

**TRENDS IN SEGMENTED MARKETING**

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**TO WHOM IT MAY CONCERN:**

**RE: CONFIDENTIALLY CLAUSE**

Due to the strategic importance of this research, it would be appreciated if the contents remain confidential and not be circulated for a period of five years.

Sincerely

S. Ramlall

September 2003

## DECLARATION

**This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.**

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**September 2003**

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## ABSTRACT

Management of a sewing machine distributorship desires information on the viability of importing and distributing electronic/computerized sewing machines in comparison to manual sewing machines for resale in Kwa-Zulu Natal.

An extensive literature review on industry and competitor analysis, consumer behaviour and market segmentation was undertaken. The research instrument took the form of an interview schedule. The interview was conducted at three dealerships and the study is based on replies from the three dealers who participated.

The study is concluded with recommendations, which Singerkzn may wish to consider during its strategic planning process.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1. INTRODUCTION**

To ensure continuity and growth, an enterprise is dependent on *inter alia* consumers and the satisfaction of their needs. Although total satisfaction of customer needs is not a goal in itself, striving for it enables the enterprise to achieve its own goals. Therefore, the greater the need satisfactions customers can derive from its products, the easier it would be for an enterprise to achieve its own goals (Van der Walt et al).

Management of a sewing machine importing and distributing company based in Durban Kwa-Zulu Natal, desires information on the viability of importing and distributing electronic sewing machines in the Kwa-Zulu Natal area. The distributors current target market is usually LSM groups 1 to 6.

The aim of this study will be to provide information to management as to the trends or buying behaviour of the sewing machine market in the Kwa-Zulu Natal area. This information should prove to be useful to management, as they have signed performance contracts in terms of unit sales with the head office overseeing the African – Middle Eastern Regions.

### **1.2. BACKGROUND**

In 1994, the world witnessed the birth of a new nation i.e. South Africa. With the trade restrictions relaxed and our borders open to international trade, South Africa experienced a massive influx of foreign companies investing here. One such company was an international sewing machine manufacturer, who re-invested in South Africa, after a 10-year absence due to sanctions. By late 98, the parent company was in a serious state of financial affairs and subsequently filed for chapter 11 bankruptcy as required by law in the United States of America.

## Figure 1.1 Bankruptcy : An Overview

### Bankruptcy: an overview

Bankruptcy law provides for the development of a plan that allows a debtor, who is unable to pay his creditors, to resolve his debts through the division of his assets among his creditors. This supervised division also allows the interests of all creditors to be treated with some measure of equality. Certain bankruptcy proceedings allow a debtor to stay in business and use revenue generated to resolve his or her debts. An additional purpose of bankruptcy law is to allow certain debtors to free themselves (to be discharged) of the financial obligations they have accumulated, after their assets are distributed, even if their debts have not been paid in full.

Bankruptcy law is federal statutory law contained in Title 11 of the United States Code. Congress passed the Bankruptcy Code under its Constitutional grant of authority to "establish. . . uniform laws on the subject of Bankruptcy throughout the United States." See U.S. Constitution Article I, Section 8. States may not regulate bankruptcy though they may pass laws that govern other aspects of the debtor-creditor relationship. See Debtor-Creditor. A number of sections of Title 11 incorporate the debtor-creditor law of the individual states.

Bankruptcy proceedings are supervised by and litigated in the United States Bankruptcy Courts. These courts are a part of the District Courts of The United States. The United States Trustees were established by Congress to handle many of the supervisory and administrative duties of bankruptcy proceedings. Proceedings in bankruptcy courts are governed by the Bankruptcy Rules which were promulgated by the Supreme Court under the authority of Congress.

There are two basic types of Bankruptcy proceedings. A filing under Chapter 7 is called liquidation. It is the most common type of bankruptcy proceeding. Liquidation involves the appointment of a trustee who collects the non-exempt property of the debtor, sells it and distributes the proceeds to the creditors. Bankruptcy proceedings under Chapters 11, 12, and 13 involves the rehabilitation of the debtor to allow him or her to use future earnings to pay off creditors. Under Chapter 7, 12, 13, and some 11 proceedings, a trustee is appointed to supervise the assets of the debtor. A bankruptcy proceeding can either be entered into voluntarily by a debtor or initiated by creditors. After a bankruptcy proceeding is filed, creditors, for the most part, may not seek to collect their debts outside of the proceeding. The debtor is not allowed to transfer property that has been declared part of the estate subject to proceedings. Furthermore, certain pre-proceeding transfers of property, secured interests, and liens may be delayed or invalidated. Various provisions of the Bankruptcy Code also establish the priority of creditors' interests.

Source: <http://sewing.about.com/library/weekly/aa091499a.htm>

By early 99, the South African subsidiary was placed under liquidation. A decision was then taken by the parent company to allocate the importation and distribution rights to three distributors, one of which is currently servicing the Kwa-Zulu Natal region.

The distributor servicing this region has currently 14 types of sewing machines in its product range with prices ranging from R649.00 for the basic hand operated model to the most expensive and advanced electronic model retailing for around R45000.00.

**Figure 1.2 Singer xl-5000 and Singer 15ch models**



Source: <http://www.singersa.co.za>

This distributor currently reports to the head office responsible for the African-Middle East regions, which is based in Amman – Jordan. Performance contracts signed with this office stipulate that the distributor has to keep the full product range of sewing machines, and meet targets in terms of sales quotas as set out in the performance contracts.

The distributor's current target market is the lower to middle income households i.e. LSM groups 1 to 6. The price range of the sewing machine most distributed range between R649.00 to R3000.00 with majority of the consumers being located the rural areas who purchase sewing machines to manufacture and mend garments as a means to supplement their income. The level of sales experienced by the distributor can be seen in Table 1.2.

**Table 1.1. Level of Sales**

<b>Model</b>	<b>Sales (Units)- 2000</b>	<b>Sales (Units) - 2001</b>
<b>15ch</b>	12025	15215
<b>966</b>	367	428
<b>968</b>	503	550
<b>974</b>	1319	1250
<b>298</b>	260	353
<b>5810</b>	528	304
<b>4830</b>	190	270
<b>14sh654</b>	80	62
<b>MSP7</b>	15	22
<b>Electronic Range</b>		
<b>XL-10</b>	19	7
<b>XL-100</b>	10	3
<b>XL-1000</b>	5	9
<b>XL-5000</b>	-	1

Source: Level of Sales adapted from Company Data

### **1.3. MOTIVATION**

Management desires information on the viability of marketing electronic sewing machines in comparison to manual sewing machines, taking into account the distributors target market.

It is hoped that the results obtained from the study will provide a greater understanding of consumer preferences in the Kwa-Zulu Natal area. By understanding consumer preferences, management can try to identify the possible reasons for narrowing their product range, to satisfy their target market. The distributor would also not necessarily tie

up working capital in unnecessary or slow moving stock items, and would rather use the capital to purchase higher volumes of fast moving stock items.

The study therefore aims to identify whether it makes economic sense to import electronic sewing machines for sales and distribution in the Kwa-Zulu Natal area. The results of the research can then be passed on to Head office, whereby, they could reconsider or revise their strategic plans for the Southern African market, and in particular, the Kwa Zulu Natal region.

#### **1.4. VALUE**

As mentioned previously, consumers differ greatly with regard to their needs, wants, preferences and tastes, so expecting the same marketing strategy to be effective for all consumers in a particular market is futile. This is the essence of the research – the realisation that the sewing machine market is not homogenous, but is instead composed of various sub-markets or segments that may be quite different from each other and may therefore need to be served differently. For example, the total market for sewing machines comprise some consumers who are concerned primarily with dress making i.e. home crafts, some who use sewing machines at classrooms i.e. home economics at school level, some use sewing machines for production i.e. clothing manufacturers, while others purchase sewing machines linked to their status.

The results from the research can be constructively used by the distributor to target its market effectively, by catering for the needs and preferences of the consumer. Should the results find that there is no demand for electronic sewing machines, then the distributor could rather use the available working capital to purchase fast moving stock items, thereby improving turnover.

## **1.5. PROBLEM STATEMENT**

Should the distributor import and distribute electronic sewing machines, as compared to manual sewing machines, taking into account their target market?

## **1.6. OBJECTIVES**

- To discover / investigate the viability of computerised sewing machines being imported for sales in Kwa-Zulu Natal.
- To investigate whether the distributor should continue to operate and honour its contract with the head office, or should they look at other alternatives in terms of importing other brands that can be easily adapted for the target market.
- To investigate what type of sewing machines would be ideal for the Kwa-Zulu Natal market, taking into consideration the current range on offer.

## **1.7. RESEARCH METHODOLOGY**

This study will focus mainly on retail stores in Kwa-Zulu Natal. Dealers from 3 cities i.e. Durban, Pietermaritzburg and Richards Bay will be surveyed. The cities are chosen demographically, mainly because of the different income groups that they serve. The researcher will conduct interviews with the dealers, using the current dealer database. The dealers are categorised by the amount of purchases per month taking the entire product range on offer by the distributor.

<b>Large Dealers</b>	50 – 100 units per month
<b>Medium Dealers</b>	20 – 49 units per month
<b>Small Dealers</b>	1 – 19 units per month

The researcher will do a literature search using the World Wide Web, Journals, Books, and Periodicals and will make use of company data for information.

## **1.8. LIMITATIONS**

The following limitations have been identified:

1.8.1. The research is confined to the Kwa-Zulu Natal Area.

1.8.2. The researcher has only chosen three Cities in Kwa Zulu Natal and three large dealers.

1.8.3. Competitors did not want to divulge their company data i.e. sales figures and cost prices and the intended markets their products are target at.

## **1.9. STRUCTURE OF THE STUDY**

The study takes the form of a case analysis and is an exploratory study based on data available from the company and its dealerships and customers.

### **1.9.1 CHAPTER TWO: MARKETING STRATEGY IN CONTEXT**

This section of the research covers the theory that was obtained using journals, company data, books as well as the internet. This chapter begins with an examination of the company's mission, vision, and objectives; followed by internal – external environments; competitor analysis; key success factors; consumer behaviour and the four “P’s” of the marketing mix. The chapter is concluded with a strategic decision making model.

### **1.9.2 CHAPTER THREE: CASE STUDY OF THE ORGANISATION**

A detailed review of the company as well as the history of the organisation's operations worldwide is provided here. Included in this chapter is a brief history of the founder as well as the investment made by their subsidiaries in South Africa and 150 years of innovation. The current distributors strategy as well as their customers and distribution strategy is outlined here. Their current product range is included as an appendix.

### 1.9.3 CHAPTER FOUR: EVALUATION OF SINGERKZN'S STRATEGY

Chapter four begins with a look at the analysis of the sewing machine industry as well as competitive forces in the industry, using Porters five forces model. We then went on to evaluate Singerkzn's resources and competitive capabilities using and impact analysis as well as SWOT. We also looked at the four P's of the marketing mix to analyse whether the distributor had selected the correct strategy in its quest to distribute the electronic range of sewing machines. Finally, we analysed Singerkzn's product and positioning strategy taking into consideration the distributors targeting; positioning and market segmentation strategy. The chapter ends with concluding remarks.

### 1.9.4 CHAPTER FIVE: RECOMMENDATIONS AND CONCLUSIONS

Having used the available analytical tools and theory that were available in chapters two, and the case data available in chapter three, we make recommendations that the distributor could consider. Aspects such as an intensive marketing campaign; a strategic marketing plan as well as revisiting their current pricing structure were some of the recommendations that were suggested. The chapter ends with concluding remarks.

## **1.10 SUMMARY**

The case study research design was chosen as a devise to conduct the research, as it is an excellent devise for initial exploratory research and for evaluating problems in the organization. This chapter forms the basis of the research as it maps the path that the researcher follows.

We have highlighted the background of the research based on information gathered from company data as well as from management. Motivation for the research project follows where we highlight management's intentions for sponsoring the process. We follow on with the intended value that the research would provide to management and we highlight

the problem statement. Objectives follow on which are the desired results that the researcher aims to achieve at the end of the study. We briefly highlighted the research methodology as well as the limitations of the project. Finally, the structure of the study is presented, where the different chapters of the research project are highlighted.

## **CHAPTER TWO: MARKETING STRATEGY IN CONTEXT**

### **2.1. INTRODUCTION**

The enterprise and the community it serves are not self-sufficient and closed entities, but depend on each other for survival. Together they form a complex, dynamic business environment in which changes in the environmental variables continually determine the prosperity or otherwise of the enterprise. Since these variables are more often than not beyond the control of the enterprise, it is the task of management to adapt constantly to the changes.

This chapter begins with an examination of the company's mission, vision, and objectives; followed by internal – external environments; competitor analysis; key success factors, consumer behaviour and the four “P’s” of the marketing mix. The chapter is concluded with a strategic decision making model.

### **2.2. MISSION, VISION, OBJECTIVES**

Effective strategy making begins with a vision of where the organisation needs to head. Charting a company's course begins with senior management looking at the road ahead and addressing the following questions:

- Who are we?
- Where are we going?
- How will we get there?
- How will we measure our performance?

One of the roles of a mission statement is to give the organisation its own special identity, business emphasis, and a path for development – one that typically sets it apart from other similarly situated companies. A company's business is defined by what needs it is trying to satisfy, by which customer groups it is targeting, and by the technologies and competencies it uses and the activities it performs.

Technology, competencies and activities are important to defining a company's business because they indicate the boundaries on its operations. Good mission statements are highly personalised – unique to the organisation for which they are developed. Objectives represent a managerial commitment to achieving specific performance targets within a specific time frame – they are a call for results that connect directly to the company's strategic vision and core values (Thompson & Strickland, 2003:79).

### **2.3. MACRO ENVIRONMENTS OR EXTERNAL ENVIRONMENT**

According to Pearce and Robbins (1994), the external environment comprises factors that originate beyond, and usually irrespective of, any single firm's operating situation. These are political, economic, social and technological factors. Every firm must take cognizance of the external environment factors. From scanning the environment, the company can anticipate change in the environment and develop appropriate strategies to deal with change and maintain its competitive advantage.

**A) Political Environment:** - The political environment is the environment in which the government is involved through regulations. Some authors call it the regulatory environment, Sapp and Smith (1984). It promulgates laws and regulations to which the players in the industry must conform. By promulgating and enforcing legislation, government creates order by means of political measures, steering agricultural and economic policy in a particular direction. The policy of the South African government is based on the maintenance of the benefits of the free market system derived from free enterprise, private ownership, freedom of vocation and a proper respect for the market mechanism (Nel, PA et al 1998). Hence, the government intervenes in the local market on a large scale by means of the annual budget, taxation, import control, promotion of exports, import tariffs, price controls, health regulations, as well as incentives and other measures to encourage development in a specific direction.

**B) Economic Environment:** - Amongst the most important factors to be considered in the economic environment are consumers income and spending patterns, which are influenced by the amount people earn, save, pay for products, and use debt and credit services available. When prices of goods and services increase, the purchasing power of income decreases especially if the income did not increase at the same rate. Consumer spending patterns are affected by consumer savings, debt and credit availability. When interest rates are high, it discourages consumer spending. Access to lower interest rates helps organisations expand more quickly. South Africa has high interest rates compared to other parts of the world, which slows down spending and makes it expensive for low-income consumers to borrow money.

**C) Socio-Cultural Environment:** - The lifestyle, motives, attitudes and needs and values are largely derived from cultural influences. People are products of their community: as members of a particular community they accept and assimilate its language, its values, its faith, expectations, laws and customs. This culture, the sum total of the way of life of a group of people influences the individual's way of life.

**D) Technological Environment:** - Most technological events that affect an industry originate outside it. Technological changes lead not only to new products but also to new technological processes that are designed to meet customer needs. It often leads to the identification and exploitation of unfulfilled needs. Technology allows people more time to do more work or have extra leisure hours. This environment provides opportunities to those organisations in a position to capitalise on them and could pose a significant threat to others. With the rapid development of technology and competition based on price and quality, firms use highly effective technologies that have capacities to produce more products.

## **2.4. INDUSTRY AND COMPETITOR ANALYSIS**

The economic character of industries varies according to such factors as overall size and market growth rate, the pace of technological change, the geographic boundaries of the market, the number and size of buyers and sellers, whether sellers' products are virtually identical or highly differentiated, the extent to which costs are affected by economies of scale, and the types of distribution channels used to access buyers. An industry's economic traits and competitive conditions, and how they are expected to change, determine whether its profit prospects are poor, average, or excellent.

### **2.4.1 Industry Dominant Economic Features.**

An industry's economic features help frame the window of strategic approaches a company can pursue. The factors to consider in profiling an industry's economic features consist of the following:

- The type of distribution channels used to access consumers.
- Capital requirements and the ease of entry and exit.
- The pace of technological change in both production process innovation and new product introductions.
- Market size.
- Whether industry profitability is above / below par.
- Scope of competitive rivalry.
- Number of rivals and their relative sizes.
- Whether the products and services of rival firms are highly differentiated, weakly differentiated, or essentially identical
- Whether companies can realise economies of scale in purchasing, manufacturing, transportation, marketing, or advertising.
- Whether high rates of capital utilisation are crucial to achieving low – cost production efficiency.
- Market growth rate and position in the business life.
- The number of buyers and their relative sizes.

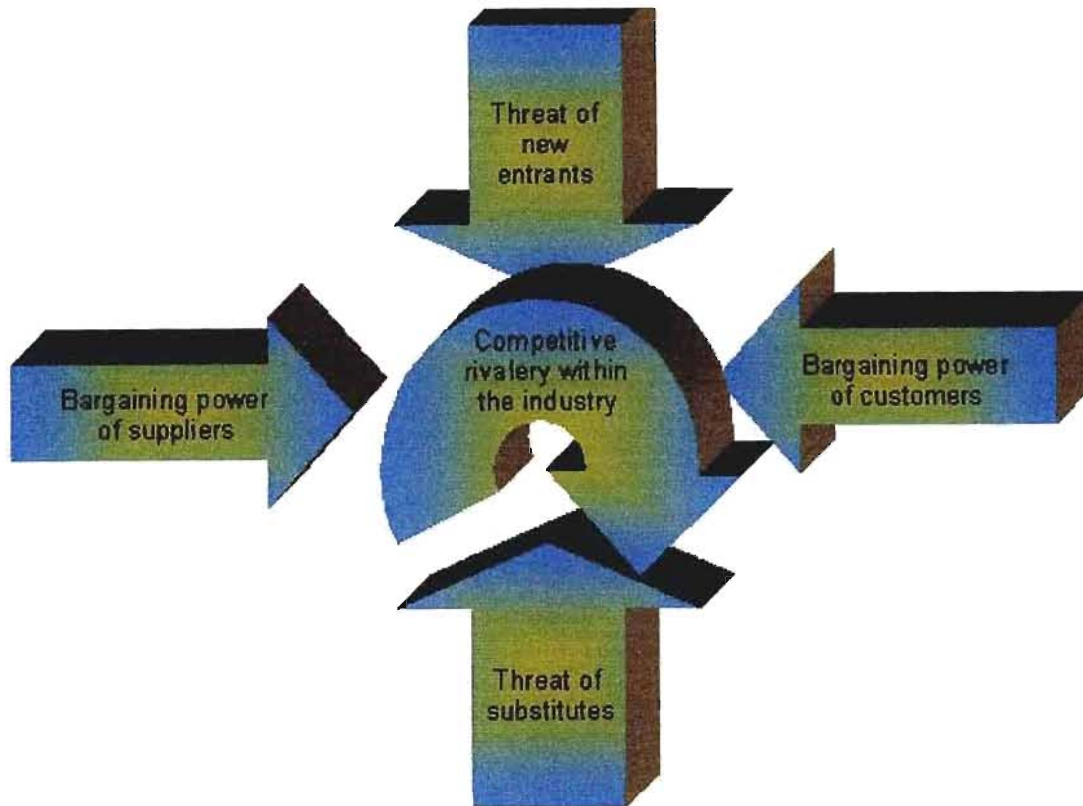
### **2.4.2. Competitive forces in the industry.**

The microenvironment has been analysed using Porter's Five Forces Model, which is useful in determining "what the main sources of competitive pressure are and how strong each competitive force is" (Thompson & Strickland, 2003:79).

