

MANAGEMENT REPORT

PROPOSED STRATEGIC EXPORT MARKETING PLAN FOR THE SOUTH AFRICAN TEXTILE AND CLOTHING INDUSTRY: WOOL AND MOHAIR CLOTHING FOR THE AMERICAN CONSUMER MARKET

by

Alfred Nchaupe Maepa

21198137

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Study Leader: Prof JM de Wet

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DECLARATION: LANGUAGE EDITING

I, Alfred Nchaupe Maepa, herewith declare that the language of this management report has been edited by Lidia de Wet.

Alfred N Maepa

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LIST OF ABBREVIATIONS

- AGOA – Africa Growth and Opportunity Act
CFTA – Clothing, Footwear, Textile and Accessories
CMT – Cut, Make and Trim
CTFD – Clothing, Textile, and Footwear Directorate
DCCS – Duty Credit Certificate Scheme
DTI – Department of Trade and Industry
ECCI – Export Council for the Clothing Industry
EMIA – Export Marketing and Investment Assistance
EU – European Union
FTA – Foreign Trade Agreements
GATT – General Agreement on Trade and Tariffs
PM –Product market
SA – South Africa
SACTWU – South African Clothing and Textile Workers Union
SWOT – Strengths, weaknesses, opportunities and treats
USA – United State of America

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EXECUTIVE SUMMARY

McDonald (1999:513) defines marketing planning as simply a logical sequence and a series of activities to the setting of marketing objectives and the formulation of plans. This management report proposed a strategic export marketing plan for the South African textile and clothing industry, focusing on wool and mohair clothing exports to the American market. The proposed strategic export marketing plan followed a step-by-step approach of market planning. The management report first discussed the elements of international marketing which include export planning process and the international environment, as well as decision-making factors like product, price, promotion and channels of distribution which are considered when making export decisions. The proposed strategic export marketing plan began with the overview of the South African textile and clothing industry, including the vision of the DTI on clothing exports to the American market. The research proceeded to gather information on the historical performance of the South African textile and clothing industry. A research on the strengths and weaknesses of the South African textile and clothing industry relating to exporting of wool and mohair clothing to the American consumers, as well as the opportunities and threats in the American market was conducted. The market mapping of the South African textile and clothing industry was then performed to determine its current position in the American market. The factors that attract the South African textile and clothing industry to the American market were identified, as well as the critical success factors of the market. The most attractive markets and the marketing objectives for each product market were determined and recommendations were made on the improvement or penetration of different product markets. The process ended with the development or the design of a marketing strategy, as well as the documentation of intervention and action plans. The marketing strategy specifically focused on the marketing mix using the four Ps of marketing; namely product, price, place and promotion.

In short, the management report analysed both the market place and the position of the South African textile and clothing industry within the market, relative to the competition, constructed a realistic set of quantitative marketing and financial objectives and then developed the strategy to achieve these objectives.

The research found that the South African textile and clothing industry compete relatively well with other wool and mohair clothing exporters and the American based firms. The research further found that while there are certain threats in the market, the opportunities outweighs the threats and that the South African textile and clothing industry possess the required strengths and has the ability to acquire or develop new strengths that will enable it to take advantage of the opportunities offered by the American market. While the exporting of clothing products to America is still in the beginning stage, the implementation of the Africa Growth and Opportunity Act (AGOA) is seen as the main driving force behind the success of South African exporters to the American market. The consumer market for clothing products in America is currently very attractive and the South African textile and clothing industry has the ability to satisfy the needs of this market.

The management report concluded that all product markets identified have growth potential and should all be pursued. A marketing strategy for each product market was designed for each product market together with the interventions and action plans.

CHAPTER 1 INTRODUCTION

1.1 Problem statement

The world economy is fast becoming a global entity. Global shifts in the clothing and textile industry exemplify many of the intractable issues facing today's world economy. The lifting of sanctions against South Africa and the dawn of democracy (the ending of apartheid) which saw the election of a new democratic government in 1994 have opened new opportunities for South African textile and clothing products in foreign countries. For many years, the South African government has favoured import substitution, for example, protecting local industries against international competition by raising trade barriers. South Africa, like many other countries in the world, is now opening up to international competition. The Africa Growth and Opportunity Act (AGOA) of the United States of America which came into operation in 2001 has presented South Africa and other participating African countries with an opportunity to tap into America's textile and clothing market. Other similar trade agreements, such as the European Trade agreement, have over the past few years presented opportunities for South African products in the foreign markets. However, if South African clothing retailers want to take advantage of these opportunities, they need to understand certain factors that are considered critical by the principal customers and consumers in the foreign markets. South African retailers should further understand what attract them to a particular foreign market and how they are responding or going to respond to the ever-changing requirements of the foreign customers. Another issue of paramount importance is, what is the role of South African manufacturers and how are they responding to these market requirements.

Competition in international markets is very stiff. There are over 200 nations in the world economy. Doole, Lowe and Phillips (1994:44) state that "according to the figures provided by GATT (General Agreement on Trade and Tariffs), Asia, America and Europe account for 85 per cent of the world trade".

It is clear from the above that South Africa is faced with stiff competition from experienced players in the world economy.

For the South African textile and clothing industry to take advantage of the ever-increasing opportunities for their products in foreign markets, they need to have a clear understanding of export management and export marketing strategies.

This management report aims to design a strategic marketing plan for South African wool and mohair clothing with specific focus on the American market. Research on the critical success factors of American consumers and market attractiveness factors of South African retailers and manufacturers is also conducted.

1.2 Methodology

This management report is based on research conducted on the clothing retailers, cut, make and trim operators and manufacturers of clothing and textile products in South Africa. A survey of the American buyer's perception towards South African clothing products was conducted through the satellite office of the Department of Trade and Industry (DTI) in American. These perceptions are used to determine critical success factors. The Clothing, Textile and Footwear Directorate (CTFD) of the Department of Trade and Industry in Pretoria was also contacted to gather general information on the exporting of wool and mohair clothing to foreign markets. Books and journals on export management and international marketing were also reviewed as part of the management report. The information gathered through literature review and the research was then consolidated into the strategic export marketing plan.

CHAPTER 2 ELEMENTS OF EXPORT MANAGEMENT

2.1 Introduction

This chapter is an introduction to export marketing management. Before managers and organisations can decide to enter foreign markets, they first have to obtain a thorough knowledge of export management. This chapter attempts to answer the question ‘what is export management’ and further looks at the export planning process and some export decisions managers have to take from time to time.

2.2 Definition of export management

Before export management can be defined, it is important to first draw a line between exporting and international trade on a broader scale. Exporting is when the local or home market sells products to foreign users, distributors or agents either through direct sales or through the use of overseas subsidiaries. International trade on the other hand refers to investment in overseas facilities, leading at the extreme to the full multinational cooperation operating globally. Terpstra (1987:4) defines international marketing as simply the performance of market intelligence, product development, pricing, distribution and/or promotion or a combination of two or more of these activities across national boundaries. Flowing from this definition, export management can be defined as the entire management process of selling and distributing goods to foreign markets. This process includes such factors as the financial arrangements, the documentation and office procedures, and the organisational structures used. It is quite clear from the definitions above that exporting is an involving process and requires decision-making in very complex issues. The next section discusses the planning process in export management and other critical factors that must be considered by the management before embarking on selling goods to foreign markets.

2.3 The planning process

The desire of the organisation to sell in foreign markets is informed largely by its strategic goals. Planning and controlling therefore play a critical role in the success of the organisation in foreign markets. The planning process is the method used by

the management of the organisation to define in detail how it will achieve its current and future strategic aims and objectives.

The export planning process begins with the organisation's commitment to sell in foreign markets. The commitment to sell in foreign markets must be influenced by the organisation's fundamental purpose of survival through pursuing long-term profitable growth. In other words, an organisation cannot just decide to sell in foreign markets even if such an activity is not going to contribute to its long-term success. Jain (1993:838) states that "the decision to sell or not to sell in foreign markets must be based on such considerations as corporate mission and objectives, long-term opportunity potential, analysis of strengths and weaknesses, management philosophy, opportunities at home and the financial implications of foreign markets". He further states that "the decision should be based on a complete examination of the economic, cultural, political and business environments of the host countries".

Planning should include a control process, which is the mechanism for evaluating the effectiveness of the strategies and the efforts of the management for their implementation. Control is essentially concerned with monitoring performance, evaluating feedback and taking corrective action if plans are not being followed or if current strategies have become inappropriate. The diagram in Figure 2.1 depicts the process of strategic marketing planning and includes the different sequential steps that must be followed by an organisation exporting to foreign markets.

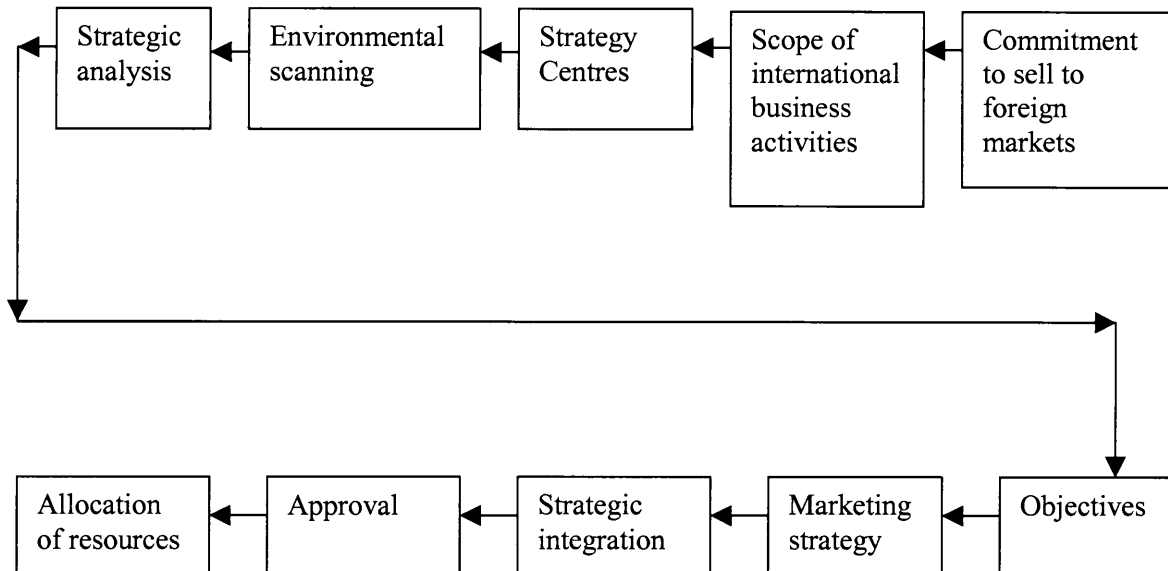


Figure 2.1 - Process of strategic marketing planning
Source: Jain (1993:839)

Export planning and strategy development have three distinct components, namely:

Goal: the exporting organisation has certain objectives it wishes to achieve, which serve as a criteria for the assessment of progress. The basis of organisational goals is identifying and measuring market opportunity.

Programme: this involves developing the marketing mix at both strategic and tactical levels.

Organisation: developing an organisation means putting together organisational resources in order to operationalise the marketing mix.

Figure 2.1 gives a broader illustration on how the three components link together in a strategic marketing plan.

2.4 International environment

As already indicated, organisations involved in export activities need to have a knowledge and understanding of the international environment in order to make meaningful decisions. A local organisation wishing to compete in a foreign country has to adapt to a foreign environment. There are many distinct components of the international environment that can affect the organisation competing in a foreign country. This management report takes cognisance of major dimensions of the environmental factors, such as economic forces, socio-economic, political and legal forces. All these factors have a major impact on the strategic marketing plan of a local organisation wishing to compete internationally.

2.4.1 Economic forces or environment

The overall macroeconomic climate of a host country, as well as the microeconomic environment surrounding the product or market, has a significant effect on the marketing strategy of an organisation. The export managers or organisations wishing to compete internationally should therefore have knowledge and understanding of these economic forces and how they impact on the market potential and market actualisation for their chosen products.

2.4.1.1 Macroeconomic environment

“A country’s economy includes sources of domestic livelihood and the allocation of resources” states Jain (1993:202). The most basic information to be considered in the macroeconomic environment is about the nature of the population. As the population constitutes the market, export managers and organisations therefore must have a reasonable knowledge about the income structures and the spending patterns of the population in a host country. In addition, the location and classes of the population must also be considered as they have an influence in the infrastructure of a host country. Different classes of the population will, for example, indicate high-income concentration and therefore where the resources of the country are most likely focused.

Macroeconomic environment might have a positive or negative impact on the business of the exporting organisation. Issues such as soaring inflation, falling consumer demand and economic recession, might have a negative impact on the sales of the organisational products. Some countries might have strict import restrictions, which might be undesirable to an exporting organisation. On the other hand a favourable economic climate generates a spirit of optimism that makes consumers more willing to go out and spend money. Different situations affect organisations differently and therefore export managers should figure out the extent to which their organisations is susceptible to different economic conditions.

2.4.1.2 Microeconomic environment

Microeconomic environment refers “to the environment surrounding a product and/or market of interest to an organisation”, states Jain (1993:211). A proper examination of the microeconomic environment will give an indication of whether an organisation can successfully enter the desired market with the product it intends to sell.

The question as to whether an organisation can successfully enter the market can best be answered through an analysis of the competition and demand. Once the organisation has reasonably determined the demand for its product/s in a foreign market, it should study the competition which it will face from both local and international competitors.

The following questions could be raised to analyse the competition:

- Who is the competition now, and who will they be in future?
- What are the key competitor’s strategies, objectives and goals?
- What unique strengths do competitors have?
- How important is a specific market to the competitors, and are they committed enough to invest in that market?
- Do they have any weaknesses that make them vulnerable?

- What are the implications of the competitor's strategies on the market, the industry and one individual organisation?
- What changes are likely in the competitor's future strategies?

Answers to the questions raised above could assist an organisation in designing market entry strategies and how to compete and win in a "hostile" market.

Given the perspectives on macro and microeconomic environments, an opportunity analysis may be performed to determine if it is worthwhile to seek entry into a desired foreign market. The cost/benefit analysis can also be conducted to see if it will be cost-effective for an organisation to serve a particular foreign market and whether the objectives of the organisation will be served by entering that market.

2.4.2 Sociocultural forces

"Culture is a pervasive environmental variable affecting all international and export marketing activities", say Album, Strandkov, Duerr and Dowd (1996:58). This section discusses the influence of religious, family, educational and social systems on a strategic marketing plan of the organisation. It should be noted that such influence sometimes manifests itself in the values, attitudes and motivations of the people in a country. There are many elements of religious, family, educational and social systems that affect the strategic marketing plan of the organisation. This section only focuses on material life and social interactions as the major dimension of sociocultural forces.

2.4.2.1 Material life

"Material life reflects the standard of living and the degree of technological advancement", says Jain (1993:237). Material life therefore refers to economics – that is what people do to derive their livelihood. Another aspect that is reflected by material life is knowledge. Highly educated people tend to live a more luxurious life than those who are not educated.

In order for export managers to analyse opportunities in a target market, they should understand the way of life in the host country. The society's lifestyle in any country can be classified in a continuum, as either traditional or industrialised. The difference between a traditional and industrialised society can sometimes be so obvious that it even shows in the design, dress styles, colours, expressions, movements and emotions. A knowledge of the host country's material life will therefore give an indication of how to position the organisation in the host country and whether the product/s of the organisation are desirable for the foreign market under consideration.

2.4.2.2 Social Interactions

Social interactions influence the family's decision-making and buying behaviour and define the scope of personal influence and opinion. Different countries have different buying behaviours and family decision-making. For example, in America, the nuclear family (husband, wife and children) is the focus of social organisation whereas in most Asian societies, the extended family is considered the most basic and stable unit of social organisation. As a result, the buying behaviour of households in these countries differs.

It is clear from the discussion above that cultural influences affect every aspect of marketing. Consumer actions and decisions are shaped by their lifestyle and behaviour patterns as they stem from the culture of their society. Most decisions and choices that customers and consumers make are culture-based, e.g. the product that they buy and the attributes that they value. It is therefore important that the positioning of the organisation's products in different countries should be in line with the cultural traits of each society. Export managers must analyse cultural differences and traits in the formulation of their international marketing strategy.

Having discussed the two aspects of sociocultural forces and how they affect the local organisation in taking export decisions, it should however be noted that cultural swings do take place from time to time. Export managers therefore, must

have a keen interest in spotting cultural shifts that might bring new marketing opportunities or threats.

2.4.3 Political environment

“The political environment of each country is unique”, says Jain (1993:278). An export manager needs to carefully examine the political environment of a country before making major commitments in that country. Sometimes a country might be rich and attractive for the products of a local organisation, but it may not warrant entry if the political environment is characterised by instability and uncertainty. In many cases, a country characterised by an unstable and uncertain political environment is not conducive for profitable business. This section discusses political problems that export managers must consider when deciding about doing business in a foreign country. The political problems related to foreign business occur mainly because of political sovereignty, political conflict and the level of political intervention by government.

2.4.3.1 Political sovereignty

Jain (1993:282) defines political sovereignty as “referring to a country’s desire to assert its authority over foreign business through various sanctions”. Example of such sanction may include tough restrictions on foreign business, increases in taxes on foreign operations, and many other forms of restriction. It is important for local organisations to first examine the state of political sovereignty of a foreign country before entering into agreements and other commitments to do business in that country. Knowledge of the political sovereignty of a foreign country would also assist the organisation in designing appropriate strategies for entry, exit or stay in a foreign country.

2.4.3.2 Political conflict

Political conflict may or may not have an impact on business. The organisation’s management must therefore analyse the possibility of the occurrence of political conflict and assess the likelihood of its impact on business. For example, political

violence against the government's lack of initiative to protect local businesses from foreign organisations may lead to a direct attack on exported goods and/or strike against such exported goods. Another political conflict, which might have an indirect impact on business, is a change of government, which may also lead to a change in policies and laws. A good example is the changes in the South African political arena since early 1992, which produced policies that attract foreign business to the country.

2.4.3.3 Political intervention

According to Jain (1993:286), political intervention can be defined as “a decision on the part of the host country's government that may force a change in the operations, policies and strategies of a foreign organization”. The most common measures of interventions are discussed below.

(i) Exchange control

Exchange control refers to the imposition of restrictions on the free use of foreign exchange. These measures may affect the foreign business in that profit and capital cannot be returned to the parent company in an outside country at will. Secondly, raw materials, machinery, and other capital goods cannot be liberally imported for operation purposes. Exchange control restrictions also discourage the importing of most consumer goods.

An understanding of exchange control measures that exist in a host country could assist the local organisation in deciding on the most economical method of export to be used. As mentioned in the beginning of this chapter, an organisation may choose to export through different methods, namely the use of agents, the establishing of foreign subsidiaries for the distribution of its products, or direct selling.

(ii) Import restrictions

Import restrictions are more of a problem for the company which has built its factory in a foreign country than for the one which only exports the finished product to the foreign market. However, export managers need to know the level of such restrictions in order to determine how these restrictions will impact on their business.

(iii) Market control

“The government of a country can sometimes impose control to prevent foreign organisations from competing in certain markets”, states Jain (1993:291). Local organisations therefore need to know if the industry that they compete in or intend competing in is not restricted. Market control affecting the products of the organisation will have a huge impact on the profitability of the organisation as a whole. An example of market control is Japan, which had until the 80s prohibited foreign organisations from selling sophisticated communication equipment to the Japanese government.

(iv) Price control

Price control measures are sometimes imposed by a government to protect the interest of the public. Local organisations therefore need to have knowledge of such price control measures as they may affect pricing decisions.

(v) Tax control

In addition to tariffs, local organisations need to have knowledge of all the tax controls that might exist in a host country.

Flowing from the discussion on the political environment and how it might affect foreign business, exporting organisations are well advised to compile a thorough analysis of the political risk peculiar to a foreign country’s political system as well as risks peculiar to the organisation’s industry in a foreign setting.

2.4.4 Legal environment

A local organisation involved in export activities should comply not only with its domestic laws, but also with the laws of the host country. Exporting organisations should be particularly familiar with the laws of the host country pertaining to competition, price setting, distribution arrangements, product liability and advertising.

This section discusses the important aspects of the international legal system which are pertinent to marketing, namely the philosophical basis of the law and the jurisdiction of these laws. The section also highlights the laws of other host countries that the exporting organisation should consider in taking export decisions.

2.4.4.1 Philosophical basis

“Philosophically, there are two types of legal systems, namely common law and code law. Common law is based on precedents and practices established in the past and interpreted over time whereas code law is based on detailed rules for all eventualities”, states Jain (1993:317). But why should exporting organisations bother to know these philosophies of law?

It is important for exporting organisations to be familiar with the legal system of a host country, for it frequently has far-reaching effects on all kinds of business decisions. The following quote shows how different legal systems affect business decisions. *“Right to a trademark in a common law country would depend on the history of the use of the trademark, that is, in a dispute, the party that actually used the trademark on its package and advertising campaign. According to the code law, however, the right to a trademark would be established based on which party actually registered the trademark”*, explains Jain (1993:317).

The quote above indicates the importance of understanding the legal system in a host country. Similarly, there are different legal interpretations regarding different areas of business.

2.4.4.2 Jurisdiction of laws

Jurisdiction of laws arises when there is a conflict between two contracting parties. The question may arise as to which country's law should be used to resolve the problem. If the contracted parties did not include a jurisdiction clause in the contract, then each organisation may choose to resolve the problem using the laws of their country. Naturally this might lead to different conclusions if the two countries have different legal systems.

It is therefore in the interest of the exporting organisation to understand the jurisdiction of the laws so that it chooses to contract using the most favourable law. There are many other laws which an exporting organisation should consider when making export decisions. These laws are not discussed in this report, but mentioned here. Exporting organisations should make efforts to know more about tariff law, antidumping law, export/import licensing, restrictive-trading laws and any other law peculiar to a host country, which may have an effect on the business of a foreign organisation.

2.4.5 Conclusion

This section focused on the major components of the international environment as they have a bearing on the marketing efforts of an exporting organisation. The discussion was centered on economic, political, sociocultural and legal environments. Although each was discussed separately, each might also interact with one or more of the others. Exporting organisations should be able to link different environments in their analysis of the international environment. For example, poverty is a sociocultural factor, but it might also be a result of political instability.

