The Absence of IKEA - A Study into the South African Furniture Market

2010-11-24

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Acknowledgements

We would like to show our gratitude to all the people who contributed to our thesis in one way or the other. Our sincere thanks go to our supervisor, Finn Wiedersheim-Paul, for his encouragement, guidance and help during the whole process.

We would also like to express great appreciation to SIDA for the financial support that gave us the opportunity to conduct a Minor Field Study in South Africa.

A special thanks to all the respondents for their time and invaluable knowledge. Without you this thesis would not have been possible.

Lastly, we offer our regards to our host family in South Africa for their hospitality and their guidance. Thanks to you, our stay in South Africa is an unforgettable experience.

-- Danijela, Shiman and Stéphanie
Abstract

Course: Master Thesis in Business Administration, 15 ECTS

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Research questions:
- Is the South African furniture market favourable for IKEA?
- Would it be beneficial for IKEA to have production there?
- How could IKEA promote itself if they were going to enter the South African market?

Purpose of the research:
The purpose of the paper is to identify possible opportunities and threats for IKEA in the South African furniture market by describing the market from a furniture company’s perspective. The paper will also point out strengths and weaknesses on the South African market that can be helpful for Swedish furniture firms that are interested in establishing business in South Africa.

Methodology:
Different method approaches were used including; observations, a survey among consumers and interviews with the Swedish Trade Council, a marketer and furniture companies. The information gathered through these approaches was complemented with previously published data.

Conclusion:
It was discovered that the investment climate in South Africa is favourable and that there is a market for IKEA. However, considering the current condition of the market, we argue that the market is not favourable enough from a manufacturing perspective and therefore not beneficial for IKEA to set up production. The biggest threat identified is the furniture store Mr Price because of its similar concept. To begin with IKEA should focus on brand building followed by in store marketing.

Keywords:
South Africa, IKEA, Market analysis, External analysis, Marketing mix, South African furniture market, Black Diamond.
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1. Introducing the subject

The following chapter present a possible opportunity for IKEA to enter the South African furniture market. Furthermore, we introduce the objective of the thesis that includes identifying threats, opportunities, weaknesses and strengths in the South African furniture market that could have an effect on IKEA’s possible establishment and production. We finish the chapter by giving an introduction to South Africa as a potential investment market for IKEA.

“Change brings opportunity.” – Nido Qubein

1.1 Why is IKEA not present on the South African furniture market?

On the South African furniture market there is currently no option between the very expensive high quality furniture and the cheap low quality furniture. This is referred to by the Guardian as a” gap” on the furniture market that needs to be filled (Smith, 2010-05-12). This gap is an opportunity that IKEA can take advantage of since they offer “wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.” The company also has already gained a lot of experience from other foreign markets being well-established in 35 countries all over the world. (IKEA’s business idea, 2010-09-10) The gap referred to by the The Guardian (Smith, 2010-05-12) together with the high demand among the upwardly mobile migration from the townships to the suburbs creates a great opportunity for IKEA to enter the market. The purpose of this paper is therefore to examine this possible opportunity for IKEA and identify possible threats in the South African furniture market by describing the market from a furniture company’s perspective. The paper will also point out strengths and weaknesses on the South African market that can be helpful for Swedish furniture firms that are interested in establishing business in South Africa.

To carry out this objective the following questions will be examined:
- Is the South African furniture market favourable for IKEA?
- Would it be beneficial for IKEA to have production there?
- How could IKEA promote itself if they were going to enter the South African market?

1.2 Changes in society equals changes in market behaviour

When a country is developing, profound changes takes place that affect its citizens: The average income changes, population concentrations shift, people’s expectation for a better life rises to higher standard, new infrastructures develop and social capital investments are made. The market is not static but is continuously changing as it is affected and affects change in income, awareness of
different lifestyles and introduction to new ideas and products. With affluence that comes from economic growth, markets develop and different new segments emerge. This contributes to changes in market behaviour and consumer market segments arise or disappear. Domestic and foreign companies therefore seek new markets or expand their current position in an existing market. When emerging markets evolve, it creates middle-class households that produce new markets for variety of products. (Ghauri and Cateora, 2006, ps. 2002-2004)

1.2 The potential market

From the long history of Apartheid and the transformation to democracy, South Africa has developed to form a new and vibrant society and economy. South Africa’s transformation into democracy has led to changes in the society, especially for historically disadvantaged people, including women, black South Africans and the disabled. The equal opportunities that the black population lacked before, during the Apartheid, has now led to a major development among blacks and the emergence of a robust middle class which is referred to as the Black Diamond (Githiomi, 2010-08-27) This group is constantly growing and so is their purchasing power. As the group is growing so does the number of black middle class moving from townships to the suburbs, (SA’s booming black middle class, 2010-08-26) approximately 12 000 families per month (Is there a viable black middle class in South Africa?, 2010-08-27) This means great opportunities for companies to take advantage of (SA’s booming black middle class, 2010-08-26), considering that black people represent 79 % of South Africa’s 49 million population and that the black middle class accounted for 9 % of the total population in 2004 (South Africa’s economy- GDP, 2010-07-05).

The South African furniture industry has a promising future. The increased purchasing power and the demands in this industry are according to the “Centre for Industrial Studies” constantly growing from the low to middle income households and consequently provide great opportunities for niche markets. They also claim that in the longer term the prospects are even brighter because of South Africa’s access to raw materials and well-established infrastructure. (South Africa furniture outlook, 2010-08-24) This prospect together with the gap between the very expensive furniture and the cheap low quality furniture now offered on the South African market (Smith, 2010-05-12) raises the interest to examine the reasons why IKEA should enter the market. An additional factor that contributed to our interest was our contact with IKEA where they informed us that South Africa in the future could be a potential market (Jonsson. Mail correspondence, 2010-05-27).
1.3 The structure of the study

The model below illustrates the structure and content of the coming chapters in this study.

- **Chapter 2**
  - This chapter explains how this study was carried out and gives a description of how the data was acquired. Furthermore, it gives an explanation concerning the choices made.

- **Chapter 3**
  - The theoretical framework is presented as a foundation needed to the analysis and conclusion.

- **Chapter 4**
  - Our empirical findings which consist of data collected through interviews, questionnaire and other sources are presented here.

- **Chapter 5**
  - The results from the empirical findings are connected and analysed with the theoretical framework as a basis.

- **Chapter 6**
  - In the final chapter, the conclusions reached are presented.

Figure 1: The structure of the study
2. How the data was acquired and processed

This chapter aims to give a description of the process of gathering the material including an explanation of the choices that has been made and why they were made.

“Though this be madness, yet there is method in’t.” - William Shakespeare (1564-1616)

2.1 The chosen approach

To get an overview of the South African market, we started out with a pre-study (Christensen et al., 2001, p. 166) which gave us the foundation for the specific study that was carried out. The pre-study included an interview with Jan Kettnaker at the Swedish trade council and observations of the behaviour of the inhabitants in Johannesburg. An observation is defined as a specific phenomenon studied in its natural environment (Jacobsen, 2002, ps. 180-181). Observations have also been made by visiting different furniture stores in South Africa. In addition to the pre-study, we also examined other previous studies done within the same area and came to the conclusion that there hasn’t been any research about the chosen company on the specific market. This absence of a research, specified for IKEA, on a market with great potential created the interest to carry out this study. The data collected consists of previously published data and interviews with furniture companies and a marketer, as well as a questionnaire among consumers.

2.1.1 Previously published data

A part of the data collected for the study is previously published material such as books, articles, reports and web pages. During the collecting process we have kept in mind that the information found could be misleading, biased or not accurate. The information collected has therefore been critically viewed and filtered. To be able to separate high quality information from poor quality information we have kept in mind the criteria reliability, accuracy, reasonableness and support. This criterion, also referred to as the CARS checklist, is suggested by acknowledged professors including Dr. Robert A. Harris that has taught at college and university level for more than 25 years. The reliability has been analysed by questioning the trustworthiness of the sources, such as author’s credentials, evidence of quality control, known or respected authority, organizational support etc. By comparing the information between different sources and using the information that has been most frequently found and supported, we believe that the credibility has been increased. Concerning the accuracy we have, when collecting information about the South African market, we used the most recently published and updated material available. When it comes to how reasonable the
sources used are, we have evaluated if they are fair, objective, and reasoned, meaning that there is no conflict of interest and that there is an absence of fallacies or partiality. (Evaluating Internet Research Sources, 2010-11-28) We have also, when possible, used a primary source instead of a secondary source to avoid using information that has been altered from the original information (Leth and Thurén, p. 23, 2010-11-28). We are, however, aware of that pure objectivity does not exist and that despite our evaluation there may be some information that in some way could be misleading but by evaluating each source used we have tried to ensure the relevance and credibility. (Evaluating Internet Research Sources, 2010-11-28)

The theoretical framework is based on theories about “Strategic Market Management” by David A. Aaker, Robert, W. Haas and “The Marketing Mix” by Kotler. When considering to enter a new market, Haas (1995, p. 295) stresses the importance of doing an analysis of the present market situation in order to do effective marketing planning, which is why we considered theory concerning “Strategic Market Management” suitable. To be able to examine possible opportunities for IKEA and to describe the South African furniture market and point out important factors that can be helpful for Swedish furniture firms that are interested in establishing business in South Africa, we needed to gather external information about the market. According to Aaker (1992, p. 23) this is done by examining factors such as environmental factors; market conditions; customers and competitors. By analysing these factors, threats and opportunities can be discovered. To be able to investigate the market and form a base for a marketing strategy, the “Marketing Mix” has been employed which according to Kotler is suitable for this area. Since the model is constructed to be adapted to the specific environment in which a company plans to compete in, it is important that research about factors, such as the customers’ preferences, behaviour and the effect different promotion tools have on them, is made so that an optimal marketing mix can be created (Kotler et al., 2008, ps. 49-52). We are aware of the criticism the model has received over the years for being too focused on products, for ignoring marketing problems concerning services, that it is too strongly oriented towards consumer markets and focuses on single transactions, but we don’t consider the criticism to apply strongly to this study. Since the products that IKEA offers are mass-produced and not customised we found the 4p’s to be applicable for this research.

Due to the theories generality it has been possible to complement and support them with theories from other authors such as, Brassington, Pettitt, Ghauri, Cateora, Porter, Kotler, Keller and Hofstede. It has also been possible to exclude parts where the theory did not correspond with this specific study. The factors chosen to analyse the external environment were selected with
consideration of IKEA and the width of the study. We are aware of that this selection doesn't give the whole picture of the market but does provide sufficient information to give the reader a comprehension of the market. If one were to investigate all existing factors, we risk being left with an over-convoluted description.

2.1.2 Information gathered through interviews

To get a better understanding of the situation on the market interviews were made with competitors, the trade council and a marketer. The reason behind choosing interviews as an approach was to obtain detailed and comprehensive information. If questionnaires had been used instead the answers would have been limited and there would not have been any possibility to ask follow up questions. The questions for the interviews were founded on the theory of “Marketing Mix” and “Situation Analysis” with the intention to examine the competition on the market and marketing possibilities. To show that the questions measure what they are intended to measure, and in that way increase the validity (Paulsson, 1999, ps. 21, 48 and Jacobsen, 2002, p. 159) of this study, the questions and their connection to the theory are represented in appendix 7. Validity stands for the strength of the conclusions and for the relevance in a paper, which means using the right measuring instruments in the right situation. It is therefore important that the sources and the examination done are relevant for the study (Jacobsen, 2002, ps. 21, 159 and Paulsson, 1999, ps. 48-49). A screening of the information gathered was made and during the evaluation process it was found that one of the interviews was not valid due to lack of knowledge and assurance shown by the interviewee when answering the questions.