The forces in the microenvironment influence all organisations within it therefore it is imperative that organisations understand the forces and develop competitive strategies in order to gain competitive advantage. In the industry environment, five forces shape the firm's competitive strategy and how it responds to the forces.

- **Competitive Pressure from Suppliers** – The strength of suppliers is related to how dependent firms are on suppliers. If there are few or no alternative sources of supply, then suppliers have greater power. In such a case, if suppliers were to raise prices or restrict supply, there is not much that firms can do to counteract.
- **Rivalry among Competing Sellers** – The number of firms already in the industry and the nature of the rivalry between them are important determinants of industry attractiveness. If there is a monopoly in existence, then potential challengers will struggle in trying to win market share from the established firm. If there are many firms and/or if firms compete aggressively or vigorously with each other, then there are cost, price and profitability implications. Aggressive competition requires greater resources to be used for advertising, research and new product development for instance, and is thus costly. Due to the high number of firms in the industry with similar products, firms are faced with a lot of pressure to produce new products in order to easily differentiate their product using creative and innovative strategic initiatives. As competitors launch new products or improve their product offerings they intensify the competitive pressures on their rivals. However, rivalry remains weak as most firms seem to be relatively satisfied with their sales growth, they rarely make any concerted efforts to steal customers away from one another and have attractive returns on investment.

**Figure 2.1 Porters Five Forces Model**



Source : [www.themanager.org](http://www.themanager.org)

- **The Potential Entry of New Competitors** – Naturally the easier it is to enter an industry, the greater the threat of new entrants, and thus increased competition, for those firms already in the industry. Barriers to entry form a “buffer” that extends some measure of protection to existing firms. There are several such barriers that may make entry difficult for new firms: the large capital outlays, high levels of expertise and sophisticated technology required, economies of scale that existing players are able to take advantage of, exclusive arrangements that they may have with suppliers and strong brand names and reputations that they have managed to develop (Arbee et al 2001 p67).

- **Bargaining Power of Buyers** – Large and powerful buyers are naturally able to wield tremendous bargaining power with their suppliers. However, due to competition and the rise of consumerism, even ordinary consumers have increased bargaining power.
- **Competitive Pressures from Substitute Products** – Firms in one industry are often in close competition with firms in another industry because their respective products are good substitutes. Just how strong the competitive pressures are from substitute products depends on: whether attractively priced substitutes are available; whether buyers view the substitutes as being satisfactory in terms of quality, performance, and other relevant attributes; and whether buyers can switch to substitutes easily (Mbanga P et al 2001).

#### **2.4.3. Strategic group analysis.**

Enterprises in an industry can usually be banded into comparable groups, because of the similarity of the strategies being used. The use of similar strategies may lead to the identification of key strategic dimensions in the industry. Strategic group analysis is useful in finding out how to compete in the market, to compare performance and to anticipate the future strategies of key competitors. Selecting the dimensions for group formulation refers to the identification of those strategic variables that are important to the industry. The objective is to select the key strategic dimensions that are useful in forming strategic groups (Berkowitz et al 1994). Table 2.1 provides a list of some strategic factors that could be used to form strategic groups.

**Table 2.1. Strategic factors that could be used to form strategic groups**

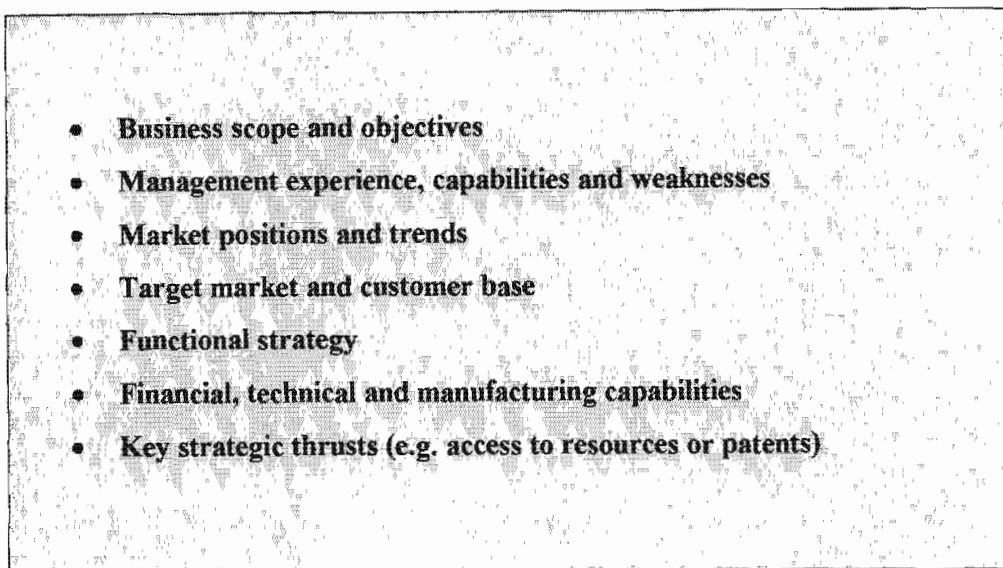
<p><b>Technology and manufacturing</b></p>	<ul style="list-style-type: none"> <li>• <b>Specialisation:</b> Along such dimensions as line width/breadth, variety of segments served, application areas, geographic scope.</li> <li>• <b>Quality:</b> Including the product quality level, e.g. top-level. Also the basic value position, e.g. the price versus performance relationship of the cheapest product in the line.</li> <li>• <b>Offer breath:</b> The extent of customer service, from the design of the product to after sales service.</li> </ul>
<p><b>Marketing Strategy</b></p>	<ul style="list-style-type: none"> <li>• <b>Branding:</b> Choice of generic versus branded marketing communication and the combination of personal selling and advertising.</li> <li>• <b>End-user orientation:</b> The extent to which demand is created by using pull-versus-push strategy in the distribution channel.</li> <li>• <b>Channel Choice:</b> Direct versus indirect distribution, and the options of exclusive, selective or intensive distribution.</li> </ul>
<p><b>Technology and manufacturing</b></p>	<ul style="list-style-type: none"> <li>• <b>Leadership:</b> Product leader or follower and the areas of focus or specialisation.</li> <li>• <b>Vertical integration:</b> Choice of position along the value chain and stages of vertical integration.</li> <li>• <b>Cost and responsiveness:</b> Trade-offs between cost minimisation, product variety and quality. The manufacturer's reaction to market changes.</li> </ul>

Source: Adapted from Czepiel, JA.1992. Competitive marketing strategy. Englewood Cliffs, NJ: Prentice Hall, p338.

#### **2.4.4. Identifying and describing competitors.**

Strategic group analysis helps to identify key competitors in a specific industry. Competitor analysis is then used to pinpoint the strategic thrusts of these companies (Cravens, DW, 1994). The type of information needed to describe key competitors is depicted in figure 2.2 below.

**Figure 2.2 Information needed to describe key competitors**

- 
- **Business scope and objectives**
  - **Management experience, capabilities and weaknesses**
  - **Market positions and trends**
  - **Target market and customer base**
  - **Functional strategy**
  - **Financial, technical and manufacturing capabilities**
  - **Key strategic thrusts (e.g. access to resources or patents)**

Source: Adapted from Cravens, DW.1994. Strategic Marketing. 4<sup>th</sup> ed. Burr Ridge, Ill: Richard D Irwin Inc, p231

Strategic group analysis may suggest shifts in the strategies of key competitors that would be important for the company conducting the competitive analysis.

#### **2.4.5. Evaluating competitors.**

The evaluation of competitors may identify specific strengths and weaknesses of competitors. Four specific areas are identified that can be used in the evaluation of competitors:

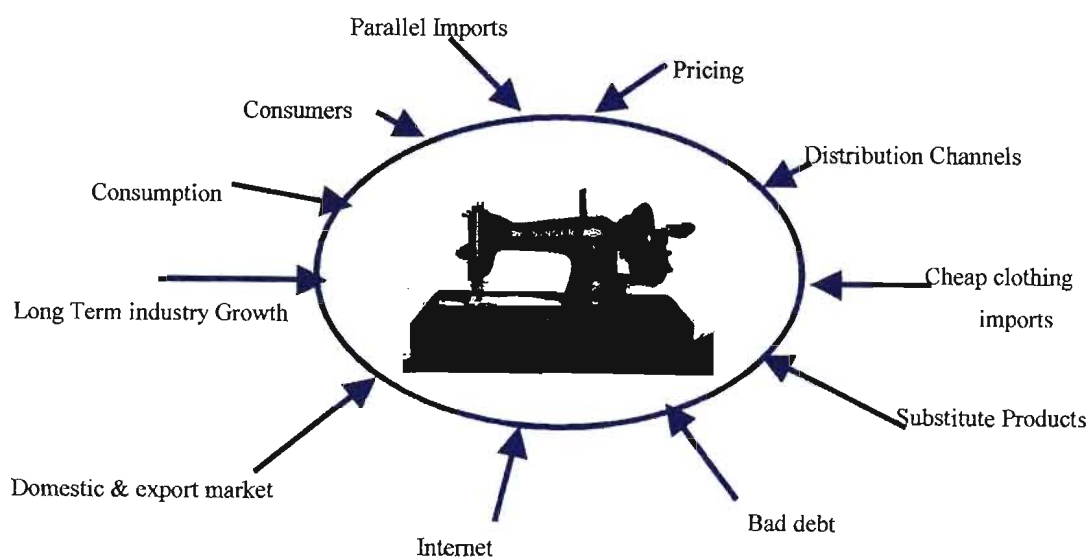
- 1) **Extent of market coverage.** The evaluation should concentrate on the market segment targeted by the competitor and the market share of the competitor in this market.

- 2) **Customer satisfaction.** Value as well as cost advantages can build customer satisfaction for the product or service of the company.
- 3) **Past performance.** The past performance of competitors with regard to sales and profit is an indication of the competitiveness of the company.
- 4) **Current capabilities.** Using the previously mentioned factors of market coverage, customer satisfaction and past performance, the company can build a clear picture of the strengths and weaknesses of the competition. Additional information can be gathered regarding management capabilities and weaknesses, marketing strategy and other key strengths and limitations. Using these four factors, the company will be in a favorable position to perform up-to-date evaluation of competitors (Cravens p232-7).

## 2.5. DRIVERS OF CHANGE IN THE INDUSTRY

Some of the key drivers of change that influence the structure and competitive environment of firms are identified in figure 2.3.

**Figure 2.3. Drivers of change in the sewing machine industry.**



## **2.6. KEY FACTORS FOR COMPETITIVE SUCCESS (KSF'S)**

A firm's key success factors are those things that most affect industry members' ability to prosper in the market place. Key success factors concern the product attributes, competencies, competitive capabilities and market achievements with the greatest direct bearing on company profitability and ultimately, between competitive success or failure. All firms in a given industry need to pay attention to their respective success factors (Thompson et al p106). The answers to three questions help identify industry's key success factors:

- On what basis do customers choose between the competing brands of sellers?  
What product attributes are crucial?
- What resources and competitive capabilities does a seller need to have to be completely successful?
- What does it take for sellers to achieve a sustainable competitive advantage?

**Table 2.2. Common types of key success factors**

<b>Common Types of Key Success Factors</b>
<b><u>Technology – related KSFs</u></b> <ul style="list-style-type: none"><li>• Expertise in a given technology</li><li>• Product innovation capabilities</li><li>• Technical capabilities to make innovative improvements in production process</li></ul>
<b><u>Manufacturing – related KSFs</u></b> <ul style="list-style-type: none"><li>• Low cost production efficiency</li><li>• Quality of manufacture</li><li>• Low-cost plant locations</li><li>• Access to adequate supplies of labour.</li></ul>
<b><u>Distribution – related KSFs</u></b> <ul style="list-style-type: none"><li>• A strong network of wholesaler dealers</li><li>• Having company owned retail outlets</li><li>• Low distribution costs</li><li>• Short delivery times</li><li>• Accurate filling of customer orders</li></ul>
<b><u>Marketing – related KSFs</u></b> <ul style="list-style-type: none"><li>• Fast, accurate technical assistance</li><li>• Courteous customer service</li><li>• Breadth of product line and product selection</li><li>• Attractive styling</li><li>• Customer guarantees and warranties</li></ul>
<b><u>Organisational - related KSFs</u></b> <ul style="list-style-type: none"><li>• Superior information systems</li><li>• Managerial experience</li><li>• Ability to respond to shifting market conditions.</li></ul>
<b><u>Other types – related KSFs</u></b> <ul style="list-style-type: none"><li>• Favorable image with buyers</li><li>• Convenient locations</li><li>• Patent protection</li><li>• Pleasant, courteous employees</li></ul>

Source: Adapted from Thompson AA et al. 2003. Strategic Management – Concepts and Cases McGraw – Hill, p106.

## **2.7. SUSTAINABLE COMPETITIVE ADVANTAGE'S (SCA'S)**

To be competitive, to survive and to grow in the market, the enterprise must have competitive advantages over competitors. In all cases the advantage must be sustainable over a certain period. To this end a sustainable competitive advantage can be defined as the ability to deliver superior value to the market for a protracted period of time. (Czepiel, JA 1992).

The protracted period in question must be long enough for the enterprise to recover its investment in the product/ market. Aaker distinguishes between a sustainable competitive advantage (SCA) and key success factors (KSFs). The main distinction is that KSF as described above, are necessary to put the enterprise on equal footing with the competition. Sustainable competitive advantages, however, are necessary to outperform the competition. Preferred access to resources or customers can also provide the enterprise with a sustainable competitive advantage.

## **2.8. EVALUATING COMPANY RESOURCES AND COMPETITIVE CAPABILITIES**

The stronger a company's current overall performance, the less likely the need for radical changes in strategy. The weaker a company's financial performance and market standing, the more its current strategy must be questioned. Weak performance is usually a sign of weak strategy, weak execution or both (Kotler, P, 1991).

### **2.8.1 Strength's, Weaknesses, Opportunities, Threats (SWOT)**

The aim of SWOT analysis is to identify the strengths and weaknesses inside the organisation and the opportunities and threats outside the enterprise. SWOT analysis can be used more specifically both for the analysis of strategic issues and the evaluation of strategies.

A strength would be an internal resource, which would enable an organisation to deal effectively with its business environment. An internal weakness would leave

opportunities poorly accounted for, or not addressed at all. Opportunities and threats exist outside the organisation in many different areas. The aim of SWOT analysis is to match likely environmental changes with internal capabilities, to test these out and challenge how an organisation can capitalise on new opportunities, or defend itself against future threats. The exercise, therefore seeks to challenge the robustness of an organisation's current strategy and highlight areas that might need to change in order to sustain or develop its competitive position (Ambrosini, V. p122).

### **2.8.2 Company Competencies and Capabilities**

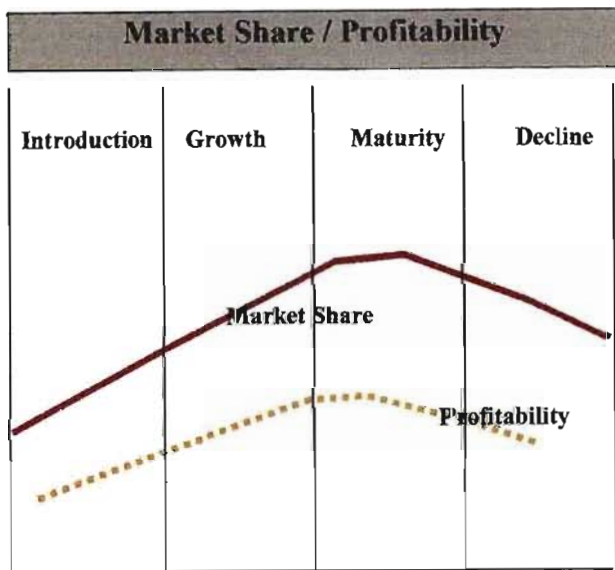
Identifying and evaluating what a company is really good at doing and what capabilities it has for competing is a critical component of assessing a company's situation. A company competence is nearly always the product of experience, representing an accumulation of learning overtime and the buildup over time of real proficiency. They originate with deliberate efforts to develop the organisational ability to do something, however imperfectly or inefficiently. As experience builds, such that the company reaches a level of ability to perform the activity consistently well and at an acceptable cost, the ability begins to translate into true competence (Thompson et al p120).

A competitively important internal activity that a company performs better than other competitively important internal activities is known as a **core competence**. What makes it a core competence as opposed to just a competence is that it is central to a company's competitiveness and profitability rather than peripheral. Most often, a company's core competence resides in its people and its intellectual capital (Thompson et al p120).

## 2.9. THE LIFECYCLE OF RETAIL INSTITUTIONS

Retail institutions, like products, show a life cycle, which consists of four successive phases: introduction, growth, maturity, and decline (Davidson, WR et al 1976). Figure 2.4. illustrates the institutional life cycle in retailing.

**Figure 2.4. The institutional retailing life cycle**



Source: Adapted from Davidson, WR, Bates AD & Bass, SJ. 1976. The retail life cycle. Harvard Business Review. November, p93.

Introducing a new retailing concept in the first phase has a considerable advantage. This advantage may arise from a distinctive product variety, location advantages or other trading techniques. When consumers accept the new form, sales will increase rapidly. Profits do not increase as quickly because the new retailing institution experiences the operational problems related to the development of most new concepts.

In the early growth phase both sales volume and profits increase rapidly. During this phase the organisation that originated the concept is busy with geographic expansion, while other organisations begin copying the concept.

During the first part of the accelerated growth phase, an increase in sales volume leads to even greater profits as a result of the advantages of economies of scale. Cost pressure causes both sales volume and profit to reach their maximum levels at the end of the accelerated development phase.

In the maturity phase a decline in both market share and profitability is experienced as a result of a variety of factors. One of these factors is the impact which newer retailing forms have on the established retailing institutions. This tendency lasts through to the final declining phase. Established retailing institutions usually try to postpone the declining phase by changing their concept through the application of trading techniques of more recent retailing forms.