It is imperative that exporting organisations never forget that 'a business organisation is a product of its environment'.

2.5 Export marketing decision factors

2.5.1. Introduction

As already indicated in the previous section, export organisations are faced with a number of difficult challenging situations and decisions. Depending on the foreign market or country that has been selected, export organisations must gather information that will assist them in making export marketing decisions relating to products, pricing, channel of distribution, advertising and promotions. These export marketing decisions are discussed below.

2.5.2 Product decisions

According to Jain (1993:486), a product means “a bundle of attributes put together to satisfy a customer need”. Decisions about these products involve such issues as what product and product lines should be introduced in various foreign markets, to which extent should a product be adapted or modified to match local customs and characteristics, whether new products should be introduced, where research and development efforts should be concentrated, how products should be packaged, what brand policy to pursue, which after-sales services to offer and what guarantee the organisation should provide on its products. Also critical in product decision, is the level of branding and customer loyalty to existing competitors in the market.

The most important decision is whether to differentiate or standardise the products. In his book, *International Marketing: A strategic approach to world markets*, Majaro (1977:281) believes that the international marketer cannot escape from the fundamental decision – should he design a product which is standard for all the markets or should he match the product to the special needs and nuances of each market.

In taking this decision, the following should be taken into account:

- Corporate objectives - Profit maximisation regardless of international market penetration is more likely to strive towards product standardisation.

- The market and their needs – The nature of the product is to a large extent influenced by the special needs of the market place. The international product policy of the organisation should therefore take into account the real needs of the markets.
- Resources – In making a product differentiation or standardisation decision, the marketing manager must understand that differentiation is a fairly expensive exercise which involves a considerable investment in production resources, inventory, and in various ingredients of the marketing mix.

2.5.3 Pricing decisions

A number of major considerations should be studied carefully before laying down guidelines for the pricing policies for an organisation's international markets. The following should be considered in determining the organisation's pricing policy for international markets:

- Corporate objectives – a marketing manager must first know what the organisation wishes to achieve before determining a sound pricing policy for its products. The following two scenarios explain why corporate objectives are important in pricing decisions: In scenario one, an organisation may achieve a volume of profits by catering for a small number of consumers with a high quality product at a high price. In another scenario, an organisation may attain a substantial penetration of the market with a lower quality product at a lower price and yet achieve virtually the same amount of profit.

While the two extremes may be the same in terms of profit, they are totally different in terms of turnover, production load, and so on.

- Competition – This has a very big impact on the pricing policy of an international marketer. The competition can be so powerful that the marketer is virtually forced to follow the leadership of the major competitor in the market.

Flowing from the above discussion on the considerations for pricing policy, it is clear that marketing objectives has a direct impact on the pricing objectives of an organisation. The following marketing objectives are not discussed in detail in this management report, but are just noted as having a major impact on the pricing objectives:

- Return on investment,
- Market stabilisation
- Maintain and improve position
- Market penetration objectives.

2.5.4 Place/distribution decisions

It is essential for organisations which market their products internationally to find their way through the maze of channels that are available or that can be developed in each market. Naturally, the organisation has to identify the best market opportunities, determines distribution channels and then seeks to recommend locations for manufacturing facilities that could best serve the marketing objectives. Organisations which are involved in international markets have a number of options or a combination of different options to choose from in selling their products to foreign markets. The major distribution channel options are retailers, wholesalers, agents and direct selling to consumers.

2.5.5 Promotion decisions

Promotion decisions involve choosing different communication tools for different product markets. Majaro (1977:162) defines the word communication as simply meaning “the transmission of a message, to the buyer or the consumer or the channel distribution, in which the supplier, or company aims to tell each of these receivers why they should buy or handle his product”.

Advertising, sales promotions, publicity and personal selling are some of the communication tools available to an organisation. The organisation may choose

from a wide range of advertising, sales promotion and publicity mechanisms to promote its products.

The main emphasis of communication, depending on the life cycle of the products, is to:

- Raise awareness about the organisation's products;
- Provide consumers with knowledge about its products;
- Create a liking and preference for the organisation's products; and
- To convince consumers to buy or purchase the products of the organisation.

All the elements of the marketing mix discussed above are equally important for an organisation to achieve its marketing objectives. Corporate objectives are an important consideration in making decisions on all the elements of the marketing mix.

Having briefly discussed export management and factors that should be considered, a step-by-step approach is now undertaken in designing a strategic export marketing plan for the South African textile and clothing industry, with the focus on wool and mohair clothing to the American market. This strategic export marketing plan begins with the overview of the South African textile and clothing industry, including the vision of the DTI on exporting clothing to the American market. The second step looks at the historical performance of the textile and clothing industry with regard to its contribution towards exports. Step three looks at the strengths, weaknesses, opportunities and threats of exporting wool and mohair clothing to the American market while in step four a market or pipeline mapping of the industry is performed. Steps five and six look at the market attractiveness factors for the South African textile and clothing industry and critical success factors of the American market. Steps seven to ten analyse the market and determine the most attractive markets and the marketing objectives for each market and make recommendations on the improvement or penetration of the market. A marketing strategy is designed for each

attractive market and intervention actions are recommended for various stages of the pipeline.

CHAPTER 3 OVERVIEW OF THE SOUTH AFRICAN CLOTHING AND TEXTILE INDUSTRY

The South African clothing sector is dominated by a small number of large retail groups, each comprising a number of chains focusing on different consumer groups and operating in various subsectors of the clothing, footwear, textile, and accessories (CFTA) market. Thus the clothing retail sector is extremely concentrated with about five leading retail groups. The suppliers of garments to retailers on the other hand, are also concentrated in Gauteng, the Western Cape, Eastern Cape and KwaZulu-Natal. Some of these suppliers use cut, make and trim (CMT) operators, who are mainly small and medium size enterprises with limited business skills. The role of the CMT operators is largely to cut, assemble and complete garments using fabrics and patterns provided by the suppliers. The value chain in the textile and clothing industry begins with the farmers who produce the wool, cotton, and other raw materials. These products go through different stages in the pipeline until they become finished goods like suits, dresses, etc. to be consumed by the end users.

The industry has been faced with a number of challenges for a number of years. One such challenge is the advent of cheaper legal and illegal import substitutes that has crippled both the clothing and the textile sectors. There also have been labour issues which have brought the clothing federation and SACTWU (a prominent workers union) at loggerheads. One of the prominent labour issues is the price of labour. The situation has improved with the recent agreement by federations and unions to draft a transformation charter for the industry. The other challenge is the lack of a strong relationship between clothing producers and the textile mills. Manufacturers often accuse the textile mills of inefficiencies that cause the delay in production.

Despite these challenges and the adverse market conditions and the threat of competitive and illegal imports, the South African textile and clothing industry produces high quality products for the local and international markets, with the

successful increase in overall exports of many niche and commodity products. The following overview is adopted from Africa Business Direct's website (2001): "South Africa is a major producer of wool fibres, of which the majority is exported. The textile industry is South Africa's sixth largest employer in the manufacturing sector and the eleventh largest exporter of manufactured goods. There are about 400 textile manufacturers, including hosiery, knitted clothing, spinning, weaving, finishing and industrial textiles. These comprise a small group of major producers and hundreds other concerns, many of which are situated in the Eastern and Western Cape regions and KwaZulu-Natal. Approximately 56 000 people are employed in textiles, 11 100 in knitting and 12 500 in clothing. These employment figures have shown constant decreases over the past few years. Formal employment in the clothing industry is estimated at around 70 000, having shown regular declines since 1993. Employment in the footwear sector dropped by 16% during 1999 and a further 12,5% in 2000 to around 11 100 in 2001. This has been attributed to constant decreases in production, which dropped by 13,5% during 1999, and a further 10,2% in 2000. The formal employment has declined in employment and production figures, but a thriving informal sector may have absorbed some of the employees. The South African textile and clothing market is characterised by sophisticated consumer demands, but low overall consumption levels. Import values still exceed those of exports in textile and footwear, while clothing manufacturers have maintained a fairly equal balance by value. Imports in 2000 amounted to around R1billion, while exports amounted to approximately R1, 3billion. Clothing production by volume currently exceeds that of textile. Major export categories include men's woven cotton trousers, woven knitted cotton blouses, men's woven woolen suits and men's knitted cotton shirts."

3.1 Products

The clothing and textile industry produces a wide range of products. The following are the major categories of products produced by this industry:

- Household textile
- Clothing for men, women and children

- Footwear and accessories.

Clothing products are divided into cotton, fibre, wool and mohair products. This management report focuses on different wool and mohair clothing for male and female.

3.2 Mission statement of the South African clothing and textile industry: DTI's perspective

The DTI's perspective of the South African clothing and textile industry's mission is "to provide value-adding goods (clothing) and services to the clothing and textile retail customers. The use of the state-of-the-art technology and the continuous improvement in the pipeline allow us to supply quality goods at fair prices, therefore satisfying our customers, employees and all other investors" (Van der Wall. 2003).

The above mission statement is rewritten to give focus to the foreign market.

- **Primary market**

The South African textile and clothing industry provides the best quality clothing to both the local and foreign markets.

- **Primary customer service**

The South African textile and clothing sector offers good quality, fashionable and trendy clothing at all times.

- **Primary product**

The South African textile and clothing sector provides trendy and variety of wool and mohair clothing for male, female and children.

- **Technology**

The South African textile and clothing sector utilises the best applications to ensure that information about changes in customer tastes and needs is available and understood at all times.

3.3 Vision of the industry

The vision of the South African textile and clothing industry is “to become the leading exporter of wool and mohair clothing to the American market. This will be achieved by providing the best quality product at reasonable prices” (Van der Wall. 2003).

3.4 Industry analysis

The industry analysis for wool and mohair clothing is focused on a market segment defined by income, character or lifestyle of the customer, particularly age group and fashion demands. The American market is segmented as follows:

Table 3.1 - Industry analysis

PRODUCTS	MARKETS		
	Men	Women	Teenagers
Clothing	<ul style="list-style-type: none"> • Casual dressers • Intimates 	<ul style="list-style-type: none"> • Fashion leaders • High fashion taste • Fun seekers 	<ul style="list-style-type: none"> • Adventurers • High fashion taste • Fun seekers • Fashion leaders
Textile			
Footwear			

Source: Van der Wall (June 2003)

CHAPTER 4: HISTORICAL PERFORMANCE OF THE SOUTH AFRICAN CLOTHING AND TEXTILE INDUSTRY

The performance of the South African textile and clothing sectors has improved in recent years. Africa Business Direct's website (2001) states that "after the declining figures following the 1998/99 recession, the local market was slow in 2000 as retailers felt the impact of changing spending patterns with the introduction of the Lotto, legalisation of gambling and increasing cellphone expenditure". The review of industrial performance by the Department of Trade and Industry in the first quarter of 2002, found that while the export outlook is positive, the clothing and textile sectors are under severe pressure domestically. Higher interest rates and a depressed domestic market, combined with increased import penetration, accounted for the poor growth performance over the period 1998 to 2001. Both sectors saw a decline in real value added performance over the same period. There have also been deep cutbacks in factory employment.

Even though the business confidence in the clothing and textile sectors has been rising since 2001, it continues to be lower than other sectors. As a result, the South African textile and clothing industry has substantially increased their export orientation, making the industry less dependent on domestic demand. According to Africa Business Direct's website (2001), "the implementation of AGOA and the Free Trade Agreement with European Union has led to a growth in exports, increasing by 60% in 1999 and a further 36% in 2000".

According to the Export Council for Clothing Industry (ECCI), as quoted by Bharat Textile News (2002), clothing exports to the USA have risen by 151% since the year 2000. Bharat Textile News' website (2001) states that "clothing exports to the USA market has grown by 42% from R445,1million in 2000 to R648,8million in 2001. In the month of July 2001 alone, clothing exports to the USA fetched a total of R128,4million of which 8% (R10million) of that came directly through the Africa Growth and Opportunity Act (AGOA). Clothing exports to European Union countries in the year

2000 fetched a total R222million and the Great Britain was the largest taking up to 83% of these exports”.

While the export figures for 2002 have not yet been confirmed, the Export Council for the Clothing Industry reported the estimated exports to be worth R2billion.

In 2002, the ratio of exports to production in clothing, textile and leather goods was 20,37. This indicates an improvement of 7% from 18,94% in the previous year.

The information provided above clearly indicates that the South African textile and clothing industry is an active participant in the international market. The question that has to answered is what have been the strategic drivers or stimulants for the continuously improving exports activities.

The growth in the export-clothing sector has influenced the gross domestic product to grow at an annualised rate of 2,5% in the last quarter of 2001.

Strategic drivers

- The boom in exports is largely due to the European Union agreement and the Africa Growth and Opportunity Act (AGOA). AGOA is an American aid programme which relaxes the rules relating to access to American markets for participating countries.
- The Duty Credit Certificate Scheme (DCCS) under which manufacturers use export credits to pay for customs duties on materials imported for domestic market also plays a role.
- The Export Marketing and Investment Assistance (EMIA) scheme partially compensates exporters for costs incurred in respect of activities at developing exports markets for South African products and services and to recruit new foreign investments into South Africa.

CHAPTER 5 SWOT, MARKET, PRODUCT AND COMPETITOR ANALYSIS

This chapter evaluates the results of the marketing research conducted for the South African clothing industry with regard to its internal and external environment, consumer behaviour, product positioning and how it performs against its competitors.

According to Kotler (2000:76), SWOT analysis is “the overall evaluation of a company’s strengths, weaknesses, opportunities and threats”. A SWOT analysis therefore represents a summary of internal strengths and weaknesses as they relate to external opportunities and threats. These analysis assist the organisation to focus on trends and developments that affect the organisation. The most important question that results from the analysis is whether the organisation should limit itself to the opportunities for which it possesses the required strengths or should it consider better opportunities where it might have to acquire or develop certain strengths. This question is answered in Chapters 10 and 11 of this management report.

Consumer behaviour is influenced by cultural, social, personal and psychological factors. Market analysis therefore establishes the factors that influence the purchasing or buying behaviour of consumers of wool and mohair clothing products in United States of America.

In a product analysis, the current marketing position of South African wool and mohair clothing products is evaluated against that of the competitors in the America market.

Competitor analysis evaluates the organisation’s key strengths and weaknesses against the same key areas of the competitor.

5.1 SWOT ANALYSIS

This section focuses on analysing the strengths and weaknesses of the South African industry as well as the opportunities and threats in the market.

5.1.1 Internal environment analysis (Analysis of strengths and weaknesses)

Table 5.1- Internal environment analysis: Indirect exporters (Suppliers/Manufacturers)

INCIDENCES	PERFORMANCE		IMPORTANCE	IMPACT
	STRENGTHS	WEAKNESSES		
Good relationship with retailers	7		8	56
Quality products/fabrics	7		9	63
Capacity for big orders and delivery	6		7	42
Proximity: Strategic geographic areas	5		4	20
Export management skills		7	5	35
Originality of design		7	9	63
Facilities		6	5	30
New capital investment		6	7	42
Dedicated employees		6	7	42

Source: Author

Table 5.2- Internal environment analysis: Indirect exporters (CMT Operators)

INCIDENCES	PERFORMANCE		IMPORTANCE	IMPACT
	STRENGTHS	WEAKNESSES		
Good relationship with manufacturers	7		8	56
Quality products	7		9	63
Customer satisfaction	6		7	42
Capacity for big orders and delivery		6	6	36
Proximity: Strategic geographic areas		5	4	20
Facilities		6	5	30
Export management skills		6	7	42
Financial stability		6	7	42

Source: Author

Table 5.3 - Internal environment analysis: Direct Exporters (Retailers)

INCIDENCES	PERFORMANCE		IMPORTANCE	IMPACT
	STRENGTHS	WEAKNESSES		
Good relationship with suppliers	7		8	56
Export management skills	7		8	56
Financial Stability	7		6	42
Quality of clothing products	8		8	64
Pricing effectiveness	6		6	36
Government support for export initiatives	7		7	49
Reputation of SA products in foreign markets		6	6	36
Promotion effectiveness		5	5	25
Market share in foreign markets		6	5	30

Source: Author

5.1.2 External environment analysis (Opportunities and threats)

This section highlights key opportunities and threats, as well as their impact on South African clothing exporters. The rate of 1-10 is used to determine the impact of both the opportunities and threats on the business. Success probability and the level of the attractiveness of the opportunity determine the impact that the opportunity has on the business while occurrence probability and the seriousness of the threat determine the impact of the threat on the business.

Table 5.4 - External environment analysis: Indirect Exporters

INCIDENCES	OPPORTUNITIES			THREATS		
	Success probability	Attractiveness	Impact	Occurrence probability	Seriousness	Impact
Implementation of Africa Growth and Opportunity Act (AGOA)	8	8	64			
SA Government exports initiatives and support for exporting initiatives	8	7	56			
Economic conditions	7	7	49			
Illegal imports of raw materials				6	6	36
Competition from lower cost garments and fabrics				7	8	56
Price of labour				5	6	30
Creation of an informal sector (hawkers)				5	4	20

Source: Author

Table 5.5 - External environment analysis: Direct Exporters

INCIDENCES	OPPORTUNITIES			THREATS		
	Success probability	Attractiveness	Impact	Occurrence probability	Seriousness	Impact
Implementation of American Growth and Opportunity Act (AGOA)	8	8	64			
SA Government exports initiatives and support for exporting initiatives	8	8	64			
Economic conditions in local and USA market	7	7	49			
The erosion of trade barriers between USA and South Africa	8	6	48			
Stiff competition from other countries in the USA market				7	6	42
Additional markets entrants				7	5	35
Low prices by retailers from other countries				7	6	42
Market instability due to political differences between SA and USA regarding the war in Iraq				5	7	35

Source: Author

5.2 MARKET ANALYSIS

The textile and clothing industry in the United States of America can be analysed by looking at the factors influencing consumer behaviour, namely cultural factors, social factors, personal factors, psychological factors and political factors. The factors are shown in the following matrix.

Table 5.6 - Market analysis

FACTORS	CHARACTERISTICS			
Cultural factors	High income	Middle income	Urban concentrated	
Social factors	Status-orientated	Less family influenced		
Personal factors	Younger to middle-aged individuals	Young professional people	Fashion leaders	Self assured individuals
Political factors	Political beliefs have no influence on consumer behaviour			
Psychological factors	Based on psychogenetic needs	Status-orientated		

Source: Van der Wall (June 2003)

The buying behaviour of clothing consumers can be categorised as follows:

Table 5.7 - Buyer behaviour

	High involvement	Low involvement
Significant differences between brands	Complex buying behaviour	Variety-seeking behaviour
Few differences between brands	Dissonance - reducing buying behaviour	Habitual buying behaviour

Source: Adapted from Kotler (2000: 176)

The clothing consumers in the United States of American are divided into two. There are those consumers with variety-seeking behaviour, thus seeing significant differences between brands and having a low involvement in the purchase of a particular clothing item. These are mostly the high-income earners who are also status-orientated.

The other group is customers who act as dissonance-reducing buyers, thus seeing few differences between brands and having a high involvement in the purchase of a particular clothing item. These are mostly the middle-income earners.

The buying decision process of American consumers in the clothing sector can be illustrated as follows:

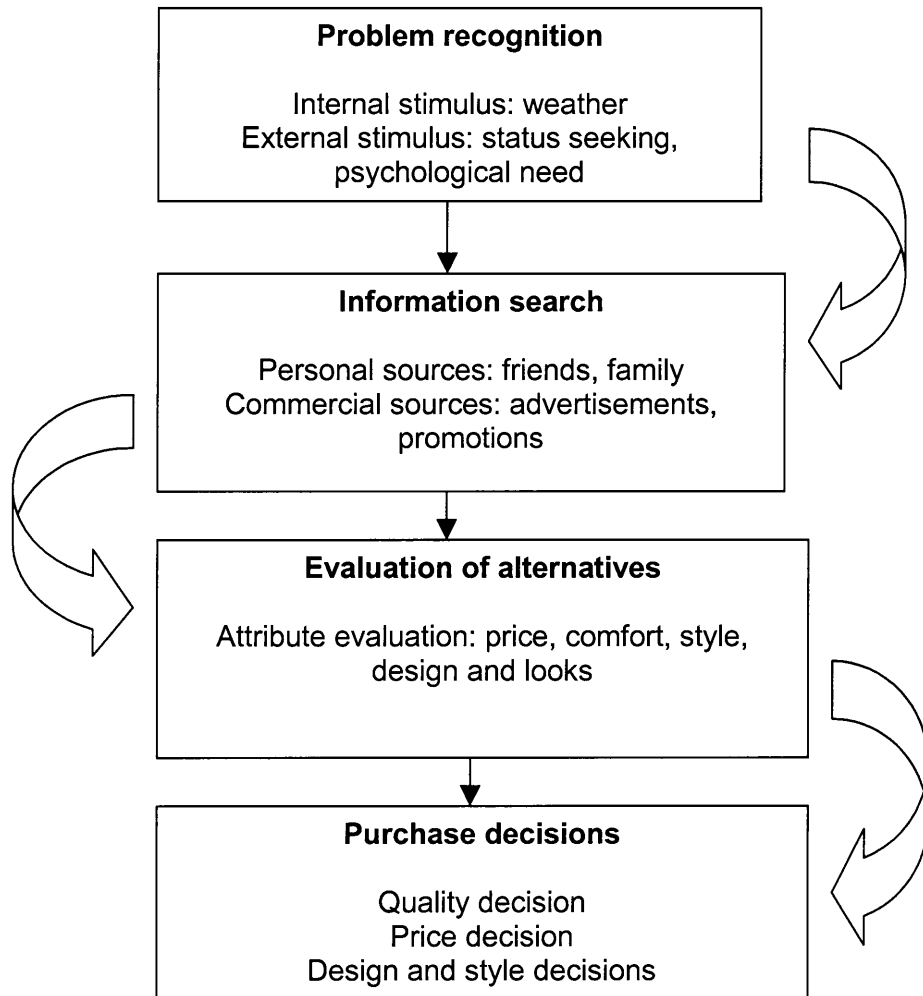


Figure 5.1 - Buyer decision-making process
Source: Adapted from Kotler (2000:179)

5.3 COMPETITOR ANALYSIS

The South African clothing competitors in the United States of America can be categorised as follows:

Table 5.8 - Classes of competition

COMPETITORS	EXPLANATION
International exporters	These refer to other countries that export clothing products to the USA market. Examples: Italy, Brussels and China.
AGOA participating countries	Countries participating in AGOA are mostly African countries. Example: Mauritius. These countries are separately classified as they enjoy the same benefit under the Africa Growth and Opportunity Act as South Africa.
USA-based suppliers	Local suppliers of clothing products in the USA pose a serious competitive threat to exporters, as they understand the USA market characteristics and consumer behaviour much better than the exporters.