2.1.2.1 The selection process

The selection for the interviews was made by us, which means that a strategic choice was applied (Christensen et al., 2001, p. 129). The first interview was made with Jan Kettnaker, Trade Commissioner and Head of Southern Africa Trade council, and the objective of the interview was to get a general overview of the South African market. To examine what kind of marketing tools IKEA could use if they were to enter the South African market, we chose to interview Wendy Nagel that has been working as a marketer for 16 years. The reason why these two people were chosen was their position and knowledge about the subject in question.

To investigate the competition on the market, interviews were made with furniture stores, chosen after the results of the previously made consumer survey. The top five furniture stores that were
selected among the consumers were contacted and interviews were made with the ones willing to participate. Contact was made with the stores through their head office and by directly going to the stores and asking the managers. Among the six stores contacted, three stores, “House and Home”, “Whetherleys” and “Furniture City” chose not to participate. Two interviews were also made with two stores, one with “Coricraft” and one with “Boardmans”, two stores that did not come up among the top five in the consumer survey. The choice to contact these stores was based on the interviews that took place before, in which these stores came up as main competitors. The persons interviewed in the different stores were people with an insight to the organisation and could therefore contribute with valid information. Figure 2 shows all the respondents for the interviews made.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation/Company</th>
<th>Title</th>
<th>Time and date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kettnaker, Jan</td>
<td>Swedish Trade Council</td>
<td>Trade Commissioner and Head of Southern Africa Trade Council</td>
<td>19th of May 2010, 09.00 a.m.</td>
</tr>
<tr>
<td>Nagel, Wendy</td>
<td>Nedbank</td>
<td>Client Value Management</td>
<td>4th of June 2010, 13.00 a.m.</td>
</tr>
<tr>
<td>Ms. X</td>
<td>Mr Price Home</td>
<td>Store Manager</td>
<td>14th of June 2010, 08.30 a.m.</td>
</tr>
<tr>
<td>Ms. Q</td>
<td>Boardmans</td>
<td>Store Manager</td>
<td>17th of June 2010, 9.00 a.m.</td>
</tr>
<tr>
<td>Ms. Y</td>
<td>Coricraft</td>
<td>Store Manager</td>
<td>18th of June 2010, 09.30 a.m.</td>
</tr>
<tr>
<td>Bresler, Colin</td>
<td>Joshua Doore</td>
<td>Chief Executive</td>
<td>8th of September 2010, 10.30 a.m.</td>
</tr>
<tr>
<td>Nuttell, Gary</td>
<td>Lewis</td>
<td>Marketing Executive</td>
<td>8th of October 2010, 09.30 a.m.</td>
</tr>
</tbody>
</table>

Figure 2: The interviewees

### 2.1.2.2 Implementation

The interviews were done both through personal meetings and email. The reason for doing interviews via email was that some of the respondents were not available for a meeting. All interviews implemented were semi structured, which means that the theme and the questions were predetermined, but did not necessarily come in a specific order (Christensen et al., 2001, ps. 164-165). The interviews made via email had a stricter structure, since there was no possibility to ask follow up questions and create a conversation with the respondents. The reason for implementing the interviews this way was to get as much information as possible from each person surveyed and not to restrict them. At the same time, the focus on our subject was kept. We also used the same question form for all the interviews with the store managers so that the data collected would be easier to process and the results easier to compare. This type of interview, which is more standardised and more structured, gives according to Hartman (1999, p. 199) higher validity.
Another advantage when using a more standardised interview is that there is less risk for systematic errors in the data collected (Christensen et al., 2001, p. 168).

The interviews were done in an environment chosen by the interviewee. In these specific cases it was the interviewee’s workplace, which made them feel comfortable and safe (Jacobsen, 2002, p. 164). In this way we also avoided the effect that a new environment can have on an interviewee and therefore increased the reliability of the study (Jacobsen, 2002, p. 190). When doing the interviews we also tried to have the same intonation on all questions to avoid manipulating the interviewee’s answer (Christensen et al., 2001, ps. 164-165). In those cases where we suspected that the interviewee might not have fully understood or may have misinterpreted the question we repeated or reworded the question to avoid a misleading answer. We also tried not to pressure them to answer the questions that they felt uncomfortable with, because we preferred no answer then a misleading one. The interviewees were also asked if they approved being recorded, so that they would not feel uncomfortable answering. Even though the interviewees approved the usage of a tape recorder our observation was that many interviewees were worried about saying something wrong and we therefore ensured them that they had the choice to be anonymous. Three of our respondents chose this option and now retrospectively we can see that the respondents that have the lowest position in the company, among the respondents, were the ones that chose anonymity. We understand that material gathered by anonymous respondents can be seen as doubtful but considering the working circumstances in South Africa and the chasm in power between different positions, we believe that the anonymity was positive. It has allowed us to acquire more specific information, information that has been of much use for us and that we otherwise would not have been able obtain because the respondents would have been too afraid or worried to give it away.

The recording technique was also used so that we could concentrate on the interviewees’ answers and ask follow up questions instead of focusing on writing down all the answers (Jacobsen, 2002, p. 166). Even though the interviews were recorded we still took notes to avoid material lost if a technical problem occurred (Jacobsen, 2002, p. 166). Another advantage using this technique is the possibility of being able to review the information collected several times to make sure that no information was lost (Christensen et al., 2001, p. 162).

The interpretation of data collected as well as the relevance of the selected material for the study is always subjective, a full recording of each interview is presented in appendix 2-6 and 8. The appendix is insuring that the interviewees were perceived in the right way and thereby strengthen
the validity and increase the reliability of the paper. A paper’s reliability refers to the credibility of the research, meaning that the same results should be obtained if the research would be done again, for the same purpose, using the same process. (Jacobsen, 2002, p. 22)

2.1.3 Information gathered through questionnaires

To examine the demand among the consumers on the furniture market a questionnaire (see appendix 11) was developed. The reason behind the choice of a questionnaire was to reach out to a large group of people (Christensen et al., 2001, p. 137) and to get classified and easily comparable answers. Using a questionnaire is also an effective way to get many respondents in a relatively short amount of time.

2.1.3.1 Selection process

The observations from the pre-study indicated that the middle class, which is IKEA’s largest target group, usually do their shopping at specific malls, which explains the decision to perform the survey at a shopping mall (Christensen et al. 2001, p. 136). In order to hand out questionnaires in a public place, permission from management is required, that is because most of them are privately owned. After having contacted the Heathway Square Mall in Johannesburg, a mall that targets the middle class, a meeting was arranged with the Centre Manager, Matt Mihalicz. An agreement was thereafter made that allowed us to hand out our questionnaires but with the condition that we hand out another questionnaire made by the management of the mall that concerned the shopping behaviour of the customers.

To get a wider dissemination of analysis the questionnaire was conducted at different times and days during the week as well as at different places within the mall. We tried to choose people with different ethnical backgrounds, ages and sexes to get a wider spread (Christensen et al., 2001, p. 133). There is no specific rule regarding the amount of respondents that should participate in a survey, but an amount of 50 shouldn’t be exceeded (Christensen et al., 2001, p. 121). Our aim was to gather at least 200 questionnaires and we consider the 227 gathered questionnaires to support the credibility of the research.

2.1.3.2 Modelling of the questionnaire

The theoretical framework was used as a base when modelling the questionnaire (Eriksson and Wiedersheim-Paul, 2006, p. 71). To see each question’s connection with the theoretical framework
see appendix 12. A short questionnaire was modelled to lower the risk for the respondent to lose interest (Christensen et al., 2001, p. 160) and therefore not read the questions properly and give out an incorrect answer. Lack of time and the fact that people in South Africa are unaccustomed to answering questionnaires validates the choice of a short questionnaire.

Before the actual questionnaire was handed out, a pilot questionnaire (Christensen et al., 2001, p. 137) was made and tested among local inhabitants with English as their mother tongue. Five people were selected to read the questionnaire thoroughly and make comments. This is a sufficient number of people to get a good overview of the questionnaire, to avoid misunderstanding, to increase reliability and to make sure that the questions were perceived the same way as meant. (Christensen et al., 2001, p. 161) We also made sure the questionnaire developed was sensitive to language and avoided controversial subjects. A few questions concerning the income and colour of skin were thereafter removed. The questionnaires were, when collected, marked at the corner with black, coloured or white, depending on which ethnicity the person was representing, due to the relevance of ethnicity for this study. There is a group of 18 respondents named as unspecified. The reason for this is that some of the questionnaires were handed out in stores where they were filled out by the employees without our presence and therefore their ethnicity and race were unknown.

The questionnaire was designed with standardised questions and with avoidance of difficult words (Christensen et al., 2001, ps. 146-147). To get an overview of the respondents and to be able to do classifications, the first part (question 1-6) consists of questions about the respondent’s background (Ejvegård, 2003, p. 35). These questions, along with questions 9-13, were designed with closed answer alternatives, which make it easier to compare the answers and facilitate the analysis (Christensen et al., 2001, p. 146). Question 7 and 8 are designed as open questions since the possible answer alternatives were too many and because we did not want to limit the respondents. The two last questions (14-15) are designed with an intervallic scale allowing us to measure the importance of the different variables.

2.1.3.3 Implementation process

Most of the questionnaires have been self-administrated, which means that the person interviewed fills out the answers themselves (Christensen et al., 2001, p. 136). In a few rare cases, were the person questioned has been an alphabet or has had problems with their sight we read the questions out loud and filled out the answers for them. We are aware of the fact that this could have had an
effect on the interviewee but not to the extent that the reliability has been affected. If confusion about the meaning of the questions has occurred, we have given explanations in a clear manner to avoid misunderstanding (ibid., p. 144).
3. Frame of reference

The theoretical framework that is used to conduct the market research is presented here.

“Whether you can observe a thing or not depends on the theory which you use.”

Albert Einstein (1879-1955)

3.1 Market analysis

When considering entering a market one should always, according to Haas (1995, p. 295), make an analysis of the present situation to be able to do effective market planning. This is done by gathering both external and internal information. Aaker (1992, p. 23) supports this and suggests that the most important categories to investigate include; environmental factors; market conditions; customers and competitors. These factors, together with a “Self-analysis” are the ground for an analysis of opportunities and threats and further development of a marketing strategy on the chosen market (Aaker, 1992, ps. 22-23 and Haas, 1995, p. 295). The theory about strategic marketing management by Aaker (1992) and Haas (1995) has been used as a base when developing the following model. We have chosen to focus only on the external factors in the environment in which the company plans to compete.

Figure 3: External marketing analysis (Haas, 1995 and Aaker, 1992, own adaptation).
3.1.1 Environmental factors

An environmental analysis has the intention to identify and understand rising opportunities and threats created by the following forces.

3.1.1.1 Economical

Purchasing power can be an indicator for profitability in a market. Debt, savings, inflations and current income and unemployment are some examples of factors that affect purchasing power in a country. The power of different consumer segments in different countries is constantly changing so as a company you have to pay attention to these trends. There is also a connection between purchasing power party and the employment situation in a country, this is an important factor to consider as a company in order to know how much to pay for labour. (Kotler, et al., 2006, p. 87) A company should also look at the Gini coefficient for a country, which is a measurement for inequality of distribution, where a value of 0 expresses total equality and a value of 100 maximal inequality. By using this measurement one can see how large the percentage of the income that goes to certain percentages of the population. This value can be used when analysing a specific market and the type of products that are suitable for the selected market. The higher the Gini coefficient is, meaning higher inequality, the more suitable the market is for luxury products and the lower the value is, meaning more equal distribution, the more suitable the market is for low and middle priced goods. (Ball et al., 2008, p. 235)

3.1.1.2 Political - Legal

Every country has the right to give or deny permission to do business within its political boundaries, therefore it is important for a multinational firm to know that its operations are affected by the political environment both in the home country and in the host country. (Ghauri and Cateora, 2006, p. 120) The government has a crucial role in every domestic and foreign business. Every government has its own political philosophy as regard to promoting national interests and providing specific policies necessary to solve problems created by its own particular environment. A shift in government when a political party with a philosophy different from the one it replaces can result in an unfriendly and unstable political climate for foreign investment. (Ghauri and Cateora, 2006, ps. 122-124)

Depending on the value of your product one can receive special treatment from the government that can be both negative and positive. As a foreign firm you might encounter labour problems as in
some countries labour unions have strong governmental support. This means that as a foreign firm you have to follow rules such as forbidden layoffs or a certain number of services have to go to the domestic labour force. Taxation is another way for governments to control foreign investment and to obtain operating funds in a quick way. A sudden unforeseen rise in tax is not unusual to encounter, especially when your business is established. Other examples of political risks are import restriction, price control, and confiscation (seizing company’s assets without payment) and domestication (the host country transfers foreign investments to national control and ownership).

