

**A Supply Chain Model for the
South African Recording Industry**

by

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**A SUPPLY CHAIN MODEL FOR THE
SOUTH AFRICAN RECORDING INDUSTRY**

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SYNOPSIS:

This study was undertaken with one main goal in mind: to develop an unique outsourced supply chain management or logistical business process, specifically researched and formulated to be applied in the South African Recording Industry.

In order to successfully achieve this goal, thorough research into the players, processes and procedures of this unique industry was necessary. This research was methodically gathered over many months, firstly by studying *secondary* sources which were consulted in order to gather as much knowledge and information on the topic as possible. However, more important to this study was the *primary* research that was undertaken into this industry. Major players representing all areas of the industry were selected and contacted, including individual artists, artists' governing bodies, various independent and international record companies, record company governing bodies, the music trade (consisting of wholesalers, dealers, retailers and independent stores) and lastly the consumer or end-user. These selected players were contacted and interviewed by means of personal interviews, telephone calls or electronic mails. Subjects completed the questionnaire that is attached in the Annexure at the end of the thesis (companies interviewed are listed in the research methodology of Chapter 5). The information gathered from the completed questionnaires is integrated throughout the entire thesis. The analysis of the current channel (MODEL A) led to the development of the hypothesis statement (MODEL B) and then to tested outsourced supply chain model (MODEL C).

When conducting the initial research into the current processes and procedures of the South African Recording Industry, it was found that most record companies are forced to perform most or all logistical processes in-house, mainly due to a lack of suitable alternatives. These procedures include amongst others: the manufacture of stock, warehousing and inventory management, selling, marketing, debt collection and the management of receivables - which implies both forward as well as backward integration. It was clear that these processes do not at all form part of a record company's core competencies, which are in essence simply the recording and

publishing of music. Concentrating so much of their time and resources on managing these logistical processes, cause record companies in the South African industry to perform at below-optimum levels and offer an inferior service to the market and their clients in general.

In the hypothesis statement in MODEL B, a process was researched whereby all non-core logistical or supply chain processes are outsourced to one logistical or supply chain management business partner.

The results of this investigation led to the development of MODEL C, in which the supply chain management company does then, on behalf of its record company client, procure all stock and store it in its own secure warehouses and perform all stock control and inventory management processes. The supply chain management company is also responsible for selling the stock into the trade and for all aspects of the distribution and physical delivery thereof. This thus leaves the record company free to concentrate on its own core competencies.

This thesis firstly explores supply chain management in general by discussing a basic overview on the topic. Next the various *players* in the South African Record Industry are researched, where after the current supply chain *processes* are analysed and documented (MODEL A). The methodology, advantages and disadvantages of outsourcing business processes to a third party business partner are researched and evaluated in Chapter 4. The second last chapter contains the complete research methodology of the thesis (MODEL B), where after conclusions are reached and recommendations are made in the final chapter (MODEL C).