Source: Author

The approach to choose competitors is as follows:

- Clothing export figures in the United States of America are analysed and leading export countries with the highest figures are then considered as the major competitors.
- One AGOA participating country is chosen as a major competitor based on the degree to which the clothing sector of that country has implemented and responded to AGOA. With AGOA only being enacted in the year 2000, most countries in Africa have not yet effectively responded to it.

- The group of USA-based suppliers of clothing products to the American consumer market is regarded as competitors. The entire group is regarded as a competitor and no specific company is isolated as a major competitor.

According to Export Council for Clothing Industry, Asian countries exported clothing products to the United States of America to the total value of \$23 669 000 and Mexico exported to the value of \$8 413 000 in the year 2000. In AGOA participating countries, Mauritius seems to be far ahead of other countries.

The table below depicts variables and the relative positioning of South African clothing exporters against the chosen competitors.

Table 5.9 - Competitor analysis: Asian countries and Mexico

COMPETITORS							OWN		
	Asian countries			Mexico			SA clothing exporters		
	Performance	Importance	Impact	Performance	Importance	Impact	Performance	Importance	Impact
Quality	5	8	40	5	8	40	57	8	40
Price	7	7	49	6	7	42	6	7	42
Variety	7	8	56	7	8	56	7	8	56
Delivery capacity/ Accessibility	6	7	42	7	7	49	6	7	42

Source: Author

Table 5.10 - Competitor analysis: Mauritius and American-based companies

COMPETITORS							OWN		
	American-based companies			Mauritius			SA clothing exporters		
	Performance	Importance	Impact	Performance	Importance	Impact	Performance	Importance	Impact
Quality	6	8	48	4	8	40	7	8	56
Price	7	7	49	5	7	35	6	7	42
Variety	7	8	56	5	8	40	7	8	56
Delivery capacity/ Accessibility	9	7	63	5	7	35	6	7	42

Source: Author

- The values attached in the table above reflect the level of importance and performance. Looking at the above competitor analysis closely, it is clear that South African clothing exporters do not have any clear-cut competitive advantage over their competitors, but does compare favourably in price, variety, quality and delivery capacity.

5.4 PRODUCT ANALYSIS

The South African clothing sector is currently in transition from entry to the development phase in the United States of America's export market. The introduction and the implementation of AGOA have enormous influence on both the entry and the development phase. The reduction of cost associated with exporting to America will allow South African exporters to increase its spending on promotions, research and development, which will augur well for the successful penetration of the American market.

The current positioning of the South African clothing sector in comparison with its competitors is depicted in Figure 5.2.

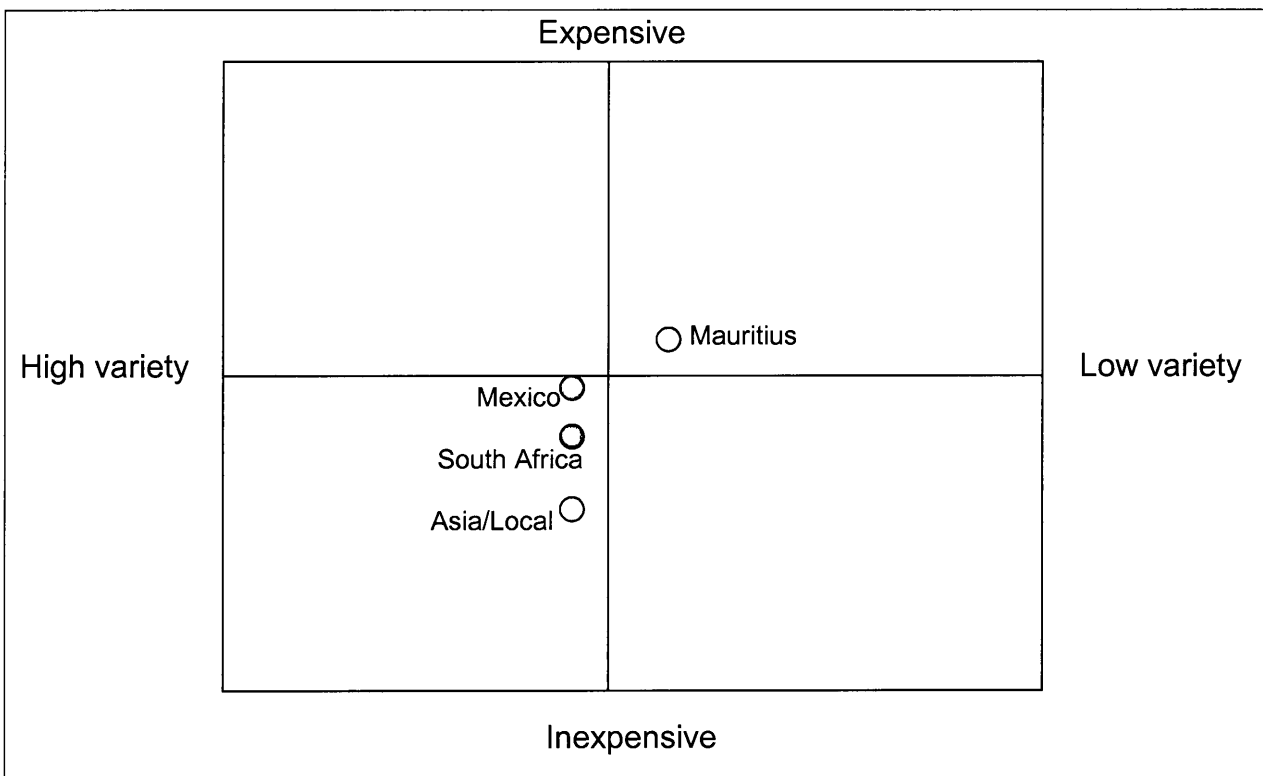


Figure 5.2 - Product analysis

Source: Author

The South African brand of clothing is not yet entrenched in the American market as it is still in the development phase. The competitors' brands are also not highly entrenched.

CHAPTER 6 MARKET MAPPING

“A market map defines the distribution and the value chain between suppliers and the end user, taking into account the various buying mechanisms found in the market”, says McDonald (1999:112). In this case, the map is looking at distribution channels between South African exporters of clothing garments and end users in the American market.

South African clothing exports in America, wool and mohair in particular, are aimed at male and female, young and old, who are either middle-income earners or high-income earners.

The mapping of South African clothing garments to the American market is shown in Table 6.1. The mapping in table 6.1 further indicates the age, gender, income group and the race of consumers, as well as the different intermediaries or distribution channels used by consumers.

6.1 Market mapping

Table 6.1 - Market mapping

SEGMENTATION VARIABLES	INTERMEDIARIES	SPECIFICATION
Demographics <ul style="list-style-type: none"> • Age • Gender • Income • Race 	<ul style="list-style-type: none"> • Retail shops (e.g. Woolworths) • Boutiques • Catalogue (Mail orders) • Independent retailers (e.g. Cookies) 	21 - 35 yrs 35- 45 yrs 45 – 60 yrs Male Female Medium-high income Low-middle income Black White
Psychographic <ul style="list-style-type: none"> • Personality 	<ul style="list-style-type: none"> • Retail shops (e.g. Woolworths) • Boutiques • Catalogue (Mail orders) • Independent retailers (e.g. Cookies) 	Ambitious, strivers, weather, status, fashion seekers
Behavioural <ul style="list-style-type: none"> • Benefits 	<ul style="list-style-type: none"> • Retail shops (e.g. Woolworths) • Boutiques • Catalogue (Mail orders) • Independent retailers (e.g. Cookies) 	Quality, Value for money

Source: Van der Wall (June 2003)

6.2 Market segmentation

A market segment consists of a large identifiable group with similar wants, purchasing power and buying attitudes or habits. Figure 6.1 identifies a distinct group of buyers who require wool and mohair garments.

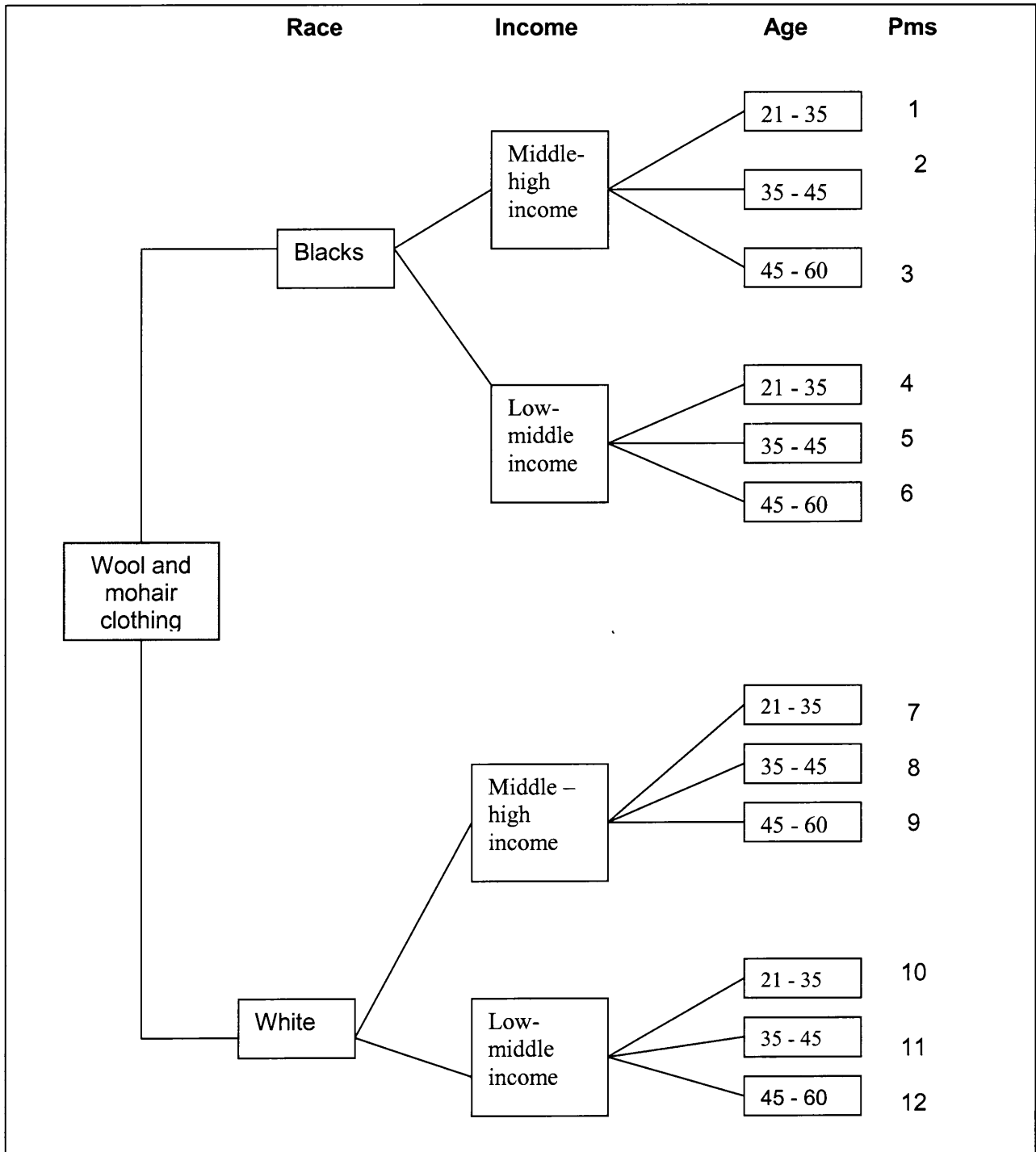


Figure 6.1 - Market segmentation
Source: Author

6.3 List of product markets

Product markets refer to the segments of the market that have been identified as relevant to the products of the organisation. Table 6.2 lists all the product markets, which are served by imported wool and mohair garments from South Africa. Critical success factors and the marketing mix of each product market will be presented in the subsequent chapters.

Table 6.2 - List of products markets

Names of product markets	
PM 1	Wool and mohair clothing black medium-high income 21-35
PM 2	Wool and mohair clothing black medium-high income 35-45
PM 3	Wool and mohair clothing black medium-high income 45-60
PM 4	Wool and mohair clothing black low-medium income 21-35
PM 5	Wool and mohair clothing black low-medium income 35-45
PM 6	Wool and mohair clothing black low-medium income 45-60
PM 7	Wool and mohair clothing white medium-high income 21-35
PM 8	Wool and mohair clothing white medium-high income 35-45
PM 9	Wool and mohair clothing white medium-high income 45-60
PM 10	Wool and mohair clothing white low-medium income 21-35
PM 11	Wool and mohair clothing white low-medium income 35-45
PM 12	Wool and mohair clothing white low-medium income 45-60

Source: Author

CHAPTER 7 MARKET ATTRACTIVENESS FACTORS

McDonald (1999:194) defines market attractiveness as “a measure of the potential of the market place to yield growth in sales and profits”. Market attractiveness factors are therefore those factors that make the market attractive to the organisation.

A study titled the *International Competitiveness and Value Chains in Selected Manufacturing Sectors: Analysis of textile buyers demands* conducted in December 1999 by Reid (1999:6) states the following: “ A high proportion of firms in the manufacturing survey indicated that between 1994 and 1998 they have been compelled to restructure the proportion of output that goes towards primary markets.” Some of the factors that were responsible for this change are:

- Increase in market demand
- Increase in the level of competition
- The changing materials and design specifications of products
- Illegal goods
- Decreasing demand for products

The following are the market attractiveness factors for the South African clothing sector in the American market:

- Growth potential
- Government interventions to promote exporting in the sector
- Creativity and innovativeness due to increasingly changing customer tastes and fashion trends
- Price sensitivity
- Entry barriers

The weighting of the above factors is shown in Table 7.1.

Table 7.1 - Market attractiveness factors: Weighting

Market attractiveness factors	Weighting
Growth potential	35%
Government intervention	5%
Creativity and innovativeness	25%
Price sensitivity	25%
Entry barriers	10%

Source: Author

The scale of 1-10 is used to evaluate the potential of each product market against the competitors. For the organisation to arrive at a decision on the attractiveness of each market as shown in tables 7.3 to 7.5, each factor is rated from 1 (very unattractive) to 10 (very attractive).

Table 7.2 – Market attractiveness factors: Legends

Market attractiveness factors	1-3	4-7	8-10
Growth potential	Low	Medium	High
Creativity and innovativeness	None	Medium	High
Price sensitivity	Low	Medium	High
Entry barriers	Low	Medium	High

Source: Author

Summary of Market Attractiveness Factors

The following is a summary of the factors that the South African textile and clothing industry considers attractive in the American consumer market:

- Growth potential – the South African clothing and textile industry is interested in a profitable market that has potential to grow and be able to sustain itself.
- Creativity and innovativeness - The South African exporters are also encouraged by the level of creativity and innovativeness required in meeting the ever-changing needs of the American customers. Flexibility in the market allows new products to gain grounds.
- Price sensitivity – The South African clothing sector would like to differentiate the American market through pricing.
- Entry barriers – Due to fierce competition and high standards required for success in the American market, entry to that market is not easy. The South African clothing sector will be able to break the barriers through quality products and affordable prices.

In tables 7.3 to 7.5, the market attractiveness of the different product markets is shown.

Table 7.3 - Market attractiveness factors: Product markets 1- 4

MAF	Weight	PM 1	PM 2	PM 3	PM 4
Growth potential	35%	9/10 = 315	8/10 = 280	6/10 = 210	9/10 = 315
Creativity and innovativeness	25%	8/10 = 200	8/10 = 200	7/10 = 175	8/10 = 200
Price sensitivity	25%	6/10 = 150	6/10 = 150	8/10 = 200	9/10 = 225
Entry barriers	15%	6/10 = 90	6/10 = 90	4/10 = 60	6/10 = 90
Total	100	755	720	645	830

Source: Author

Table 7.4 - Market attractiveness factors: Product markets 5 –8

MAF	Weight	PM 5	PM 6	PM 7	PM 8
Growth potential	35%	8/10 = 280	7/10 = 245	8/10 = 280	8/10 = 280
Creativity and innovativeness	25%	7/10 = 175	5/10 = 125	8/10 = 200	7/10 = 175
Price sensitivity	25%	8/10 = 200	9/10 = 225	6/10 = 150	6/10 = 150
Entry barriers	15%	6/10 = 90	5/10 = 75	6/10 = 90	6/10 = 90
Total	100	745	670	720	695

Source: Author

Table 7.5 - Market attractiveness factors: Product markets 9 -10

MAF	Weight	PM 9	PM 10	PM 11	PM 12
Growth potential	35%	6/10 = 210	8/10 = 280	7/10 = 245	6/10 = 210
Creativity and innovativeness	25%	5/10 = 125	7/10 = 175	6/10 = 150	5/10 = 125
Price sensitivity	25%	8/10 = 200	7/10 = 175	7/10 = 175	8/10 = 200
Entry barriers	15%	6/10 = 90	7/10 = 105	7/10 = 105	5/10 = 75
Total	100	625	700	675	610

Source: Author

CHAPTER 8 CRITICAL SUCCESS FACTORS

Critical success factors represent the perceptions of the buyers on what is important to them concerning the goods and/or services of the organisation. It is essential for an organisation to know these critical success factors and how well it compares with its closest competitor when measured against these factors. Weighting factors are therefore distributed to each critical success factor according to their relative importance to each product market. Tables 8.2 to 8.13 show how the South African clothing industry performs against its competitors for each product market.

8.1 Consumer market

The following legends are used to score the South African clothing and textile industry over other competing countries in the American consumer market. Research conducted on the consumer market in the United States of America dictates that the factors listed below are important for the success of the South African clothing industry in the American market.

Table 8.1 - Critical success factors: Legends

CSF	1-3	4-7	8-10
Product quality	Poor	Average	Good
Competitive price	Poor	Average	Good
Product design	Poor	Average	Good
Fabric	Poor	Average	Good

Source: Van der Wall (June 2003)

The above factors are used to determine the relative strengths and/or relative weaknesses of the South African sector over its competitors.

Table 8.2- Critical success factors: Product market 1

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	35	6/10 = 210	5/10 = 175	6/10 = 210	6/10 = 210	6/10 = 210
Price	15	7/10 = 105	6/10 = 90	4/10 = 60	7/10 = 105	7/10 = 105
Product design	25	5/10 = 125	5/10 = 125	5/10 = 125	7/10 = 175	6/10 = 150
Fabric	25	5/10 = 125	5/10 = 125	5/10 = 125	5/10 = 125	6/10 = 150
Total	100	565	515	520	615	615

Source: Author

Relative strength: $615/615 = 1.00$

Table 8.3 – Critical success factors: Product market 2

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	40	6/10 = 240	5/10 = 200	6/10 = 240	7/10 = 280	7/10 = 280
Price	20	7/10 = 140	6/10 = 120	4/10 = 80	6/10 = 120	5/10 = 100
Product design	20	5/10 = 100	5/10 = 100	5/10 = 100	5/10 = 100	5/10 = 100
Fabric	20	5/10 = 100	5/10 = 100	5/10 = 100	5/10 = 100	7/10 = 140
Total	100	580	520	520	600	620

Source: Author

Relative strength: $620/600 = 1.03$

Table 8.4 – Critical success factors: Product market 3

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	30	7/10 = 210	6/10 = 180	6/10 = 180	5/10 = 150	7/10 = 210
Price	30	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180
Product design	25	5/10 = 125	7/10 = 175	6/10 = 150	5/10 = 125	6/10 = 150
Fabric	15	6/10 = 90	6/10 = 90	5/10 = 75	6/10 = 90	6/10 = 90
Total	100	605	625	585	545	630

Source: Author

Relative strength: $630/625 = 1.008$

Table 8.5 – Critical success factors: Product market 4

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	25	6/10 = 150	6/10 = 150	6/10 = 150	6/10 = 150	6/10 = 150
Price	35	6/10 = 210	5/10 = 175	5/10 = 175	6/10 = 210	6/10 = 210
Product design	25	5/10 = 125	6/10 = 150	6/10 = 150	7/10 = 175	7/10 = 175
Fabric	15	5/10 = 75	6/10 = 90	6/10 = 90	5/10 = 75	6/10 = 90
Total	100	560	565	565	610	625

Source: Author

Relative strength: $610/610 = 1.02$

Table 8.6 – Critical success factors: Product market 5

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	30	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180
Price	35	6/10 = 210	6/10 = 210	6/10 = 210	7/10 = 245	6/10 = 210
Product design	25	6/10 = 150	5/10 = 125	6/10 = 150	5/10 = 125	6/10 = 150
Fabric	10	5/10 = 50	6/10 = 60	6/10 = 60	5/10 = 50	6/10 = 60
Total	100	590	757	600	600	600

Source: Author

Relative strength: $600/600 = 1.00$

Table 8.7 – Critical success factors: Product market 6

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	35	7/10 = 245	6/10 = 210	6/10 = 210	5/10 = 175	6/10 = 210
Price	40	6/10 = 240	6/10 = 240	5/10 = 200	7/10 = 280	6/10 = 240
Product design	15	5/10 = 75	7/10 = 105	6/10 = 90	5/10 = 75	6/10 = 90
Fabric	10	6/10 = 60	6/10 = 60	5/10 = 50	6/10 = 60	6/10 = 60
Total	100	620	615	550	590	600

Source: Author

Relative weakness: $600/620 = 0.97$

Table 8.8 – Critical success factors: Product market 7

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	40	6/10 = 240	7/10 = 280	6/10 = 240	7/10 = 280	7/10 = 280
Price	20	7/10 = 140	6/10 = 120	6/10 = 120	8/10 = 160	6/10 = 120
Product design	20	7/10 = 140	7/10 = 140	7/10 = 140	6/10 = 120	6/10 = 120
Fabric	20	6/10 = 120	6/10 = 120	5/10 = 100	5/10 = 100	6/10 = 120
Total	100	640	660	600	660	640