There are also governments that encourage foreign investment. In some cases you can get protection and help from the government depending on what sort of company you have and what your company can contribute to the host country. Countries that need to boost their economy usually support foreign investment as they are expected to create local employment, transfer technology and stimulate growth and development of local industry. If you are in high-priority industries the government lets you get away with taxes, exchange controls and other impediments to invest. (Ghauri and Cateora, 2006, ps. 124-127)

3.1.1.3 Social
Social factors often include cultural aspects. Hofstede uses four different dimensions to describe national cultures which are largely independent of each other. These are: individualism versus collectivism; large or small power distance; strong or weak uncertainty avoidance; and masculinity versus femininity (Hofstede, 1983, p. 78). Interesting for this study is the dimensions concerning power distance and uncertainty avoidance. The fundamental issue involved in power distance is how human inequality is treated by society. All societies are unequal, but to different extents. Inequalities in power inside organisations are inevitable and functional and are most commonly formalised in hierarchical boss-subordinate relationships (Hofstede, 1984, p. 65). The basic issue involved in uncertainty avoidance is how society deals with the uncertainty about the future. In societies with weak uncertainty avoidance, people accept this uncertainty and take the day as it comes. They will also not work as hard and takes risks quite easy. (Hofstede, 1983, p. 81).

3.1.1.4 Technological
Lack of technology can make it both difficult and expensive to produce and move goods in a country. Every country has its own different distribution structure; if the distribution structure in the host country is not developed, getting the product to the target group can mean high cost for the firm. (Ghauri and Cateora, 2006, ps. 301-303)
3.1.2 Market conditions

A market analysis has according to Aaker (1992, p. 26) two primary objectives: to determine the attractiveness of the market and to understand the dynamics of the market. The attractiveness of the market depends on how difficult the market is and on the size of the profits that can be made. Understanding the dynamics is important so that threats and opportunities can be identified and strategies adapted. To be able to reach these objectives, factors such as market needs, size, growth, market shares, segments and trends should be examined.

3.1.3 Customers

The first step in an external analysis is identifying the customer segments and each segment’s motivations and unmet needs. Segment classification identifies alternative product markets and therefore has a large impact on the strategic investment decision. (Aaker, 1992, p. 24) By doing this the company can decide how great the investment levels assigned to each market should be. When identifying different segments one should consider who the biggest, the most profitable and the most attractive potential customers are. The company should also consider variables such as: benefits sought usage, organisation type, geographic location, customer perceptions and attitudes, price sensitivity.

A customer’s motivations analysis provides information needed to decide what the firm should do regarding their competitive advantage. To find out customer’s motivation the company should examine what elements of the product/service the customers value most, what their objectives are and what changes are occurring in customer motivation. (Aaker, 1992, p. 48)

A need that is not currently met on the market by existing products can strategically be important for the company entering the market because it may represent a way to affect well-established competitors. When examining unmet needs, Aaker (1992, p. 48) suggests that the company investigates why customers are dissatisfied, what the severity and incidence of consumer problems is, if there are unmet needs that the customers can identify themselves and if there are some needs of which the consumers are unaware of. If one can identify such unmet needs, the company should look into if these needs represent leverage for competitors. (ibid.)
3.1.4 Competitors
An analysis of the competition in the market should start with identifying current and potential competitors. Although all competitors are important for the firm’s future strategy, the focus should be on the main competitors. (Aaker, 1992, p. 25) It is also important to investigate the rivalry among existing competitors. It can be everything from new product introductions, price discounting, advertising campaigns and improved service. High rivalry affects the profitability but to what degree it does that depends on the intensity among the competitors and also on which basis they compete. (Porter, 2008, p. 18) Another important factor is new entrants that bring with them new capacity, desire to win new market shares and increased competition by introduction of new, or similar, products and services. How big the threats from new entry are depends on how high the barriers are and the reaction from incumbents when the newcomers enter (Porter, 2008, p. 8). Entry barriers are advantages that existing companies have towards newcomers and can be used to prevent the threats of new entrance. (Porter, 2008, p. 9) Some factors that promote high barriers are supply-side economies of scale, capital requirements and incumbency advantages independent of size. (Porter, 2008, p. 9)

*Supply-side economies of scale* occur when companies that produce at a large volume get lower costs because they can spread their fixed costs over more units, use more efficient technology, or create better terms from suppliers. This forces new entrants to come into the industry on a large scale or to accept a cost disadvantage. (Porter, 2008, ps. 9-10)

*Capital requirements*, if the entry needs large financial investments in order to compete, it can deter new entrants. Capital is needed for example, if expensive facilities extend customers credit and for up-front advertisement, research and development. It is important to realise that the capital requirements do not deter all new entrants. If the industry's profitability is attractive and expected to be, and if capital markets are efficient, investors will give newcomers the resources needed. (Porter, 2008, ps. 10-11)

*Incumbency advantages independent of size*, established companies may have advantages not available to potential rivals. These advantages can be cost or quality advantages such as strong brand identity, patented technology, experience, better geographic locations or access to the best raw materials etcetera. (Porter, 2008, p. 11)
3.2 Marketing mix

The marketing mix is a set of controllable elements that can be used by a company to influence the demand for its products and to produce the response it wants in the target market. The marketing mix consists of four variables known as the four Ps: product, price, place and promotion. (Kotler et al., 2008, p. 76) The four Ps, and its choices of differentiation, is an important tool for companies to build a strong brand. The theory enables us to define good product features for the consumers and to commercialise it in the best way to satisfy their needs and wants (Kotler et al., 2008, ps. 501-502).

**Product** is the goods and services that are offered to satisfy a want or a need and it includes physical objects, services, persons, places. (Kotler et al., 2008, p. 76) A company should strive to offer a product that satisfies the customers both in functional and psychological terms because at the end a customer is buying a product to solve a problem or to enhance its life. The product is the ultimate test for the company whether it has understood its customer’s needs or not. (Brassington and Pettitt, 2005, p. 172)

**Price** is the amount of money a customer pays to obtain a product. (Kotler et al., 2008, p. 76) It is important to understand the meaning of price from customer’s point of view in order to price products in accordance with the value that the customer places on the benefits offered. The customer uses the price as tool when comparing different product and judging the quality of them. (Brassington and Pettitt, 2005, p. 212)

**Place** is the activities that makes the product visible for the customer. In order to get the products in the right time in the right place different distribution channels can be used (Kotler et al., 2008, p. 76). The structure of the channel can vary depending on the type of market, the type of product and the need of the customer. The changing environment can also have an effect on the choice of the channel. (Brassington and Pettitt, 2005, ps. 274-275)

**Promotion** is all the activities made by the company to communicate with its customers and consists (Kotler et al., 2008, p. 76) of five main elements which are advertisement, personal selling, public relations and direct marketing. All the different promotional tools are suitable for different types of objectives (Brassington and Pettitt, 2005, p. 278). Advertisement can be used when one needs to create awareness, create a position in the market and reach a large group of people (ibid., p. 339) Personal selling is suitable for behavioural objectives and direct marketing can be used to build long term relationship with the customers. Public relations are useful when creating and maintaining good relationship with different interest groups for example shareholders and trade unions (ibid., p. 300).
4. Empirical findings

This chapter presents the empirical findings that consist of primary and secondary data. It begins with a presentation of IKEA which is the starting point of the study. Furthermore, the chapter is divided into the different areas that have been investigated which are the market, competition, customer research and marketing strategy.

"An idea that is developed and put into action is more important than an idea that exists only as an idea." - Buddha

4.1 IKEA

The company IKEA was founded by Ingmar Kamprad 1943, in the small village of Agunnaryd in southern Sweden. Today the company exists in more than 35 countries worldwide making IKEA a global company. (IKEA’s history, 2010-09-10) To ensure production capacity IKEA has its own industrial group, Swedwood Group. This group has more than 40 production units and offices and are currently present in 10 countries in three continents. (Facts about the Swedwood Group, 2010-11-08) The vision is to create a better everyday life of people by offering a wide range of well-designed, functional home furnishing products at a low price so as many people as possible can afford them (IKEA’s business idea, 2010-09-10). IKEA is always developing methods that are both cost-efficient and innovative so they can offer good products at low prices. The “flat-pack” which means that the furniture is designed so they can be packed unassembled along with the customers assembling the furniture themselves, contributes to reduction of labour, shipping and storage costs. The product range offered by IKEA is wide, both in style and function at the same time. As a customer you can find what you need no matter which style you prefer, you can find everything you need to furnish your home, from plants and living room furnishing to toys and whole kitchens. (IKEA’s product range, 2010-09-10)

4.2 External environment - South Africa

Even though South Africa is still undergoing profound economic changes it is the most advanced country in Africa, both technologically and economically. Politically South Africa is described as stable by international rating firms (Doing Business in Guateng, 2010-07-16). The infrastructure in general is well developed supporting an efficient distribution of goods to major urban centres throughout the region (United Nations Industrial Development Organization Investor Guide for South Africa, 2010-05-20, and Science and technology - South African Government Information, 2010-08-17). The country is also well developed when it comes to financial, legal, communications, energy, and transport sectors and has world-class scientists which make the country rapidly
positioning itself among the global leaders in innovation, science and technology. Over the past five years, government has enhanced funding to science and technology and innovation. (Science and technology - South African Government Information, 2010-08-17)

South Africa along with Botswana, Lesotho, Namibia and Swaziland is a member of SACU-Southern African Customs Union, which means that countries can be seen as a common market. South Africa is also part of SADC, the Southern African Development Community, which covers 14 countries in Southern Africa (Angola, Botswana, Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, South Africa, Tanzania, Zambia and Zimbabwe). The goal with SADC is to create a common market in Southern Africa. This makes South Africa a jump pad into Africa because of the easy access to many other markets in the continent. (SADC & SACU - Swedish Trade Council, 2010-10-14)

Even though the labour is cheap it is not profitable to set up a manufacturing company in South Africa according to Mr. Kettnaker. South Africa is far away from other big markets and together with Mauritius is the only industrialised country in Africa, the other surrounding countries are either small or poor. But if one is manufacturing a specific type of product and that specific product exists in South Africa, it could be profitable to manufacture here. Security is another issue that concerns companies in the country; it adds costs because one needs to develop security policies which require both time and money. (Kettnaker. Personal interview, 2010-05-19)

Legislation follows a very Anglo-Saxon model, and even if there are corruption charges out there every once in a while, it is traditionally well functioning and independent (Kettnaker. Personal interview, 2010-05-19). Black Economic Empowerment (BEE) is a program launched by the South African government to redress the inequalities of apartheid by given previously disadvantaged groups economic opportunities previously not available to them (Doing Business in South Africa, 2010-08-16 and Black Economic Empowerment, 2010-09-15) As a company you need to put time and effort on this law and follow it through the system, especially when doing business with the state. When doing business with state, they will look at your BEE score card, the higher the point that you have the better position you will have. The operation between companies and state generally works well (Kettnaker. Personal interview, 2010-05-19) and one way to encourage investment and trade flows from foreign countries has been the government signing International tax agreements (Doing Business in South Africa, 2010-08-16).
Many skilled people have left South Africa the last 20 years leading to skills shortages that don’t make it easier for companies to find competent personnel according to Mr. Kettnaker. This is something that both companies and government work together to solve (Kettnaker. Personal interview, 2010-05-19). In fact the government has introduced a program, Joint Initiative for Priority Skills Acquisition (Jipsa) that is working with skills empowerment and focuses on educating people in areas where companies lack trained personnel. (Economy - South African Government Information, 2010-08-17)

South African society is more traditional in a number of aspects, work wise it’s a more traditional working environment and the power distance is greater between managers and subordinates. The Swedes work generally very well with South Africans and vice versa. Both are very open cultures and family based cultures. The business culture is very similar to the West European. (Kettnaker. Personal interview, 2010-05-19 and South African business culture - Swedish Trade Council, 2010-10-14) In figure 4 the similarities and differences between South Africa and Sweden is shown.