## **2.10. COMPETITIVE STRATEGIES**

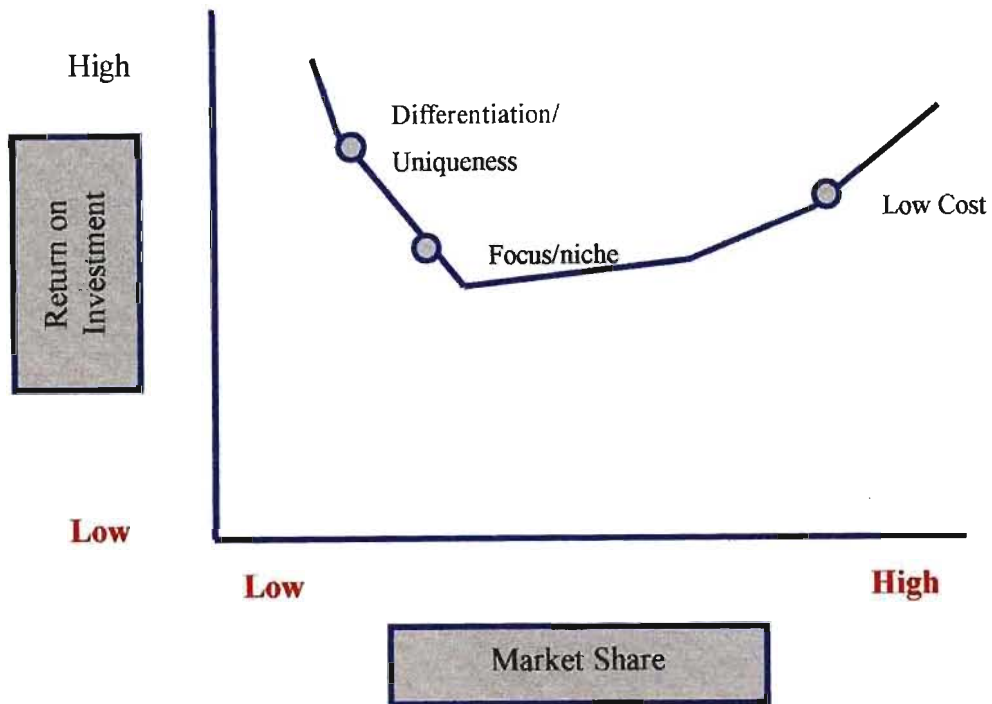
### **2.10.1 The selection of an appropriate competitive strategy**

A competitive strategy has been described as a strategy that gives rise to a sustainable competitive advantage for the enterprise (Rowe, AJ et al 1994). The selection of the correct competitive strategy depends on the industry, the competitor analysis and the specific capabilities of the enterprise. A long-term strategy must be based on a core idea about how the firm can best compete in the market place. Three competitive strategies are discussed here:

- **Differentiation strategy** or product or service differentiation – meaning that value is added to the product or service through differentiation.
- **Low-cost strategy** or overall cost leadership – implying that the enterprise will supply the product or service more cost-effectively than competitors.
- **Focus strategy**, narrowing the focus to a special product/market niche that the enterprise can monopolise.

The differences between these competitive strategies, based on profitability and market share, are depicted in Figure 2.5.

**Figure 2.5 Profitability versus market share for three competitive strategies**



Source: Adapted from Rowe, AJ, Mason, RO, Dickel, KE, Mann, RB & Mockler, RJ. 1994. Strategic management: a methodological approach. 4th ed. Reading, Mass: Addison-Wesley, p267.

The meaning of the position of the generic strategies on the return-on-investment curve is dealt with in the following sections.

### **2.10.2 Differentiation strategy**

Various differentiation methods can be used to distinguish essentially identical products, so that they will be regarded and accepted as separate products by the target market. When differentiation succeeds, the enterprise has created a sustainable competitive advantage for itself. By differentiating its product or service the enterprise has created value that can, for example, be reflected in a higher selling price for the product or service. To do this, the enterprise must be able to demonstrate the superiority of its product to the products of others in the industry, and must be able to justify the price difference.

The aim of the differentiation strategy is to generate brand or customer loyalty. Methods to differentiate products and services are the following:

- **Differentiation based on product quality.** Product quality goes hand in hand with performance, durability and reliability. Usually the consumer cannot judge these characteristics in making a choice, and thus he/she concentrates only on the finished product. If the finish of the product is good, the consumer accepts that the quality must also be good.
- **Differentiation by brand.** Brand distinguishes competitive products from one another, but also gives them specific symbolic value, creating an image or personality for the product.
- **Differentiation by unique product characteristics.** Unique product characteristics, which make a product just a little better or different, initially create a competitive advantage. The unique characteristic can be protected against imitators by patent rights, but unfortunately it is also possible to circumvent patent rights. Unique product characteristics can thus serve as a competitive advantage, but it is difficult to obtain a long-term advantage in this way. The “me-too” tactics of competitive enterprises quickly wipe out the initial differential advantage created by introducing unique product characteristics.
- **Differentiation by distribution.** New and unusual distribution channels not only create new market possibilities but also serve to differentiate products.
- **Differentiation by marketing communication.** Promotional methods and messages are an ideal way of distinguishing a product from those of competitors.
- **Price differentiation.** Products or services can also be differentiated by unusually high or low prices. A high price is associated with quality, whereas a low price

can easily create a “cheap image”. With a high price other product characteristics have to support the quality image, and this causes a cost increase. A low price has to be supported by low manufacturing and marketing costs, otherwise losses can be sustained.

### **2.10.3 Low cost strategy**

An enterprise that successfully adopts a low cost strategy can quote lower prices than its competitors, and thus create a sustainable competitive advantage for its products or service. Cost savings can be achieved in various areas, but it is important to establish a low cost culture in the enterprise. Staff will then constantly be careful to conserve resources and to keep costs low. Staff members have to be convinced that cost savings are their benefit. Forced savings merely create conflict and seldom work. Lower prices than those of competitors are not the only advantage of a low cost strategy. Higher profit, and the availability of funds to expand the market share, utilise new opportunities and develop new products are the spin-offs of the prevention of squandering.

### **2.10.4 Focus strategy**

The focus strategy creates a sustainable competitive advantage when the enterprise decides to occupy only one specific niche in the market with a limited product range. The object is to monopolise the specific niche in the market. This happens if the enterprise’s resources and abilities are insufficient to tackle a full-scale battle in the mass market. A geographically based focus strategy gives the enterprise the opportunity first to satisfy the needs of a limited market segment before further geographic expansion takes place.

## **2.11. PRODUCT DEVELOPMENT STRATEGY**

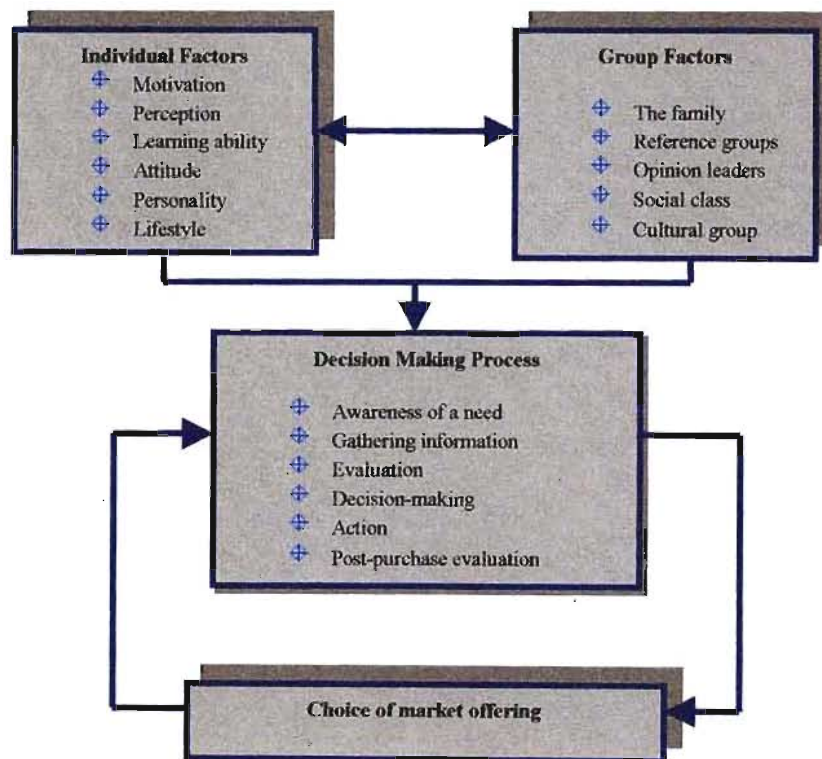
Product development involves the substantial modification of existing products or the creation of new but related products that can be marketed through established channels. The product development strategy often is adopted either to prolong the life cycle of current products or to take advantage of a favourite reputation or brand name . The idea is to attract satisfied customers to new products as a result of their positive experience with

the firm's initial offering. The product development strategy is based on the penetration of existing markets by incorporating product modifications into existing items or by developing new products with a clear connection to the existing product line.

## 2.12. CONSUMER BEHAVIOUR

Consumer behaviour is directed at those factors that determine behaviour as well as the consumer decision-making process underlying behaviour patterns. The purpose is to explain and to forecast human behaviour patterns in a purchasing situation. Consumer behaviour consists of those acts of decision-making units directly involved in obtaining and using need satisfying products and services, and includes the decision-making process that precedes and determines these acts (Cronje GJ et al, 1994 p159).

**Figure 2.6 Overview of consumer behaviour**



Source: Adapted from Rowe, AJ, Mason, RO, Dickel, KE, Mann, RB & Mockler, RJ. 1994. Strategic management: a methodological approach. 4th ed. Reading, Mass: Addison-Wesley.

The model identifies the factors that lead to a decision to buy or not to buy, revealing the process of decision-making. Individual factors in the figure refer to factors inherent in human behaviour and group factors refer to the cultural background, social class and the immediate social environment in which the consumer must make purchasing decisions. The family, reference groups and opinion leaders are components of the consumer's immediate social environment. All these groups influence consumer behaviour.

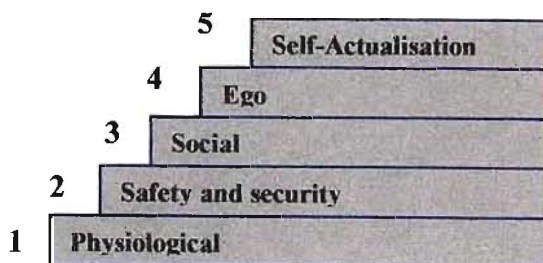
## 2.12.1 Individual Factors

### 2.12.1.1 Motivation

Motivation can be defined as the driving force within an individual, which impels action in order to attain a certain objective. This driving force is the result of an unfulfilled need. Thus it can be said that unfulfilled needs motivate behaviour (Solomon, MR.1994 p81).

The best-known theory of classifying the diversity of needs is that of Maslow. He classified human needs in a scheme in which the lower-level needs must first be satisfied, or partly satisfied, before the high-level needs can fully emerge. Figure 2.7 shows Maslow's hierarchy of needs (Wilson, RM et al 1992). The lowest-level needs are physiological, which help to ensure the survival of the individual. The highest level is reflected in the desire for self-actualisation. According to this theory, the individual is motivated to fulfill whichever need is most strongly felt at any given moment.

**Figure 2.7 Maslow's hierarchy of needs**



Source: [www.themarketingmanager.org](http://www.themarketingmanager.org)

### **2.12.1.2 Perception**

Perception involves seeing, hearing, feeling, tasting and smelling. These sensory stimuli cause certain sensations, which can influence a consumer to purchase or not to purchase. Perception also plays a crucial role in the interpretation of a marketing message. A consumer will perceive a certain market offering only after he has received sensory stimuli, especially after seeing or hearing the marketing message.

### **2.12.1.3 Learning ability**

The consumer's ability to learn also influences behaviour. The consumer must, for example, learn which product attributes relate to which brand and where it can be purchased and must also be able to recognise the distinctive packaging. The consumer must remember the information supplied in the marketing message when in a position to act.

Learning can be defined as the result of a combination of motivation, attention, experience and repetition. Three elements are implied in this definition. In order to learn the learner/consumer must be motivated, must give full attention to the message, and there must be some measure of effective repetition. In proper combination these three elements result in a successful learning situation. Imbalance in any way invariably leads to failure.

### **2.12.1.4 Attitude**

A positive attitude to a product promotes brand loyalty, but a negative attitude is virtually impossible to reserve. Attitudes can be defined as relatively inflexible tendencies to perceive and act in some consistently favourable or unfavourable manner with regard to a given object or idea.

Attitudes are learned as a result of experience. They determine behaviour patterns, which are relatively inflexible. A consumer develops attitudes towards products, services, stores and advertising messages.

### **2.12.1.5 Personality**

Personality refers to those psychological characteristics of people which both determine and reflect their reaction to environmental influences. Personality distinguishes one individual from another, and one group of individuals with similar characteristics from another group. There are several personality types, the classification of which by Karen Horney is best known (Horney, K. 2003. p599). She identified the following three types:

- **Compliant** individuals who move towards others. They desire to be loved and appreciated.
- **Aggressive** individuals who move against others. They desire only to excel.
- **Detached** individuals who move away from others. They are self-sufficient.

### **2.12.1.6 Lifestyle**

Lifestyle refers to the way of living of individuals or families. The lifestyle concept provides descriptions of behaviour and purchasing patterns, especially the ways in which people spend their time and money. Personality, motives and attitudes also influence lifestyle.

## **2.12.2 Social factors influencing Consumer buying decisions**

Apart from individual factors influencing consumer behaviour, another major group of factors that influence consumer decision-making are social factors. The interaction that takes place between the consumer and the external environment affects the consumer's behaviour (Kolb C, et al p79). Social factors include, "inter alia", culture, subculture, reference groups, opinion leaders, family and social class.

### **2.12.2.1 Cultural Groups**

Culture comprises a complex system of values, norms and symbols which have developed in society over a period of time and in which all its members share. The cultural values, norms and symbols are created by people and are transmitted from one generation to another to ensure survival and also facilitate adaptation to the circumstances of life. They are transmitted from parents to children.

Each cultural group comprises several subcultures, each with its own norms, values and symbols. There are four main subcultures, categorised according to nationality, religion, race and geographical area of residence. Besides the four main groups, smaller subcultures can develop, perhaps according to language, age, interests or occupation (Tayeb, M.H, 1996).

### 2.12.2.2 Social Classes

In every society there is a tendency to classify its members in a certain order. High-ranking individuals enjoy more esteem than those of a lesser rank. In this way, social classes, which are relatively large homogeneous groups of persons, all with the same values and more or less similar lifestyles and consumption patterns, are established.

#### **Figure 2.8. Social classes in South Africa**

**In South Africa, there are five social classes namely:**

1. **Upper Class-** consists mainly of the White community and a percentage of Indians. This group falls above the LSM8 group.
2. **Upper Middle Class-** commonly known as the “emerging class” which consists of Whites, Indians, Blacks. This group belongs to the LSM 6,7 & 8 grouping.
3. **Lower Middle Class-** consists of mainly white-collar workers from all race groups. They have roughly the same amount of income as the upper middle class, but choose to live a more scaled- down lifestyle.
4. **The Working Class-** consists mainly of Blacks, who have little disposable income, which is spent on necessities. They are mainly blue-collar workers and belong to the LSM 2,3 & 4 grouping.
5. **The Underprivileged-** this social group is unemployed and live below the breadline level. They live on some sort of social welfare and belong to the LSM 1 group.

Source: Adapted from Kolb, C et al. 2001. Specific Topics in Marketing. Musgrave: Natal Business School Publishers, p85.

### 2.12.2.3 The Family

Of all the groups influencing consumer behaviour the individual maintains the closest contact with the family. Due to the process of socialisation, the individual learns purchase behavioural patterns and at the most times adopts these behaviours.

With regard to the influence of the family on consumer behaviour, there are two aspects, which are of importance to the enterprise in developing its marketing strategy: the family life cycle and the role differentiation between family members.

The family life cycle phases are the following:

1. *Newly-wed phase*. Both members of this unit are usually economically active and pool their incomes, which means they can afford to buy durables and even luxuries.
2. *Phase of family growth*. This phase starts with the arrival of the first child in the marriage, and markedly changes previous consumer behaviour patterns.
3. *Maturity phase*. The children in the family have reached the adolescent state where, in addition to their basic needs, they have also developed their own norms, preferences and lifestyles.
4. *Post-parental phase*. All the children have left home and the parents spend less on basic household necessities. They have greater disposable income to spend on luxuries.
5. *Sole survivor*. The consumption patterns and the lifestyle of the surviving spouse changes drastically.

Decision making roles among family members will vary in depth depending on the type of the item purchased, its price and the level of involvement. Factors affecting family decision-making are the ability to persuade, power within the family, family relationships, expected outcome of negotiation and family income.

Role differentiation and the influences exerted by family members on decision members on decision-making in the family are depicted on table 2.3.

**Table 2.3 Role differentiation in consumer decision making in the family**

<b>Roles</b>	<b>Family Members</b>
The <b>initiator</b> is the person who makes the first suggestion regarding products to be purchased.	Teenagers often act as initiators.
The <b>influencer</b> is the person who implicitly or explicitly influences the final decision because this person's suggestions and wishes are reflected in the ultimate decision made by the family.	Children's preferences influences family decision making.
The <b>decision maker</b> is the person who actually chooses between alternatives and makes the decision.	This is usually the mother or the father.
The <b>purchaser</b> purchases the products.	It is usually the mother's responsibility to purchase the groceries.
The <b>user</b> is the person who actually uses the product.	The baby consumes vegetable puree purchased by the mother.

Source: Adapted from Strydom et al, (1996), "Marketing Management," 3<sup>rd</sup> ed., Cape Town: Juta & Co, Ltd., p86.

#### **2.12.2.4 Reference groups and opinion leaders**

A reference group is any group against which a person can evaluate his behaviour patterns. In all reference groups there are distinctive norms of behaviour and members are expected to conform to these norms lest sanctions be applied against them. There are many types of reference groups that an individual can belong to, in which he or she can interact with others to accomplish goals. These groups include families, close friends, clubs, co-workers, members of an organisation, leisure and hobby groups and neighbours.

When one takes on the role, i.e. the expected behaviour of a certain position, normative pressures exert an influence on one to act in a particular way. Table 2.4 lists the various types of reference groups.

**Table 2.4 Types of reference groups**

<b>Types of Reference groups:</b>
<ul style="list-style-type: none"><li>• <b>Membership groups</b> – are groups of which the person has obtained membership, e.g. friends or social clubs.</li><li>• <b>Automatic groups</b> – are groups to which a person is a member due to age, gender or occupation, e.g. peer group.</li><li>• <b>Negative groups</b> – are groups with which a person does not wish to be associated. An individual will intentionally reject the norms of the negative group, e.g. smokers, bikers or drinkers.</li><li>• <b>Associative groups</b> – are those groups to which a person aspires, e.g. a group with higher status, peer group or celebrities and sport stars.</li></ul>

Source: Adapted from Strydom et al, (1996), "Marketing Management", 3<sup>rd</sup> ed., Cape Town: Juta & Co, Ltd., p86/87.

A reference group need not necessarily be a group of persons but can also be a reference person, an individual to whom others will look in forming opinions and taking consumer decisions. The reference person can therefore be regarded as an opinion leader. The opinion leader need not be well known or enjoy high status, but can be an ordinary person, a stereotype, or even an imaginary person.

The role of the opinion leader is especially important in purchasing high-risk new products. There is a great deal of overlapping of leader and follower roles. Every consumer is a member of several different reference groups and is influenced by these groups as well as by the opinion leaders in these groups.

### **2.12.3 Consumer Decision- Making Process**

All the factors discussed in the previous sections have an influence on the consumer decision – making process, which is regarded as a process consisting of several phases. Consumers display distinctive behaviour patterns in the various phases. Advice of family, friends, other contacts and even experts are often used as a valuable source of information on which a consumer can depend.

#### **2.12.3.1 Problem awareness phase.**

When an individual perceives a difference between the desired state of affairs and the actual state of affairs, an unsatisfied need is felt or recognised. It is often triggered when a consumer is exposed to either an internal stimulus or external stimulus. A problem exists which must be dealt with as soon as possible. Some of the reasons for a consumer becoming aware of a need that can be satisfied by buying a specific product are: the availability on the market of a new improved product; a change in the consumer's circumstances; out-of-stock situations; dissatisfaction with the product currently in use. The problem awareness phase is often viewed as reflecting the basic motivation toward the purchase of the product category, and not specific brands.

#### **2.12.3.2 Search for information.**

The search for information invariably follows need recognition, even if the search is conducted only briefly in the minds of the consumer. The search for information includes all elements of learning and is not limited only to the second phase in the decision making process. In other phases – evaluation, decision-making and action – the consumer continues to search for more information.

Sources of information includes internal sources, such as memory and the experience of the decision maker, as well as external sources including interpersonal and marketing sources. Interpersonal sources are the advice of family members, opinion leaders and other members of reference groups. Marketing sources include advertising, sales promotion, store window displays as well as advice from sales personnel. When the decision to be made is important, the search for information can be extensive.