Source: Author

Relative weakness: $640/660 = 0.97$

Table 8.9 – Critical success factors: Product market 8

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	40	6/10 = 240	7/10 = 280	6/10 = 240	7/10 = 280	7/10 = 280
Price	20	6/10 = 120	6/10 = 120	6/10 = 120	7/10 = 140	6/10 = 120
Product design	20	7/10 = 140	7/10 = 140	7/10 = 140	6/10 = 120	6/10 = 120
Fabric	20	6/10 = 120	5/10 = 100	5/10 = 100	5/10 = 100	5/10 = 100
Total	100	620	640	600	640	620

Source: Author

Relative weakness: $620/640 = 0.97$

Table 8.10 – Critical success factors: Product market 9

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	40	6/10 = 240	6/10 = 240	6/10 = 240	6/10 = 240	6/10 = 240
Price	30	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180
Product design	20	7/10 = 140	6/10 = 120	6/10 = 120	6/10 = 120	6/10 = 120
Fabric	10	6/10 = 60	6/10 = 60	6/10 = 60	6/10 = 60	7/10 = 70
Total	100	620	600	600	600	610

Source: Author

Relative weakness: $610/620 = 0.98$

Table 8.11 – Critical success factors: Product market 10

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	25	6/10 = 150	7/10 = 175	6/10 = 150	7/10 = 175	7/10 = 175
Price	30	7/10 = 210	6/10 = 180	6/10 = 180	7/10 = 210	6/10 = 180
Product design	25	7/10 = 175	7/10 = 175	7/10 = 175	6/10 = 150	7/10 = 175
Fabric	20	6/10 = 120	6/10 = 120	6/10 = 120	6/10 = 120	7/10 = 140
Total	100	655	650	625	655	670

Source: Author

Relative strength: $670/655 = 1.02$

Table 8.12 – Critical success factors: Product market 11

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	30	6/10 = 180	7/10 = 210	6/10 = 180	7/10 = 210	7/10 = 210
Price	35	6/10 = 210	6/10 = 210	6/10 = 210	7/10 = 245	6/10 = 210
Product design	20	7/10 = 140	7/10 = 140	7/10 = 140	6/10 = 120	7/10 = 140
Fabric	15	6/10 = 90	5/10 = 75	5/10 = 75	5/10 = 75	6/10 = 90
Total	100	620	635	605	650	650

Source: Author

Relative strength: $650/650 = 1.00$

Table 8.13 – Critical success factors: Product market 12

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	30	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180
Price	40	6/10 = 240	6/10 = 240	6/10 = 240	7/10 = 280	6/10 = 240
Product design	15	7/10 = 105	7/10 = 105	6/10 = 90	6/10 = 90	7/10 = 105
Fabric	15	6/10 = 90	6/10 = 90	6/10 = 90	6/10 = 90	6/10 = 90
Total	100	615	615	600	640	615

Source: Author

Relative weakness: $615/640 = 0.96$

8.2 American Intermediaries

The success of the South African clothing sector in the American market also depends, to a large extent, on the relationships it has with the intermediaries. The American clothing intermediaries consider the following factors important:

Table 8.14 - Critical success factors: American Intermediaries (Legends)

CSF	1-3	4-7	8-10
Product quality	Poor	Average	Good
Variety	Poor	Average	Good
Order size	Poor	Average	Good
Trims and findings (e.g. buttons)	Poor	Average	Good

Source: Van der Wall (June 2003)

The above factors are used to determine the relative strengths and/or relative weaknesses of the South African sector over its competitors.

Boutiques, retailers and independent retailers (e.g. Cookies) are the major intermediaries in the American clothing market. Table 8.15 presents how the South African clothing sector compares with its competitors on the factors considered important by the intermediaries.

Table 8.15 - Critical success factors: Intermediaries

CSF	Weight	Asia	Mexico	Mauritius	USA-based firms	South Africa
Product quality	30	5/10 = 150	6/10 = 180	6/10 = 180	6/10 = 180	6/10 = 180
Variety	20	7/10 = 140	6/10 = 120	6/10 = 120	6/10 = 120	7/10 = 140
Order size	15	7/10 = 105	7/10 = 105	6/10 = 90	7/10 = 105	7/10 = 105
Trims and findings (e.g. buttons)	15	6/10 = 90	5/10 = 75	5/10 = 75	5/10 = 75	5/10 = 75
Competitive prices	20	7/10 = 140	7/10 = 140	7/10 = 140	7/10 = 140	7/10 = 140
Total	100	625	620	605	620	640

Source: Author

Relative strength: $640/625 = 1.024$

8.3 Conclusion of critical success factors

The analysis of the above critical success factors indicates that the South African clothing sector compares reasonably well with other competitors in the American market. However, there is still room for improvement as South Africa is faced with a relative weakness in some products markets.

CHAPTER 9 PORTFOLIO SUMMARY, ASSUMPTIONS AND CORE ISSUES

Assumptions and Core Issues

The following assumptions and core issues are most likely to influence the marketing strategy of the product markets. The importance and the impact of the assumptions are quantitatively weighted on a scale of 1-10, 1 being least significant and 10 representing the most significant.

Table 9.1 - Assumptions

Assumptions	Importance (1)	Impact (2)	(1) X (2)
The decline in the value of the currency is likely to be a considerable direct impetus to exports.	4	6	24
Increasing inflation and the government policy response of raising interest rates will dampen the domestic demand and further encourage exports.	4	6	24
The growth in world economy will stimulate foreign demands of SA manufacturers.	7	7	49
Deteriorating political relations between SA and the USA due to differences in approaches to the war in Iraq.	7	8	56
Introduction of and enhancement of export promotion incentives will stimulate exports in the clothing sector.	7	6	42
One country with excellent fabric and design can monopolise the USA clothing industry and therefore create high entry barriers.	7	7	49
Advent of cheaper and illegal imports in the USA market may hamper the success of South African clothing products.	6	7	42

Source: Author

Even though most firms are optimistic about the future of South African clothing exports, the Department of Trade and Industry, through various researches, has identified some core issues that need to be taken into account in the development of a strategic export marketing strategy for the South African clothing industry.

Table 9.2 - Core issues

Core issues	Strategic	Tactical/ Structural
Experience on how to exploit more effectively the enhanced market access offered in terms of negotiated Foreign Trade Agreements (FTAs), and AGOA in particular.	X	
Delivery runs and the capacity to export in large quantities.		X
Adequacy of the available distribution channels		X
Inflexible price of labour in South Africa due to demands from the unions and the highly unionised South African workers.	X	X
Entrenchment of South African brand in the USA clothing industry.	X	
Communication between suppliers, designers, retailers, customers and marketing agents.	X	X

Source: Van der Wall (June 2003)

Portfolio summary

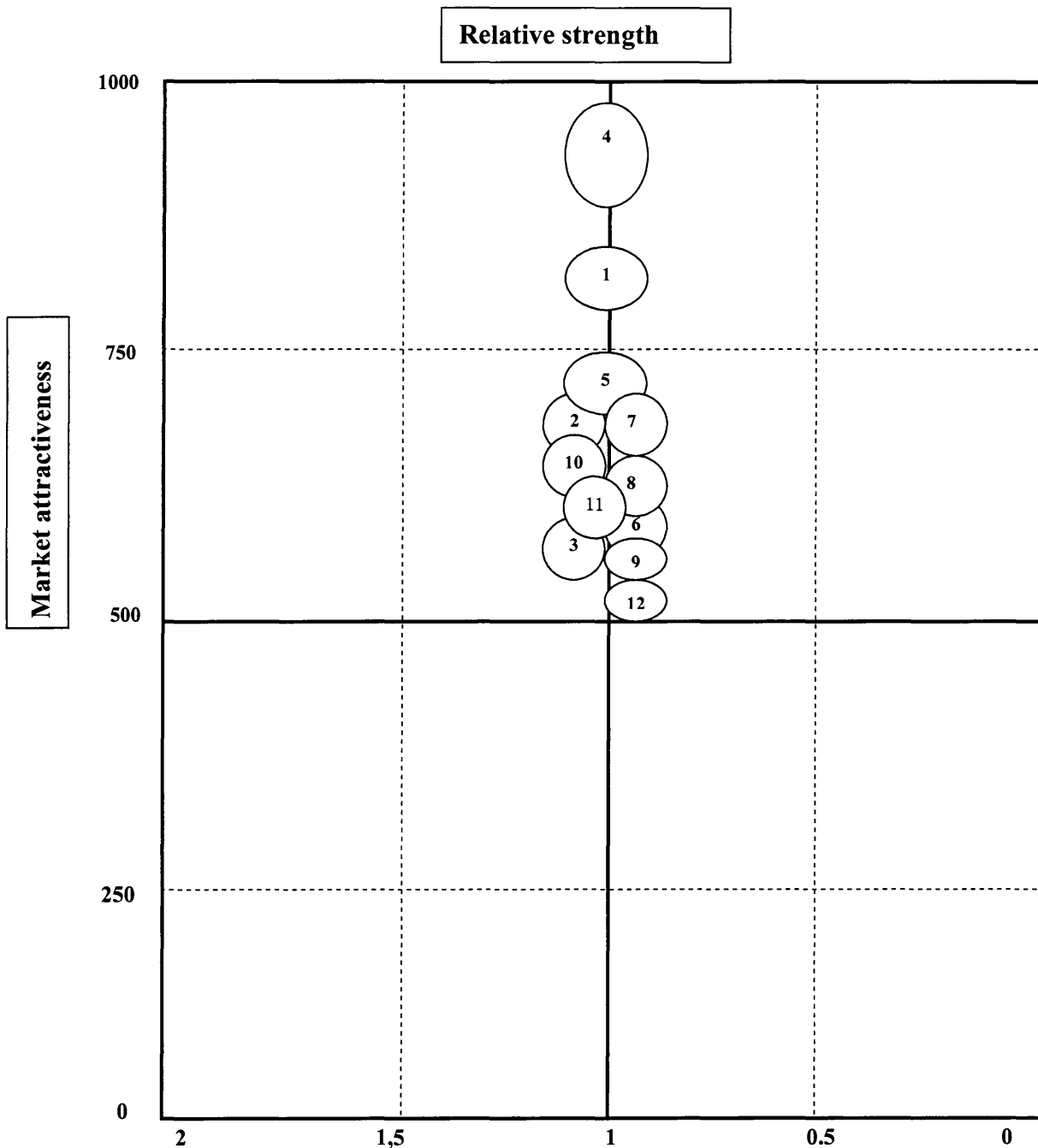


Figure 9.1 - Portfolio summary
Source: Van der Wall (June 2003)

Interpretation of the portfolio summary

- All product markets exhibit a lot of growth potential as they are all in the opportunistic and growth quadrants. Product market 4 has the highest contribution and product markets 2, 10 and 3 represent the markets that are already attractive and should therefore be promoted further.

CHAPTER 10 FINANCIAL AND MARKETING OBJECTIVES

10.1 Financial objectives

Financial objectives refer to what the organisation or the industry want to achieve in the next few years. After having analysed its weaknesses and strengths, as well as the threats and opportunities, the South African clothing industry plans to achieve the following financial objectives in the financial year 2004/2005:

Table 10.1 - Financial Objectives

Product markets	Exports/sales volume	Turnover R	Contribution to gross margin	Market share
PM 1	500 000	20 000 000	10%	10%
PM 2	450 000	18 000 000	10%	8%
PM 3	430 000	17 200 000	10%	10%
PM 4	450 000	18 000 000	10%	10%
PM 5	450 000	18 000 000	10%	10%
PM 6	500 000	20 000 000	8%	9%
PM 7	450 000	18 000 000	10%	9%
PM 8	400 000	16 000 000	6%	8%
PM 9	350 000	14 000 000	5%	6%
PM 10	450 000	18 000 000	10%	8%
PM 11	430 000	17 200 000	6%	6%
PM 12	350 000	14 000 000	5%	5%
TOTAL	5 210 000	208 400 000	100%	10%

Source: Van der Wall (June 2003)

The above financial objectives give effect to the marketing objectives which McDonalds (1999:245) define as “the quantification of what an organization sells (its products) and to whom (its market)”. Marketing objectives ensure that an organisation knows what its strategies are expected to accomplish and when a particular strategy has accomplished its purpose. The financial objectives set in table 10.1 above give a clear indication of what the industry plan to achieve in the

next financial year. The main marketing objectives of the wool and mohair segment are:

- To increase the overall wool and mohair exports by 20% over the next twelve months. This increase should be maintained for the next three years. There should also be corresponding increase in production volume to cover the increase in exports without compromising the local sales targets.
- Obtain and maintain a market share of 10% of the total market for wool and mohair clothing by the end of 2005 and maintain that level on a permanent basis.
- To increase new product items offered currently in order to increase the product depth.
- To increase the availability of products to the American market by increasing delivery capacity.

10.2 Marketing objectives by product market

The revised portfolio summary/matrix indicates the positioning planned for different product markets after taking into account the new financial and the marketing objectives. The size of the circle represents profit contribution.

Revised portfolio summary

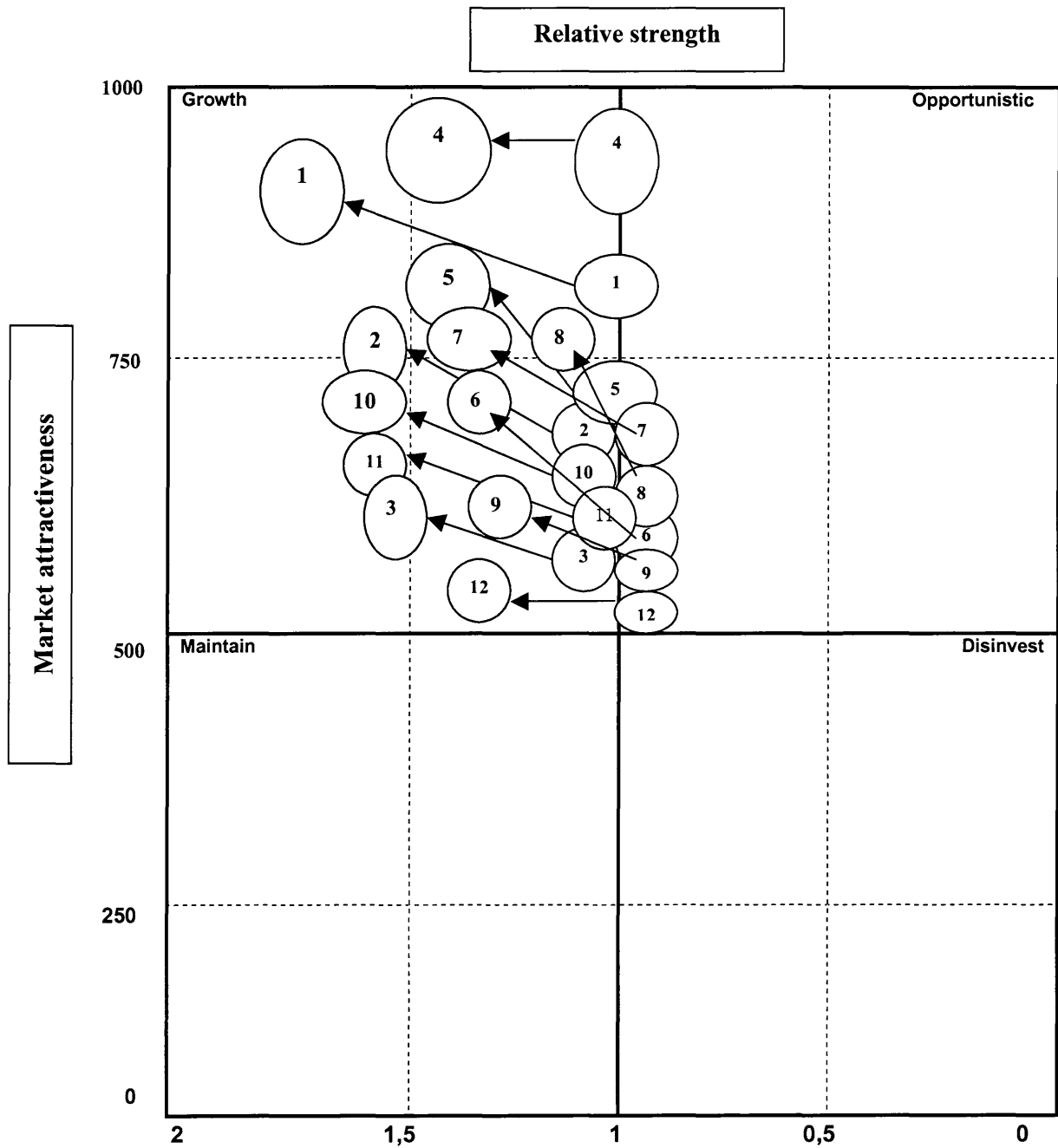


Figure 10.1- Revised portfolio summary
Source: Author

Product markets movement: Rationale for revised directions

Generally, all the product markets are attractive to the South African clothing industry and present immense opportunities for growth. If the correct marketing strategy can be implemented in various product markets, the overall contribution to the gross margin will increase with corresponding increases in each product market.

Product markets 1 and 4 have a lot of untapped growth potential and they should be further expanded to improve their contribution to the gross margin.

Aggressive promotional efforts, coupled with the entrenchment of the South African clothing brand in America will result in a growing customer base in product markets 1, 4, 7 and 10.

Even though product markets 9 and 12 are currently not performing as expected, it is still early in the product life cycle to rule them out for possible growth. These markets must be further developed and penetrated, however, performance analysis of these two markets must be conducted regularly to identify any areas of improvement and to determine whether it is still viable to invest in these markets. All other product markets in the opportunistic quadrant (Pm: 6, 7 and 8) have the right qualities to be grown and they are contributing well to the gross margin.

With the American clothing market not yet at a maturity stage, the implementation of AGOA and other related trade agreements will lead to an increase in the market share for South African clothing products in various product markets.

10.3 GAP strategy/analysis

GAP strategy looks at various ways that can be implemented to fill or close the gap between objectives and current long-range trends and forecasts. McDonald (1999:260) lists the following six ways in which the gap can be filled:

- (i) Improve productivity (e.g. reduce costs, improve the sales mix, increase prices, reduce discounts, improve the productivity of the sales and so on)
- (ii) Market penetration (e.g. increase usage, increase market share)
- (iii) New products
- (iv) New markets (e.g. new user groups, enter new segments, geographical expansion)
- (v) A combination of new products and markets, and
- (vi) New strategies (e.g. acquisition, joint ventures, licensing, franchising).

The following is the GAP strategy for each product market:

PM 1: Wool and mohair clothing black medium-high income 21-35

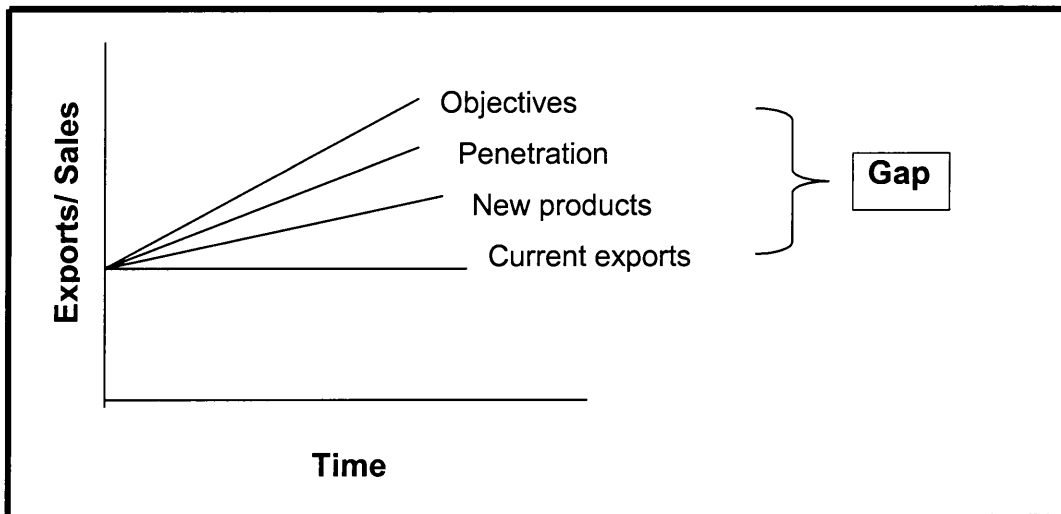


Figure 10.2 - GAP analysis: Product market 1

Source: Author

The objective of this market is to maintain and grow the contribution. This objective will be achieved by:

- Increasing the current penetration level to 10% by the end of 2005
- Increasing availability of the products through an increase of delivery capacity
- Introducing more specialised products for segment image needs, and
- Entrenching trendy South African wool and mohair clothing products and brands in this product market.

PM 2: Wool and mohair clothing black medium-high income 35-45

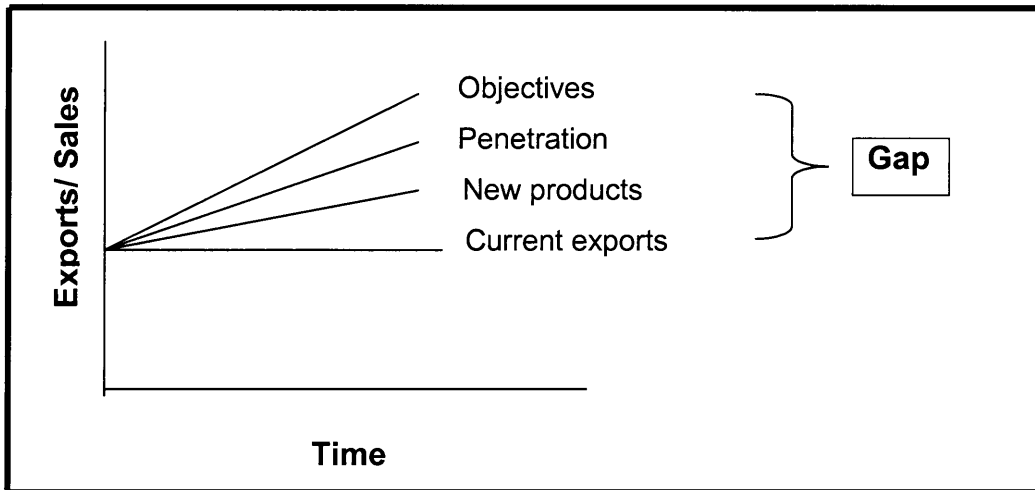


Figure 10.3 - GAP analysis: Product market 2

Source: Author

The objective in this market is to maintain and grow the contribution by:

- Increasing the penetration level and growing the market share to 8% by the end of 2005
- Introducing and entrenching South African wool and mohair products in this product market.