<table>
<thead>
<tr>
<th>Culture</th>
<th>Sweden</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distance</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>Weak</td>
<td>Weak</td>
</tr>
</tbody>
</table>

Figure 4: Cultural dimensions (Hofstede’s cultural dimensions – South Africa and Sweden, 2003, own adaptation)

According to the study “Transport Research Arena Europe, 2008”, the private car is the single most dominant mode of travel in the South African society. Due to the lack of public transport system in the country, people use the car to get to work, school, shopping, visits, basically all trip purposes you do in a normal day. The study also shows evidence of a potential growth in car ownership in historically disadvantaged areas (due to segregationist policies) of South African cities as middle-class incomes grow. (Transport Research Arena Europe, 2010-08-24)

When it comes to Purchasing Power, South Africa is ranked as number 104 and has a GDP per capita of 10.300 USD (South Africa’s population- GDP, 2010-07-05). Their GDP for 2008 was $10,200 and $10,000 in 2007 (South Africa’s GDP per capita, 2010-09-10). The Gini index for South Africa grew from 66.5 % in 1994 to 68.5 % in 2006 according to a Development Indicator report from Policy Coordination and Advisory Services (PCAS) in The Presidency and Clusters of Directors-General and government departments (Development Indicators, 2010-09-13). The same
report also shows that the Gini index started to descend in 2007 to 66 % (Development Indicators, 2008, 2010-09-13) and has been 57.8 % since 2008 (Gini Index- Human Development Report. 2009, 2010-09-13).

4.3 Mr Price Home
Mr Price Home is one of the four retail chains owned by Mr Price Group. Mr Price Home was launched in 1988 and is now located throughout Southern Africa. The business idea is to offer affordable and modern products that are locally designed with a distinctive local flavour. The core value of the company is the low-cost, high-volume, low-price philosophy and they offer both completed and knock-down furniture. As a customer you can find anything from home textiles, kitchenware and home accessories at Mr Price Home. (Facts about Mr Price, 2010-06-03 and Mr Price’s vision, mission & values, 2010-06-03)

4.3.1 Interview with Mr Price Home
The company Mr Price started in early 90s with the Mr Price clothing store before they expanded to Mr Price Sport and Mr Price Home. Mrs. X has worked in the company for six years and is now the Store Manager. According to Mrs. X the company’s customers are both from middle class and high class because everything is so expensive these days and everyone is looking for affordable furniture. They also have customers that are running bed and breakfast and hotels. Mr Price Home is using overseas suppliers and some of their goods are coming from China. They also change manufacturer on a regular basis which makes it difficult to know exactly from which supplier the furniture is coming. The company also has a big market share but Mrs. X doesn’t know exactly how big. When it comes to marketing Mrs. X doesn’t know how big the budget is because it all depends on how much the company sells each month, but they do have promotions every week with a specific promotion area and a normal stock is used to create that promo area. The winter season is most profitable because everyone needs sheets and blankets to feel warm. Nevertheless, other seasons like summer time, spring time and in the beginning of the academic year are also important. The frequently used promotional tools are posters, the shelf talkers and pamphlets that are given out at the doors and “buy two get one free” type of promoting is used as well. The most effective promotional tool is the booklet, says Mrs. X and the company’s competitors are Coricraft and Boardmans which both have a big market share. Mr Price Home’s advantages in comparison to other competitors are its extensive range and affordable pricing. The company offers both completed and knock-down furniture and they charge for assembling if you don’t want to do it.
yourself as a customer. Making affordable and quality products are the biggest obstacles on the South African furniture market according to Mrs. X. The investment climate is favourable but it’s not easy for newcomers to enter the market.

4.4 Coricraft
The company Coricraft offers mainly locally produced and upholstered high quality leather and fabric sofas. The products are complimented with a various range of imported wooden furniture coming from different countries around the world. Coricraft started in Johannesburg over twenty years ago and is now located in Cape Town, Pretoria, Bloemfontein, Rustenburg, Durban and Port Elisabeth. (Facts about Coricraft, 2010-06-07 and Coricraft’s products, 2010-06-07)

4.4.1 Interview with Coricraft
Mrs. Y is working as a Store Manager at Coricraft and has been in the company for eight years. The company has been on the market for 25 years and the customers are everyday people from middle class to high class, mainly because of the slipcover couches that can be easily taken off and washed says Mrs. Y. The furniture offered by the company is assembled and manufactured locally with the exception of the wooden furniture which is coming from Indonesia, India and China through suppliers. The company is doing a lot of promotion says Mrs. Y but she cannot give the exact percentage of the budget that goes to promotion. Radio advertising and pamphlets are the most effective and frequently used promotional tools which are used any time of the year and therefore do not follow any specific season. When it comes to competitors, Wetherlys, Bakos Brothers and Rochester are the main ones and what makes Coricraft different from the competitors is its prices and the fact that the furniture is manufactured locally. The price is the main issue on the market according to Mrs. Y, yet the market is favourable. This does not mean it’s easy for newcomers to enter it. There are many companies that enter the market and then leave it because it’s tough, because as a new company you have to be capable of maturing in order to grow on the market. Another thing that is important on the furniture market is the client and the customer service. You have to give your client the best service in order to keep them. Most customers are sceptical to buy from new furniture stores because they are not sure about the quality of the products.

4.5 Boardmans
Boardmans was started in 1982 and has been part of the Edgars Consolidated Stores (EDCON) since its acquisition in 2004. Before the acquisition, Boardmans specialty was in kitchen and decor
but now, with Edgars’ expertise in bedroom and bathroom ranges Boardmans has strengthened these areas as well. Boardman’s assortment consists of well-priced core items of international brands and the latest in fashion and technology. The store is providing complete home living solutions and the core value of the company is to provide the customers with the right products and excellent personal service by providing customers with payment options and financial services to meet their individual lifestyles and financial needs. (EDCON’s vision & mission, 2010-06-01 and Facts about Boardmans, 2010-06-02)

4.5.1 Interview with Boardmans

Mrs. Q is working as a Store Manager at Boardmans. She does not know when the company was started but the specific store she is working at was opened five years ago. Boardmans offers only knock-down furniture but they assemble the furniture for the customers that wish so without any extra charge. Customers tend to be limited to middle-aged parents that are buying furniture for their children. Boardmans uses suppliers from South Africa, Indonesia and other overseas countries, says Mrs. Q. When it comes to promotion Mrs. Q doesn’t know exactly how much they spend because it’s handled by the head office. Media and decor magazines are the most used advertisements by Boardmans. They also do in-store marketing and have a marketing team from Edgars that does promotion. The most effective marketing tool is the decor magazine and the interior decorators that come into stores, costumers’ houses and blocks of flats to decorate so that people can experience Boardmans. The main competitors are @ Home, Woolworths, and Loads of living when it comes to furniture and Mr Price Home because of their price and lower margins notes Mrs. Q. The variety of assortment and the constant availability of stock is what differentiate Boardmans from other competitors. Threats from new entrants and recession are some of the biggest threats on the market according to Mrs. Q. The market is quite mature but highly favourable says Mrs. Q.

4.6 Lewis

Lewis is South Africa’s largest furniture brand and is part of the Lewis Group Ltd, founded 1934, where it contributes to 82 % of the group’s merchandise sales. Lewis has 436 stores, including 47 stores in Botswana, Lesotho, Namibia and Swaziland. Generally the outlets are situated in high streets and town centres as well as in some shopping centres. The company provides household furniture, electrical appliances and home electronics, sold on credit. Lewis primarily focuses on customers on the expanding middle to lower income market in the living standards measurement (LSM, see appendix 1) 4 to 7 categories. All stores have a basic range of merchandise that they offer. Outside this basic range they can select a further optional range that is adjusted to specific
markets and regional differences. (Facts about Lewis, 2010-06-04, Lewis Group Ltd business overview, 2010-06-04 and Lewis Group Ltd corporate overview, 2010-06-04)

4.6.1 Interview with Lewis

Gary Nuttell is the group marketing executive for Lewis Group and has been working for the group for thirteen years. The Group has currently 4 brands under its umbrella with one of them being Lewis that was founded 75 years ago.

Regarding how big Lewis’s market share is Mr. Nuttell says that Lewis is not market share driven but profit driven. He also points out that they do not know how big their market share is because there is no one in South Africa that measures it accurately. Mr. Nuttell adds that that they do see their opposition results and have an idea of their merchandise sales but there are hundreds of independents that they don’t see.

When it comes to customers, Mr. Nuttell says that Lewis’s primary customers are those who buy furniture or appliances on credit and would earn an average of R5000-R5999 household income. Approximately 25% of Lewis’s marketing budget is dedicated to in store promotions/below the line. Their business is not seasonal but naturally over the festive season they do 30% of their annual turnover. They do however target the last two weekends of the month and increase their advertising spend accordingly. The last weekends are a busy period for Lewis as it is when their customer are getting paid (after over the 25th in each month). The bulk of Lewis’s spend is dedicated to brochures which are distributed door to door, T.V, in store promotions and radio. Brochures are the most effective, as they are specific to the homes within the target demographic. The brochures also carry the full range of products and tend to be retained by households.

Concerning knockdown furniture, Mr. Nuttell says that Lewis’s would never not entertain selling skd (semi knocked down) or ckd (completely knock down) due to the nature of their customer and their merchandise. Lewis does however bring in many of their furniture lines and assemble them either in the home or in the storerooms attached to their stores. Lewis uses different suppliers both local and abroad since they offer furniture, appliances and everything for the home. According to Mr. Nuttell Lewis’s biggest competitors are Ellerines, Price n Pride, Barnettts and the banks. He adds that the biggest benefit Lewis has over their opposition is the exclusivity of products and they have a genuine passion for the customer.
Considering investment in the South African furniture market, Mr. Nuttell says that there are many rules that we have to abide by in South Africa as a retailer but the most important one is not being deceitful in our advertising. The National Credit Act came into effect here not too long ago and has many policies protecting the consumer. In addition, the National Consumer Act will also soon kick in during early 2011. He continues saying that any newcomers wanting to sell furniture on a National basis to our customer base would have to really battle as the furniture industry is saturated at the moment. Some of our opposition are in fact rationalising, retrenching and closing stores and brands down. With regards to investors, Mr. Nuttell states that now would be a good time to invest.

