Questionnaire

This questionnaire considers the process by which strategy is developed within organisations. It is designed to discover your perceptions of how strategic decisions are made in your organisation. Strategic decisions are those which are characterised by a large commitment of resources and deal with issues of substantial importance to the organisation usually with longer rather than just short-term impact or significance; they usually involve more than one function and involve significant change.

The following pages comprise a number of statements. When considering these statements please:

assume each applies to _____, and respond to the statements as such

think of your organisation as it exists at present, not as it has existed in the past or how you would like it to exist in the future

evaluate each statement in terms of the extent to which you **agree** or **disagree** with it in relation to your organisation.

Thank you for your cooperation.

How to complete the questionnaire

Please answer all the statements (it will take approximately 5–10 minutes to complete)

Give the answer that first occurs to you. Do not give an answer because you feel it is the right thing to say or you feel it is how things should be

*Respond to each of the statements by circling the appropriate number on a scale of 1 (you **strongly disagree** with the statement in relation to your organisation) to 7 (you **strongly agree** with the statement in relation to your organisation).*

Your name: _____

Name of your organisation: _____

What industry does your organisation mainly operate within?

_____

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	Strongly disagree						Strongly agree
1. We have definite and precise strategic objectives	1	2	3	4	5	6	7
2. To keep in line with our business environment we make continual small-scale changes to strategy	1	2	3	4	5	6	7
3. Our strategy is based on past experience	1	2	3	4	5	6	7
4. The influence a group or individual can exert over the strategy we follow is enhanced by their control of resources critical to the organisation's activities	1	2	3	4	5	6	7
5. The strategy we follow is directed by a vision of the future associated with the chief executive (or another senior figure)	1	2	3	4	5	6	7
6. Our strategy is based on past experience	1	2	3	4	5	6	7
7. We evaluate potential strategic options against explicit strategic objectives	1	2	3	4	5	6	7
8. We keep early commitment to a strategy tentative and subject to review	1	2	3	4	5	6	7
9. Our organisation's history directs our search for solutions to strategic issues	1	2	3	4	5	6	7
10. The information on which our strategy is developed often reflects the interests of certain groups	1	2	3	4	5	6	7
11. Our strategy is closely associated with a particular individual	1	2	3	4	5	6	7
12. Our freedom of strategic choice is severely restricted by our business environment	1	2	3	4	5	6	7
13. We have precise procedures for achieving strategic objectives	1	2	3	4	5	6	7
14. Our strategies emerge gradually as we respond to the need to change	1	2	3	4	5	6	7
15. There are beliefs and assumptions about the way to do things which are specific to this organisation	1	2	3	4	5	6	7
16. Our strategy develops through a process of bargaining and negotiation between groups or individuals	1	2	3	4	5	6	7
17. The chief executive determines our strategic direction	1	2	3	4	5	6	7
18. We are not able to influence our business environment; we can only buffer ourselves from it	1	2	3	4	5	6	7
19. We have well-defined procedures to search for solutions to strategic problems	1	2	3	4	5	6	7

	Strongly disagree						Strongly agree
20. We tend to develop strategy by experimenting and trying new approaches in the marketplace	1	2	3	4	5	6	7
21. The strategy we follow is dictated by our culture	1	2	3	4	5	6	7
22. Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals	1	2	3	4	5	6	7
23. Our strategic direction is determined by powerful individuals or groups	1	2	3	4	5	6	7
24. Barriers exist in our business environment which significantly restrict the strategies we can follow	1	2	3	4	5	6	7
25. Our strategy is made explicit in the form of precise plans	1	2	3	4	5	6	7
26. Our strategy develops through a process of ongoing adjustment	1	2	3	4	5	6	7
27. The strategies we follow develop from 'the way we do things around here'	1	2	3	4	5	6	7
28. The decision to adopt a strategy is influenced by the power of the group sponsoring it	1	2	3	4	5	6	7
29. Our chief executive tends to impose strategic decisions (rather than consulting the top management team)	1	2	3	4	5	6	7
30. Many of the strategic changes which have taken place have been forced on us by those outside this organisation	1	2	3	4	5	6	7
31. We make strategic decisions based on a systematic analysis of our business environment	1	2	3	4	5	6	7
32. Our strategy is continually adjusted as changes occur in the marketplace	1	2	3	4	5	6	7
33. There is resistance to any strategic change which does not sit well with our culture	1	2	3	4	5	6	7
34. Our strategies often have to be changed because certain groups block their implementation	1	2	3	4	5	6	7
35. A senior figure's vision is our strategy	1	2	3	4	5	6	7
36. Forces outside this organisation determine our strategic direction	1	2	3	4	5	6	7

Appendix 4 – Strategy Development Questionnaire Scoring Sheet

Strategy Development Questionnaire scoring sheet

Instructions

Please transfer the number circled for each statement of the Strategy Development Questionnaire to the corresponding box on the grid below. The number at the left of each box indicates the questionnaire statement to which it refers.

Having transferred the number for all statement to the grid, sum each column. Subtract 24 from each of the column totals to produce a score for each of the perspectives. This score can then be plotted on the strategic development profile by marking a cross on the appropriate one of the six axes. Finally, join all the crosses together by moving clockwise around the profile.

Planning		Incrementalism		Cultural		Political		Command		Enforced choice	
1	1	2	3	3	4	4	1	5	4	6	4
7	1	8	1	9	6	10	7	11	7	12	7
13	4	14	7	15	6	16	6	17	6	18	6
19	1	20	7	21	7	22	3	23	8	24	7
25	1	26	7	27	7	28	7	29	8	30	8
31	1	32	4	33	4	34	7	35	7	36	4
Column Total	9	Column Total	29	Column Total	34	Column Total	31	Column Total	35	Column Total	33
−24		−24		−24		−24		−24		−24	

Score = Column total −24

	−15		5		10		7		11		9

Appendix 5 – Strategy Development Profile

Strategy development profile