PM 3: Wool and mohair clothing black medium-high income 45-60

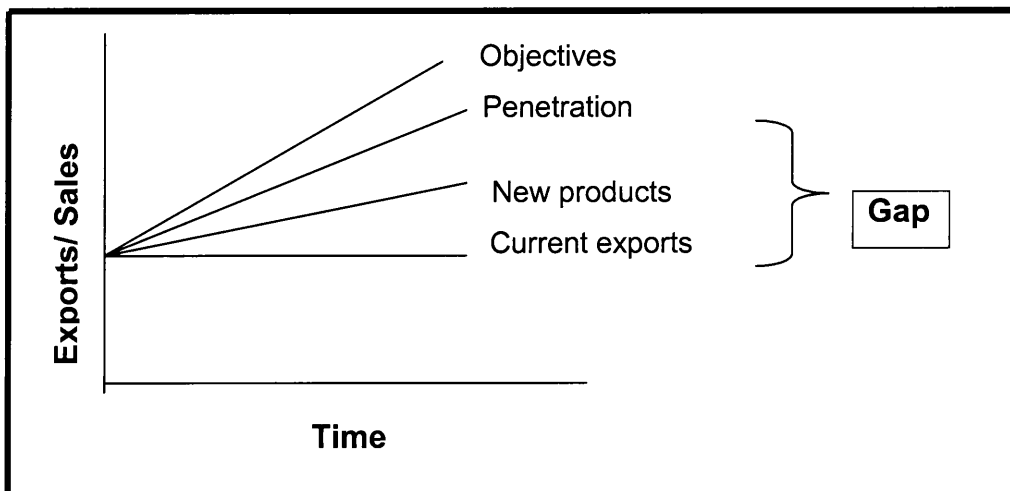


Figure 10.4 - GAP analysis: Product market 3

Source: Author

The objective in this market is to improve on the current position by:

- Increasing the market share to 10% by the end of 2005
- Emphasising of quality importance and durability
- Introducing new products that cater for the needs of this product market (e.g. formal wool and mohair products).

PM 4: Wool and mohair clothing black low-medium income 21-35

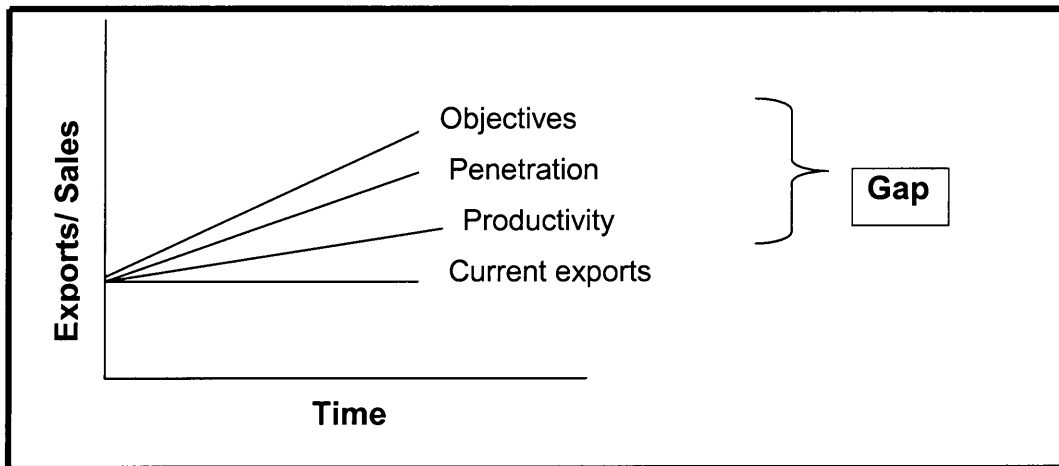


Figure 10.5 - GAP analysis: Product market 4

Source: Author

The objective in this market is to maintain and grow the contribution by:

- Increasing the market share to 10% by the end of 2005
- Offering quality products for affordable prices (reducing production costs).

PM 5: Wool and mohair clothing black low-medium income 35-45

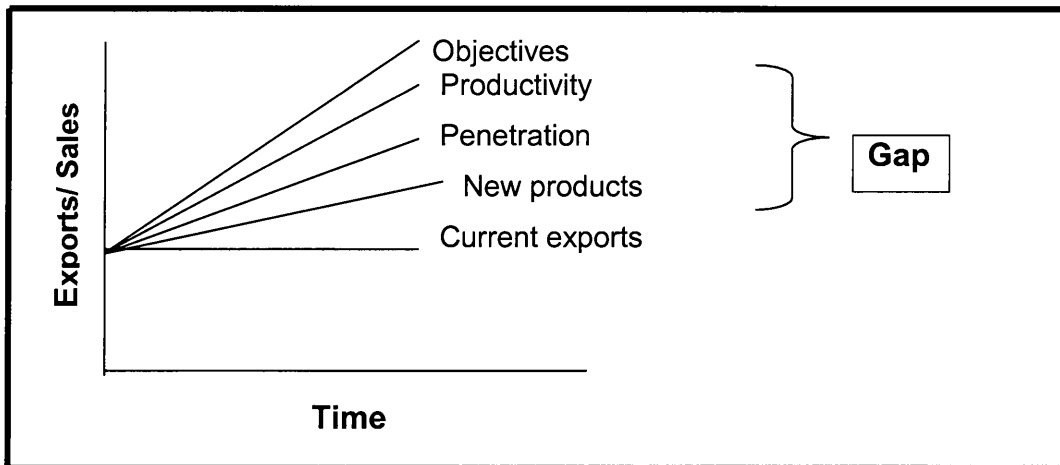


Figure 10.6 - GAP analysis: Product market 5
Source: Author

The objective in this market is to increase the contribution by:

- Increasing the market share to 10% by the end of 2005
- Offering quality products for affordable prices (reducing production costs)
- Introducing products that suit the product market's professional requirements.

PM 6: Wool and mohair clothing black low-medium income 45-60

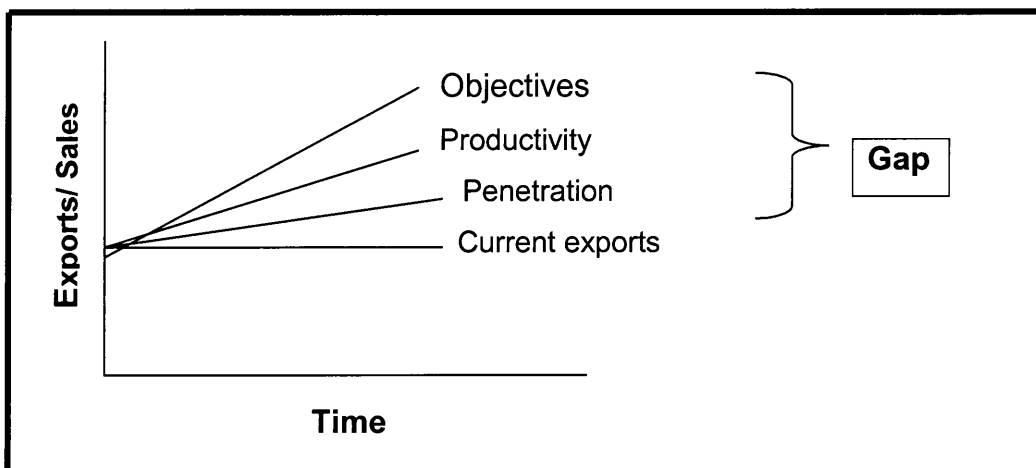


Figure 10.7 - GAP analysis: Product market 6
Source: Author

The objective in this market is to improve the current position by:

- Increasing the market share to 9% by the end of 2005
- Emphasis on quality and durability
- Offering quality and durable products for affordable prices.

PM 7: Wool and mohair clothing white medium-high income 21-35

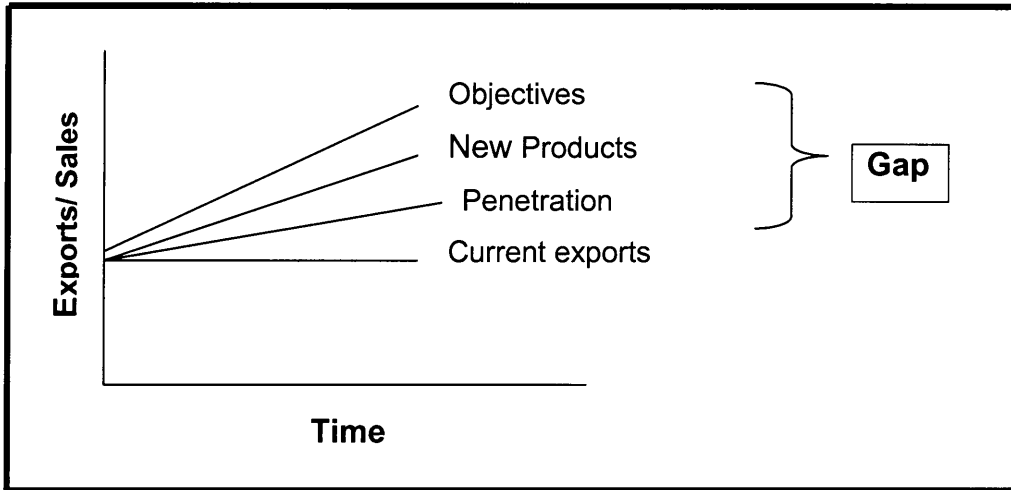


Figure 10.8 - GAP analysis: Product market 7

Source: Author

The objective in this market is to maintain and grow the contribution by:

- Increasing the market share to 9% by the end of 2005
- Introducing new specialised products that meet the image and requirements of the product market (funky and trendy clothing).

PM 8: Wool and mohair clothing white medium-high income 35-45

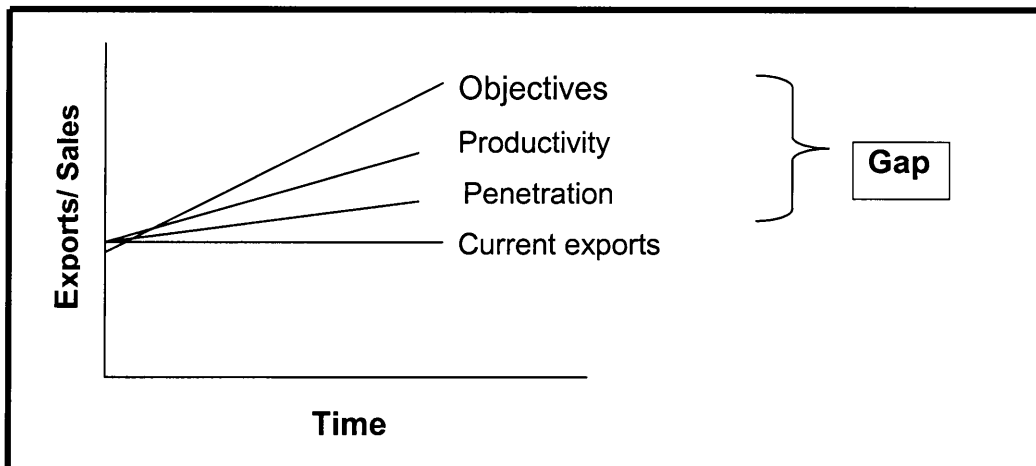


Figure 10.9 - GAP analysis: Product market 8
 Source: Author

The objective in this market is to maintain and grow the contribution by:

- Increasing delivery capacity for easy access and availability of the products
- Producing quality and durable products.

PM 9: Wool and mohair clothing white medium-high income 45-60

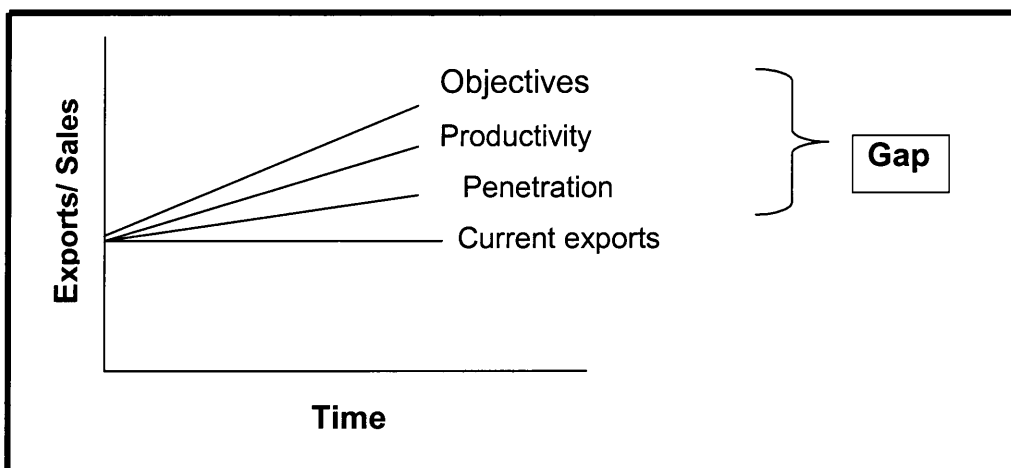


Figure 10.10 - GAP analysis: Product market 9
 Source: Author

The objective in this market is to maintain the contribution by:

- Increasing penetration and achieving a sustainable market share of 6% by the end of 2005
- Offering quality and durable products at affordable prices
- Increasing the range of product offering.

PM 10: Wool and mohair clothing white low-medium income 21-35

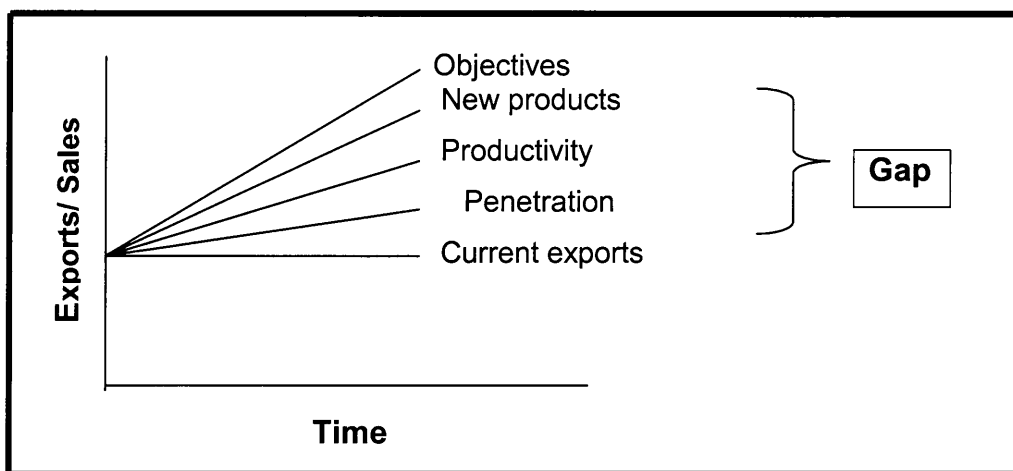


Figure 10.11 - GAP analysis: Product market 10

Source: Author

The objective in this market is to increase and grow the contribution by:

- Offering quality products at affordable prices (reduce production costs)
- Introducing new specialised products that meet the image requirements of the product market
- Penetrating and achieving a market share of 8% by the end of 2005.

PM 11: Wool and mohair clothing white low-medium income 35-45

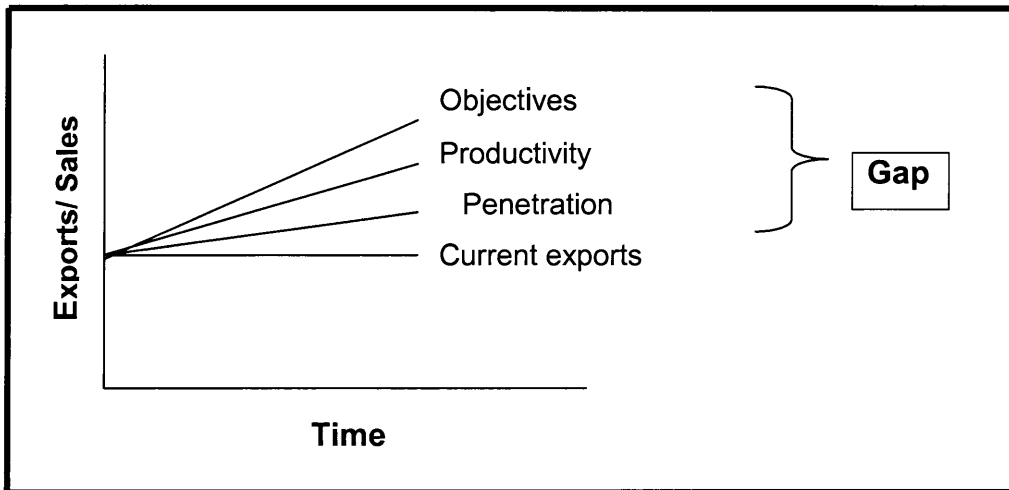


Figure 10.12 - GAP analysis: Product market 11

Source: Author

The objective in this product market is to improve the product market by:

- Obtaining a market share of 6% by the end of 2005
- Offering quality and durable products at affordable prices.

PM 12: Wool and mohair clothing white low-medium income 45-60

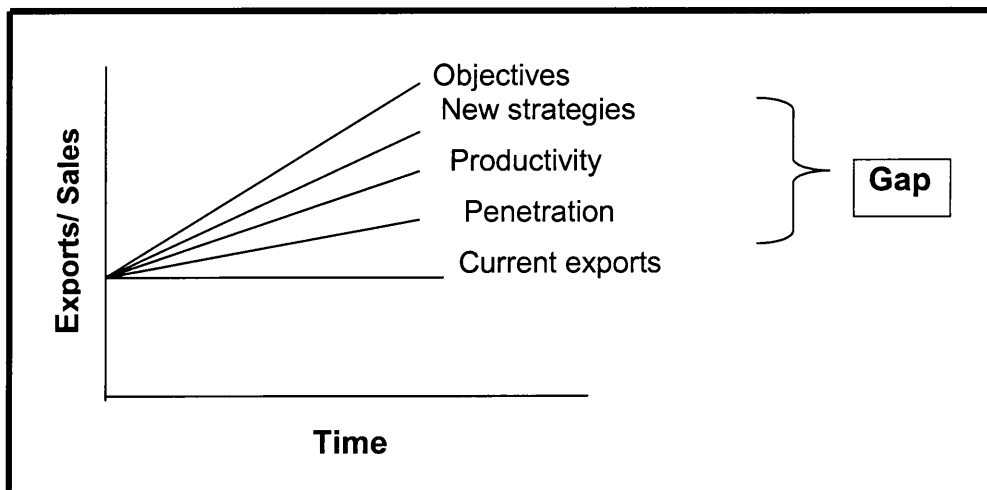


Figure 10.13 - GAP analysis: Product market 12

Source: Author

Although this product market has not performed very well, the objective is still to improve the product market by:

- Emphasis on the durability of the products
- Obtaining and sustaining a market share of 5% by the end of 2005
- Improving the delivery capacity to ensure availability of products
- Increasing distribution places to cover even the remote areas.

Some of the driving factors for the success of the South African clothing products in America are:

- New technology and effective means of increasing production and delivery capacity must be put in place
- Improved relationships between manufactures, cut, make and trim operators, as well as retailers will enable the sector to properly manage orders and meet the requirements of the American market
- The extension of the AGOA beyond 2008 will enable the entrenchment of South African clothing products in the American market at affordable prices
- A sound knowledge of export management by all the role players in the sector will create synergy that will also lead to the sector deriving maximum benefits from the AGOA.

CHAPTER 11 PROPOSED MARKETING STRATEGY

“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals”, states Kotler (2000:8). Marketing strategy is therefore how the individual or an organisation plans to achieve marketing objectives.

Current market position

- South African clothing products do not have a well-known reputation in America.
- South African clothing exporters are currently average players in the American clothing industry – not industry leaders.

The South African clothing industry will improve its current positioning by:

- Launching initiatives to throw rivals off balance
- Relentlessly pursuing continuous improvement and innovation.

Figure 11.1 illustrates the current marketing position of South African clothing exporters to America.

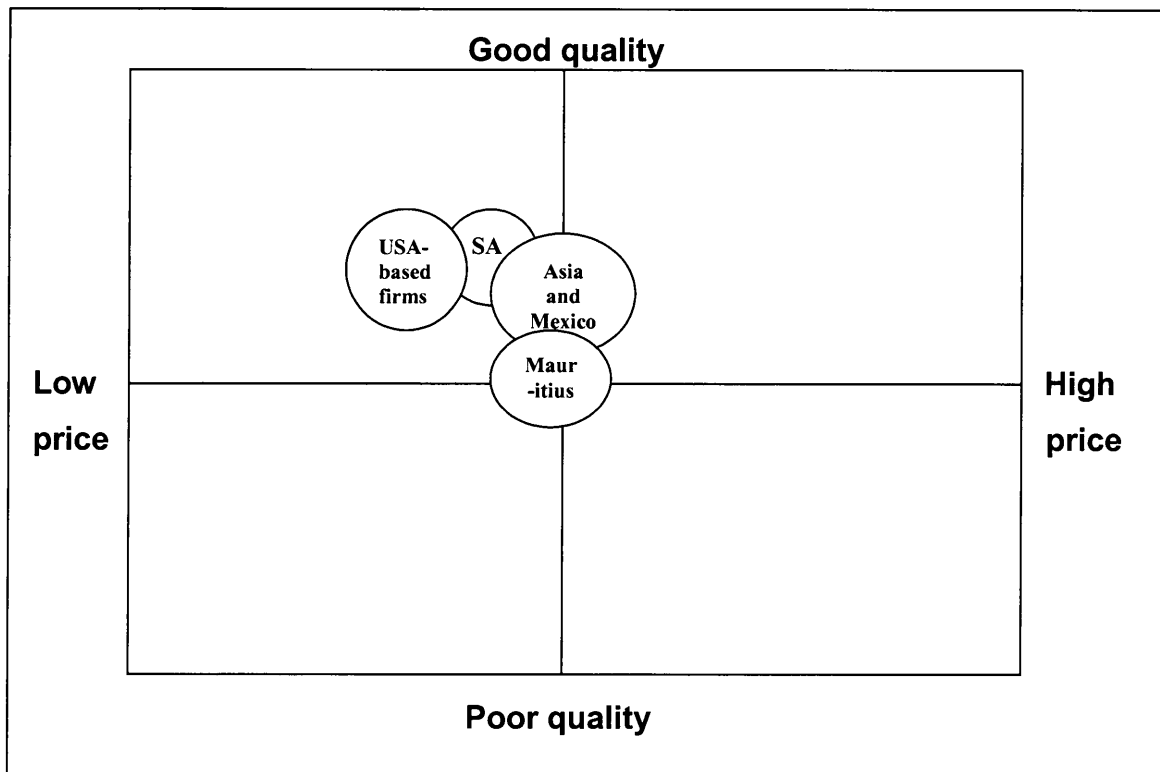


Figure 11.1 - Current positioning map
 Source: Author

Branding

There are multitudes of definitions of branding, for example: McDonald (1999:162) gives the following definition: “A brand is a name or symbol which identifies a product”. Kotler (2000:404) defines a brand as “a name, term, symbol or design of a combination of them, intended to identify the goods or services of one seller or a group of sellers and to differentiate them from that of the competitors”. Flowing from the above definitions, branding is a concept or an idea about the organisation’s products and/or services which reside in the mind of a prospective customer or consumer. The following is the branding strategy that South African clothing exporters will pursue in the American market:

- South Africa must be entrenched as a producer of high quality clothing products.
- The American market has to perceive South Africa (i.e. brand) as a low-cost

provider of very good value.