4.7 Joshua Doore

Joshua Doore is part of JD Group, South Africa’s leading differentiated furniture, appliances, electronic goods, home entertainment and office automation retailer that predominantly trades across the mass middle market. Joshua Doore was established in 1973 and acquired in 1986 and has a business philosophy that focuses on service and innovative business, offering a wide range of furniture, household appliances and entertainment merchandise. To meet the customers’ needs and to ensure them a pleasant shopping experience they have developed a training programme for its employees. (Facts about Joshua Doore, 2010-09-09 and Facts about JD Group, 2010-06-01)

4.7.1 Interview with Joshua Doore

Colin Bresler works as Chief Executive, meaning that he’s the responsible for the effective running of the Joshua Doore business. He’s been working in JD Group for 11 years, the last three years at his current position, two years as Operations Executive and two years as Merchandise Executive at Morkels. Joshua Doore was founded 1976 and has currently 145 branches nationwide, selling 70 % on credit and 30 % cash. Mr. Bresler says their market share is 3.5 % of credit furniture market and that the consumers Joshua Doore focuses on are largely LSM’s (see appendix 1) in the category 4-7. The traditional customers are slightly older and more affluent (39-54 years) and the contemporary customers are slightly younger, poorer and first time buyers (24-30 years). Joshua Doore use local manufacturers for +/- 90% of furniture purposes, with the balance coming from China. The company has 95 % completed furniture and 5 % knock-down furniture that is simple products like entertainment units, dining room suites (metal and glass). Mr. Bresler says that concerning knock-down furniture, their target market, the local customers, have had very little exposure to knock-down furniture and are currently not so comfortable purchasing items in this area of the market.
Concerning the promotion, Mr. Bresler says that 4.5% of their budget goes to promotional activities and that Christmas (from October to 24 December) and Easter are special occasions/seasons that he considers more profitable for promoting. Furthermore, he says that the promotional tools they usually use are Knock n Drop, a monthly catalogue (+/- 2.5 million copies) at their target markets homes (+/- 70% of spend), TV advertising (+/- 10% of spend), Newspaper inserts (+/- 5% of spend) and in store signage and telemarketing of the account base. According to Mr. Bresler, their main competitors are Russells (part of the same Group), Lewis Stores (National chain with extensive footprint) and O.K Furniture (On plug items, any electronic/electrical appliances which have a plug by the generic term “Plugs”). Furthermore, he mentions that Joshua Doore’s most important advantage in comparison with their competitors is its value for money and exclusive designs on wanted items. The specific laws that Mr. Bresler believe that a furniture company on the South African market have to consider are Credit Granting – National Credit Act which prescribes how you can sell credit and Consumer Protection Act which is a legislation covering the consumer against poor practice.

On the question surrounding the investment climate for furniture companies in South Africa is favourable according to him, he explains that the traditional credit-type businesses are over-traded (too many retail brands) and this market is currently saturated. When the economy picks up and the retail sales growth outperforms inflation then further expansion will be possible. Mr. Bresler says that it has been smaller, regional new entrants in particular in the bedding area, but he thinks that it would be difficult for a new furniture company to enter the market and says that the “Big players”: JD Group, Abil (Ellerines Group stores) and Lewis currently dominate the mass middle market and therefore any new entrant would struggle.

### 4.8 Furniture City

Furniture City is part of the Ellerine Holdings Ltd (ELH) since the merge with Relyant Retail Limited Group in 2005. The brand caters for the more educated, sophisticated and aspirational LSM 7 to 10 consumers and reaches out to their customers through 27 stores. A part of the brand’s concept is the in-store decorator which produces in-store layouts to facilitate the consumer’s choice among their wide range of furniture, accessories, home entertainment and appliance products. The positioning statement of Furniture City is: “A fashionable/contemporary brand offering flexibility that is surprisingly affordable” and with their marketing strategy they want to capture a greater share of the aspirational middle class market with capacity for greater credit consumption. (Facts about Furniture City, 2010-10-05)
4.9 Results from questionnaire

Figure 5 shows the top five furniture stores that first came up in the respondent’s minds. There were 217 respondents participating and 10 missing which in total are 227.

This diagram demonstrates the top five chosen furniture stores where the respondents are buying their furniture/home decor. The results are based on how many votes each store has obtained, not on the number of respondents since they could give up to three answers. 179 people chose to answer this question (78.9%) and 48 respondents chose not to answer (21.1%).

The following tables below show the top five selected furniture stores among the respondents, divided into the different categories that were found interesting. The chosen categories are: racial group, age and occupation. In figure 7, concerning the racial group, the answers displayed is from 161 respondents instead of 179. The last group, consisting of 18 “unspecified” respondents is not taken into account, because these specific results are not relevant.

<table>
<thead>
<tr>
<th>Racial group</th>
<th>Where do you normally buy your furniture/home decor?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Whetherleys</td>
</tr>
<tr>
<td>Black</td>
<td>3</td>
</tr>
<tr>
<td>White</td>
<td>5</td>
</tr>
<tr>
<td>Coloured</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
</tr>
</tbody>
</table>

Figure 7: Cross tabulation, question 8
The result above (figure 7) shows where the respondents in each racial group normally buy their furniture and home decor. Black people (45.4 %), buy their furniture and home decor at Joshua Doore followed by Furniture City and Lewis. Mr Price Home and Furniture City are the stores preferred among white people (37.4 %). Coloured people (9.3 %), chose Furniture City as their first choice.

<table>
<thead>
<tr>
<th>Age</th>
<th>Whetherleys</th>
<th>House &amp; Home</th>
<th>Mr Price Home</th>
<th>Furniture City</th>
<th>Lewis</th>
<th>Joshua Doore</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
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<td>7</td>
<td>5</td>
<td>3</td>
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<td>26-35</td>
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<td>9</td>
<td>8</td>
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<td>7</td>
</tr>
<tr>
<td>36-45</td>
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<td>1</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>46-65</td>
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<td>9</td>
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</tr>
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<td>9</td>
<td>23</td>
<td>29</td>
<td>10</td>
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</tr>
</tbody>
</table>

Figure 8: Cross tabulation between question 2 and 8

Figure 8 illustrates where the respondents in different age groups normally buy their furniture and home decor. In the first age group 18-25 (28.6 %), as well as in the second, 26-35 (29.1 %), Mr Price Home is the preferred furniture store, whereas people in the age group 36-45 (18.1 %), and 46-65 (20.3 %), favour Furniture City. No one in the age bracket 66 or more, (4 %), chose one of the top five furniture stores.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Whetherleys</th>
<th>House &amp; Home</th>
<th>Mr Price Home</th>
<th>Furniture City</th>
<th>Lewis</th>
<th>Joshua Doore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student</td>
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<td>29</td>
<td>10</td>
<td>13</td>
</tr>
</tbody>
</table>

Figure 9: Cross tabulation between question 6 and 8

Figure 9 demonstrates the top five answers on where the respondents normally buy their furniture and home decor divided into groups of occupation. Students (12.3 %) and self employed (16.7 %) chose Mr Price Home as their primary choice. The survey shows that the employed (55.9 %) preferred Furniture City as well as the retired (6.2 %) and the unemployed (8.4 %). Along with Furniture City, the retired preferred Whetherleys and the unemployed, Mr Price Home and Joshua Doore.
226 of 227 respondents answered question number 9 which gives us a response rate of 99.6%. 28% of the black employed buy furniture once a year and 14% of the white employed. 34.7% of the black employed buy furniture every two years and 21% of the white employed. 40% of the white employed buy furniture less than every two years.

5 Respondents of 227 chose not to answer question number 10. The cross tabulations made show that 20% of the black employed and 12.3% of the white employed buy home decor once or twice a month. 26.7% of the black employed and 45.6% of the white employed buy home decor once or twice every 6 months.

222 of 227 people answered question number 11. Figure 12 demonstrates that most people are spending between R1501-2500 within a period of 6 months. Cross tabulations made show that black employed group, in comparison with white employed, are more represented in all categories except from category “R1501-2500” and category “6500-” where the white employed are dominating.
The Absence of IKEA - A Study into the South African Furniture Market

Empirical findings

The majority of the respondents would buy furniture and home decor if they were cheaper. Cross tabulations show that black employed (85.3%) are more willing than white employed (70.2%) to buy furniture and home decor more often if they were cheaper. 225 out of 227 people answered this question.

The majority of the respondents would consider buying knock-down furniture if they were cheaper. Cross tabulations show that the answers are widely spread among different groups. The only group that stands out are people living with a partner. This group is more willing (85.3% of the respondents) to buy knock-down furniture. 222 of 227 respondents answered this question.

In figure 13 the mean for all the categories in question 14 are presented. In the cross tabulation made interesting differences were found in the following categories; well-known brand, fashion, the location of the store and home delivery. When it comes to the importance of a well known brand there is a noticeable difference between the racial groups. In this question the mean among black people is 3.29 and among white 2.5. The differences between racial groups are also large when we look at the means for the category fashion, among black people it is 3.69 and among white 2.78. The difference continues also when it comes to the importance of location of the store and home delivery. On the question about location of the store the mean among black people is 3.9 and among white 3.26. Home delivery got 4.53 amongst the black respondents and 4.20 amongst the white. On question number 14, 20 respondents chose not to answer which gives us a response rate of 91.2%.

Figure 13: Question 14
Figure 14 shows the mean for the different promotional categories in question 15. Also in this question the major differences were among the racial groups. Catalogues showed to have a larger effect on black people where the mean was 3.93 than it has on white people where the mean was 3.37. Even news advertisement had larger effect on black people with a mean of 3.67, white people had a mean of 2.98. TV commercials and radio had the largest difference and the mean for radio among black people was 3.44 and among the white people 2.58. TV commercial gave the mean 4.08 among blacks and 2.97 among whites. There was also a large difference between single and married people regarding TV commercial. Singles had a mean of 4.52 and married people had 3.29. In the remaining categories the answers were equally spread. The response rate for all of the categories presented in figure 16 is 91.2 %.

![Image of Figure 14 showing the mean for different promotional categories](image.png)

**Figure 14: Question 15**

### 4.10 Interview with marketer

Marketing is big business in most large corporations within South Africa, according to Ms. Nagel, the market is diverse so big budgets are required to build brands, she continues. Marketing exposure is expensive when you consider that 1 double page spread in the Sunday Times costs R1-million. The production values on TV advertising are high and then the flighting costs are elevated because in order to break through the clutter you need to launch with at least 600-700 AR’s - a measure used in programme selection to ensure the greatest penetration for commercials. To flight a 60 second ad in a prime time slot can cost around R400 000. Radio is less expensive but just as cluttered – your average 30 second commercial will flight for around R20 000 depending on its programme selection. Ms. Nagel continues saying that companies no longer rely solely on ATL media (see appendix 1), campaigns are developed for TTL (see appendix 1) exposure. There is so much clutter in the traditional media space that companies have to find clever ways of breaking through, so face to face and location specific activity is deployed to compliment any ATL activity in order to give it
a local relevance and impact. To be able to define the most commonly used promotional tools used by companies, she says that it all depends on the objectives of the campaign, for example if it is a brand building exercise then your traditional media will be utilised. However, if it is relationship marketing campaigns then more direct marketing tools are deployed. Concerning any special occasions or seasons that are more profitable for promoting, she believes that some products and services have their own seasonality and so marketing needs to tie into the respective seasonality. However, there are products and services that are in demand all year round and so need constant drip strategies (see appendix 1) to keep them at the top of the minds of consumers.

About the differences in how companies promote themselves in South Africa and Europe, Ms. Nagel explains that in South Africa they have to cater for numerous cultural nuances, so generally “one size does not fit all”, for example, if you targeting the black population, she would recommend TV commercials. This because a lot of black people due to economical issues don’t spend money on activities on their free time, one way for them to spend time with each other is to watch TV. Although, often the approach to marketing campaigns is driven off socio-economic factors, since people living in the same socio-economic bracket tend to have similar requirements and aspirations. Concerning sensitive subjects, Ms. Nagel explains that there are some cultural nuances when you get into translations, but beyond that she thinks that the South Africans have a pretty good sense of humour and that there are plenty of people who can review material in order to avoid sensitivity. The fundamental change in advertising during the apartheid time and post apartheid time would, according to Ms. Nagel, be how the target audience is represented, you will seldom see advertising with whites only these days. Also, there is a far greater selection of media available now versus during apartheid. Ms. Nagel does however point out that she was a child growing up during apartheid and could therefore only speak from an academic perspective.