### 2.12.3.3 Evaluation of Alternatives.

It entails the appraisal by the consumer of the attributes and benefits of various alternatives. A host of criteria may be used to evaluate products. The abundance of evaluative criteria involved in any major decision makes evaluation difficult. The decision maker must also decide on the relative importance of often-conflicting criteria. In table 2.5 some product and psychological criteria can be applied in evaluation of alternatives are given.

**Table 2.5 Evaluation Criteria**

Product Criteria	Psychological Criteria
<ul style="list-style-type: none"><li>• Cost / Price</li><li>• Quality / durability</li><li>• Aesthetic qualities</li></ul>	<ul style="list-style-type: none"><li>• Satisfaction of Social needs</li><li>• Satisfaction of ego needs</li><li>• Image of product / store</li><li>• Contribution of the product to lifestyle</li></ul>

Source: Adapted from Kolb, C et al. 2001. Specific Topics in Marketing. Musgrave: Natal Business School Publishers, p93.

Some of the criteria in table 2.5 can be evaluated in an objective way. Price, quality and performance standards of alternatives can be compared objectively, but personal and subjective factors play an important role in the evaluation of aesthetics qualities, the image of the product and the contribution of the chosen item towards need satisfaction and lifestyle. In the evaluation of alternative points of purchase, the evaluation criteria may include the product assortment, hygiene considerations, the image projected by the store, and the conduct of the sales personnel. Evaluation takes place in the mind of the consumer and is an example of covert behaviour.

### 2.12.3.4 Decision Making.

Following the search and evaluation process, the consumer will decide which product to buy or not to buy. If the consumer decides to buy, a number of decisions are made regarding the product brand, the store, the quantity, the time and the method of payment.

Schiffman and Kanuck refer to four types of individuals involved in decision-making:

- **The economic individual.** This is the classical approach to which a cool and calculated rational decision is taken based on complete information.
- **The passive individual.** These individuals are not knowledgeable and are exposed to manipulation by the marketer. They react impulsively and irrationally.
- **The emotional individual.** These people take consumer decisions based on purely personal and irrational needs.
- **The cognitive individual.** These individuals base consumer decisions on information from the environment, on social influences, on personal needs, attitudes and perception as well as previous experience.

A distinction must be made between decisions taken away from the point of purchase and the final decision-making directly preceding the action. If there is a time lapse between decision-making and the action, interference from other sources can change the decision taken. The time lapse is important for the decision maker because new information coming to light can cause reconsideration of the decision. With regard to decision making a distinction can be drawn between real, impulsive and habitual or routine decision-making.

Real decision-making can be regarded as a complex situation in which extensive problem solving takes place. Consumers must succeed in satisfying unlimited needs with the relatively limited resources at their disposal. Impulsive decision-making implies unplanned action spontaneously, in contrast to the purposeful planning visible in real decision-making. Usually action follows immediately after the decision has been reached, and to a bystander it seems as if the action was not preceded by planning. Impulsive action viewed in this light indicates a decision made at the point of purchase and therefore cannot be regarded as an irresponsible approach to purchasing. Routine decision-making occurs when a consumer, without consciously thinking about it, consistently purchases the same branded products. This loyalty to specific branded products is the result of an extended decision-making process of the preceding period.

Routine purchasing reduces the necessity of repeating decision-making process each time an item is needed, thereby facilitating the purchasing task.

#### **2.12.3.5 Post-purchase evaluation.**

After the consumer has acted, a period follows in which the decision and action are re-evaluated. If the product purchased lives up to expectations, it may well lead to repeat purchasing at a later stage and the development of brand loyalty. Post purchase responses are also influenced by economic demand factors i.e. the higher the price of the product the greater the economic risk involved in the decision and the more intense the level of post purchase satisfaction or dissatisfaction. The enterprise must monitor post-purchase satisfaction (the degree of satisfaction experienced and the basis on which their expectations are formed), post purchase actions (the buyer's level of satisfaction will determine his/hers future behavioral actions) and cognitive dissonance (a negative emotion stemming from a psychological inconsistency in the cognitions i.e. the buyer often begins to doubt the wisdom of the decision) carefully. Marketers can reduce dissonance through effective communication with the buyer via post-purchase letters, follow-up calls, congratulatory notes, instruction manuals and ads that display the product's superiority over competing brands (Solomon, MR.1994).

### **2.13 . MARKET SEGMENTATION, TARGETING AND POSITIONING**

To ensure continuity and growth, an enterprise is dependent on *inter alia* consumers and the satisfaction of their needs. Although total satisfaction of customer needs is not a goal in itself, striving for it enables the enterprise to achieve it is own goals. Therefore, the greater the need satisfactions customers can derive from its products, the easier it would be for an enterprise to achieve it's own goals (Van der Walt et al). The astute marketer should divide the total market into smaller parts (segments) and should carefully select one or more specific segments to serve (target markets).

### **2.13.1 Segmenting the market**

Market segmentation is the process of dividing the total market into smaller groups, each of which comprises consumers with the same or similar needs or wants and may be satisfied with a distinct marketing mix. This is the essence of segmentation – the realisation that the total market is not homogeneous, but is instead composed of various sub-markets or segments that may be quite different from each other and may therefore need to be served differently.

#### **2.13.1.1 Advantages of segmentation**

- Segmentation can help guide the proper allocation of marketing resources.
- Segmentation provides guidelines for the development of separate market offerings and marketing strategies for the various marketing segments.
- It compels marketers to focus more accurately on customer needs.
- Segmentation leads to the identification of excellent new marketing opportunities if research reveals an unexplored segment.

#### **2.13.1.2 Bases for market segmentation**

##### **A. Geographic Segmentation**

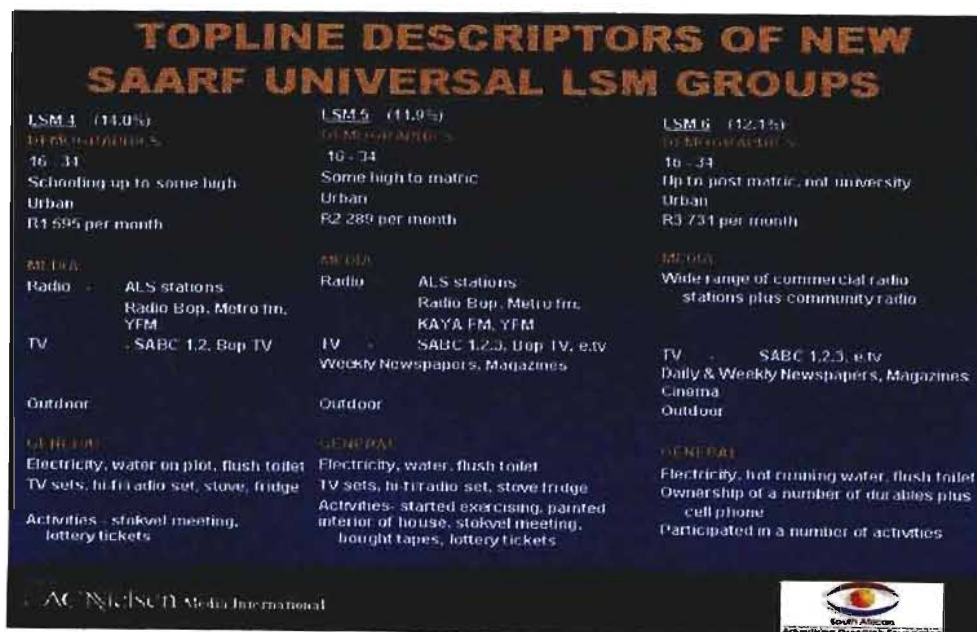
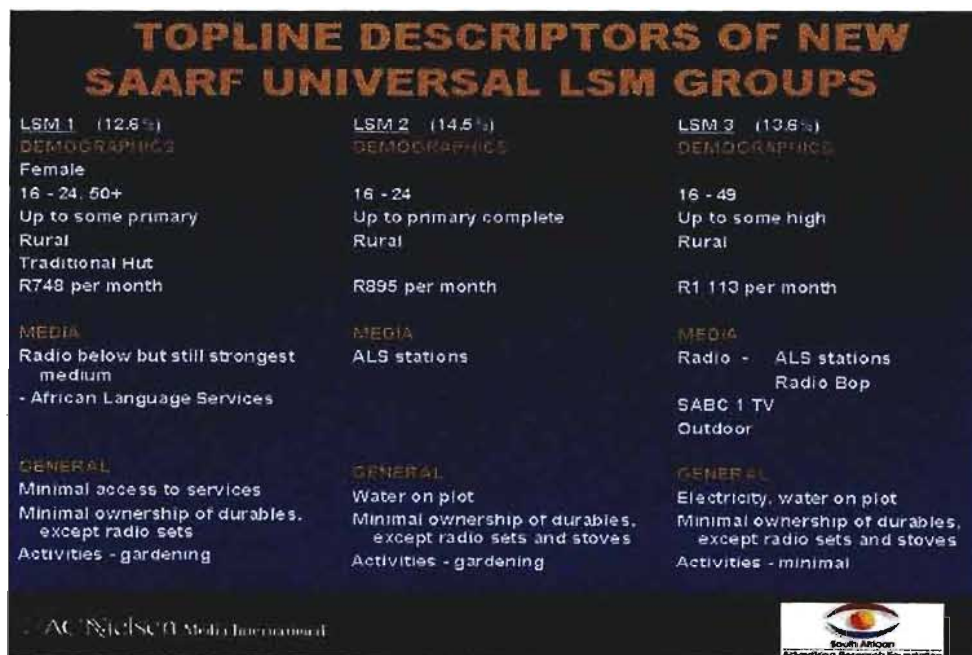
With geographic segmentation, the location of potential consumers is used to divide the market i.e. the total market is divided into different geographical areas, such as countries or regions. Variations such as the size of the city or town or population density may also be appropriate bases. The enterprise can then decide to target only one or a limited number of geographical areas. If customers in different areas exhibit diverse needs, these differences can be addressed at local level.

##### **B. Demographic Segmentation**

Demographics refer to the “vital and measurable characteristics of a population” (Arbee, A et al 2001, p96). Demographic features are probably the most common base for segmenting consumer markets. This may be because of the relative ease with which the approach can be applied, or because consumer needs are often strongly associated with these variables .

More recently, the South African Advertising Research Foundation published its Living Standards Measure (LSM) report, explaining how it arrived at ten LSM categories as depicted in figure 2.9.

**Figure 2.9 SAARF UNIVERSAL LSM GROUPS**



## TOPLINE DESCRIPTORS OF NEW SAARF UNIVERSAL LSM GROUPS

### LSM 7 (5.8%)

#### DEMOGRAPHICS

Male  
35+  
Matric and higher  
Urban  
R5 495 per month

#### MEDIA

Wide range of commercial radio stations plus community radio  
TV - SABC 1,2,3, e.tv, M-Net  
Daily & Weekly Newspapers, Magazines  
Accessed internet 4 weeks  
Cinema  
Outdoor

#### GENERAL

Full access to services  
Increased ownership of durables plus mot or vehicle  
Participation in all activities

### LSM 8 (5.6%)

#### DEMOGRAPHICS

Male  
35+  
Matric and higher  
Urban  
R7 407 per month

#### MEDIA

Wide range of commercial radio stations plus community radio  
TV - SABC 1,2,3, e.tv, M-Net, DSTV  
Daily & Weekly Newspapers, Magazines  
Accessed internet 4 weeks  
Cinema  
Outdoor

#### GENERAL

Full access to services  
Full ownership of durables, incl PC and satellite dish  
Increased participation in activities

### LSM 9 (5.1%)

#### DEMOGRAPHICS

Male  
35+  
Matric and higher  
Urban  
R9 743 per month

#### MEDIA

Wide range of commercial radio stations plus community radio  
TV - SABC 2,3, e.tv, M-Net, DSTV  
Daily & Weekly Newspapers, Magazines  
Accessed internet 4 weeks  
Cinema  
Outdoor

#### GENERAL

Full access to services  
Full ownership of durables, incl PC and satellite dish  
Increased participation in activities, excl stokvel meetings

AC Nielsen Media International



## TOPLINE DESCRIPTORS OF NEW SAARF UNIVERSAL LSM GROUPS

### LSM 10 (5.0%)

#### DEMOGRAPHICS

35+  
Matric and higher  
Urban  
R13 406 per month

#### MEDIA

Wide range of commercial radio stations plus community radio  
TV - SABC 2,3, e.tv, M-Net, DSTV  
Daily & Weekly Newspapers, Magazines  
Accessed internet 4 weeks  
Cinema  
Outdoor

#### GENERAL

Full access to services  
Full ownership of durables, incl PC and satellite dish  
Increased participation in activities, excl stokvel meetings

AC Nielsen Media International



Source: [www.saarf.co.za](http://www.saarf.co.za)

### C. Psychographic Segmentation

Psychographic segmentation involves the break up of the market in the market in terms of attributes such as social class, lifestyle or personality. To establish the different lifestyle categories, information concerning the respondents' activities, interests, and opinions or values and lifestyles is collected and then subjected to factor analysis to identify separate subgroups.

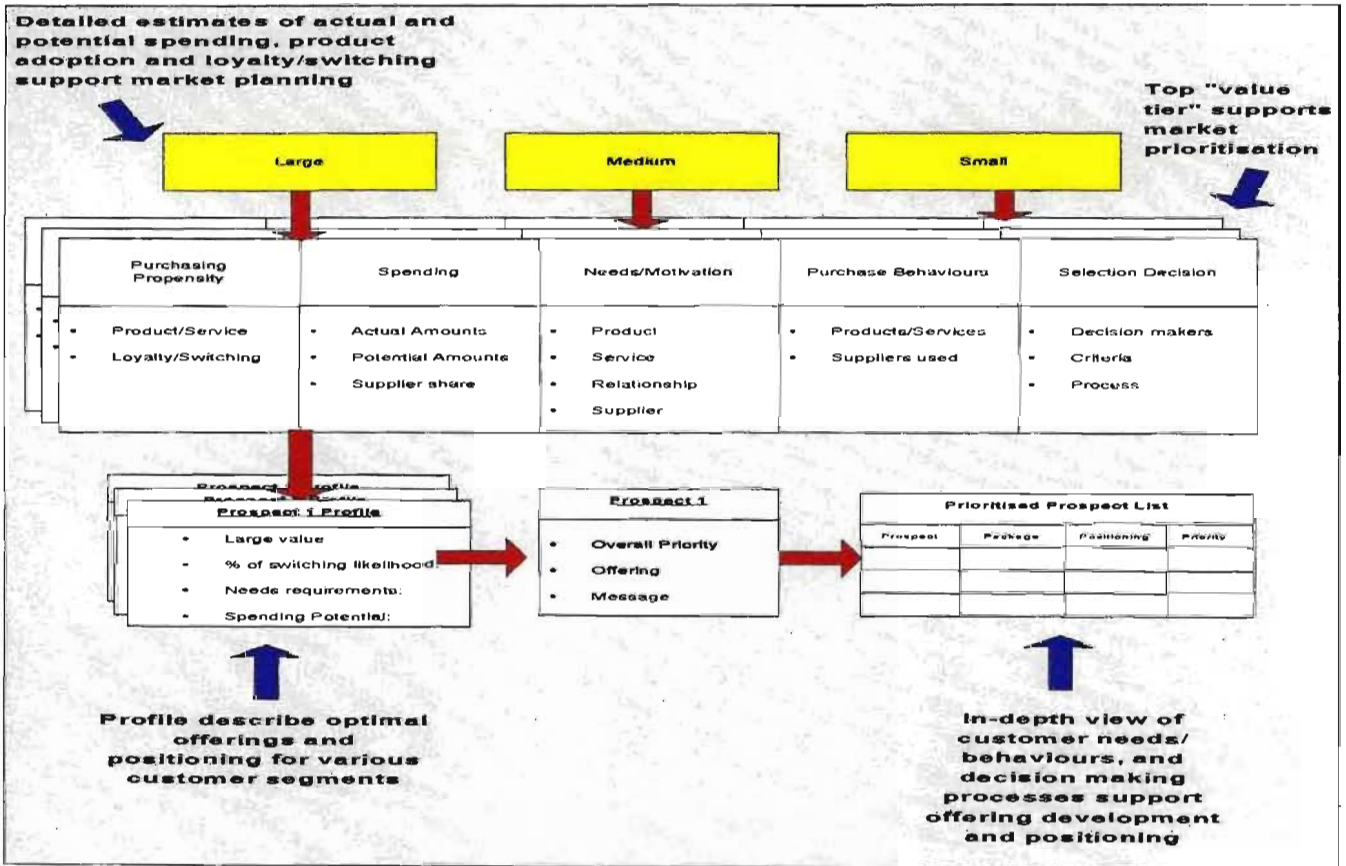
**Figure 2.10 Targetscan – Five psychographic types**

- **STRIVERS**
  - Young (median age 31), hectic lifestyles.
  - Ambitious, materialistic, demand instant gratification
  - Convenience is essential for this group
- **ACHIEVERS**
  - Slightly older, successful, affluent and upwardly mobile.
  - Opinion leaders and style setters
  - Status conscious and they demand quality.
- **PRESSURED**
  - Across all age groups, mainly women.
  - Under constant financial and familial pressure.
  - Over-taxed and downtrodden
  - Little time, money or energy to enjoy life.
- **ADAPTERS**
  - Older people content and live comfortably.
  - Have time-honored values but are open to new ideas or activities that would enrich their lives.
- **TRADITIONALS**
  - Sticklers to old values and cultural norms.
  - Resist change, prefer routine
  - Established ways of thinking, eating and living.

Source: Adapted from [www.saarf.co.za](http://www.saarf.co.za)

Another segmentation model that should be used by the enterprise is the one presented in figure 2.11 to provide management with a concise view of market size, market share, and competitive position. This model could be tiered to facilitate alignment of customer value with channel and would help management to identify, size, and develop strategies for market penetration, retention, and share growth.

**Figure: - 2.11 Segmentation model**



Source: <http://www.nationalanalysts.com/marketing/market-segmentation-research/marketing-segmentation-models.asp>

### 2.13.1.3 Prerequisites for market segmentation

Market segmentation ought to enhance satisfaction and increase profitability for shareholders. Both aspects must therefore be borne in mind when undertaking the exercise.

For market segmentation to be effective, Kotler suggests it must meet the following criteria:

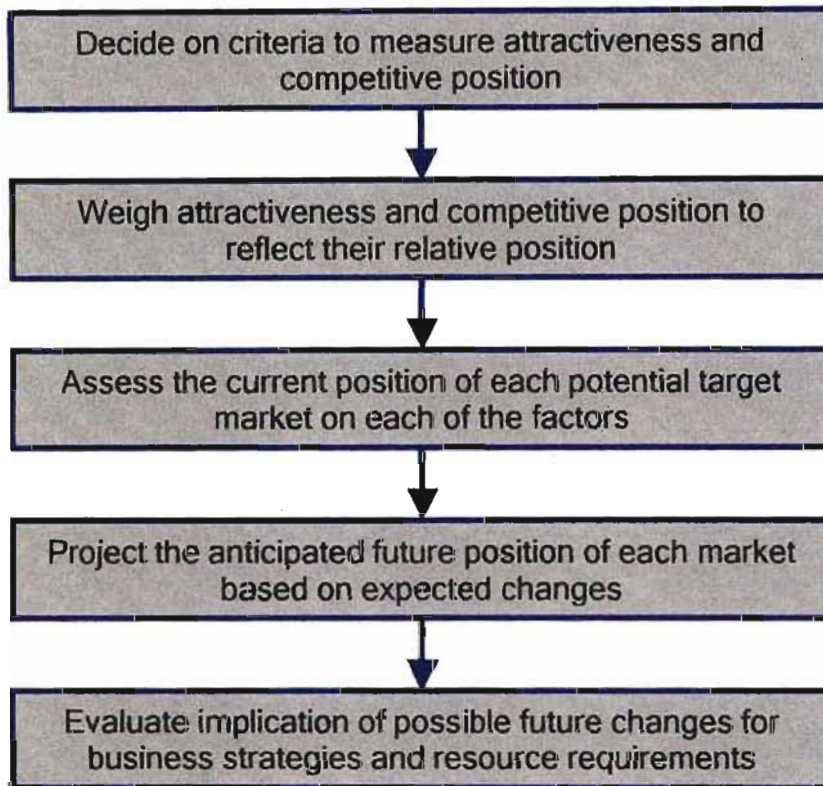
- A. *It must be differentiable.* Different market segments must exhibit heterogeneous needs, i.e. people in different segments must have different needs, demands and desires, while people in the same segment must exhibit similar characteristics and needs.
- B. *It must large enough.* A market segment that is too small is not profitable. A segment must be the largest homogeneous group of people worth exploiting with a tailored market offering and marketing strategy.
- C. *It must be actionable.* It must be possible to develop separate market offerings for different market segments. Smaller enterprises are often unable to develop different market offerings or marketing strategies, even if they realise that there are distinct differences between various segments.
- D. *It must be measurable.* The size, purchasing power, potential profit and profile of the segment must be measurable. If this is not possible, it would be extremely difficult to plan marketing strategies.
- E. *It must be accessible.* Segments should be easy to communicate with and serve, preferably via existing media and distribution channels and at an affordable cost.