- The slogan ‘*South Africa – a place where quality in non-negotiable*’ must be cemented in the hearts and minds of clothing customers.
- The market is clearly segmented and therefore this branding will attract customers with different value drivers.
- Brand personality of the South African clothing sector must be built around the following factors:
 - Reliability – quality and durability
 - Responsiveness – tailor-made for the needs of different product markets
 - Flexibility - ability to positively react to customer needs and wants
 - Innovativeness – introduce new products in line with new fashion trends, etc.

Differentiation

South African wool and mohair products are differentiated from its competitors through the following attributes:

- Good quality/ affordability combination
- Wide range of selection
- Durability and comfort.

Marketing Mix

“Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market”, says Kotler (2000:16). These tools are classified into four broad groups that are called the four P’s of marketing: product, price, place and promotion. The particular marketing variables for each P are shown in figure 11.2.



Figure 11.2 - Marketing mix
Source: Kotler (2000:15)

The marketing mix is performed for each of the twelve product markets identified.

MARKETING STRATEGY BY PRODUCT MARKET

PM 1: Wool and mohair clothing black medium-high income 21-35

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 35%
- Price = 15%
- Product design = 25%
- Fabric = 25%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,00.

Objective

- To obtain a market share of 10% by 2005.

Relative strengths

- The main competitor is at par with South Africa. The main contributor to this average assessment is the superior fabric that the South African industry uses.

Relative weakness

- South Africa's relative weakness is the product design where USA-based firms have superior designs.

Main offering

- An excellent look and style complemented by a feeling of comfort.

Value proposition

- Modern style.
- A comfortable feeling as well as durability.

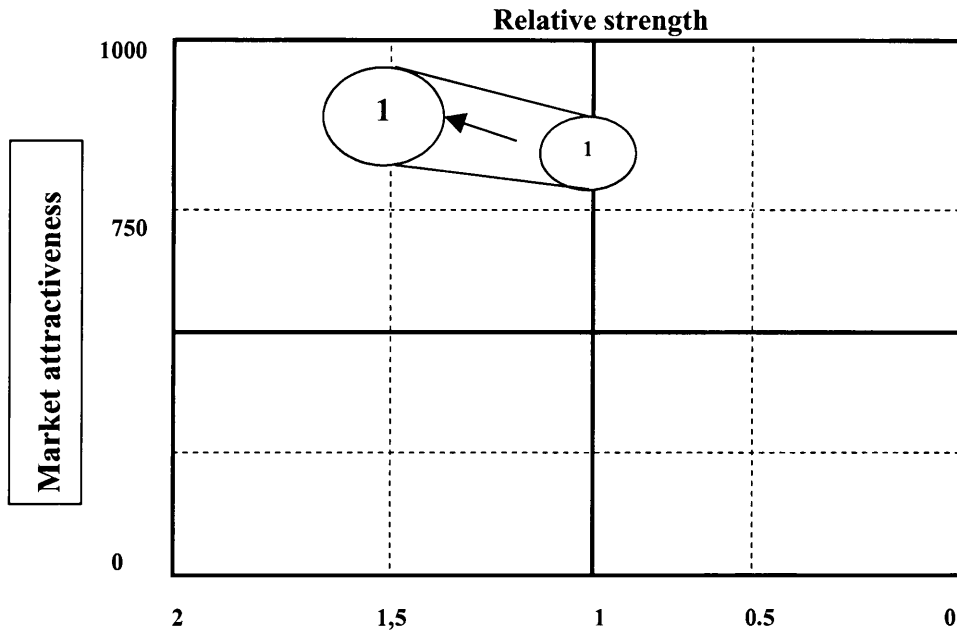


Figure 11.3 - Product market positioning: Product market 1
 Source: Author

Marketing mix: Product market 1

1 Product decision

Product mix decisions

Kotler (2000:398) states that “product mix refers to the set of products and items that a particular seller offers for sale”.

Table 11.1 - Product mix: Product market 1

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Overcoats	4	6	High
Jackets	4	6	High
Sweaters	5	4	Medium
Jerseys	10	8	High
Sports coats	5	3	Medium
Trousers	5	3	High
Shirts	5	8	High
Headwear	4	4	High
Suits	8	6	Medium
Dresses	8	8	High

Source: **Author**

Product line decisions

Sales contribution: All products have a reasonable contribution towards sales. However, suits, jackets, jerseys, dresses and sweaters are high contributors with headwear being the lowest contributor towards sales.

Therefore, the products with the highest contribution should be aggressively promoted.

Product line positioning

- High quality products
- Size should range from small to large. Extra large sizes should be in small quantities.

Labelling

- The logo of *Proudly South African* should be displayed on all the products.
- Trendy labeling should be used.
- Details about the garment such as grading, size, texture, etc, should be displayed on the label.
- Information regarding the handling (washing, ironing, etc.) of the garments should also be displayed inside all products.

2 Price decisions

Price objectives

- A balance should be struck between maximising profits and ensuring long-term market segment capturing.
- A slightly higher price should be complemented by high quality products.

Determining demand

- Good quality should allow a somewhat higher price to be accepted by this product market.

- The product market is less price sensitive when the product is assumed to have more quality, prestige or exclusiveness.

Cost estimation

- Direct exporters do not produce all their products, but buy from manufacturers. Cost estimation and setting is thus more difficult from the point of view of direct exporters.
- Good relationships between direct exporters (retailers), manufacturers and cut, make and trim operators must result in joint costing decisions by all the role players in the industry. Such relationships will also ensure that brand ambiguity is avoided.

Pricing method

- Perceived value pricing should be used in this market.
- Through increased quality of the products, the South African clothing sector plans to increase the perceived value for this product market and therefore the final price should cover all costs of production and still contribute a higher mark-up.

Final price selection

- A higher price does not relate to lower demand in the product market.
- Psychological pricing based on the perceived value of the products should be a key instrument for this market.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be considered.

3 Place Decisions

Marketing channel logistics

- The South African clothing sector must improve its technology to facilitate easy and direct ordering by the American retailers and other importers of clothing products.
- Orders should be processed real time and a receipt of acknowledgement be sent online to the buyer (American retailers).
- Warehousing of the products for the export market must be nearer to the harbour and/or airports where products can be easily transported to America.
- South African exporters must have strategic alliances with transport companies like SAA, Harbours, etc.

4 Promotion decisions

- The product market knows the segment specific products that South Africa is offering. However, they must still be convinced to go to the purchasing stage.
- South African clothing exporters should utilise the following communication tools in their marketing communications mix:

Table 11. 2 - Communication tools: Product market 1

Tool	Option 1	Option 2	Option 3	Option 4
Advertising	Print and broadcast advertising	Brochures and booklets	Billboards	Symbols and logos
Sales promotions	Entertainment	Trade shows		
Public relations	Charitable donations	Sponsorships (e.g. fashion parades)	Events	
Personal selling	Sales presentations	Sales meetings		
Direct marketing	Catalogues	Mailing	Telemarket -ing	Electronic shopping

Source: Author

- As this product market is very lucrative and already contributing well towards the overall profit margin, a big part of the advertising budget should be spent on this segment to facilitate further sales growth.

PM 2: Wool and mohair clothing black medium-high income 35-45

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 40%
- Price = 20%
- Product design = 20%
- Fabric = 20%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,03.

Objective

- To obtain a market share of 8% by 2005.

Relative strengths

- South Africa has a relative strength. The main contributor to this strong market assessment is the superior fabric and the perceived product quality of the South African products.

Relative weakness

- South Africa's relative weakness in this market is the price. American based firms have superior price advantage over South Africa.

Main offering

- Quality clothing products complemented by durability and comfort.

Value proposition

- Comfortable, quality clothing.

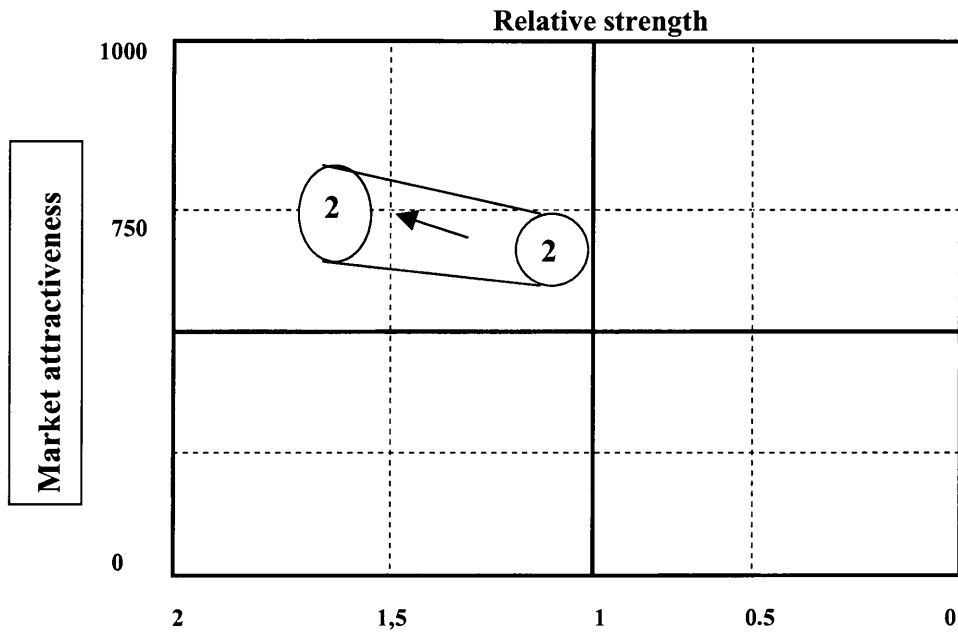


Figure 11.4 - Product market positioning: Product market 2
Source: Author

Marketing mix: Product market 2

1 Product Decision

Product mix decisions

- Product mix is the same as that of product market 1.

Product line decisions

Sales contribution: The products with the highest contribution in this product market are suits, jackets, jerseys, and dresses, whereas the lowest contributor is headwear. Therefore, the products with the highest contribution should be aggressively promoted.

Product line positioning

- High quality products.
- Size should range from small to large. Extra large sizes should be produced on order.

Labelling

- The labelling is the same as that of product market 1.
- However, the labelling changes from sporty/trendy to more a sophisticated labelling.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term while at the same time maximising profits.
- A slightly higher price should be complemented by high quality products.

Determining demand

- Good quality will allow a somewhat higher price to be accepted by this product market.
- The product market is less price sensitive when the product is assumed to have more quality and durability.

Cost estimation

- Cost estimation is the same as in product market 1.

Pricing method

- Perceived value pricing should be used in this product market.
- Through increased quality of the products, the South African clothing sector plans to increase the perceived value for this product market and therefore the final price should cover all costs of production and still contribute a higher mark-up.

Final price selection

- A higher price does not relate to lower demand, but more to poor quality.
- Psychological pricing based on the perceived value of the products should

be a key instrument for this market.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be considered.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 1.

4 Promotion decisions

- The product market does not have the knowledge of the segment specific products that South Africa is offering.
- Communication tools should be the same as that of product market 1 and should be the same for all the product markets with minor changes in terms of focus.
- This product market is very lucrative, but is not contributing well towards the overall profit margin. A big part of the advertising budget should be spent on this segment to highlight the value proposition of the South African clothing products.

PM 3: Wool and mohair clothing black medium-high income 45-60

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 30%
- Price = 30%
- Product design = 25%
- Fabric = 15%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,008.

Objective

- To obtain a market share of 10% by 2005.

Relative strengths

- South Africa has a relative strength. The main contributor to this strong market assessment is the superior quality and the affordable prices for South African wool and mohair products.

Relative weakness

- South Africa wool and mohair clothing is at par with the other competitors with regard to the design of the products.

Main offering

- Affordable products of reasonably good quality.

Value proposition

- Affordable, quality clothing.

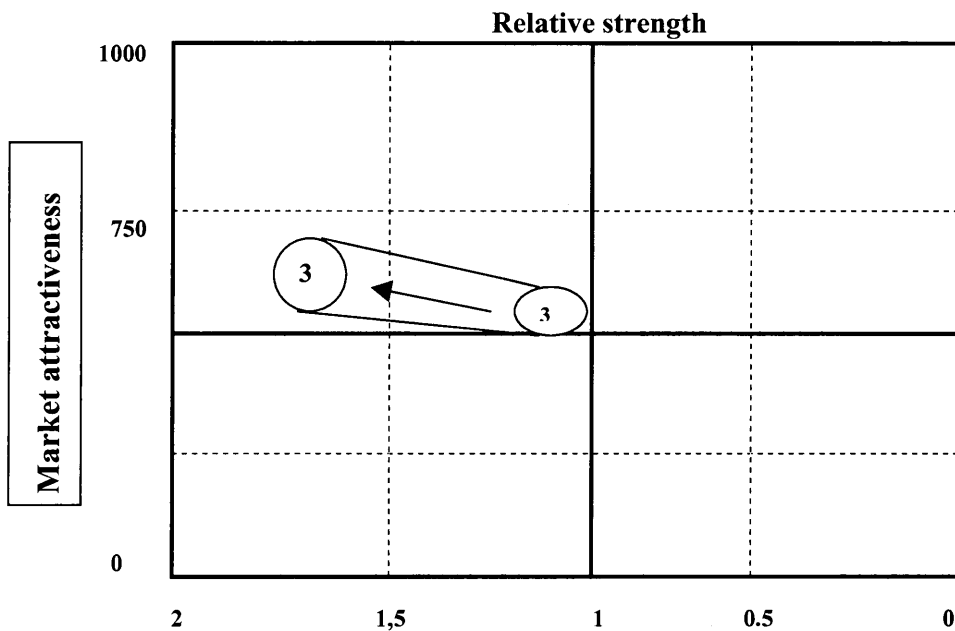


Figure 11.5 - Product market positioning: Product market 3
 Source: Author

Marketing mix: Product market 3

1 Product decisions

Product line decisions

Sales contribution: The products with the highest contribution in this product market are suits, jackets and jerseys, whereas the lowest contributor is sports-coats. Headwear items are also popular in this market and should be further promoted together with those with the highest contribution.

Product line positioning

- Products of reasonable good quality.
- Size should range from small to large. Extra large sizes should be produced on order.

Labelling

- Labelling should only take product treatment into account.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term.
- Average and affordable prices for clothing of reasonable quality.

Determining demand

- This product market is price sensitive irrespective of their high level of disposable income.

Pricing method

- Mark-up pricing (product cost plus standard mark-up for profit) should be adopted in the short term to medium term in order to capture the market.
- Comfort and durability of the products should allow a final price that covers all costs of production and still contribute a higher mark-up.

Final price selection

- A higher price should lead to lower demand.
- A price consistent with the company pricing policy should be used so as to ensure that customers are charged prices that are reasonable and still profitable to the organisation/s.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity discounts should be offered to attract the market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 1.
- The focus should be on charitable donations.

4 Promotion decisions

- The product market is not exposed to the segment specific products that South Africa is offering.
- This product market is very lucrative, but is not contributing well towards the overall profit margin. A big part of the advertising budget for this product market should be spent on billboards.

PM 4: Wool and mohair clothing black low-medium income 21-35

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 25%
- Price = 35%
- Product design = 25%
- Fabric = 15%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,02.

Objective

- To obtain a market share of 10% by 2005..

Relative strengths

- The main competitor is at par with South Africa. The superior product design of South African clothing contributes toward the average assessment in this product market.

Relative weakness

- Price is the main factor in the product market's decision-making and South Africa is at par with the American based firms with regard to product pricing.

Main offering

- Good quality clothing products at affordable prices.

Value proposition

- Affordability and good quality.

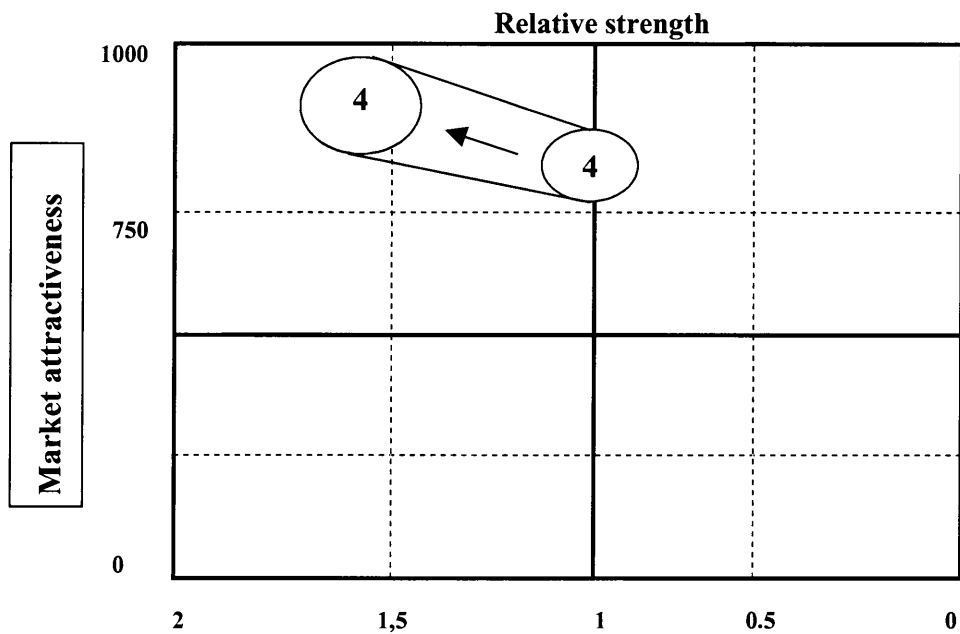


Figure 11.6 - Product market positioning: Product market 4
Source: Author

Marketing mix: Product market 4

1 Product decisions

Product mix decisions

- Product mix is the same as that of product market 1.

Product line decisions

Sales contribution: The products with the highest contribution in this product market are sports jackets, jackets, jerseys, sweaters and dresses, whereas the lowest contributors are headwear and suits. Therefore, the products with the highest contribution should be aggressively promoted.

Product line positioning

- Good quality clothing products complemented by their durability.
- Size should range from small to large. Extra large sizes should be produced in small quantities.

Labelling

- The labelling is the same as that of product market 1 with more focus on sporty and trendy labelling.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term while at the same time maximising profits.
- Affordable prices for good quality and durable clothing products.

Determining demand

- Affordable products of good quality will increase demand whereas high prices will decrease demand for the products.

Cost estimation

- Cost estimation is the same as in product market 1.

Pricing method

- Price lists should be stable and pricing should be based on costing procedures so as to continue supplying products at market-related retail prices.

Final price selection

- This product market is one of the most price sensitive due to the fact that it has one of the lowest levels of disposable income.
- The final price should be very competitive with regard to other competitors otherwise the customers will change quickly to the lower priced products.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be promoted in this product market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 1.
- The focus should be both on rural and urban areas.

4 Promotion decisions

- The product market has the knowledge of the segment specific products that South Africa is offering.
- Most of the research and development initiatives should be geared towards this product market, as it is the most lucrative product market.
- Communication tools should be the same as that of product market 1. Broadcast advertisements should be aggressively used to capture this market.

PM 5: Wool and mohair clothing black low-medium income 35-45

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 30%
- Price = 35%
- Product design = 25%
- Fabric = 10%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,00.

Objective

- To obtain a market share of 10% by 2005.

Relative strengths

- South Africa is at par with the other competitors in this product market. The noticeable strength against the main competitor is the superior product design of South African clothing products.

Relative weakness

- South Africa's relative weakness in this product market is the price. The American based firms have a price advantage over South Africa.

Main offering

- Competitive prices.
- Standard and consistent quality clothing products.

Value proposition

- Affordability, comfort and durability.

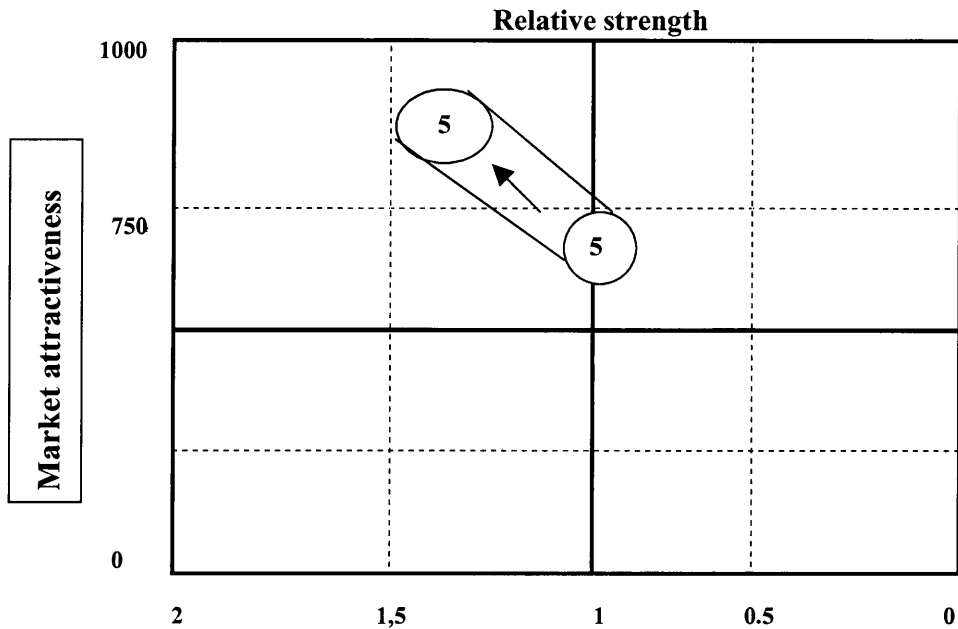


Figure 11.7 - Product market positioning: Product market 5
Source: Author

Marketing mix: Product market 5

1 Product decisions

Product mix decisions

- Product mix is the same as that of product market 1.
- More product lines should be added depending on the needs of the product market.