Referring to how IKEA could promote itself and what kind of marketing activities IKEA should use, Ms. Nagel says that IKEA would need to come into South Africa and decide how they were going to play within this market. She’d certainly see a large piece of the budget going towards brand building in order to establish the brand within the market. Added to a strong ATL campaign she would recommend Face-to-Face demonstrations showing how easy it is to assemble IKEA furniture.
5. Analysis

In this chapter the empirical findings are analysed using the theoretical framework as a base, beginning with the external environment followed by an analysis from a marketing perspective.

“Watch your thoughts, for they become words [...]” – Anonymous

5.1 External analysis

Haas stresses (1995, p. 295), the importance of doing an analysis of the market in which the company plans to compete. The analysis of the present situation is essential to be able to do effective market planning and should include environmental factors; market conditions; customers and competitors (Aaker, 1992, p. 23).

5.1.1 Economical

When it comes to economical factors South Africa is still undergoing profound economic changes. It is the most economically advanced country in Africa and is well developed when it comes to financial, communications, energy and transport sectors. Although this development is occurring there is still large unemployment and because of this unemployment, the costs of labour have decreased and are considered cheap. Even though this is a big advantage for companies, Mr. Kettnaker claims that it is not profitable to set up a manufacturing company in South Africa. The reason is that South Africa is far away from other big markets, the other surrounded countries either are small or poor and Mauritius and South Africa are the only industrialised countries in Africa. (Kettnaker. Personal interview, 2010-05-19) If IKEA were going to enter the South African market they could use one of their production units within the Swedwood Group. The industrial group is strategically located in three continents to ensure the production capacity for IKEA and the unit located in Portugal could be suitable for exporting to IKEA stores in South Africa, given that South is surrounded by oceans on three sides which facilitate trade.

Another factor that IKEA should be considering is the security issue. Security issues such as car-jackings translate into extra security costs. When people don’t show up at work it has a negative effect on the production. According to Kettnaker, it adds costs because one needs to develop security policies which require both time and money. This is going to have an effect on any company establishing business in South Africa and therefore of course also IKEA. With the non luxury products that IKEA provides, the security costs are expected to be lower than for a company that sells high value products such as high-technological and luxury products.
The power of different consumer segments in different countries is constantly changing so as a company you have to pay attention to these trends. When it comes to profitability in a market, there are some factors that we can look at, one of them being purchasing power (Kotler, et al., 2006, p. 87). South Africa’s purchasing power has been growing for the last few years, from 10,000 USD/per capita in 2007 to 10,300 USD/per capita today. This may not look like a large growth but it shows us that South Africa is heading in the right direction and that there is potential on the market. That the GDP is increasing is positive but it does not necessarily mean that South Africa is a good market for IKEA. Ball et al. (2008, p. 235), suggests that a company also needs to look at the Gini coefficient to see how high the inequality of the distribution is. The Gini coefficient for South Africa is now at 57.8 %, a pretty high number which means that the earned income is not being equally spread. According to Bell et al. (2008, p. 235), this could be seen as a profitable market for luxury goods, because the higher the Gini coefficient, the more inequality there is. This means that the wealth in South Africa is being distributed among just a small amount of people which are capable of buying luxury products. For a company like IKEA, which mostly sells low and middle priced products, the lower the Gini coefficient, the better, because it means that there probably is a large middle class on the selected market. From this aspect the South African market may not be seen as profitable for IKEA right now. Nevertheless, South Africa has a large population meaning that even if only a small percentage is considered middle income it is still a large number of people. As a result of the drastic decline that the Gini coefficient has made since 2007, from 66 to today’s 57.8 % it is evident that positive change is occurring and therefore a growing middle class that IKEA can profit from.

5.1.2 Political - Legal

It is important for multinational firms to know that its operation is affected by the political environment, both in the home and host country, because the government has a crucial role in every domestic and foreign business (Ghauri and Cateora, 2006, p. 120). Since the political climate in South Africa is considered to be stable, there should not be any major concerns for IKEA. There is also a possibility for IKEA to use South Africa as a starting point to other African markets because of the trade agreements such as SACU and SADC that South Africa has with other African countries.

Every government has its own political philosophy to promote the national interest in the best way through policies necessary to solve problem created by its own particular environment (Ghauri and Cateora, 2006, ps.122-124). The legislation in South Africa follow a very Anglo-Saxon model, and
even if there are corruption charges out there every once in a while, it is traditionally well functioning and independent. The operation between companies and state generally works well (Kettnaker. Personal interview, 2010-05-19), which means that IKEA shouldn’t encounter problems with the government. As a foreign firm you might encounter labour problems as in some countries, labour unions have strong government support. This means as a foreign firm you have to follow rules such as forbidden layoffs or a certain number of services have to go to the domestic labour force (Ghauri and Cateora, 2006, ps. 124-127). Something that IKEA should be aware of is Black Economic Empowerment (BEE) which is a program launched by the South African government and means that as a company a certain amount of your employment must go to the black population (Doing Business in South Africa, 2010-08-16 and Black Economic Empowerment, 2010-09-15). IKEA needs to put time and effort to follow this law especially if they want to do business with the state since the state will look at your BEE score card, the higher the point that you have the better position you will have.

Taxation is a way for governments to control foreign investment and to obtain operating funds in a quick way (Ghauri and Cateora, 2006, ps. 124-127). The South African government encourage investment and trade flows from foreign countries through signed International tax agreements (Doing Business in South Africa, 2010-08-16). If IKEA were to establish a business in South Africa, these agreements would be an advantage since there won’t be a major decrease in profit share because of the high tax rate. The government has introduced a Joint Initiative for Priority Skills Acquisition (Jipsa) that is working with skills empowerment and focuses on educating people in areas where companies lack trained personnel (Economy - South African Government Information, 2010-08-17). This means that it won’t be a problem for IKEA to find competent personnel and in fact IKEA can contribute to the program to train and educate people and at the same time obtain good publicity in the country.

5.1.3 Social

Between South Africa and Sweden there are a lot of similarities concerning the way of doing business (Kettnaker. Personal interview, 2010-05-19), which is something that would facilitate for IKEA if they were to establish a business in South Africa. That both countries have a weak uncertainty avoidance is positive from the company’s point of view and means that not only the leadership of the organisation will work better because of the same way in making decisions, but as well that the employees probably have a an equally high work ethic. However, there are some differences that IKEA have to take into account. The high power distance has, according to
Hofstede (1983, p. 81), not only a direct impact on the organisation’s structure but as well as in society at large, which in turn affects the organisation indirectly.

Due to the lack of a public transport system, the car is the most dominant mode of transport. (Transport Research Arena Europe, 2010-08-24) Among the historically disadvantages areas there is as well a potential growth in car ownership. The high car usage in South Africa is an advantage for IKEA because the inhabitants are accustomed to take the car wherever they go. Since IKEA tend to place their business away from urban centres, the car is a must if you want to buy large purchases, as well an advantage for smaller purchases. The chance that customers will visit the store more often and buy more is higher if they have access to a car.

5.1.4 Technological

It is both difficult and expensive to produce and move goods in a country if there is a lack of technology (Ghauri and Cateora, 2006, ps. 301-303) South Africa has well developed transport sectors that make it easy for IKEA to get the products to their target group without high costs and difficulties. Since IKEA is putting effort on innovation to develop methods that are cost-efficient, South Africa can be an asset in this case since the country is positioning itself among the global leaders in innovation, science and technology.

5.1.5 Competitors on the market

When looking at the competition on the South African furniture market some current competitors were identified. In the research that was made there were a lot of furniture stores mentioned among the respondents, which indicates that there are a lot furniture and decor stores on the market. However, a lot of the stores mentioned are specialised and focuses solely on home furnishing, soft textile or certain type of furniture. To develop a marketing strategy for a specific firm, Aaker points out that the focus should be on the main competitors, who in this case are: Furniture City, Mr Price Home, Joshua Doore, Lewis, Whetherleys, House and Home, assumption based on the top five chosen furniture stores where the respondents are buying their furniture/home decor. The competition among the competitors could be interesting to take a look at because they could as well be seen as a threat to IKEA. These are: Coricraft, Boardmans, Bakos Brothers, Rochesters, @Home, Woolworths, Loads of living, Russells, O.K Furniture, Ellerines, Price n Pride, Barretts and the banks.

The fact that the companies that are seen as the main competitors have been operating on the market for a long time, at least 20 years and some of them even 30 years, they can be considered as well-
established. According to Porter (2008, p. 9) the existing companies on the market have always advantages towards new comers. Some of the advantages are supply-side economies of scale, capital requirements and incumbency advantages of size.

When it comes to supply-side economies of scale all of the companies could have an advantage because they are chains, meaning that they get the benefit of large volume production for a lower cost. Mr Price especially, has this advantage considering their “low-cost, high-volume, low-price philosophy”. The earlier mentioned well-established companies can probably also create or have better terms with suppliers. Porter (2008, ps. 9-10) argues that this forces new entrants to either accept the cost disadvantage or come in to the industry on a large scale. Since IKEA is a large multinational company that manufactures goods on large scale and is selling low to middle priced goods they should not have a large disadvantage, if any at all. IKEA’s only concern could be that they are not familiar with the suppliers on the market.

The companies that are considered to be the main competitors are all part of a larger group, for example Mr Price Home owned by Mr Price Group, Boardmans is part of the Edgars Consolidated Stores (EDCON) and Joshua Doore part of JD Group. This gives them large capital advantages, which according to Aaker can discourage new entrants. Aaker (1992, ps. 10-11) points out, however, that if the industry is profitable and attractive, the capital requirements do not deter all new entrants. Being the world’s largest furniture retailer that has well-established and successful stores all over the world, IKEA should not have any problems requiring capital for investment on the South African market.

Porter also mentions incumbency independent of size, meaning that established companies may have advantages such as; strong brand identity, patented technology, experience or best geographic location etc. These are not, according to Porter, available to potential competitors. Since the existing companies already have some advantages that IKEA can’t get hold of from the start, IKEA should instead focus on their own advantages that the existing companies don’t have. An example is IKEA’s idea for ready-to-assemble and “flat-pack” furniture and their well-known contemporary design. Even though the IKEA brand is not as famous in South Africa as it is in the rest of the world IKEA should emphasise that their brand is well known throughout the world. The advantage of experience that IKEA lacks on the South African market can be compensated by their experience from having operations all over the world. IKEA’s former experiences from other foreign markets should facilitate IKEA’s learning process.
5.1.5.1 **Business idea and Strengths**

Mr Price Home’s business idea is to offer affordable and modern products, both completed and knock-down with a distinctive local flavour. The company’s core value is their low-cost, high-volume, low-price philosophy. According to the representative from the store, one of Mr Price Home’s main advantages in comparison to other competitors is the wide variety and range, the affordable price as well as the stock storage. Coricraft mainly offers upholstered high quality leather and fabric sofas and differ from its competitors with its prices and the fact that the furniture is manufactured locally. Lewis provides furniture sold on credit and their biggest benefits are the exclusivity of products because the merchandise is adjusted to specific markets and regional differences. According to Boardman’s web page the company’s core value is to provide excellent personal and financial service to their customers. The range that Boardmans offer includes well-priced core items of international brands and the latest in fashion and technology (EDCON’s vision & mission, 2010-06-01 and Facts about Boardmans, 2010-06-02) The products offered are all knock-down but assembles them for the customers without any extra charge (EDCON’s vision & mission, 2010-06-01 and Facts about Boardmans, 2010-06-02). This variety of assortment and the constant availability of stock is what differentiate Boardmans from other competitors. The biggest advantage is their huge variety of assortments and also the availability of stock. Joshua Doore’s philosophy is to focus on service and innovative business, their wide range and its main advantage according to the representative from the store says it’s the value for money products and the exclusive designs on wanted items. IKEA’s great advantage is their unique concept regarding knock-down furniture. Even though Mr Price Home and Boardmans are offering knock-down furniture it is not comparable to IKEA’s concept. Mr Price Home could be the main competitor because of its similar concept to the one of IKEA. The company offers knock-down furniture that comes with tools and instructions as IKEA does, but have not the same wide range as IKEA. Another advantage that IKEA has is their well-designed, functional home furnishing products at a low price, that most of the competitors lacking. Our observation has shown that Mr Price Home offers products at a low price, the lowest prices in South Africa. Considering the wide world price level that IKEA has and the fact that the prices in Sweden, which is ranked one of the most expensive countries in the world (Living in Sweden – Living costs, 2010-07-22) is at least twice as low than the ones offered by Mr Price Home, indicates that IKEA’s prices will probably maintain lower prices than Mr Price Home when established in South Africa.