### **2.13.2 Targeting.**

Once a complete profile of the various segments found in the market have been identified, one or more must be selected for a concerted marketing effort. This is known as market targeting i.e. a homogeneous group of customers to whom a firm wishes to appeal.

In order to assess the potential of each of the market segments identified during the segmentation process, Boyd and Walker (1990) propose the five steps shown in figure 2.12.

**Figure 2.12 Steps in the evaluation of potential target markets**



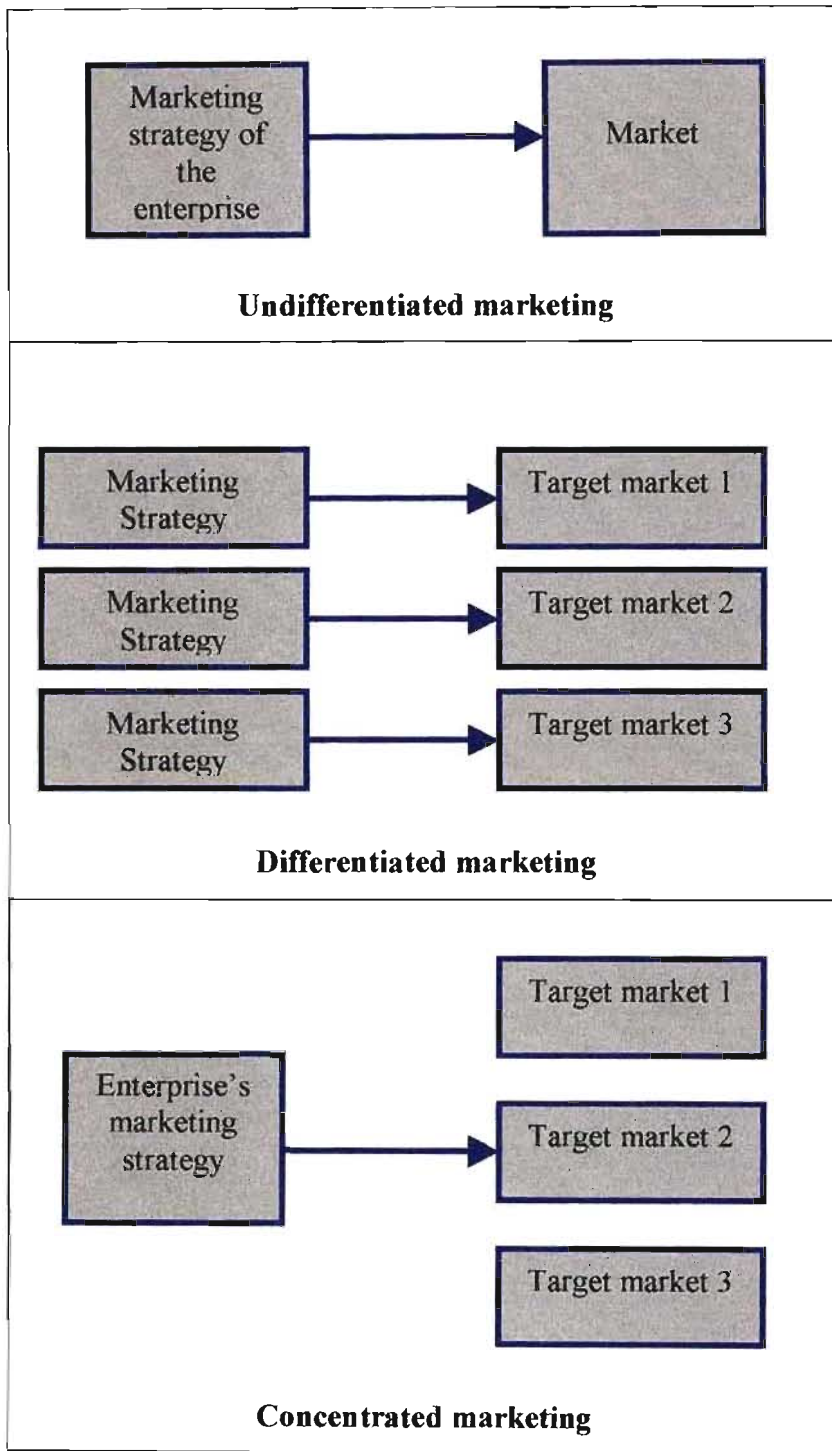
Source: Adapted from Boyd, HW & Walker, OC. 1990. Marketing Management: a strategic approach. Homewood, 111: Richard D Irwin Inc, p317.

The various steps mentioned in figure 2.12 above will be discussed in detail in chapter 4.

#### 2.13.2.1 Approaches to target marketing

An enterprise may choose one, two or multiple market segments to target, i.e. concentrated marketing, differentiated marketing and undifferentiated marketing. Figure 2.13 reflects these approaches.

**Figure 2.13 Approaches to the market**



Source: Adapted from Kotler, P. 1994. Marketing Management: analysis, planning, implementation and control. Englewood Cliffs, NJ: Prentice-Hall, p286.

- *Concentrated marketing.* Concentrated the marketing offering on one specific target market can lead to greater expertise in production, distribution and marketing communications. Because the market offering is aimed at one target market only, it would be fair to argue that the enterprise will also be able to attain greater customer satisfaction in this single target market.
- *Differentiated marketing.* With differentiated marketing the enterprise elects to target two or more target markets, developing a unique marketing strategy for each one. This allows the enterprise to cater for the diverse needs of the different target markets. However, this is costly, as the enterprise incurs extra production costs as production runs become smaller, advertising costs increase because communication strategies must be adapted for the different target markets, administrative costs will increase since separate marketing strategies have to be developed, and inventory costs will increase since a greater variety of products has to be maintained.
- *Undifferentiated marketing.* This is also known as market aggregation. With an undifferentiated marketing strategy, the enterprise chooses to ignore the difference in the market. Instead the total market is pursued with one basic market offering.

### **2.13.3 Positioning.**

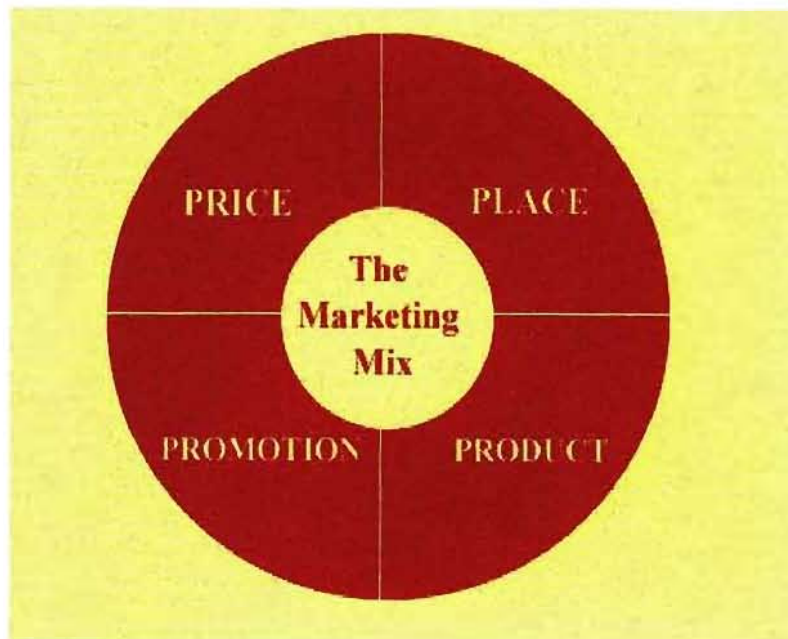
Positioning refers to the way consumers perceive a product in terms of its characteristics and advantages and its competitive positioning. Positioning therefore has to do with the perceived fit between a specific market offering and the needs of the target market. The better the fit, the larger the market share that can be captured.

Positioning can also be defined as “how your target market defines you in relation to your competitors” (Arbee, A et al p108). Thus the marketer’s knowledge and understanding of both consumers and competitors is vital for effective positioning. Positioning can be broken down into four basic tasks referred to as the four “D’s” of effective positioning: *define* the brand as a member of some product category; *differentiate* the brand from other category members in a way that is clear and meaningful to target consumers;

*deepen* consumers' undertaking of the brand's benefits and of the relation of these benefits to consumer's goals; *defend* the brands position overtime as competitors react and consumers tastes change.

## **2.14 . MARKETING MIX**

The development of the marketing mix also known as the four P's is an evolutionary process whose goal is an internally consistent and mutually supportive plan. It is particularly important that the four P's are properly integrated with one another. A change with one P in the mix will affect the other P's of the marketing mix.

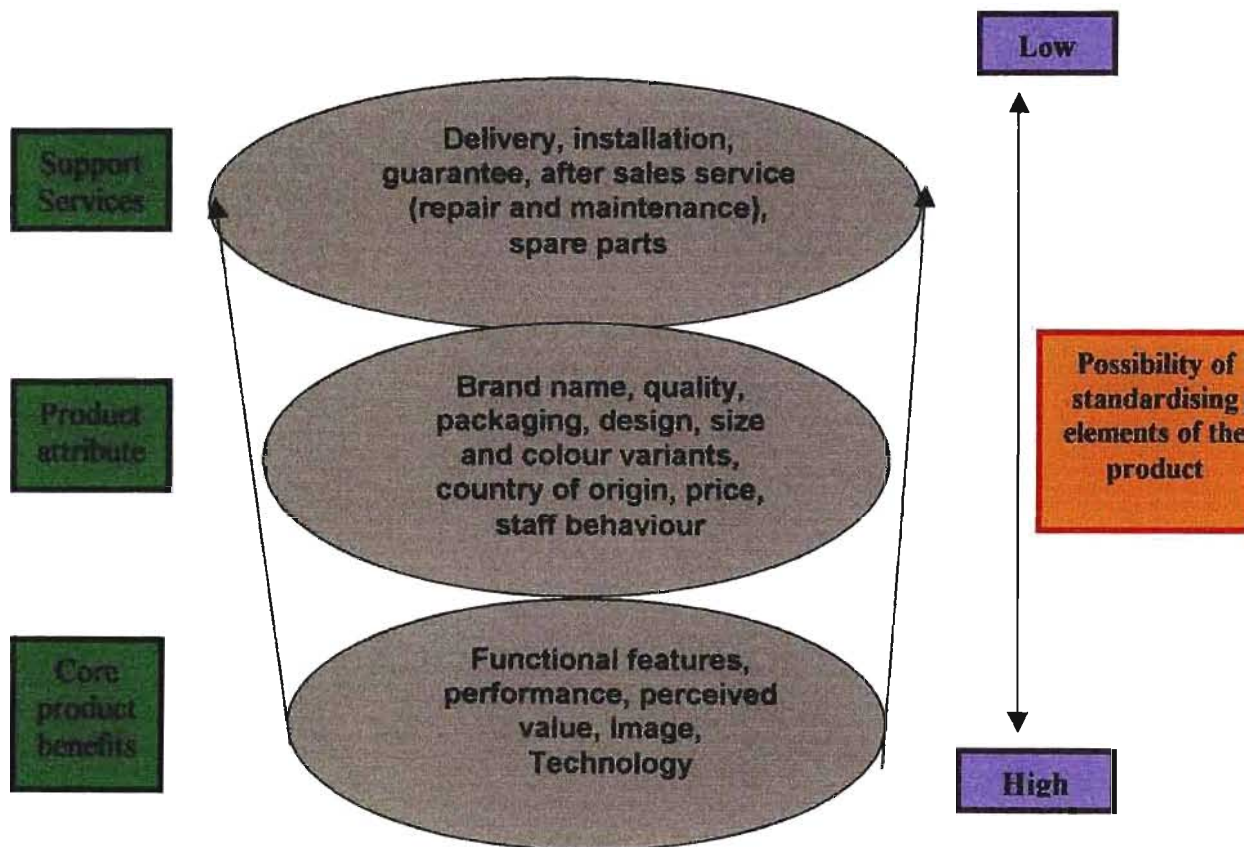


**Figure 2.14 The "Marketing Mix"**

### 2.14.1 Product Strategy.

A product in the broad sense can be defined as a collection of need satisfying utilities (perceptible and/or imperceptible) offered to a market so that the market can pay attention to it, but it or consume it.

The three elements of a product is demonstrated as follows:



**Figure 2.15 The three levels of a product** (Adapted from Hollensen, S , 2001)

#### 2.14.1.1 Types of products

- The **core product** represents the essential benefit or need satisfaction that is offered to the consumer.

096463

- The **formal product** is the physical object or service offered to the target market. They are characterised by certain technical attributes, material consumption, quality level, glamour, styling, trademarks and packaging.
- The **augmented product** encompasses all the benefits that consumers receive or experience in perceiving, utilising, obtaining and applying the core product.
- The **product image** encompasses all the above and refers to how consumers perceive the product.

#### 2.14.1.2 The Product Mix

The product mix refers to all the enterprise offers to its target markets in order to satisfy their needs. The product mix of an enterprise may consist of only one product item, a number of related product items or a variety of widely divergent product ranges or a combination of these i.e. the entire range of various kinds of products that are either made and/or marketed by the organization (Hollensen, S. 2001).

Attention is focused next on the difference between product lines, product items and product ranges.

- A **product line** consists of groups of products that are similar to one another. They normally have one or more of the following relationships: they satisfy similar needs, they are packed and advertised in the same way, they often carry the same trade name, they are marketed through similar channels, and all products fall more or less within the same price class.
- A **product item** is a single item that may be regarded as an individual product or brand within the product mix of the enterprise, with a name peculiar to it.
- A **product range** refers to a specific type of product and consists of a variety of product items and product lines with identical or different trade names.

Product decisions form the basis for the stability and growth in sales and cash flow of the enterprise. Existing products are maintained, new products are added, old ones are eliminated and existing ones are modified with a view to enhancing stability and growth.

Product decisions also have a direct bearing on the effective utilisation of the assets of the enterprise. The ultimate objective of product decisions should be the effective adaptation of the product mix to changing circumstances, and the utilisation of opportunities so that the profitability endeavour of the enterprise can be served.

Markets can change in terms of growth, buying power and consumer behaviour. By adapting the product mix to accommodate these changes in the target market, the enterprise is faced with unique opportunities and challenges which can lead to considerable benefits for the enterprise, provided they are spotted in time and can be utilised effectively.

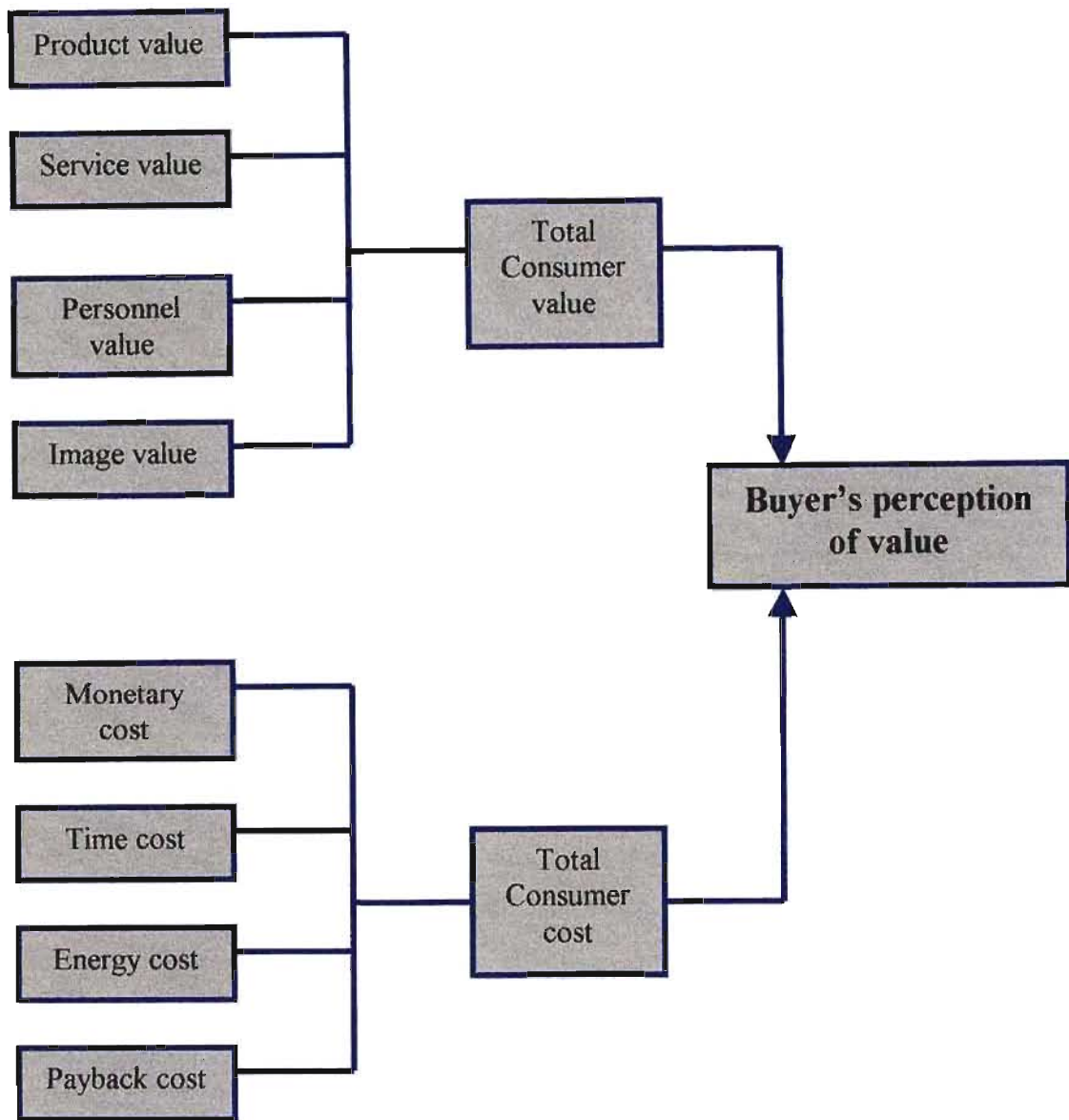
In a rapidly changing economic, technological, institutional, social, political, physical, international market and competitive environment the continuous development and marketing of new products have become indispensable to the growth of the modern enterprise. The acquisition and/or development of new products are probably the most important method by which the enterprise can achieve its objectives and satisfy consumer's needs in a highly dynamic and competitive environment.

#### **2.14.2 Pricing**

Price can be defined as the value that one puts on the utility one receives from products and services. The utility received can be any combination of form, time, place and possession utility. It is common to think of price in monetary terms. However, on a broader level price can be anything of value that is exchanged for something else (Morris, MH et al, 1990).