Product line decisions

- Sales contribution: The products with the high contribution in this product market are jackets, jerseys, sweaters and dresses. Their combined sale is about 80% of the total sales in this product market. These product lines should be protected aggressively.
- Headwear contributes the least with only 2% of sales. However, this product line must be pursued as it has growth potential.

Product line positioning

- Good quality products.
- Size should range from small to large. Extra large sizes should be produced in small quantities.

Labelling

- The labelling is the same as that of product market 1.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term while at the same time maximising profits.

Determining demand

- Affordable products of good quality will increase demand whereas high prices will decrease demand for the products.

Cost estimation

- Cost estimation is the same as in product market 1.

Pricing method

- Price lists should be stable and pricing should be based on costing procedures so as to continue supplying products at market-related retail prices.

Final price selection

- This product market is price sensitive due to the fact that it has one of the lowest levels of disposable income.
- The final price should be very competitive with regard to other competitors otherwise the customers will change quickly to the lower priced products.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be promoted in this product market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 1.

4 Promotion decisions

- This is one of the least technologically literate product markets that rely on conventional ways of promotions.
- Even though communication tools should be the same as that of product market 1, focus should be mainly on using radio and broadcast adverts and billboards.

PM 6: Wool and mohair clothing black low-high income 45-60

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 35%
- Price = 40%
- Product design = 15%
- Fabric = 10%.

The overall score (relative weakness) of the South African clothing sector against the main competitor is 0,97.

Objective

- To obtain a market share of 9% by 2005.

Relative weakness

- South Africa has a relative weakness. The main competitor has a competitive price over South Africa.

Relative strength

- The noticeable strength that South Africa has in this product market is the quality of the products.

Main offering

- Durable products of standard quality.

Value proposition

- Quality and durability at competitive prices.

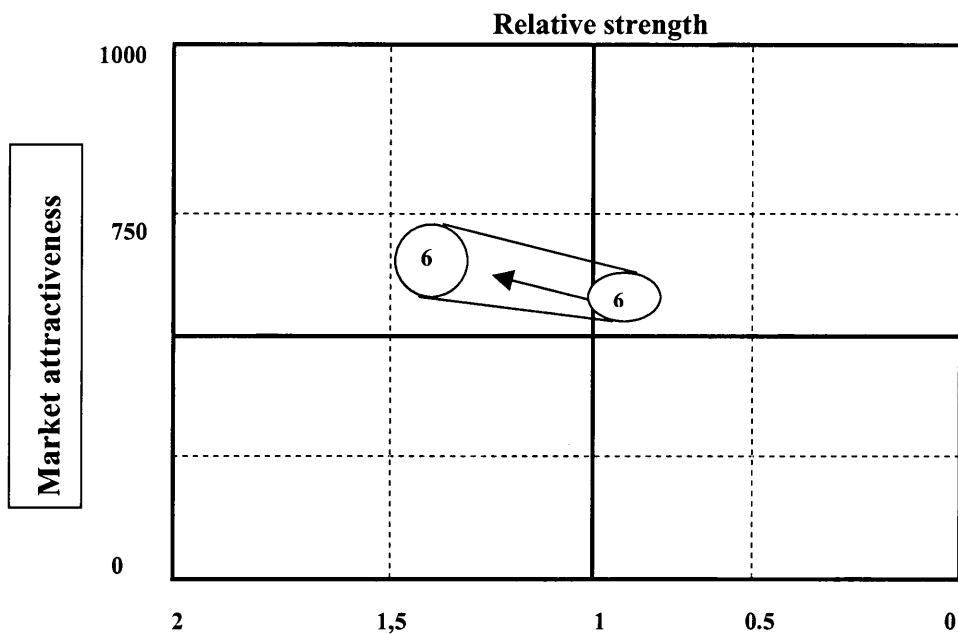


Figure 11.8 - Product market positioning: Product market 6
Source: Author

Marketing mix: Product market 6

1 Product decisions

Product mix decisions

- Product mix is the same as that of product market 1.
- Sports jackets/coats should be taken off the product mix, as this product line does not contribute towards sales of the product market.

Product line decisions

- Sales contribution: The products with the high contribution in this product market are jackets, jerseys, overcoats and dresses. Their combined sale is about 70% of the total sales. These product lines should be protected aggressively.
- Sports coats should be taken off the product line as they do not contribute much towards sales. Other products should still be pursued as they have growth potential.

Product line positioning

- High quality products.
- Size should range from small to large. Extra large sizes should be produced on order.

Labelling

- The labelling shall only take product treatment into account.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term while at the same time sustaining profits.

Determining demand

- This product market is price sensitive due to a low level of disposable income. Higher prices should reduce demand of the products.

Pricing method

- Mark-up pricing (product cost plus standard mark-up for profit) should be adopted in order to capture the market.
- Comfort and durability of the products should allow a final price that covers all costs of production and still contribute an average mark-up.

Final price selection

- A higher price should lead to lower demand.
- A price consistent with the company's pricing policy should be used so as to ensure that customers are charged prices that are reasonable and still profitable to the organisation/s.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity discounts should be offered to attract the market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 1.
- The focus should be both on rural and urban areas.

4 Promotion decisions

- This is one of the least technologically literate product markets that rely on conventional ways of promotions.
- Even though communication tools should be the same as that of product market 1, the focus should be mainly on using radio and broadcast adverts and billboards.

PM 7: Wool and mohair clothing white medium-high income 21-35

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 40%
- Price = 20%
- Product design = 20%
- Fabric = 20%.

The overall score (relative weakness) of the South African clothing sector against the main competitor is 0,97.

Objective

- To obtain a market share of 9% by 2005.

Relative weakness

- South Africa has a relative weakness. The main competitor has a price advantage over South Africa.

Main offering

- An excellent look and style complemented by a feeling of comfort.

Value proposition

- Modern style.
- Comfortable feeling.

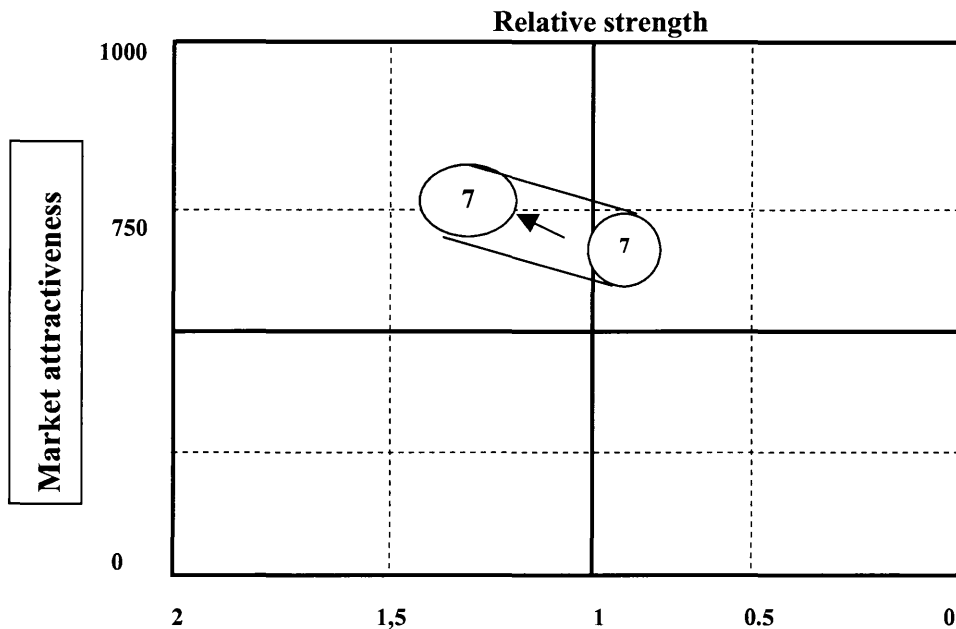


Figure 11.9 - Product market positioning: Product market 7
Source: Author

Marketing mix: Product market 7

1 Product decisions

Product mix decisions

The following is the mix of products which the South African clothing sector provides to this product market.

Table 11.3 - Product mix: Product market 7

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Overcoats	4	6	High
Jackets	4	6	High
Sweaters	5	4	Medium
Jerseys	10	8	High
Sports Coats	5	3	Medium
Trousers	5	3	High
Shirts	5	8	High
Suits	8	6	Medium
Dresses	8	8	High

Source: Author

Product line decisions

- Sales contribution: All products have a reasonable contribution towards sales. Suits, jackets, jerseys, dresses and sweaters should be aggressively promoted as they have a high contribution towards sales.

Product line positioning

- High quality products.
- Size should range from small to large.

Labelling

- The logo of *Proudly South African* should be displayed on all products.
- Details about the garment such as grading, size, texture, etc. should be displayed on the label.
- Information regarding the handling (washing, ironing, etc) of the garments should also be displayed inside all products.

2 Price decisions

Price objectives

- A balance should be struck between maximising profits and ensuring long-term market segment capturing.
- A slightly higher price should be complemented by high quality products.

Determining demand

- High quality should allow a high price to be accepted by this product market.
- The product market is not price sensitive when the product is assumed to have more quality, prestige or exclusiveness.

Cost estimation

- Direct exporters do not produce all their products, but buy from manufacturers. Cost estimation and setting is thus more difficult from the point of view of the direct exporters.
- Good relationships between direct exporters (retailers), manufacturers and cut, make and trim operators must result in joint costing decisions by all the role players in the industry. Such relationships will also ensure that brand ambiguity is avoided.

Pricing method

- Perceived value pricing should be used in this product market.

Final price selection

- Psychological pricing based on the perceived value of the products should be a key instrument for this product market.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Price cuts should not be considered in this product market.

3 Place decisions

Marketing channel logistics

- The South African clothing sector must improve its technology to facilitate easy and direct ordering by American retailers and other importers of clothing products.
- Orders should be processed real time and a receipt of acknowledgement be sent online to the buyer (American retailers).
- Warehousing of the products for the export market should be nearer to the harbours and/or airports where products can be easily transported to the

American market.

- South African exporters must have strategic alliances with transport companies like SAA, Harbours, etc.

4 Promotion decisions

- This product market is one the most technological literate markets and the following communication tools should be used:

Table 11.4 - Communication tools: Product market 7

Tool	Option 1	Option 2	Option 3	Option 4
Advertising	Print and broadcast advertising	Brochures and booklets	Billboards	Symbols and logos
Sales promotions	Entertainment	Trade shows		
Public relations	Charitable donations	Sponsorships (particularly for fashion parades)	Events	
Personal selling	Sales presentations	Sales meetings		

Source: Author

- This product market is currently under-performing. A big part of the advertising budget should be spent on this segment to facilitate sales growth.

PM 8: Wool and mohair clothing white medium-high income 35-45

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 40%
- Price = 20%
- Product design = 20%
- Fabric = 20%.

The overall score (relative weakness) of the South African clothing sector against the main competitor is 0,97.

Objective

- To obtain a market share of 9% by 2005.

Relative weakness

- South Africa has a relative weakness. The main competitor has a price advantage over South Africa.

Main offering

- Quality products complemented by a feeling of comfort.

Value proposition

- High quality.
- Comfortable feeling.
- Durability.

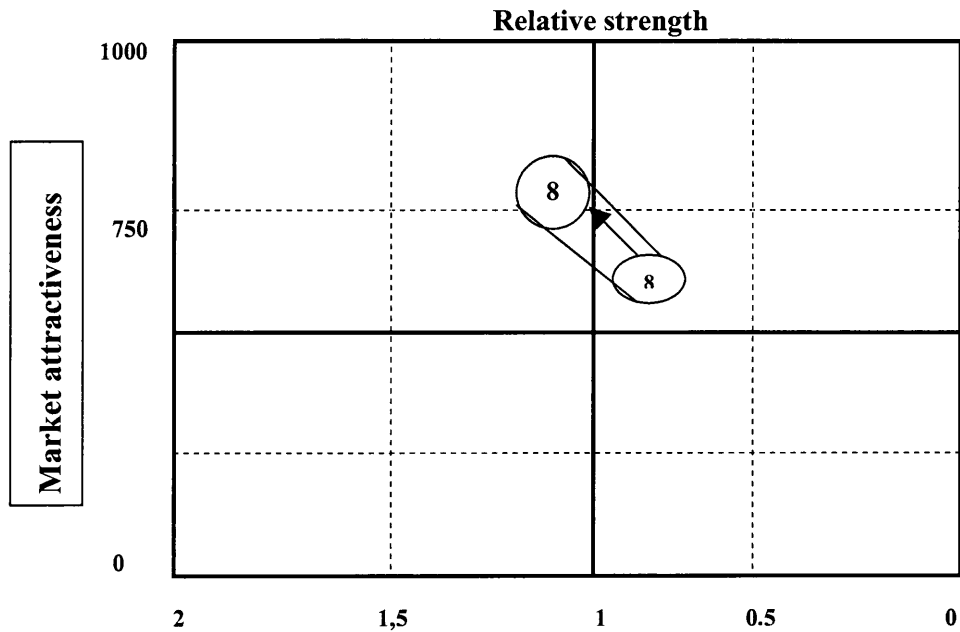


Figure 11.10 - Product market positioning: Product market 8
Source: Author

Marketing mix: Product mix 8

1 Product decisions

Product mix decisions

The product mix is the same as that of product market 7.

Product line decisions

- Sales contribution: Suits and jackets are the highest contributors to sales and should be further promoted.

Product line positioning

- High quality products.
- Size should range from small to large.

Labelling

- Labelling should provide information about product treatment.

2 Price decisions

Price objectives

- A balance should be struck between maximising profits and ensuring long-term market segment capturing.
- A slightly higher price should be complemented by high quality products.

Determining demand

- Good quality should allow a high price to be accepted by this product market.
- The product market is less price sensitive when the product is assumed to have more quality, prestige or exclusiveness.

Cost estimation

- Cost estimation is the same as in product market 7.

Pricing method

- Perceived value pricing should be used in this product market.

Final price selection

- Psychological pricing based on the perceived value of the products should be a key instrument for this product market.

Price adaptation

- Prices for rural areas should be slightly lower than those of metropolitan cities and urban areas.
- Discounts should be considered for this product market.

3 Place decisions

Marketing channel logistics

- The South African clothing sector must improve its technology to facilitate

easy and direct ordering by American retailers and other importers of clothing products.

- The focus should be on urban areas with few quantities allocated to rural areas.
- South African exporters should have strategic alliances with transport companies like SAA, Harbours, etc.

4 Promotion decisions

- This product market is one the most technological literate markets.
- Print and broadcast adverts, as well as billboards, should be used for this product market.
- This product market is currently under-performing. A big part of the research and development budget should be used to enhance this product market.

PM 9: Wool and mohair clothing white medium-high income 45-60

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 40%
- Price = 30%
- Product design = 20%
- Fabric = 10%.

The overall score (relative weakness) of the South African clothing sector against the main competitor is 0,98.

Objective

- To obtain a market share of 6% by 2005.

Relative weakness

- South Africa has a relative weakness. Asian countries have superior designs for this product market.

Main offering

- Quality products complemented by a feeling of comfort.

Value proposition

- High quality.
- Comfortable feeling.
- Durability.

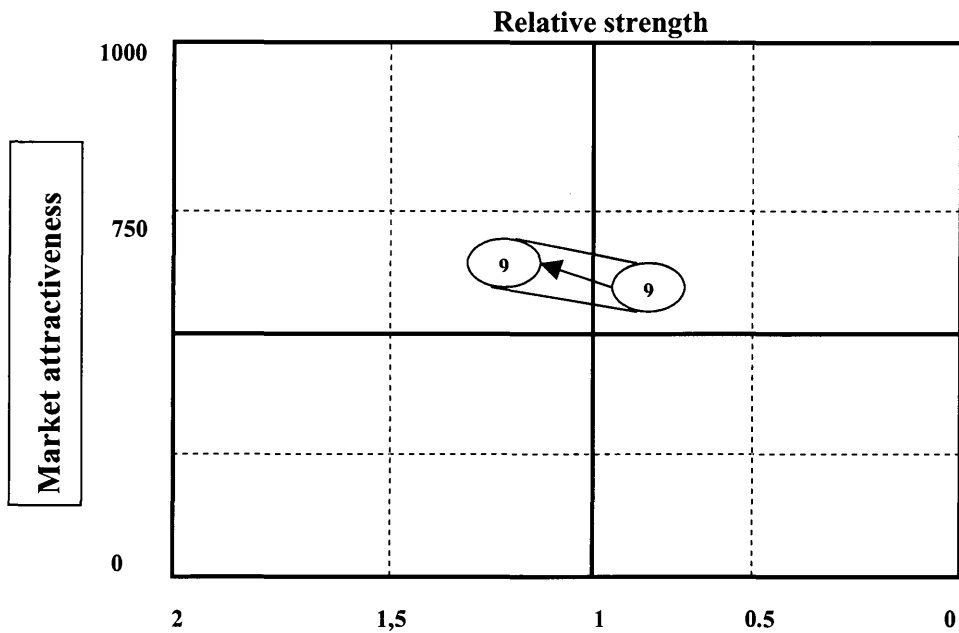


Figure 11.11 - Product market positioning: Product market 9
 Source: Author

Marketing mix: Product market 9

1 Product decisions

Product mix decisions

Table 11.5 - Product mix: Product market 9

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Overcoats	2	2	Low
Jackets	4	6	High
Jerseys	4	4	High
Trousers	3	3	High
Suits	3	4	Medium
Dresses	6	8	Low

Source: Author

Product line decisions

- Sales contribution: Jerseys, trousers and dresses are the highest contributors to sales and should be further promoted in this product market.

- Jackets should also be aggressively promoted, as they are attractive to this product market.

Product line positioning

- High quality products.
- Size should range from medium to large.

Labelling

- Labelling should provide information about product treatment.

2 Price decisions

Price objectives

- The focus is on growing the market without compromising profits.

Determining demand

- Good quality and affordable prices should have a positive influence to product demand in this product market.

Cost estimation

- Cost estimation same as in product market 7.

Pricing method

- Mark-up pricing should be adopted in this product market.
- Good quality and durability should allow a final price that covers all costs of production and still obtain a standard mark-up for profit.

Final price selection

- A price consistent with the company pricing policy should be used to ensure that customers are charged prices that are affordable, but still profitable for the organisation.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be offered in this product market.

3 Place decisions

Marketing channel logistics

- Distribution channels from South Africa to the American market must be the same as that of other product markets, e.g. Strategic alliances with South African export transportation are important for easy delivery.
- Equal distribution of products to rural and urban areas.

4 Promotion decisions

- Print and broadcast adverts, as well as billboards, should be used for this product market.
- This product market is currently under performing. However, research and development costs should be minimised with average spending on advertising costs towards this product market.

PM 10: Wool and mohair clothing white low-medium income 21-35

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 25%
- Price = 30%
- Product design = 25%
- Fabric = 20%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,02.

Objective

- To obtain a market share of 8% by 2005.

Relative strengths

- South Africa has a relative strength in this product market. The fabric, design and quality of the South African products have an advantage over the competitors.

Relative weakness

- Price is the main factor in the product market's decision-making and South African prices are considered high compared to that of other competitors.

Main offering

- Good quality clothing products at affordable prices.

Value proposition

- Affordability and good quality.

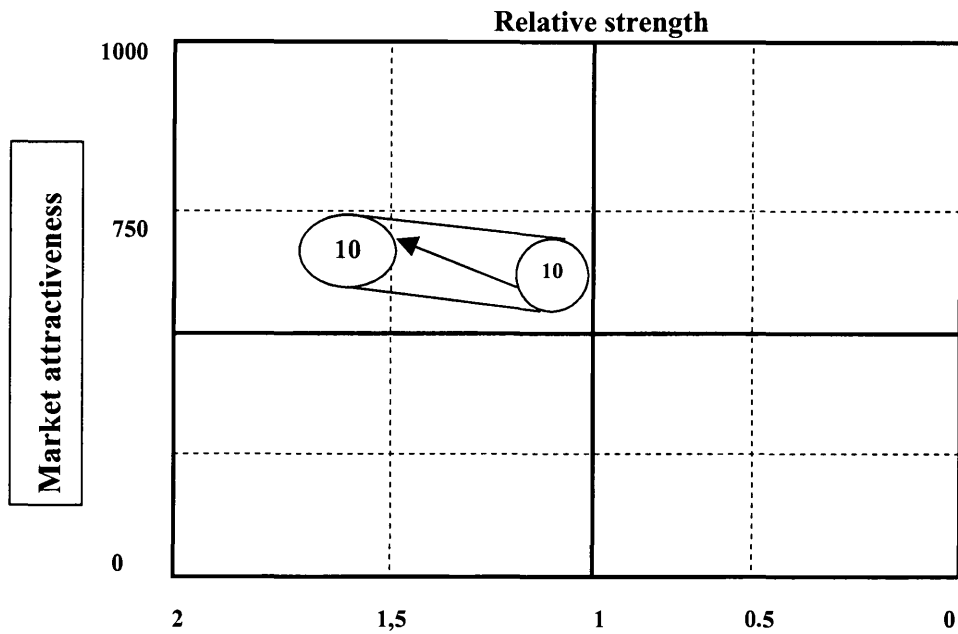


Figure 11.12 - Product market positioning: Product market 10
 Source: Author

Marketing mix: Product market 10

1 Product decisions

Product mix decisions

Table 11.6 - Product mix: Product market 10

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Suits	2	2	Medium
Jackets	4	6	High
Sweaters	4	4	High
Jerseys	4	6	High
Sports coats	2	4	Medium
Trousers	3	3	High
Dresses	6	8	Low

Source: Author

Product line decisions

- Sales contribution: Trousers, jackets, suits, and sweaters have a combined contribution of about 65% towards sales. These product lines should be

further promoted.