Several competitors mentioned that one of their strengths is that they have a large stock. Since IKEA has a very wide range and a high customer throughput, having a large stock is necessary. The
“flat-pack” concept also makes it possible to keep more storage, reduce the labour and shipping cost which is a great advantage for IKEA.

Joshua Doore and Boardmans are two competitors that have customer service as their main focus. This could be due to the fact that South Africans put high value on service, proved by the answers from the questionnaire made among the consumers. Service received the mean 4.65 which was the next highest mean. This assumption is also supported by our observations where we noticed that people in general are used to getting service, for example having the staff fuel their car and getting their groceries packed and carried to the car. Most South African homes have maids and gardeners which prove that they are willing to pay money for service. This could be because of the high unemployment that has lead to low labour costs which makes it possible for companies to have more employees that can focus on giving good service. The way IKEA is operating in Sweden gives customers more responsibility, as a customer you find and collect the merchandise yourself. You can even choose to use the self-scanning register which means that you as a customer scan and pay your products by yourself without any assistance. IKEA should consider the differences in behaviour between the two countries when operating in South Africa. One part of IKEA’s concept is to have a restaurant in the middle of the store, which is beneficial both for the customer and the company. The customer is offered time to relax and regain energy which in turn increases their willingness to continue shopping for a longer time and generates more profits.

5.1.5.2 Competitors customers

An important factor worth examining is the customers of the competitors. All the competitors examined mostly target the middle class and Mr Price Home, Lewis and Joshua Doore can be considered as IKEA’s primary competitors. Since IKEA in their business idea is stating: “The vision is to create a better everyday life of people by offering a wide range of well-designed, functional home furnishing products at a low price so as many people as possible can afford them” we draw the conclusion that they are targeting middle class. Although Furniture City according to their business idea targets upper middle class to high class and would not be considered as a primary competitor, it is possible to draw the conclusion that they also have middle class customers which makes them a primary competitor as well. This conclusion is based on our survey which was done in a shopping mall that according to the Centre Manager, Mr. Mihalicz has mainly middle class customers.
5.1.6 Customers

Aaker (1992) stresses the importance of identifying the customer segments and each segment’s motivations and unmet needs “When identifying different segments one should consider who the biggest, the most profitable and the most attractive potential customers are” (Aaker, 1992, p. 24). The results in figure 10 show that the most profitable potential customers, and therefore an important segment group for IKEA, are the black population because they buy furniture most frequently. In fact, the black middle class is a constantly growing group and as this group is growing so does their purchasing power. As a consequence of this, another interesting aspect for IKEA to think about is the large number of black middle class people that are moving from townships to the suburbs. This means not only that this group have high purchasing power but also going to need to buy new furniture for their new homes as they move to the suburbs. Black middle class could be the largest customer segment for IKEA and they should take into consideration to differentiate their marketing towards this segment.

Our survey shows that people in general spend between R501-2500 within a period of 6 months. This means that 81.9 % of the respondents visit furniture and decor stores at least once every six months. This might seem like a low amount of money in comparison to Sweden, but considering the difference in income between the countries (GDP per capita, Sweden 36.600 USD; South Africa 10.300 USD) this is reasonable. The fact that there is no option between the very expensive furniture and cheap low quality furniture could also be a contributing factor. Even though 18.1 % of the respondents only spend R0-500 within a period of 6 months, which could be considered as not profitable for IKEA, 85 % of this group also answered that they would buy more furniture and home decor if they were cheaper.

Figure 13 show that 20 % of the black employed and 12.3 % of the white employed buy home decor once or twice a month and 26.7 % of the black employed and 45.6 % of the white employed buy home decor once or twice every 6 months. The majority of the respondents would also be willing to buy furniture and home decor more often if they were cheaper. This indicates that IKEA's wide range in furniture and home decor that is offered at a low price would be appreciated by the customers in South Africa. A segment that IKEA does not need to focus on is the elderly retired people since the questionnaire shows that this group is not changing their furniture as they get older and that they like more of the classic style which is not included in IKEA's range so much.
Doing a customer analysis provides information needed to decide what one should do regarding your competitive advantage. To find out customer’s motivation can be done by examining what elements of the product/service the customers value most, what their objectives are and what changes are occurring in customer motivation. (Aaker, 1992, p. 48) It is clear in figure 15 that the people value quality, design, price, good service and home delivery most when buying furniture. Something that is positive since the product range offered by IKEA is wide, both in style and function and at a low price. IKEA also offers home delivery which is appreciated by the customers especially among black people. This may be due to the lack of car ownership among the black people that makes them dependent on home delivery. Furthermore the black people think that the location of the store is important, more than the white people. This could also be due to the lack of car ownership and a non-functional public transportation system. The importance of home delivery and the location of the store among the black people don’t necessarily have to be a negative aspect for IKEA because the car ownership in historically disadvantaged areas of South African cities is growing especially as middle-class incomes grow (Transport Research Arena Europe, 2010-08-24) Another reason why the home delivery is important could be because of the high appreciation of service mentioned earlier. Even though IKEA currently offers this service they should consider developing the service more and lower the prices since it is currently considered expensive in Sweden. The reason why this service is expensive could be because of the high labour and petrol costs in Sweden. This should not be of concern in South Africa since these costs are lower and more customers will most probably use this service more frequently.

A need that is not currently met on the market by existing products can strategically be important for the company entering the market because it may represent a way to affect well-established competitors (Aaker, 1992, p. 48). An interesting finding from figure 13 is that the majority of respondents would consider buying knock-down furniture if it was cheaper than completed furniture. This indicates an unmet need regarding knockdown furniture and Mr Price Home is the only company offering knock-down in a similar way to IKEA, even though their concept is not as well developed as IKEA’s. This could mean great success for IKEA’s “flat-pack” furniture that is designed so they can be packed unassembled along with the customers assembling the furniture themselves. The South African furniture market has failed to offer products to fill the gap between very expensive furniture and cheap low quality furniture (Smith, 2010-05-12) IKEA could easily satisfy these unmet needs since it offers a wide range of functional products with high quality offered at a low price.
5.2 Marketing

IKEA as a newcomer and an unknown brand on the African market has to build up their brand which requires large promotion budgets. The South African market is diverse and IKEA has to take into consideration that this contributes to additional marketing costs. The diversity the country is facing due to its history and all the cultural nuances in the country is a matter that a new company like IKEA would have to take into account and diversify their marketing since according to Ms. Nagel “one size does not fit all”. (Nagel. Personal interview, 2010-06-04)

Due to the complex history of South Africa, IKEA should also be careful with sensitive subjects regarding historically disadvantaged people. However, Ms. Nagel points out that South Africans have a pretty good sense of humour (Nagel. Personal interview, 2010-06-04). Furthermore she states that marketing is big business in most large corporations within South Africa and looking into the competitors, they all use a large budget to promotion activities. All the competitors use both media and in store promotions. The most frequently used promotion tools are TV, radio and pamphlets. The most effective tool is handing out different kinds of pamphlets. Three of the competitors also adjust their marketing depending on the different seasons and the most profitable occasions for promotion seem to be the traditional festivities and regular season changes.

We consider it to be of interest to also look at the top five furniture stores that first came up in the respondent’s minds. These answers differ from the ones regarding where the respondent’s make their purchases. Furniture City, Joshua Doore, and Mr Price Home are as well among these but Beares, Bradlows and Morkels are additional ones, which could be because of an aggressive marketing strategy. What is interesting to mention is that all of the stores mentioned are part of bigger groups, for example Mr Price Home owned by Mr Price Group, Boardmans is part of the Edgars Consolidated Stores (EDCON) and Joshua Doore part of JD Group. Being part of a large group could give the advantage of having a larger marketing budget and greater market experience. This is also supported by the information acquired from the interviews, where for example Boardman’s mentions that there marketing is being run by the head office at EDCON.

The results from the questionnaire show (figure 16) that family and friends have most effect on the consumers when buying furniture. The reason could be that people in general rely on family and friends more than any seller or company. If IKEA manage to build knowledge about their brand and products among consumers, these consumers can in turn spread the word about IKEA to more people. Catalogues had the second most effect on the consumers with larger effect on black
consumers. IKEA’s yearly catalogue could be used to reach a large group of people when marketing themselves. TV commercial and radio had also a large effect, even here the effect is larger among black people. According to Ms. Nagel, it is common among black people to watch a lot of television and listen to radio with family and friends as they, due to economic reasons, cannot spend money on leisure activities (Nagel. Personal interview, 2010-06-04). This can explain why TV commercial and radio had larger affect on the black people than the white people. Advertisement can be used when one needs to create awareness, create a position on the market and reach to a large group of people (Brassington and Pettitt, 2005, p. 278). Ms. Nagel suggests a strong ATL advertising through TV, this would be good for IKEA to create awareness, create a position in the market and reach a large group of people. Considering the advertising prices mentioned by Ms. Nagel, IKEA is going to need a large budget for promotion. According to Ms. Nagel, there is much clutter in traditional media space and therefore IKEA needs to find clever ways of breaking through. (Nagel. Personal interview, 2010-06-04). In Sweden IKEA has proved to be good at finding creative ways to do this, an example is when they remade bus stops to look like decorated rooms. They could for example complement their ATL advertisement with Face-to-Face demonstrations showing how easy it is to assemble IKEA furniture. One factor that differentiates IKEA from other furniture stores is their way of displaying the product range in room settings, offering customers inspiring home furnishing solutions.

IKEA can use this concept and create room settings in other stores and shopping malls where they could demonstrate their products. To keep their brand top of mind, Ms. Nagel suggests that an effective way for IKEA could be to use drip strategies, even though this is not commonly used by them in Sweden.
6. Conclusion

This chapter presents the conclusions made after the analysis was performed. Initially the strengths, weaknesses, opportunities and threats on the South African furniture market are presented followed by a marketing strategy for IKEA.

“A conclusion is the place where you get tired of thinking.” – Arthur Bloch (1948-)

6.1 Should IKEA enter the South African furniture market?

The conclusion made is that IKEA should enter the South African market since the investment climate in South Africa is favourable and that there is a demand for the type of products offered by IKEA. However, considering the current condition of the market, we argue that IKEA should only focus on setting up IKEA stores since the market is not favourable enough from a manufacturing perspective and therefore not beneficial for IKEA to set up production. Additionally, IKEA have their own production units within the Swedwood Group that they can use. After operating in the market for a while it is natural that IKEA develops a network of contacts and could therefore in the future have an interest in setting up a manufacturing plant. South Africa would be a strategic way to get access to other African countries and the trade agreements that South Africa has with other African countries can act as a facilitator.