For the consumer, price represents the amount of money that he or she pays for a product and thus for the need satisfaction that he or she receives. The consumer will view the price as acceptable if he perceives the value that he receives as equal to or more than the value of money that he paid for the product. Although pricing decisions are important, enterprises differ in their approach towards price as an instrument of the marketing mix. The enterprise emphasises price competition and whether the enterprise is a price maker or price taker.

**Figure 2.16 Buyers perception of value**



Source: - [http://www.biz.colostate.edu/faculty/dough/PPT%202nd%20ed/Ch7\(2e\).ppt](http://www.biz.colostate.edu/faculty/dough/PPT%202nd%20ed/Ch7(2e).ppt)

The responsiveness of demand for products can be measured by the elasticity of demand. The quantity bought will depend on how responsive demand is regarding changes in price, income, and the price of, inter alia, substitute or complementary products. The price elasticity of the demand for a product in reaction to changes in the price of the

product and is obtained by dividing the change in the quantity demanded by the change in the price of the product. Income elasticity of demand measures the sensitivity of the demand for a product according to changes in the consumers' income, and is calculated by dividing the quantity demanded by the change in the consumer's income. The cross elasticity of demand measures the sensitivity of the demand for a product in reaction to changes in the price of a substitute or complementary product.

Consumers' behaviour patterns influence the demand for the product. When consumers perceive prices and purchases situations, they often do not evaluate them completely rationally and are inclined to base their decisions in imperfect but convenient rules.

#### 2.14.2.1 Product – Line Pricing

A product line as identified above is a group of products that are closely related. The different product items in the product line usually offer additional features ranging from the more basic products to more premium products. The enterprise should decide on the price steps to distinguish between the different product items in the product line. These price steps should take account cost differences between the products, customers' evaluation of the different features, and competitors' prices (Churchill, GA, 1995).

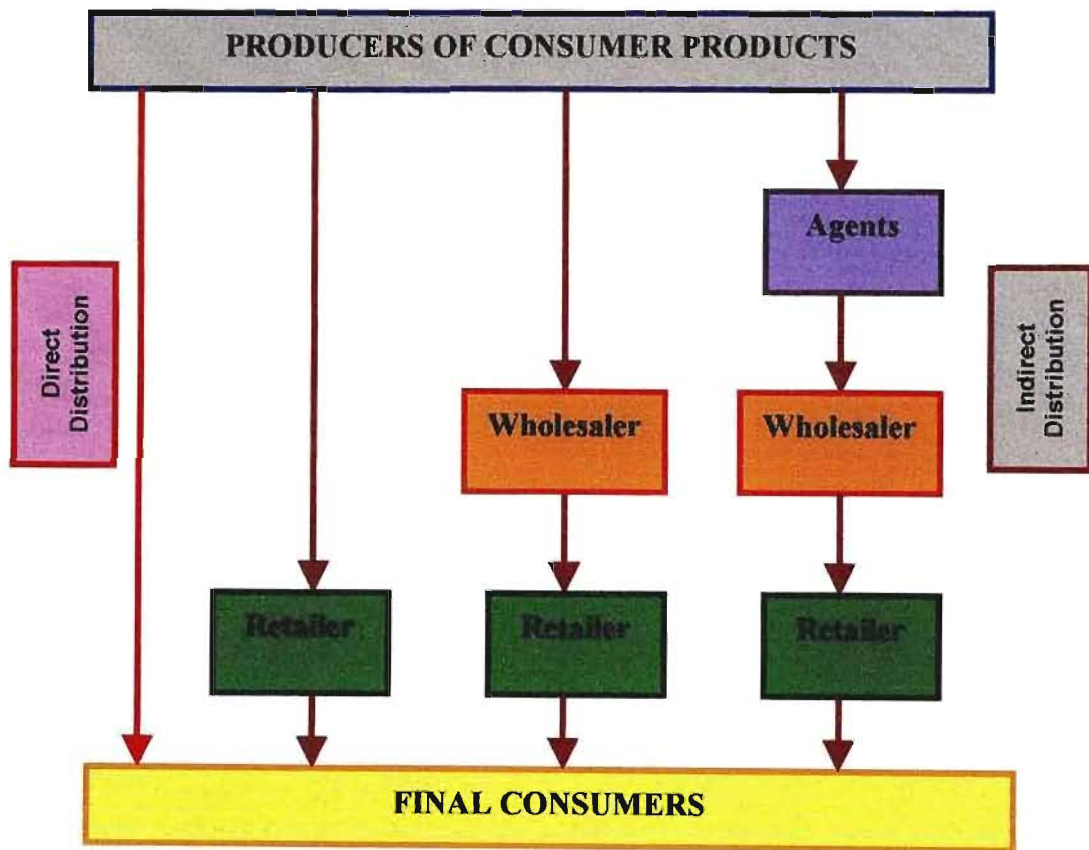
Both the lowest and highest priced item in the product lines are critical for establishing the buyer's perception of the whole line. With too low a price at the bottom, the whole line may be considered cheap; with too high a price at the top, the line may be perceived as too expensive.

#### 2.14.3 Place Strategy (Distribution)

Distribution channels are defined as the internal and external organisational units that direct the flow of products or services to customers and perform functions that add value to a product (Bhowan K, et al 2001 P 61). Participants in the distribution process are known as channel members.

A product can follow various possible paths from the producer to the final consumer. A direct channel of distribution involves the movement of the goods from producer directly to consumer, whereas an indirect channel of distribution involves the movement of goods from the producer to independent intermediaries to consumers. Indirect channels of distribution can have one, two, three, or more levels as depicted in figure 2.16.

**Figure 2.17 Distribution Channel for Consumer Goods**



Source: Adapted from Strydom et al, (1996), "Marketing Management", 3<sup>rd</sup> ed., Cape Town: Juta & Co, Ltd., p 243.

The distribution structure as depicted above is the sum total of all the enterprises concerned with the marketing of products and who performs certain marketing activities. The distribution structure therefore comprises the channel structure, which includes producers and intermediaries such as agents, wholesalers and retailers, as well as the physical distribution structure.

Exclusive distribution is used for specialty goods and luxury items that are purchased infrequently and consumed over a long period of time, whereas selective distribution occurs when the enterprise employs a moderate number of intermediaries to distribute its products. Selective distribution tries to combine some control of the channel and the build up of a good image with reasonable sales and profit. Intensive distribution on the other hand is a distribution strategy for inexpensive and frequently purchased products that need maximum coverage (Bhowan K, et al 2001 P 71).

#### **2.14.4 Promotion**

Promotion is the fourth and final decision about the marketing strategy. The role of communication is to communicate with customers to provide information that buyers need to make purchasing decisions. Although the communication mix carries information of interest to the consumer, in the end it is designed to persuade the customer to buy the product – now or in the future.

To communicate with and influence customers, several tools are available. Advertising is usually the most visible component of the promotion mix, but personal selling; exhibitions, sales promotions, publicity and direct marketing are also part of a viable promotion mix. The elements of marketing communication are shown in figure 2.17 . The four elements combined form the marketing communication strategy. There must be synergy between the four marketing communication elements, and they must complement and support each other so that the whole is more than the sum of the individual elements. Figure 2.18 indicates that packaging and public relations also contribute to the marketing communication strategy.

Personal selling is the verbal and personal presentation of a need satisfying product, service, institution or idea, to one or more buyers, with the purpose of effecting a sales transaction. Personal selling primarily involves the relationship and interaction between the buyer and seller. In this relationship, there are two important aspects, namely salesmanship and the selling process.

Sales promotion consists of personal and impersonal short-term motivational efforts aimed at final consumers, intermediaries and sales representatives to motivate them to sell the product or service, or to sell more of it.

**Figure 2.18 The marketing communication strategy**



Source: Adapted from Strydom et al, (1996), “Marketing Management”, 3<sup>rd</sup> ed., Cape Town: Juta & Co, Ltd., p 243.

Publicity is the personal and impersonal stimulation of demand for a product by making its commercial news value available to the mass media such as press, radio, and television. It is desirable to make news events that have commercial or sales-stimulating news value available to the mass media for broadcasting or publishing. Publicity is cheap because the sponsor usually does not pay for the space or time of the news report.

The packaging material and/or the label can carry the trademark and other important marketing messages. Pictures and bright colours on the package communicate with the consumer and create a specific image.

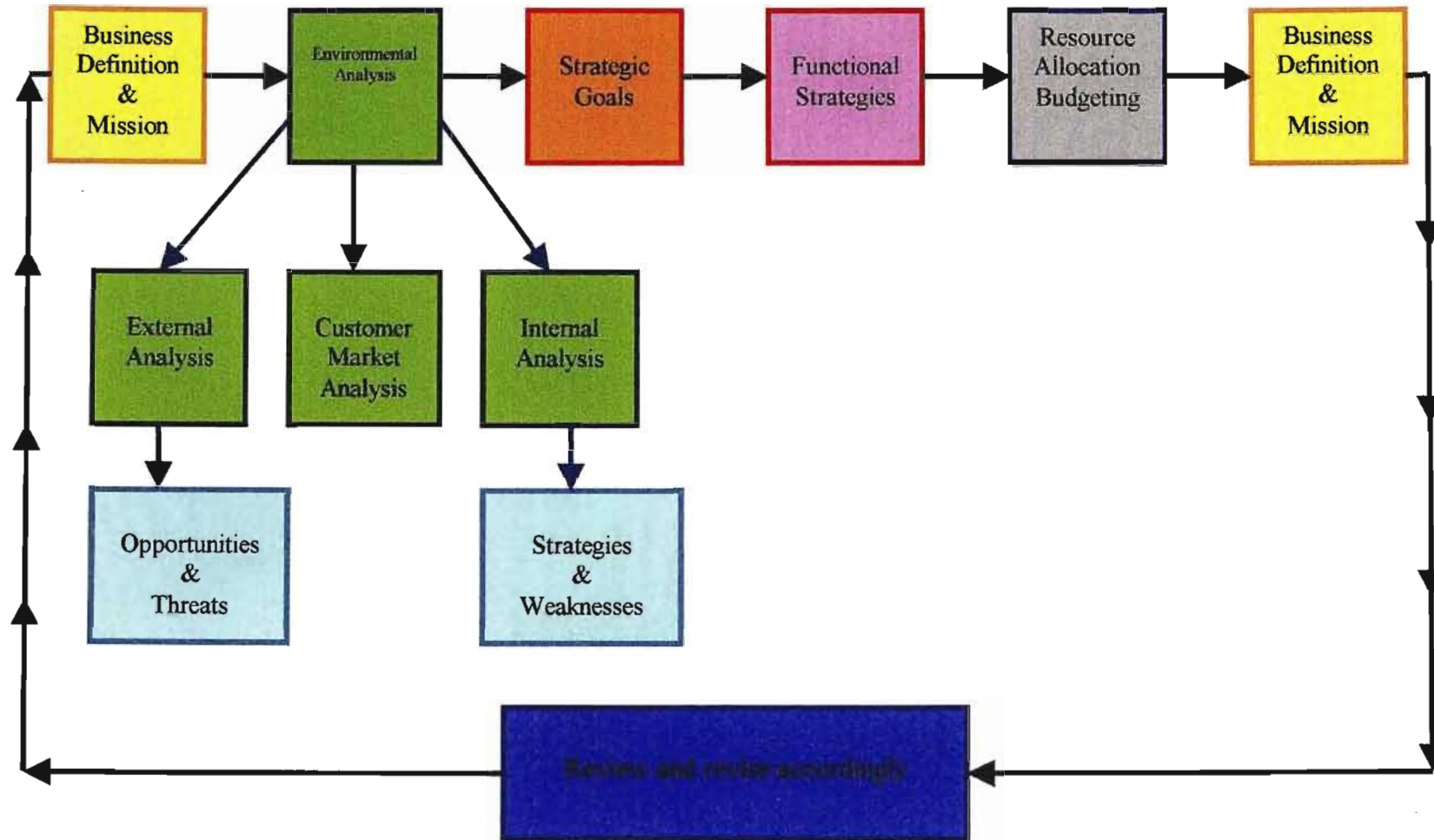
Advertising is one of the most visible forms of communication and is the most important part of the communication mix for consumer goods. Advertising is essentially about who says what through which medium and with what effect. The “who” is the sender. The

“what” is the advertisement. The second “who” is the target audience. The “which” medium can be television, radio, newspapers or magazines, and the “what effect” can be the number of readers reached, how the message changed the target audience, or the way in which they are motivated to buy the advertised product.

## **2.15. CONCLUSION**

This chapter dealt with some of the ways in which marketing principles can be applied by the organisation. Retailers are the last and most visible link in the distribution chain of products. This position in respect of the consumer, requires that great care be exercised in applying the marketing mix. The relationship between the consumer and the organisation is direct and intimate. It compels the organization to be more consumer conscious. Price plays an important role in the marketing mix as it has direct influence in profitability. It is not merely a financial function and can lead to the success or failure of a product. The manner in which distribution is managed will influence end customer preferences for products and channel member’s ability to effectively serve end consumers. Channel selection should be based on characteristics of the target market, product, intermediaries, competitors, and the organizations trading environment. The organization should also make use of different types of advertising methods to meet its different communication objectives.

## 2.19. STRATEGIC DECISION MAKING MODEL



## **CHAPTER THREE: CASE STUDY OF THE ORGANISATION**

### **3.1. INTRODUCTION**

In 1851, with borrowed capital of \$40, Isaac Merritt Singer began a company to manufacture and sell a revolutionary product – a machine to automate and assist in the making of clothing. Little did he realise that his newly formed I.M. Singer and Company was destined to become the world leader in the manufacturing and distribution of sewing-related products, and that the Singer brand name would become famous around the world.

As a youth, I.M. Singer, a native of Troy, New York, had an exceptional aptitude for things mechanical. Born in 1811, he spent his early adulthood as an actor. At the age of 38, he settled in New York City and devoted his time to being an inventor. By 1850, he became fascinated with early attempts at automating the sewing process.

By 1853, the first Singer machines manufactured in a New York City factory were selling for \$100. Two years later, with a first prize at the World's Fair in Paris, Singer originated the "hire-purchase" plan to increase sales - the first company ever to do so. This plan was to have almost as much influence as the name itself. Today, over half of Singer's sales in developing countries use this method of payment to generate sales and additional income.

Ten years later, the newly incorporated Singer Manufacturing Company held 22 patents with annual sales of 20,000 machines. In 1867, Singer opened its first sewing machine factory outside of the United States, in Glasgow, Scotland. By 1880, world sales exceeded 500,000 machines. Additional factories were established in the United States and within no time, one of the best known emblems- the Red "S" Girl trademark- was established.

In the years surrounding the turn of the century, many exciting developments took place within Singer Manufacturing Company. In 1885, Singer introduced the first electric sewing machine. By 1890, the company claimed an 80 percent worldwide market share,

with sales heading towards 1,350,000 machines. In 1904, a separate subsidiary, the Singer Sewing Machine Company, was established to handle sales and distribution activities in the Western Hemisphere and other foreign countries. At this point, Singer's rich heritage around the world had become firmly established. Singer Thailand provides one great example of this rich heritage. In 1863, the governess to the King of Siam introduced the first sewing machine as a gift to the King, establishing Singer's presence in Thailand, and an example to be repeated in other parts of the world.

In 1908, The Singer Building at 149 Broadway in New York City opened, becoming the corporate headquarters for the next 54 years. At the time of its completion, it was the tallest building in the world, at 47 stories in height.

Singer moved into the manufacturing of industrial sewing machines, and in 1975, introduced its first electronic sewing machine. Singer now has manufacturing facilities strategically located around the world with major facilities in Brazil, India, China, and Turkey.

Capitalising on its now famous name, its hire-purchase plan, and its vast network of retail outlets and other distribution points around the world, Singer introduced electronics, appliances, furniture, and other consumer durables, into its product line. Today, Singer is a household name for a wide range of consumer products for the home.

### **3.2. CHRONOLOGICAL ORDER – SINGER (WORLD WIDE)**

During 2001, Singer celebrated its 150th Anniversary of Isaac Singer's patent on the first practical sewing machine. This anniversary marked the official beginning of Singer as a company and its leadership in the industry from the start, a great accomplishment. Singer's leadership has remained to this day due to our continued commitment to quality, reliability, innovation, and service.

Listed below are the important milestones in the sewing industry and Singer's more than 150 years of innovation.

**Figure 3.1 The 150 years of innovation**

**1810**

Baltasar Krems of Mayern, Germany, made a chain stitch machine for sewing night caps. This had a crank-operated needle and a continuous material feed, but its greatest innovation was a needle with an eye in the tip.

**1811**

Isaac Merritt Singer was born in Schaghticoke, New York in 1811.

**1842**

The First American sewing machine patent was granted to John Greenough, who utilised a two-pointed needle with a central eye.

**1846**

Elias Howe from Cambridge, Mass. takes out a sewing machine patent.

**1851**

I.M. Singer & Company is formed, following Singer's first sewing patent. The Singer Sewing Machine is offered for sale all over the United States. Within two years, Singer is the leading manufacturer and marketer of sewing machines in the United States.

**1853**

The first Singer sewing machines, manufactured in New York City, sell for \$100 each.

**1854**

Singer becomes the world's largest sewing company. Singer begins overseas expansion, starting in Paris, France.

**1855**

Singer introduces installment payment plans, the first corporation to do so.

**1858**

Singer opens an operation in Brazil.

**1861**

Singer becomes the world's first multinational company. Foreign sales exceed U.S. sales for the first time.

**1865**

Singer is renamed Singer Manufacturing Company, with annual sales of 20,000 machines, and 22 patents a year.

**1867**

Singer opens its first factory outside of the United States, in Glasgow, Scotland.

**1870**

Despite over 30 competitors, Singer remains the leading manufacturer and retailer of sewing machines worldwide. Singer is the first manufacturer to market directly to housewives, and the first to offer installment plans and generous trade-in allowances. The Singer Company sells 170,000 machines.

**1875**

I.M. Singer dies at age 63.

**1880**

Singer sewing machine sales worldwide exceed 500,000 machines. Additional factories are established in the United States.

**1882**

Factories open in Canada and Austria.

**1890**

Singer claims 80% worldwide market share in sewing machines.

**1902**

Factory opens in Podolsk, Russia.

**1903**

Annual sales reach 1.35 million machines worldwide. Company offers 40 different models.

**1908**

Singer Building at 149 Broadway in New York City opens. At the time of its completion, it was the tallest building in the world, standing at 47 stories.

**1912**

Singer India reports sales of 63,750 machines.

**1913**

Singer sales reach 3 million machines worldwide.

**1921**

Singer introduces the "Portable Electric" model.

**1929**

Nine worldwide Singer manufacturing facilities exist, employing 27,000 people and producing 3,000 models.

**1933**

Singer introduces its Featherweight at Chicago World's Fair. Factories open in Italy and France.

**1948**

Mahatma Gandhi called the Singer sewing machine "one of the few useful things ever invented".

**1949**

Singer 451K machines achieve 5,000 stitches per minute.

**1951**

Singer Sewing Centers train an estimated 400,000 housewives.

Singer recovers from World War II when sewing machine production was suspended, reaching \$307.8 million in sales during its centennial year.

**1952**

Singer introduces the Slant-o-Matic, the first zig-zag machine.

**1960**

Singer begins diversification.

**1966**

Singer sales top \$1 billion.

**1970**

Singer sales top \$2 billion.

**1974**

Company sales hit \$2.6 billion. In previous 12 years, the Company has made acquisitions in electric and electronic test equipment and office machinery, including Packard Bell Electronics (1966) and General Precision Equipment Corporation (1968).

**1975**

Singer introduces the world's first electronic sewing machine, the Athena 2000.