Product line positioning

- Good quality clothing products complemented by their durability.
- Size should range from small to large. Extra large sizes should be produced in small quantities.

Labelling

- Trendier labelling should be used.
- The labeling should include product treatment.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term without compromising profits.
- Affordable prices for good quality and durable clothing products.

Determining demand

- Affordable products of good quality will increase demand whereas high prices will decrease demand for the products.

Cost estimation

- Cost estimation is the same as in product market 7.

Pricing method

- Price lists should be stable and pricing should be based on costing procedures so as to continue supplying products at market-related retail prices.

Final price selection

- The final price should be very competitive with regard to other competitors otherwise the customers will change quickly to the lower priced products.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be promoted in this product market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 7.
- The focus should be on both urban (metropolitan cities) and rural areas.

4 Promotion decisions

- Print and broadcast adverts, as well as billboards, should be used for this product market.
- This product market is not performing as expected and therefore advertising initiatives should be geared towards capturing this market.

PM 11: Wool and mohair clothing white low-medium income 35-45

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 30%
- Price = 35%
- Product design = 20%
- Fabric = 15%.

The overall score (relative strength) of the South African clothing sector against the main competitor is 1,00.

Objective

- To obtain a market share of 6% by 2005.

Relative strengths/weakness

- South Africa is at par with other competitors in this product market. The noticeable strength of the main competitor is the pricing. American based firms have a price advantage over all its other competitors. South Africa has a superior fabric and product design relevant to the product market.

Main offering

- Good quality clothing products at affordable prices.

Value proposition

- Affordability and good quality.

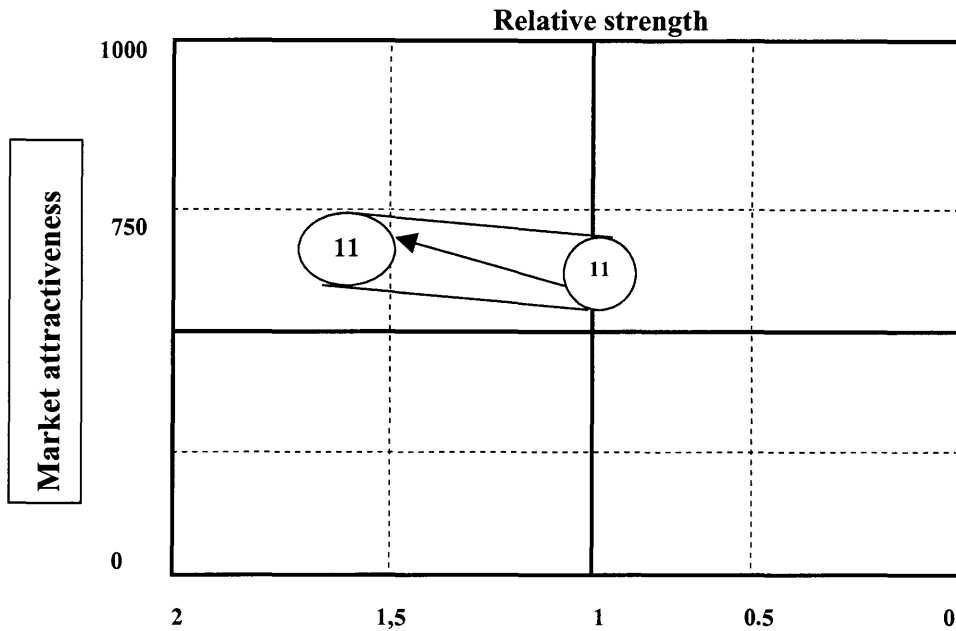


Figure 11.13 - Product market positioning: Product market 11
Source: Author

Marketing mix: Product market 11

1 Product decisions

Product mix decisions

Table 11.7 - Product mix: Product market 11

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Suits	4	4	Medium
Jackets	4	6	High
Sweaters	4	4	High
Jerseys	4	6	High
Sports coats	2	4	Medium
Trousers	3	3	High

Source: Author

Product line decisions

- Sales contribution: Trousers, jackets, suits (for both male and female), and sweaters have a combined contribution of about 75% towards sales. These product lines should be further promoted.

Product line positioning

- High quality clothing products.
- Comfort and durability should be the other factors considered for this product market.
- Size should range from small to large. Extra large sizes should be produced in small quantities.

Labelling

- The labelling should include product treatment.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term without compromising profits.
- Affordable prices for good quality and durable clothing products.

Determining demand

- Affordable products of good quality will increase demand whereas high prices will decrease demand for the products.

Cost estimation

- Cost estimation is the same as in product market 1.

Pricing method

- Price lists should be stable and pricing should be based on costing procedures so as to continue supplying products at market-related retail prices.

Final price selection

- The final price should be very competitive with regard to other competitors otherwise the customers will change quickly to the lower priced products.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be promoted in this product market.
- The price might be increased in the long term when the perceived value of the products is entrenched in the product market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 7.
- The focus should be on both urban (metropolitan cities) and rural areas.

4 Promotion decisions

- Print and broadcast adverts, as well as billboards, should be used for this product market.
- This product market is not performing as expected and therefore advertising initiatives should be geared towards capturing this market.

PM 12: Wool and mohair clothing white low-medium income 45-60

The consumer value drivers for this product market, as well as their weights, are indicated in chapter 8 as follows:

- Product quality = 30%
- Price = 40%
- Product design = 15%
- Fabric = 15%.

The overall score (relative weakness) of the South African clothing sector against the main competitor is 0,96.

Objective

- To obtain a market share of 5% by 2005.

Relative weakness

- South Africa has a relative weakness in this product market. Price is the main criteria for the buying decision and the main competitor has a price advantage over South Africa.

Main offering

- Good quality clothing products at affordable prices.

Value proposition

- Affordability and good quality.
- Durability.

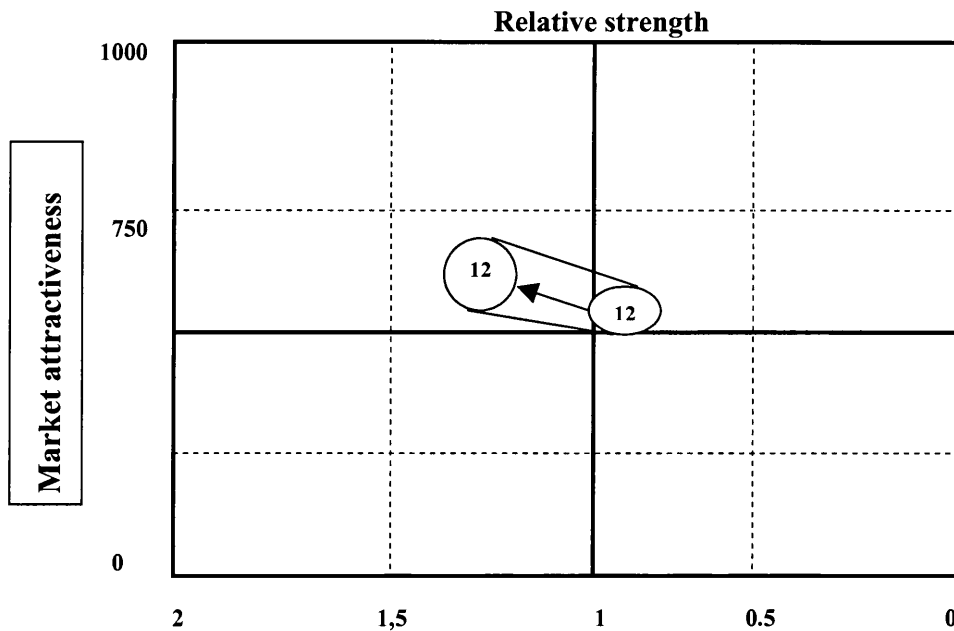


Figure 11.14 - Product market positioning: Product market 12
 Source: Author

Marketing mix: Product market 12

1 Product decisions

Product mix decisions

Table 11.8 - Product mix: Product market 12

Width (Product lines)	Length (Items)	Depth (Variants) Sizes x Formulations	Consistency (End user relations)
Suits	2	4	Medium
Jackets	4	6	Low
Jerseys	4	6	Medium
Trousers	3	3	High
Headwear	1	1	Low

Source: Author

Product line decisions

- Sales contribution: Trousers, jackets, and jerseys have a combined contribution of about 80% towards sales in this product market. These product lines should be further promoted.

Product line positioning

- Products of reasonable quality, comfort and durability.
- Size should range from medium to large.

Labelling

- The labelling should include product treatment.

2 Price decisions

Price objectives

- The main objective is to grow the market in the medium to long term at minimum profit.
- Affordable prices for good quality and durable clothing products.

Determining demand

- Affordable products of good quality will increase demand whereas high prices will decrease demand for the products.

Cost estimation

- Direct exporters do not produce all their products, but buy from manufacturers. Cost estimation and setting is thus more difficult from the point of view of the direct exporters.
- Good relationships between direct exporters (retailers), manufacturers and cut, make and trim operators must result in joint costing decisions by all the role players in the industry.

Pricing method

- Mark-up pricing (product cost plus standard mark-up for profit) should be adopted in order to capture the market.
- Comfort and durability of the products should allow a final price that covers all costs of production and still contribute an average mark-up.

- Price lists should be stable and pricing should be based on costing procedures so as to continue supplying products at affordable prices.

Final price selection

- A price consistent with the company pricing policy should be used so as to ensure that customers are charged prices that are reasonable and still profitable to the organisation/s.

Price adaptation

- Prices for rural areas should be slightly lower than those for metropolitan cities and urban areas.
- Quantity and seasonal discounts should be promoted in this product market.

3 Place decisions

Marketing channel logistics

- Marketing channel logistics are the same as in product market 7.
- The focus should be on both urban (metropolitan cities) and rural areas.

4 Promotion decisions

- Radio and broadcast adverts, as well as billboards, should be used for this product market.
- Even though this product market is not performing as expected, advertising costs should be kept at a minimum.

CHAPTER 12 CONCLUSION

12.1 Integration and implementation

The marketing strategic plan outlined in chapters 2 to 12 of this management report, subscribes to the value creation-delivery sequence view on the business process. “The value creation-delivery sequence places marketing at the beginning of the planning processes”, says Kotler (2000:85). The different phases/steps in the presentation of this strategic marketing plan are evidence to this view.

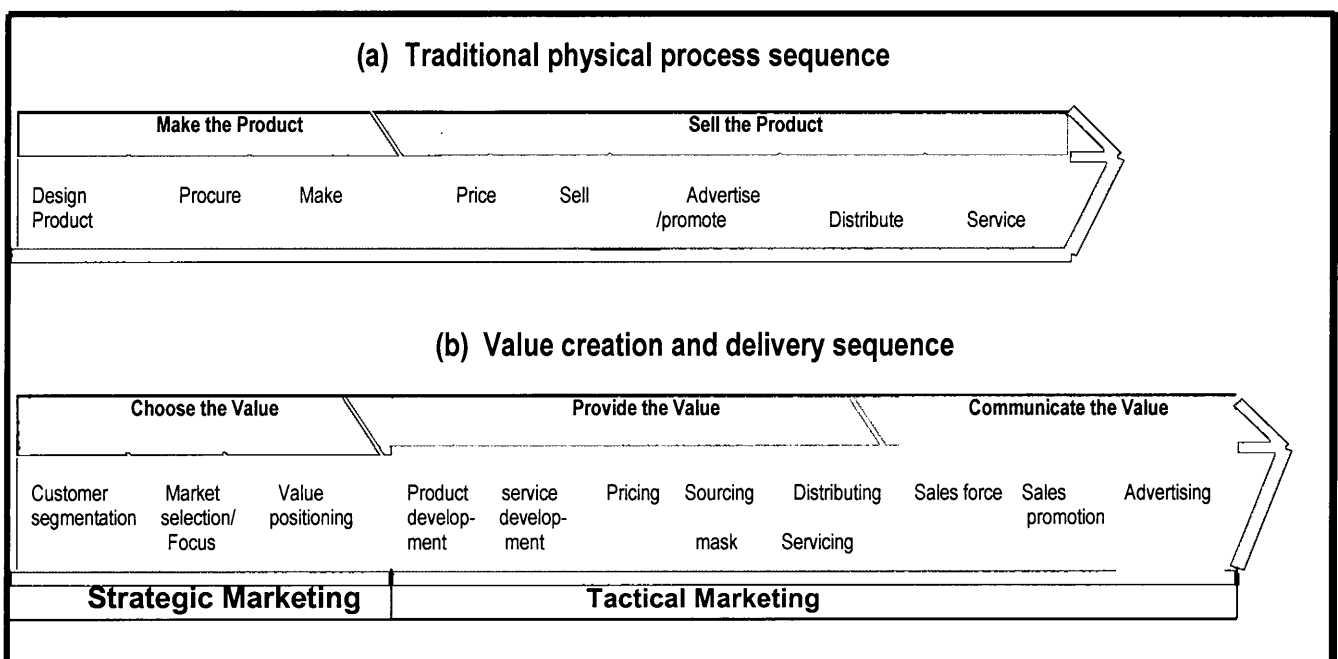


Figure: 12.1 - Two views of the value-delivery process

Source: Kotler (2000:85)

Emphasis was first placed on the strategic issues like:

➤ Customer segmentation

This phase included the following:

- Selection of the product line
- Market environment scanning where the focus was on the opportunities, threats, strengths, weaknesses, and product analysis.

This was necessary in order to establish different consumer segments and where to place different wool and mohair products.

➤ Market value selection

This phase included issues like:

- Market mapping – the route from products to market was established.
- Factors that attract the American consumers to the South African clothing products were identified and South African clothing and textile industry was evaluated against the competitors on different market attractiveness factors.
- Strengths and weaknesses were identified so that the industry and/or organisations in the industry should take advantage and care of them.
- Different products markets were selected based on the level of attractiveness factors and competitive strengths.
- Value positioning, etc.

This phase helped in identifying product markets where it would be advantageous to grow or disinvest.

Even though the value creation and delivery sequence places marketing at the beginning of the business process, the strategic marketing plan will be ineffective if not integrated with other functional areas of the business at the general management level. The successful implementation of this strategic marketing plan depends, to a certain extent, on the integration of marketing with others areas of the business.

“A clear strategy and well-thought-out supporting programs may be useless if the firm fails to implement them carefully”, says Kotler (2000:82). For an organisation to be successful, it must exhibit some elements of strategy. McKinsey’s 7-S framework for business success is shown in figure 12.2.

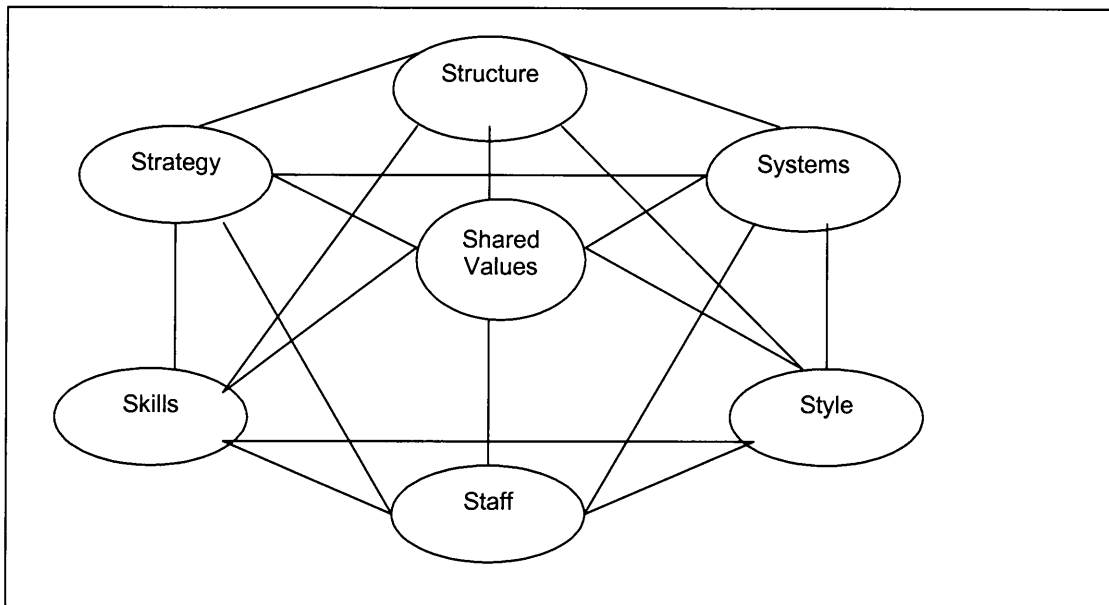


Figure 12.2 - McKinsey's 7-S framework
Source: Kotler (2000: 83)

Kotler (2000:83) states the following: “the first three elements – strategy, structure and systems are considered the ‘hardware’ of success. The next four – style, staff, skills and shared values are the ‘software’.

The first soft element – style, means that the organization’s employees share a common way of thinking and behaving, e.g. professionalism. The second element – staff, means that the organization has hired able people, trained them well, and assign them to the right jobs. The third one – skills, means that the employees have the needed skills to carry out the organization’s strategies. The fourth element – shared values, means that the employees share the same guiding values”. The success of the strategic marketing plan will therefore depend on all four soft issues discussed above, as well as the proper structures and systems.

McKinsey’s framework for business success clearly indicates that the successful implementation of the organisation’s strategic marketing plan is dependent on other functional areas of the business. For example, the human resource management and marketing divisions should work closely to ensure

that the people hired are right for the job and are well-trained to execute the strategic marketing plan. Similarly, the finance division should work closely with the marketing division in setting financial objectives and budget requirements of the strategic marketing plan.

12.2 Intervention and action plans

A period of up to three years may be necessary for the successful implementation of an effective strategic marketing plan. The intervention and action plans will therefore be developed for a three-year period, starting with the year 2004.

Table 12.1 - Action plans

Product market	Action plans		
	2004	2005	2006
1	<ul style="list-style-type: none"> • Improve quality of product to keep existing customers. • Identify potential clients and gear advertising and promotion initiatives towards capturing these clients. 	<ul style="list-style-type: none"> • Improve market share by continuously increasing product quality, product design and fabric. 	<ul style="list-style-type: none"> • Maintain market share and profit.
2	<ul style="list-style-type: none"> • Improve the existing product market by moving it to another segment. • Invest cash to assist its growth. 	<ul style="list-style-type: none"> • Position it in the same class of competitors and start aggressive marketing. • Maintain the market share and profit. 	<ul style="list-style-type: none"> • Maintain aggressive marketing.
3	<ul style="list-style-type: none"> • Improve profit by boosting growth. • Increase product line to meets special needs of the product market. 	<ul style="list-style-type: none"> • Maintain marketing offering and entrench the value proposition of the products. • Maintain the market share and profit. 	<ul style="list-style-type: none"> • Improve product based on the needs of the product market.
4	<ul style="list-style-type: none"> • Maintain market profitability and improve on marketing by advertising to obtain customer loyalty. 	<ul style="list-style-type: none"> • Maintain the market share and increase profitability. • Maintain aggressive marketing. 	<ul style="list-style-type: none"> • Maintain aggressive marketing.

5	<ul style="list-style-type: none"> • Improve the quality of the product to increase market share. • Emphasise on price and quality. 	<ul style="list-style-type: none"> • Compete on price bases taking into account the quality of the garments. 	<ul style="list-style-type: none"> • Advertise increasingly on print and electronic media.
6	<ul style="list-style-type: none"> • Increase coverage by establishing connection with distributors and other retailers at the rural and semi-rural areas. 	<ul style="list-style-type: none"> • Invest more cash in research and development. 	<ul style="list-style-type: none"> • Maintain the market share through offering durable garments at affordable prices.
7	<ul style="list-style-type: none"> • Improve the quality of the products to increase market share. 	<ul style="list-style-type: none"> • Maintain marketing offering and entrench the value proposition of the products. 	<ul style="list-style-type: none"> • Maintain aggressive marketing.
8	<ul style="list-style-type: none"> • Grow the market through identifying and responding to the needs of the market. 	<ul style="list-style-type: none"> • Improve product based on the identified needs. • Promote products through marketing initiatives. 	<ul style="list-style-type: none"> • Maintain market share by improving the value proposition of the products.
9	<ul style="list-style-type: none"> • Improve the quality of the product to maintain existing customers. 	<ul style="list-style-type: none"> • Improve sales by increasing marketing through advertising and other means of promotion. 	<ul style="list-style-type: none"> • Maintain market share and profitability.

10	<ul style="list-style-type: none"> • Entrench the product offering to the product market through promotions. 	<ul style="list-style-type: none"> • Improve marketing initiative to obtain a sizeable market share. 	<ul style="list-style-type: none"> • Maintain the market share through advertising and promotions.
11	<ul style="list-style-type: none"> • Invest more cash on research and development. 	<ul style="list-style-type: none"> • Improve the product based on the needs of the product market. 	<ul style="list-style-type: none"> • Maintain the market share through advertising and promotions.
12	<ul style="list-style-type: none"> • Grow the market through promotions and affordable prices. 	<ul style="list-style-type: none"> • Improve the current product offering to increase market share. 	<ul style="list-style-type: none"> • Maintain the market share.

Source: Author

12.3 Concluding remarks

The successful implementation of the export marketing strategic plan depends largely on the strong relationship between all role players. The Department of Trade and Industry, manufacturers and employers' associations and trade unions in the sector need to work together to ensure maximum benefits from the Africa Growth and Opportunity Act (AGOA). In order for the industry to meet the requirements and the needs of each product market identified in the export strategic marketing plan, manufacturers, cut, trim and make operators as well as retailers must create a strong value chain with a common vision.

The benefits of AGOA, of which this strategic plan wishes to maximise, will not only be of value to the clothing and textile industry, but the whole country. Export gains have a positive effect on the country's international monetary reserves and its balance of payments. Exporting also helps to gain the economies of scale in the production process, which means lower prices to consumers of domestic products. This export marketing strategic plan, if properly implemented, will result in job creation, an increase in profitability of an exporting organization, as well as an improvement of the gross domestic product.

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