**1978**

Singer introduces the first computer-controlled machine.

**1985**

Singer introduces its Miracle Machines, with models to meet every individual sewing skill and budget.

**1992**

Factory opens in China.

**1998**

Singer introduces the Quantum XL-1000, the most advanced machine in the market offering a wide variety of memory cards for serious embroiderers.

**2001**

Singer again launches the world's most advanced home sewing and embroidery machine: the Quantum XL-5000. The machine offers state of the art features such as a fully automated re-threading system, wind-in-place bobbin winding system, and the next generation of Professional Sew-Ware, making it the most powerful and user-friendly system on the market.

Singer celebrates its 150th Anniversary.

Source : [www.singer-sam.com](http://www.singer-sam.com)

### **3.3. SINGER IN SOUTH AFRICA**

The Singer sewing machine was introduced to the South African consumer in 1877. An estimated three hundred units were sold during that year. The sewing machine was the world's first mass produced and mass marketed complex consumer durable good. Despite its reputation for marketing sophistication, Singer did not engage in price discrimination strategies or extensive advertising campaigns.

The Singer products were distributed via company owned retail outlets, which were strategically located near the target markets they intended to serve. The Singer sewing machine was only obtainable from these outlets and from no other source. The company enjoyed a good and strong brand image as well as brand loyalty. The company experienced large amounts of repeat business, usually from mothers who have used the products as teen ages and who purchased Singer products for their daughters. One of the reasons for the remarkable success for the Singer products in South Africa was the strong leadership characteristics that management displayed and their commitment to see the brand succeed.

There was a healthy relationship between the retail outlets and Singer South Africa PTY Ltd. The good working relationship was due to strategic vision and good leadership characteristics displayed by the Singer management. The retail outlets also experienced high margins on sales, some in excess of 60%.

The consumer was able to purchase the product using one of three methods, i.e. Cash, Hire Purchase (Financed by Singer South Africa PTY Ltd) or via lay-by. During the late 70's and early 80's, the company experienced huge losses by offering hire purchase to consumers and financing in-house. The early 80's also saw Singer leave South Africa, due to political pressures being exerted on American Companies to disinvest.

### **3.3.1 The New Distributor**

When Singer disinvested from South Africa during the early 80's, the exclusive distribution rights were given to a company specialising in the importation and distribution of sewing machines and home appliances. This distributor had strong distribution channels and a strong dealer network. Singer saw the distributor as an ideal candidate to continue the legacy that swept the world by storm.

The Singer products continued to reach the target market and the new distributor had marketed the brand vigourously. The distributor adopted an intensive marketing campaign where promotions and special offers were held constantly. The dealer network welcomed

their policy of varying the breadth and depth of the product line and range. The distributor placed a huge emphasis on marketing the brand, and this placed a huge strain on the margins that the dealers attained i.e. between 25 to 30% on the cost price.

The new distributor also sold to anybody and everybody who wanted the products. This led to price wars between dealers and other stockists of the Singer products. The distributor also stocked other brands that were in direct competition with Singer and these were distributed to the retail outlets as well. Inferior sewing machines were also imported from the East and labeled as “serviced by Singer”. Consumers purchased these sewing machines thinking that they were purchasing a Singer product. These machines were of an inferior quality, and this tarnished the image, quality and perception of the Singer products.

### **3.3.2 Singer Re-invests**

With the trade restrictions relaxed and our borders open to international trade, South Africa experienced a massive influx of foreign companies investing here. Singer re-invested in South Africa in 1994, after a 10-year absence due to sanctions. Singer N.V. made a substantial investment in South Africa for approximately R15 million Rand.

Management was brought from foreign countries to head up the massive marketing strategy that was planned for the mass roll out of Singer products. Large volumes of stock items were brought into the country with the hope that Singer would succeed as they did in the early sixties and seventies. One problem that the new company faced was that the previous distributor of Singer products was still holding huge volumes of stock items and had a healthy working relationship with their dealer network. This resulted in loss of profits to the Singer Company as the previous distributor was selling Singer products below costs as it saw the new company as competition. The previous distributor was not worried about the losses that they incurred as they sold a variety of other brands and products to sustain their profitability.

The management team in place at the time was not familiar with the South African market and in particular the preferences and needs of the consumer. One of the mistakes

that management made was to introduce the electronic range of machines to a market. Nineteen ninety four was a very tense and emotional time for the citizens of South Africa with April that very year culminating in the country's first democratic elections. People feared the worst outcomes and did not spend much money on sewing machines, but rather on necessities such as clothing, shelter, and food. Management also introduced a whole range of household water filtration systems and household furniture items, which were imported from the United States of America. These were very expensive items and were a disaster in terms of sales and profitability. Furniture was a particular disaster, as there was more items that arrived damaged, as there were sales.

Another problem that Singer South Africa faced was similar to what the current distributor faces. Sales targets were consistently monitored by head office and management at local level had to comply. Singer South Africa, sold huge volumes of stock items to the dealerships and other independent stores, however, they did not have proper collection method in place to recover the monies owed to them.

By late 98, the parent company was in a serious state of financial affairs and subsequently filed for chapter 11 bankruptcy as required by law in the United States of America. By early 99, the South African subsidiary was placed under liquidation.

### **3.3.3 The New Distribution Arrangement**

After SINGER N.V filed for bankruptcy in 1999 (See Table 1 Chapter 1), a decision was then taken by the parent company to allocate the importation and distribution rights to three distributors, one of which is currently servicing the Kwa-Zulu Natal region.

The distributor servicing this region has currently 14 types of sewing machines in it's product range with prices ranging from R649.00 for the basic hand operated model to the most expensive and advanced electronic model retailing for around R45000.00 (See Fig 1 Chapter 1).

This distributor currently reports to the head office responsible for the African-Middle East regions, which is based in Amman – Jordan. Performance contracts signed with this office stipulate that the distributor has to keep the full product range of sewing machines, and meet targets in terms of sales quotas as set out in the performance contracts.

**Figure 3.2 The Product range of Singerkzn**

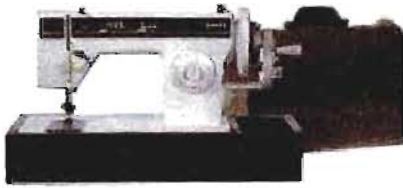


Specifications
- Automatic bobbin winder
- Variable stitch length control
- Forward and reverse
- Numbered tension dial
- Hand, treadle and motor options
- Fits carry case or cabinet



Specifications
- Straight and zig zag
- 30 Stitch selection (cams)
- 3 needle positions
- 3 Step buttonhole
- Automatic bobbin winder
- Press button reverse
- Horizontal spool pin
- Hand, treadle & motor options
- Fits carry case or cabinet

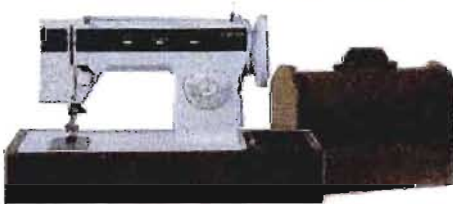
**SINGER 966**



**Specifications**

- Straight and zig zag
- 3 needle positions
- Adjustable tension
- Stitch length control
- Flat bed
- Hand, treadle and motor options
- Fits carry case or cabinet
- Perfect lock stitching, overcasting, monograms and buttonholes
- Good for darning and mending

**SINGER 968**



**Specifications**

- Straight and zig zag
- Front drop-in bobbin
- 3 needle positions
- 4 step buttonhole
- Snap-on presser foot
- Adjustable zig zag width
- Hand, treadle and motor options
- Automatic blind hem stitch
- Fits carry case or cabinet

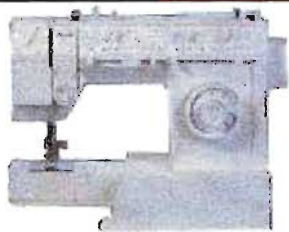
**SINGER 974**



**Specifications**

- Straight and zig zag
- Front drop-in bobbin
- 3 needle positions
- 4 step buttonhole
- Numbered tension dial
- Snap-on presser foot
- Adjustable zig zag width
- Hand, treadle and motor options
- Automatic blind hem stitch

**SINGER** Melody 70



Specifications
- 10 Stitch function
- 6 Second threading
- Direct stitch selection
- Snap off/on free arm
- Push button reverse
- Stitch length control dial
- Automatic bobbin winder
- Easy 4 step buttonhole
- Drop-in bobbin
- Built in sewing light

**SINGER** 4830



Specifications
- 15 Stitch function
- 6 Second threading
- Direct stitch selection
- Snap off/on free arm
- Push button reverse
- Stitch length control dial
- Automatic bobbin winder
- Easy 4 step buttonhole
- Drop-in bobbin
- Built in sewing light

**SINGER** 3820



Specifications
- 20 Stitch function
- Automatic declutch bobbin winder
- One step button hole
- Button hole balance adjuster
- Magnetic type horizontal full rotary hook
- Convertible free arm for circular sewing

**SINGER 3860**



Specifications
- 31 Stitch selection with memory function
- LCD stitch indicator display
- Automatic one step button hole
- Automatic needle stop in up position
- Built in needle threader
- Hand and interactive speed control
- One stop button hole

**SINGER DSX II**



Specifications
- 99 Stitch selection with memory function
- LCD stitch indicator display
- Automatic one step button hole
- Automatic needle stop in up position
- Built in needle threader
- Hand and interactive speed control

**SINGER Overlockers**



Specifications
- 3/4 Thread Overlocker
- 2 Thread mock safety
- 3 Thread overlocking
- Thread flatlocking
- Professional rolled hem
- Built in light
- Color coded threading
- Hand And Interactive Speed Control
- Adjustable differential feed (14SH654 only)



Specifications
- Auto thread exchanger
- Wind-in-place Bobbin System
- Auto Threading System
- Accepts up to 128 colors in a single hoop
- Multi Hooping
- Direct Computer Interface
- Computer Controlled Thread Tension

Source: [www.singersa.co.za](http://www.singersa.co.za)

### 3.3.3.1 The Distributors Customers

The distributor has the importation and distribution rights to market Singer products in the following Provinces in South Africa:

- Kwa – Zulu Natal
- Eastern Cape
- Western Cape
- Free State

The distributor distributes SINGER products to:

- Dealers
- Wholesale Customers, i.e. those who purchase bulk items
- Large Multinational Corporations
- Furniture Stores
- Government Departments (National)
- Government Departments (Local and Regional)
- FMCG Companies
- Retail Customers
- Informal Trade such as spaza shops, street hawkers and informal street traders

The distributor's current target market is the lower to middle income households i.e. LSM groups 1 to 6. The price range of the sewing machine most distributed range between R649.00 to R3000.00 with majority of the consumers being located the rural

areas who purchase sewing machines to manufacture and mend garments as a means to supplement their income.

As mentioned previously, three distributors have been given the exclusive importation and distribution rights to market and distribute Singer products in South Africa. Areas were demarcated by the use of provincial lines and each distributor was given the rights to distribute exclusively in those provinces. Prices were agreed by the three distributors, that all were to maintain uniform prices across the country.

Distribution within these allocated boundaries were adhered to for some time, however, after six months of distribution, Singerkzn discovered that some of its dealers have been buying products from the other two distributors, who were citing price as a major contributing factor.

Terms of payment offered by the Head office are unfavourable from Singerkzn's point of view. The Jordan office requires advance payment for all orders placed. From the initial time of the order, until the time that Singerkzn receives the goods is approximately three months. The distributor in turn sells the goods to the dealers and other customers on account, some take ninety days to settle. The cash cycle is approximately six months see Figure 3.3.

#### **3.3.3.2. The Dealerships**

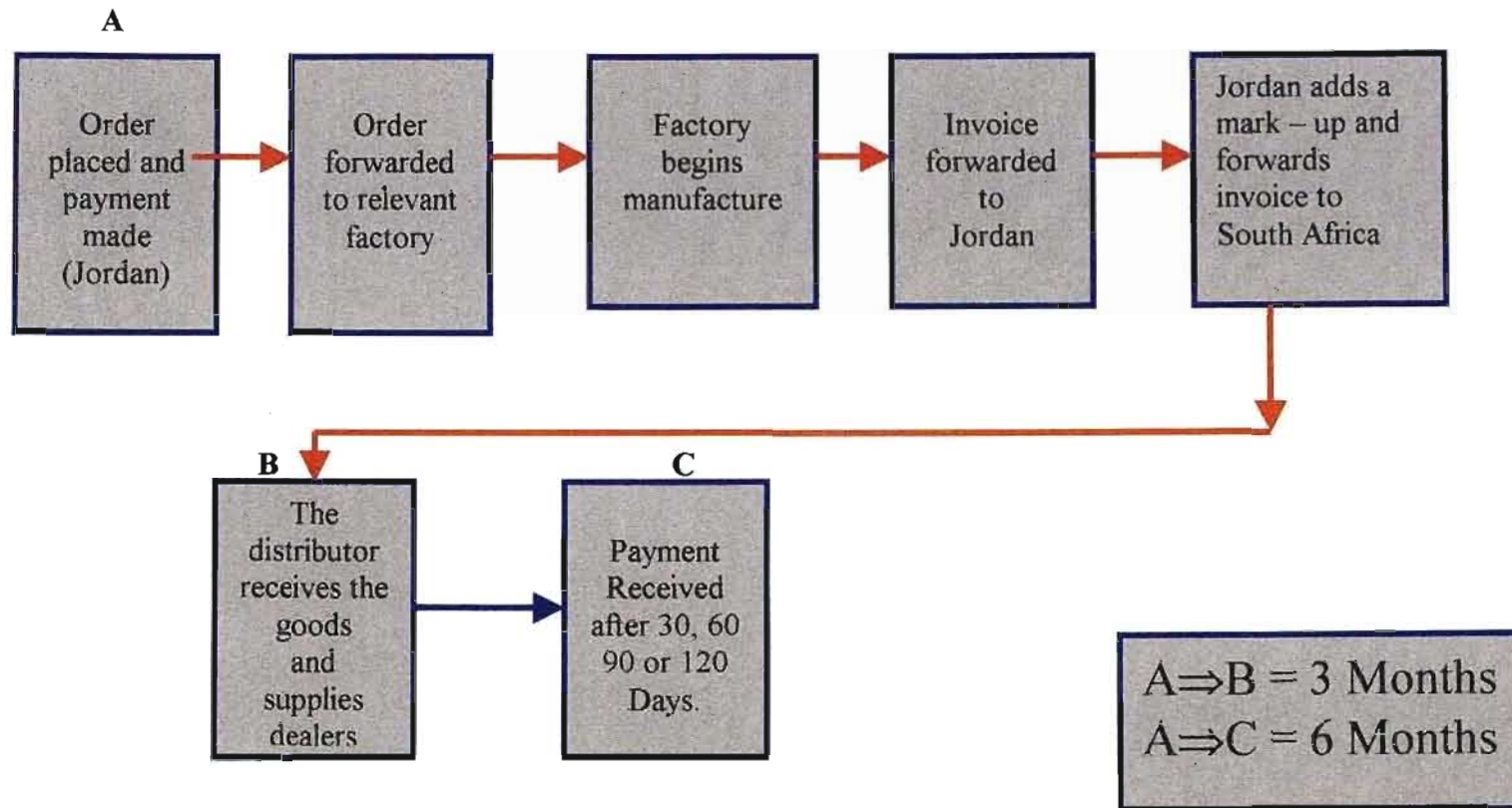
The dealers situated throughout the province are located close to the target market they intend to serve. They sell a variety of products including those of the competitor. The duties of the dealer are to market the Singer products, service and repair the products as well as honour guarantees, sell spare parts and allied goods. Goods are sold to the dealers at a special concession price so that they can in turn wholesale the sewing machines and allied goods to bulk customers or offer special prices to Community and Social development projects. Most dealers sell the goods on a cash only basis, while others use the services of credit companies such as Consumer Credit Corporation.

The dealers are reluctant to purchase large quantities of stock items and they in turn, use the distributor as a “warehouse” and draw goods as and when they require them. Most dealers are reluctant to purchase and stock the electronic range of sewing machines, as they do not want to outlay large amounts of capital.

### **3.4 CONCLUSION**

The Singer brand name and trademarks has a 150-year history that is firmly established throughout the world. The company innovated and perfected many business methods such as being the first company to implement the franchising option. The South African operation is currently in a state of “chaos”, since there are three distributors who are vying for a percentage of the sewing market. Some of the problems highlighted in this chapter include the resistance of the dealers to stock large quantities of the product range, and only order from the distributor as and when they require. Another problem that was highlighted was that the distributor is not marketing it’s products accordingly, especially the Singer xl-5000 machine. Price is another factor that the distributor would need to consider, if they were to remain competitive in the market. These and other factors will be considered in the following chapter.

**Figure 3.3 : Head office distribution strategy.**



## **CHAPTER FOUR: EVALUATION OF SINGERKZN'S STRATEGY**

### **4.1 INTRODUCTION**

Successful business strategies typically aim at building uniquely strong or distinctive competencies in one or more areas of crucial to strategic success, and then using them as a basis for winning a competitive edge over its rivals. The sewing machine industry's competitive conditions and overall attractiveness are a big strategy determining factors. Singerkzn's strategy has to be tailored to the nature and mix of competitive factors in play. In order for management to make a strategic business decision about whether to import and distribute electronic sewing machines for distribution in Kwa-Zulu Natal, it is important to study the environment of this industry (i.e. internal and external). Such a study will help identify opportunities that might be explored and threats that need to be contained.

Singerkzn's mission statement is: "To meet the needs of the domestic and industrial sewing machine market by offering efficient and excellent service together with superior quality products" (<http://www.singersa.co.za/>).

### **4.2. ANALYSIS OF THE SEWING MACHINE INDUSTRY**

Industry and competitive analysis begins with an overview of the industry's dominant economic features. The following issues dominate the Kwa-Zulu Natal sewing machine industry.

#### **4.2.1 Market Size**

The distribution of sewing machines in Kwa-Zulu Natal is aimed at satisfying the requirements of the domestic market. The market had grown by 20% over a 5-year period in revenue terms.

#### **4.2.2 Scope of Competitive Rivalry**

When analysing the competition, it is important to assess the scope of competitive rivalry from a local, provincial, and national perspective. Competition for the sales of the electronic range of sewing machines occurs on a national basis and is sold by a number of competitors such as Bernina, Brother and Elna.

#### **4.2.3 Ease of Entry / Exit**

Low barriers exist in the form of capital requirements. Setting up a small to medium size business would require approximately R3 million rands.

#### **4.2.4 Technology and Innovation**

Production technology is highly advanced and changes have been rapid. The biggest changes have been with the introduction of the Quantum XL range, which was introduced worldwide in 1998. Singer subsequently launched the world most advanced sewing machine, the XL-5000, in 2001.

#### **4.2.5 Product Characteristics**

The Singer products are highly specialised, with different models catering for the different needs of the person sewing. The products offered by competitors are different in relation to price, quality and offering.

#### **4.2.6 Industry Profitability**

Industry profitability is sub par to average, due to the nature of the product. Poor financial management amongst the dealers specifically related to accounts receivable and bad debt control has affected profitability. An accurate evaluation of Singerkzn's financial and operating environment is critical to its success. A dependable relationship between Singerkzn and its dealers and customers is essential to its long-term survival and growth.

#### 4.2.7 Competitive Forces in the Sewing Machine Industry

Competition in the 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 get maximum competitive gain out of the context in which the business is located – or how to minimise the prospects of being squeezed by it – on the five competitive dimensions that it confronts.

- Rivalry in the sewing machine industry can be considered fierce due to the number of firms and the various product lines being offered. Due to the number of firms in the industry with similar products, Singerkzn is faced with a lot of pressure to distribute new products in order to easily differentiate their product using creative and innovative strategic initiatives. As competitors launch new products or improve their product offerings, they intensify the competitive pressures on Singerkzn. The primary weapon of competitive rivalry is the performance features and quality, brand reputation, product innovation, styling, design, strength of dealer network and promotional programmes. Rivalry intensifies as it becomes harder and harder to differentiate on the basis of product innovations and performance features as sewing machine manufacturers hurry to copy each other. First mover advantages are short lived.
- The threat of substitute products is rather weak. The alternatives to sewing or mending garments by ones self are by purchasing them from a clothing store or by obtaining the services of a tailor or dressmaker.
- The supplier bargaining power is high in this industry. All products are sourced and imported from various locations worldwide. The supplier has a great economic power in terms of: minimum quantities to be ordered by the distributors; performance contracts and payment terms offered by the supplier. Products cannot be sourced

directly from the factories; rather they have to go via the Head office responsible that specific region.

- New entrants can serve to increase the degree of competition in an industry. In turn, the treat of new entrants is largely a function of the extent to which barriers to entry exist in the market. With low limited barriers to entry into this industry, the emergence of small companies intensified. Brother is a relatively new competitor in the marketing of electronic sewing machines.
- Dealers have moderate bargaining power – they can switch to competing brands at relatively low switching costs. There are a large number of dealers with small order quantities, which is a factor that weakens dealer bargaining leverage.

#### **4.3 EVALUATING COMPANY RESOURCES AND COMPETITIVE CAPABILITIES**

The internal environment includes the entire value chain activities, organisational infrastructure, human resources, technology development, procurements, marketing, finance, service etc. Competitive advantage is ultimately built and maintained by adding value to customers. To offer higher value added products/services to the market than competitors, Singerkzn should identify the strengths and weakness in each value chain activity. This would help Singerkzn to identify which activities are adding value or have negative impacts to the overall performance. The aim of SWOT analysis is to identify the strengths and weaknesses inside the organisation and the opportunities and threats outside the enterprise. SWOT analysis can be used more specifically both for the analysis of strategic issues and the evaluation of strategies. Singerkzn's strengths and weaknesses in each value chain activity are depicted in table 4.1.

We also quantified the impact of each strength and weakness using impact analysis model, which is depicted below. The weights given to the strengths, weakness, opportunities and threats is based on the following criteria:

- A positive (+) score indicates that the strength a company possesses would help it take advantage of, or counteract, problem arising from an environmental change or a weakness that would be offset by the environmental change.
- A negative (-) score indicates that strength would be reduced by the environmental change or a weakness would prevent the organisation from overcoming the problems associated with an environmental change or be accentuated by the change.
- A zero score indicates that current strength and weaknesses would not be affected by an environmental change.

**Table 4.1 Impact Analysis for Singerkzn**

<b>OPPORTUNITY &amp; THREATS</b>	Local opportunities	High demand for sewing machines	Rapid technological changes	Increase product lines.	Intense Competition	+	-
<b>STRENGTH</b>							
High product quality	+3	+2	+2	+1	+1	9	0
Good Brand Image	+3	+2	+2	+2	+1	10	0
Skilled management team	+2	0	+1	+1	+2	6	0
Able to attract successful dealers	+2	+1	-1	-1	+1	4	-2
<b>WEAKNESS</b>							
Lack of Promotion	-1	-1	-1	-2	-1	0	-6
Heavy reliance on dealers	-2	+1	+1	0	-1	1	-3
Dealers have minimal training	-2	-1	-1	+1	-2	1	-6
<b>Scores</b>	<b>+10</b>	<b>+6</b>	<b>+6</b>	<b>+5</b>	<b>+5</b>	<b>31</b>	
	<b>-5</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-4</b>		<b>17</b>

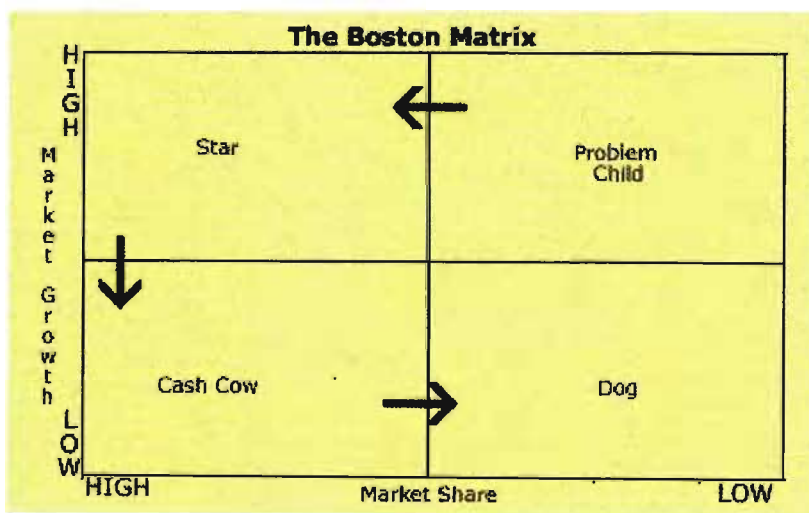
From the SWOT analysis, we can conclude that Singerkzn has numerous strengths. Some of the outstanding strengths are that Singerkzn have is a good brand image; has high quality product performance and able to attract successful dealers. SWOT also reveals some weaknesses viz. lack of promotion and minimal training to dealers. However, these weaknesses are outweighed by the strengths that Singerkzn possesses. Moreover, the analysis reveals that the industry is at a growth stage with a lot of opportunities as well as threats (from intense competition).

#### **4.4. SINGERKZN AND THE FOUR P'S**

##### **A. Product**

In order to gain a better understanding of what Singerkzn is offering to the market one has to look at the products that they import and distribute to the market. Using the Boston Consulting Groups Matrix, we can separate Singerkzn's products.

**Figure 4.1 The Boston Matrix**



Source: [www.themarketingteacher.com](http://www.themarketingteacher.com)

Singerkzn has as its cash cows in the form of Singer 15ch; Singer 974; Singer 4830; Singer 14sh654, which has been termed as their core brands. Question marks can be related to products such as Singer 966; Singer 968 and Singer 2926, where large portion

of the advertising budget is spent promoting these models that may become cash cows. Dogs can be associated with the water filtration systems that Singerkzn has on offer. Product decisions form the basis for the stability and growth in sales and cash flow of Singerkzn. As mentioned previously, the most distributed models are the models identified as cash cows above, and the dealers as well as the consumer views the XL-5000 as too expensive to be used in the production of garments.

The basis of Singerkzn's product line is the consistent quality and reliability, ensuring that consumers will not be disappointed with the purchase and therefore purchase the product in the future. Consumers associate products with brand names and establishing brand loyalty requires long term investment in advertising, promotion and distribution in order to change the perception of the market.

#### B. Price

In determining its price, Singerkzn should give due consideration to a number of factors such as the company's marketing and pricing objectives, products demand, competitors prices, the different environmental factors, the pricing method to be applied and the adjustments needed.

Consumers perceive Singer products as high quality and good value for money. Singerkzn's products are priced between 10% to 30% higher than its competitors (Empisal, Elna, Harrison and Brother). The XL-5000 brand however, does not possess the distinctiveness that would justify the premium price in comparison with competitors such as Bernina and Brother. Singerkzn should identify the elasticity of demand for the XL-5000 in order to manipulate the price to its advantage.

#### C. Promotion

Marketing communication consists of the use of advertising, sales promotion, direct marketing, public relations and personal selling with the objective of communicating the existence of the product, its values and its attributes to the targeted consumer.

The target market for Singerkzn as identified in chapter one using the Living Standards Measure developed by SAARF is LSM 1 to LSM 6 where income's range from R748.00 to R3800.00 per month respectively. With this target market in mind, it makes economic sense not to promote the XL-5000, as the intended target market of the distributor would not be able to afford the product.

The distributor has used print media i.e. The Daily News Paper; Radio advertising, promotional leaflets, as well as trade shows and exhibitions as a means to promote the Singer product line. The head office in Jordan has also spent substantial amounts of money to promote the XL-5000, however, sales of the machine countrywide has been relatively slow.

In pursuit of a marketing communication mix, Singerkzn should consider the following:

- The communication message should be aimed at the right target audience i.e. XL-5000 should be targeted at the 7 to 9 LSM groups.
- The most efficient channels of communication must be sought to ensure that the message is delivered effectively e.g. using trade shows such as the NBS Home and Garden show to promote the XL-5000 machine.
- A proper communication budget should be identified so that different products could be promoted using the various advertising mediums on offer.

The budgeted monies must be allocated over the five promotional tools – advertising, sales promotion, public relations, sales force and direct marketing. Singerkzn must consider the type of product market in which they are selling, whether to use a push or pull strategy, the readiness of consumers to purchase, the product life cycle and the products market share. Whilst advertising offers a reason to buy, sales promotion offers an incentive to buy. Singerkzn should use intensive sales promotions to achieve their short-term objectives by offering incentives to stimulate purchase of the XL-5000 machine.

#### **D. Place (Distribution)**

In order not to lose its marketing initiative, designing the right distribution strategy is very important to Singerkzn. The distribution channels should be carefully selected to reduce inventory costs and to be flexible enough to respond to changing market conditions.

Singerkzn is affected by the following factors with respect to its present distribution strategy:

- Changing domestic retail environments
- Dependence on key distribution channels (Supplier's and Dealers)
- Supply chain executional performance
- Exchange Control restrictions imposed by the South African Reserve Bank.
- Other Singer Authorised distributors supplying sewing machines in the KZN province
- Reluctance by the dealers to pay freight charges and transportation costs
- Singerkzn pays the overseas suppliers in advance, and have to wait approximately 90 days for the goods to arrive in South Africa.

Core retail and wholesale channels for Singerkzn are struggling, as the competition in these categories is fierce and profit margins are under pressure due to changing domestic retail environments. Furthermore, Singerkzn has to adopt a strategy for the dealers to operate with larger inventories. As mentioned previously, dealers use the distributor as a "warehouse" and only draw goods as and when they need them. The consequence of this method is that when the dealers get bulk-buying customers who require the goods urgently, the dealer subsequently cannot supply the customer and the consequence thereof is that the customer turns to the competitor.

Singerkzn should focus on core products and demand driven initiatives while at the same time meeting customers requirements by leveraging supply chain capabilities throughout the province. The choice of the channel is vital in terms of the success of the products on offer. Singerkzn has to establish an effective means of distribution through quality

channel management that would ensure that its products are servicing the targeted sectors of the market in both the formal and informal market.

#### **4.5. MARKET SEGMENTATION, TARGETING AND POSITIONING – AN ANALYSIS OF SINGERKZN’S MARKET AND PRODUCT POSITIONING**

Singerkzn’s Durban operations have successfully isolated local customer needs and have capitalised on local market opportunities in the domestic sewing machine market. They have defined their target markets, segmented the sewing machine market and have positioned themselves such that their strengths and competencies are used to broaden their product offering into sewing machines, spare parts and accessories. The Singer brand currently serves both ends of the sewing market with the XL-5000 and the 15ch machines.

The XL-5000 is positioned as an embroidery machine and a leader in its class, offering uncompromising quality and ease of use. However, this product is priced out of the reach of the intended target market in Kwa-Zulu Natal. Sales have been very slow, and majority of the dealers do not stock the product, citing lack of technical training, price and promotion.

As the business world becomes competition intensive, market segmentation has emerged an important issue in developing, positioning, and selling products across demographic and psycho graphic segments. In general, sewing machines have a great appeal to the masses and are marketed to diverse demographic groups throughout the province. Singerkzn markets a broad line of sewing machines, spare parts and allied goods. The Singer brand focuses on providing high quality products that is specifically designed to target all segments of the market.

In general, the sewing machine market is considered to have high growth potential in South Africa. Hence, the challenge for Singerkzn is to ensure the product is easily

available where the consumer demands it. In addition, global industry trends indicate that the electronic range of sewing machines is becoming increasingly popular.

Having identified its market segmentation opportunities, Singerkzn has to evaluate the various segments in order to quantify its objectives i.e. how many segments and which ones to target.

Key areas that the distributor should focus on to evaluate the attractiveness of a segment for the XL-5000 includes:

- Size and growth of the embroidery market
- Competitor offerings
- Consumer spending power
- Price
- Distribution
- Promotion
- Cultural influences

Singerkzn has to develop a positioning strategy for each segment it chooses to serve. This relates to the task of ensuring that the distributors product and brand occupy a planned place in chosen target markets, pertinent to opposing competition in the market place. It is important that the distributor is able to attract the attention of potential customers by communicating the distinct benefits that the target market considers important, something that sets their brand apart from their competitors. The XL-5000 and the 15ch models must be positioned such that local conditions and product expectations are easily identified and displayed.

#### **4.6. CONCLUSION**

Nowadays, whether a company operates locally or nationally, it can no longer avoid the competitive pressure and market opportunities that exist. For optimal market performance, the firm should be ready and willing to take advantage of available resources, and at the same time respond to different needs and wants of consumers in the market. In a way, marketing is becoming a consistent struggle for economies of scale and scope, needs of the firm, and its responsiveness and sensitivity to the different market conditions.

Singerkzn needs to be aware of the strength's and weakness that they possess as a company and should capitalise on opportunities that prevail and guard itself against any threats that they could confront. They should try and focus more on promotion such as trade shows and exhibitions and at the same time, adjust the price of the XL-5000 so that the product can be competitive in the market. Dealer training should be a priority and the firm should have a marketing strategy in place.

## **CHAPTER FIVE: RECOMMENDATIONS AND CONCLUSIONS**

### **5.1 INTRODUCTION**

An incremental view of strategic development might see strategy evaluation and selection as a fragmented process occurring within the “operating units” of the organization as they reactively adapt to a changing environment. It was suggested in chapter 2 that such a view of an organisation’s development has much to commend it, providing the process is managed in the organization. Otherwise, it is likely to lead to inefficiency, to different parts of the organization pulling in different directions and lack of a coherent approach to innovation. Together these factors tend to lead to strategic drift.

The strategy evaluation and selection process needs to counteract these dangers. For example, it is important to ensure that organizational learning occurs between various parts of the organization and that innovatory processes are working in a way, which meets ambitious targets for improvement and change. This chapter begins with a look at recommendations based on the research findings and ends with concluding remarks.

### **5.2 RECOMMENDATIONS BASED ON RESEARCH FINDINGS**

Singer is one of the worlds leading sewing machine manufacturer with over 150 years of history and experience. During 1853, the first Singer machines manufactured in a New York City factory were selling for \$100. Two years later, with a first prize at the World's Fair in Paris, Singer originated the "hire-purchase" plan to increase sales - the first company ever to do so. This plan was to have almost as much influence as the name itself. Today, over half of Singer's sales in developing countries use this method of payment to generate sales and additional income. Capitalizing on its now famous name, its hire-purchase plan, and its vast network of retail outlets and other distribution points around the world, Singer introduced electronics, appliances, furniture, and other consumer durables, into its product line. Today, Singer is a household name for a wide range of consumer products for the home.

As this organization operates in the global environment, it is confronted with forces that differ from country to country. Consumer preference also varies as income and other variables change. Looking at Singerkzn's current strategy, it is necessary to realign the strategy to cater for consumer preferences. The organization has many competitors who are able to adapt to the changing demands of consumers in a period where price and quality are the main determining factors in a purchase decision.

Three broad areas that seem to stand out as areas to focus on would be pricing of the XL range of sewing machines, promotion and providing incentives to dealerships to stock these machines. These three areas would ultimately be interdependent on each other in the "Singerkzn key success factors triangle." Pricing would ensure that the machine could be affordable to a larger band of consumers, promotion would enhance the image; quality and outstanding characteristics that the product displays and incentives provided to the dealerships would enable them to actively promote the range.

In order to cope with the changing environment, we suggest the following points:

- Provide technical as well as user training for the electronic range of sewing machines to dealers and other interested buyers.
- Devise an aggressive strategic marketing plan for greater roll out of the XL range of sewing machines. In pursuit of an aggressive marketing strategy, Singerkzn should consider the following: The communication message should be aimed at the right target audience i.e. XL-5000 should be targeted at the 7 to 9 LSM groups. The most efficient channels of communication must be sought to ensure that the message is delivered effectively e.g. using trade shows such as the NBS Home and Garden show to promote the XL-5000 machine.
- A proper communication budget should be identified so that different products could be promoted using the various advertising mediums on offer.
- Settle upon a strategic plan and communicate it to the dealerships. Learn how much these dealers are willing to put up and on what terms.

- Offer greater incentives to the dealership so that they can actively promote the electronic range of sewing machines.
- Re-look at the pricing structure and pass on the benefits to the dealer or the end consumer.
- Consider using the appropriate advertising medium to the target audience that the XL range of sewing machines is aimed at.
- Although there is a substantial amount of profit to be made by the distribution of Singer sewing machines in the Kwa-Zulu Natal area, the distributor should renegotiate payment terms with the Jordan office, as it currently does not seem as a viable option tying up capital and only turning over the goods in excess of five months.
- Rivalry in the sewing machine industry can be considered fierce due to the number of firms and the various product lines being offered. The primary weapon of competitive rivalry is the performance features and quality, brand reputation, product innovation, styling, design, strength of dealer network and promotional programmes. Singerkzn should actively promote the Singer brand knowing that the brand possesses these qualities.
- The distributor should work closely with large corporate companies as well as local government to encourage entrepreneurship by offering assistance to social development projects working to empower people to be active participants in the informal sector. The distributor could offer sewing machines to women's empowerment groups at concession prices. These machines could be purchased as a means to produce garments for sale thereby allowing households to supplement their income.
- Singer is a worldwide brand and has pioneered many processes and activities in the business world. The distributor can learn from the achievements and adapt them to suite local conditions.
- The dealerships should be encouraged to be adequately stocked of the full range of sewing machines that the distributor has on offer. Incentives can be offered in the form of further discounts

- The distributor should actively market their website. The consumer, can at their leisure, browse the site and compare the specifications that the different brands have on offer. This will also save printing costs for catalogues for each specific model.
- In determining its price, Singerkzn should give due consideration to a number of factors such as the company's marketing and pricing objectives, products demand, competitors prices, the different environmental factors, the pricing method to be applied and the adjustments needed.
- Employ dedicated sales staff to promote the electronic range of sewing machines.
- Singerkzn should consider incorporating credit facilities into its advertising and produce displaying banners to supply the dealerships. The lower LSM group will definitely regard this as a positive factor in deciding which retailer to patronize.

### **5.3. CONCLUSION**

This study revealed that the dealerships have a negative attitude towards Singerkzn. This was due to the fact that the distributor does not market the electronic range of sewing machines adequately. As mentioned previously, the distributor has signed performance contracts with head office in term of unit sales per machine. Singerkzn has as its cash cows in the form of Singer 15ch; Singer 974; Singer 4830; Singer 14sh654, which has been termed as their core brands and the models that are most distributed and demanded by the intended target market.

We have identified key areas that the distributor needs to concentrate on if they want to pursue their distribution strategy as implemented by the Jordan office. The distributor would benefit not only by an enhanced organizational image, but also through improved client retention, good staff morale, enhanced business focus etc. All these issues have a positive impact on the bottom line. Thus, quick turnaround and constant communication with the dealerships is crucial.

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## **APPENDIX**

Interview Schedule

Interviewer: Sherwin Ramlall

Date: \_\_\_\_\_

Name of Dealer: \_\_\_\_\_

Location of Dealer: \_\_\_\_\_

Size of Dealer: \_\_\_\_\_

How long have you been in business?

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During the last six month's, what model of SINGER sewing machine was most sold and why?

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What is your largest target market; i.e. Black; White; Indian; Coloured; Other?

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Is the pricing structure of the Singer products competitive?

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Have you sold an XL –5000 sewing machine recently?

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Are you satisfied with the distributors marketing & promotion of the XL-5000 in Kwa-Zulu Natal?

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Are there dealer incentives to promote and market the XL-5000?

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