6.2 Opportunities and threats on the South African market

- The biggest opportunity for IKEA is to fill in the gap between very expensive furniture and cheap low quality furniture. The survey shows that there is a need for cheaper furniture and home decor and demonstrates that people would be willing to buy knock-down furniture if they were cheaper than completed furniture.

- There are currently very few furniture stores that offer knock-down furniture and IKEA with its unique concept can be a strong competitor on the market. IKEA would therefore compete with stores that offer completed as well as the ones offering knock-down furniture.

- The constantly increasing purchasing power, especially among the black middle class, also referred to as the "Black Diamond" is an opportunity for IKEA to take advantage of.

- The biggest threat to IKEA in the South African furniture market is from other already established competitors. There are a lot of furniture and decor stores on the market that target the middle class, many well-established with great advantages towards new-comers. Some of the advantages come from being part of a high street chain or part of larger groups.
which give large capital advantages. The fact that they have been operating on the market for a long time gives them also strong brand identity and experience. Mr Price Home is IKEA’s main competitor, because of their similar knock-down furniture concept and their low-cost, high-volume, low-price philosophy.

6.3 Strengths and weaknesses with the South African market

- The political climate is stable and the operation between companies and state generally works well.
- The South African government encourages foreign investment through signed international tax agreements.
- An indicator that the investment climate is favourable is that other interested parties in the same industry, such as Wall-Mart intend to acquire South African Massmart Holdings. If this acquisition were to occur, it could, in the long run, lead to a consequence of a more efficient supply industry.
- South Africa uses the same Anglo-Saxon legal system that functions effectively and has the same way of doing business in most aspects.
- Well functioning infrastructure allows IKEA to get the merchandise to their target group without high costs and difficulties.
- The low cost of labour is a contributing factor to reduce costs.
- The high car usage in South Africa is an advantage for IKEA, because of their usual position away from urban centres, and could generate larger and more frequent purchases.
- Current competitors on the market are all local which is favourable for IKEA since the competition is not as high as it would have been with global actors.
- Jipsa’s skills empowerment program makes it possible for IKEA to find competent personnel.

- The security issue adds costs for companies because security policies which require both time and money have to be developed.
- The country’s problem with corruption charges and low productivity could mean additional costs for IKEA.
- Strong labour unions and regulations such as BEE could complicate a company’s operations.
- The lack of skilful labour can make it difficult to find competent personnel for higher positions.
6.4 How could IKEA create a successful marketing strategy?

What South Africans value are quality, design, low prices, good service and home delivery. IKEA should moreover consider the differences in behaviour between Sweden and South Africa and adjust its operations on the South African market by focusing on providing more customer service including better home delivery options. Since the majority of the respondents visit furniture and decor stores at least once every six months and would be willing to buy knock-down furniture we argue that all socioeconomic blocks are important for IKEA, however, one segment that could be of greater interest is the growing “Black Diamond”. The one segment that is not of particular interest for IKEA is elderly retired. IKEA should bear in mind the avoidance of sensitive subjects regarding historically disadvantaged people. All marketing material should therefore be reviewed to avoid sensitivity. When developing promotion activities IKEA should consider the following:

- As a new comer on the market IKEA’s main purpose should be brand building in order to establish their brand. When doing this they should concentrate on getting people to visit the store where they can experience the IKEA concept including their restaurant and room settings. To get the South Africans aware of the brand IKEA should start out with a strong ATL campaign promoting in traditional media, focusing on TV and radio.

- The ATL campaign should be followed up by Face-to-Face demonstrations showing how easy it is to assemble IKEA furniture.

- The use of traditional media should be further complemented with pamphlets as well as drip strategies that will keep the brand at the top of the minds of consumers.

- IKEA needs to focus on their main advantages which we argue are their unique concept regarding “flat-pack” knock-down furniture and wide range.

- IKEA should highlight that they offer functional products with affordable prices.

To be able to implement all these activities and because of the markets diversity IKEA needs a large marketing budget. The markets diversity also demands adjustments to the promotional activities since, “One size does not fit all”.

46
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Articles

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**Personal interviews**


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### Appendix 1: Wordlist

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Knock-down furniture</td>
<td>= Furniture that is not assembled</td>
</tr>
<tr>
<td>(LSM) Livings Standards Measure</td>
<td>= is the most widely used marketing tool in South Africa where it divides the population into 10 LSM groups 10 (highest) and 1 (lowest).</td>
</tr>
<tr>
<td>Drip strategy</td>
<td>= is a direct marketing strategy that involves sending out several promotional pieces over a period of time to a subset of sales leads.</td>
</tr>
<tr>
<td>(TTL) Through the line media</td>
<td>= is integrated marketing where you focus on to reach smaller but more profitable audience.</td>
</tr>
<tr>
<td>(ATL) Above the Line media</td>
<td>= is a type of advertising through media such as television, cinema, radio, print, Web ads and Web search engines to promote brands. This type of communication is used when you want to reach to mass audience.</td>
</tr>
</tbody>
</table>

search engines to promote brands. This type of communication is used when
Appendix 2: Interview with Mr Price

Can you tell me a little bit about yourself, background, title, function in the company etc
I’m the store manager, I worked my way up, and I worked here for six years. What I do is that that I run the store and I have seven people under me. And I’m the general store manager.

Do you know when Mr Price was founded?
Mr Price actually started in early 90s, yeah it actually started with Mr. Price clothing store first before they expanded to Mr Price Sport and Mr Price Home.

Does Mr Price work as a franchising or is it just one store, all of it?
It became a franchise, I’m not sure in which country but I think that we have one franchise. In South Africa it is just one store.

How big is your market share?
I’m not too sure on that, but it has a big market share. As staff members we are all shareholders.

Do you know who your customers are?
We get people that are looking for bargain, so we get middle class and we get high class, because I mean, they all are looking for affordable furniture, because everything is so expensive these days. We got affordable customers. They are customers that come in and buy two candles per day, those kinds of customers and will come in and change their linen. We also got a lot of customers for like bed and breakfast and the hotel range.

Do you manufacture the furniture yourself or do you use a supplier?
We use a supplier overseas. Look I know, our other goods are from China but I’m not too sure when it comes to the furniture because they change manufacturers a lot because the suppliers take chances so they actually change from suppliers.

Do you only sell completed furniture or do you have knock-down furniture as well?
Yes, completed furniture which you customer assemble yourself or we can assemble it for you. We charge for assembling, it’s an assembling charge, it is just up to you how you want to do it, you buy a bed and we will assemble it for you or you can take it as it is. We also charge for delivery. You can buy a chair that is assembled and we won’t charge you for that.

Do you know how many percent of your budget that goes to promotion activities?
For the whole company I wouldn’t know, it depends on how much the store makes. If the store is targeted for three million per month then it’s a good month and then, I’m not sure how much it would be but it all depends on how much the store makes. We run promotions every week, we have a promotion area for that specifically, so we use the normal stock to create the promo area.

Are there any special occasions / seasons that you would consider more profitable for promoting?
Obviously the winter seasons are much more profitable, because I mean they always come in, everybody is rushing in to buy their winter sheets and blankets and those types of things. Everybody wants to feel warm. But with every season we have a change of promotion, huge promotion mix. Summer time, winter time, fresh start, in the begging of the year, when everybody is going back to the university they have to collect their new linen, their new
drapes. Summertime when everybody is looking in to their houses, springtime. That’s about the most important ones. And now especially for the world cup.

**What promotion tools do you usually use?**
Mostly the posters and the shelf talkers and also pamphlets that we give out at the doors, you can also take and see the promotion holds. But we also use buy two get one free, that kind of promotion. We do it in catalogues a lot, we bring it to the stores and we hand it out to costumers. It’s good and it’s about our way to mark.

**Which one would you consider to be the most effective?**
The booklets are the most effective ones.

**Who would you consider to be your main competitor?**
I would say Coricraft in general, because they also got good furniture going, but also Boardmans, they sell the same furniture but more classic.

**Do they have a big market share?**
They have a big market share.

**What would you say is Mr Price most important advantage in comparison to other competitors?**
We are affordable and we've got a wide variety of items that costumers are looking for. I mean like for instance the dry flowers and the plastic flowers, stores don't stock that. We are basically the only store that stocks that. We've got a wide variety of bathroom accessories and especially kids accessories, and kids stuff as well.

**Do you know if there any specific laws or obstacles that a furniture company has to consider on the South African furniture market?**
Basically making things most affordable and giving the best quality. That's the biggest issue and the biggest obstacle I would say.

**Is the investment climate for furniture companies in South Africa favourable according to you?**
Yes, the investment climate for furniture companies in South Africa is favourable.

**Is it difficult for a new furniture company to enter the market?**
I would say so, because I mean you spend a lot keeping? The furniture so you need to make a profit on it. Furniture is a lot of money, especially to import it. Cause the transportation costs are a lot.

**Even if you manufacture here? Does it cost a lot to manufacture?**
I'm not too sure about that because head office handles all of that.

**Are there many companies that are constantly entering the market or would you consider the market to be matured, is it dynamic?**
Well, there are a lot of companies that are out there that we all, well-known for well that you know but I haven't noticed any other companies opening in this type of market.
Appendix 3: Interview with Boardmans

Can you tell me a little bit about yourself, background, title, function in the company etc.
I’m the Store manager, currently of the Boardmans design quarter. I worked for Edgars for five years and currently I came over when they restructured. I did Edgars before and now I’m back in to Boardmans and working as a store manager of this design quarter store.

Do you know when this store was founded?
This specific store opened five years ago, when they opened the new design quarter centre. And I was involved in opening the centre site.

Do you know how big your market share is?
Yes, but I can’t give out the information.

Do you know who your customers are?
When you look at the Boardmans we just did a study, and it actually showed that our customers has matured much in the years, so we thought that we are catching for the younger but we see that our shoppers are more the mature aged starting from 40 upwards. But also you know, the study showed that in our home way business, it looks like the parents is buying for the kids. So they come in and buy for the kids, so our customer base has matured quite a lot in Boardmans. We are quite a few aged customers according to our studies.

Do Boardmans do manufacture their furniture themselves or do they use a supplier?
No, all of our products are basically coming from suppliers, and some are imported as well. We’ve got some in South Africa, and most of it in Indonesia and overseas countries.

Do you only sell completed furniture or do you also have knock-down furniture?
All our furniture is knocked-down. So I will say 90% of all our furniture is knocked-down. The customer has to assemble it themselves.

Do you also assemble it for them?
We do, we don’t charge customers to assemble them merchandised but what we do charge if we deliver it to them, then we have a charge cost.

Do you know how big percentage of the budget that goes to promotion activities?
It’s quite a lot but you see our promotions gets run by the head office. So in stores, yeah we are not that involved, we set it up but when it comes to promotion everything comes from head office.

Are there any special occasions/seasons that you would consider more profitable for promoting?
Oh yeah, over summertime, automatically in a business like ours we are much more profitable then in wintertime, cause we got two seasons. Basically in the winter and in the summer, so summertime is much better.

What promotion tools do you usually use?
Boardmans, because we are part of Edgars we usually use media, a lot of media, especially Boardmans in most of the magazines. Decor magazines, then also if they use promotion maybe television, mouth-to-mouth, in-store marketing, and that’s why we’ve got our marketing team in Edgards they try to promotion.
What would you consider the most effective?
Definitely Decor, the magazines, that works very well and also interior decorators that comes into stores so that also does well. When they do customers houses or maybe they’ve got a block of flats or something like that, they usually will come in this house they experience our Boardmans and they also talk to their friends and stuff like that. And what we do find is once they have done say for example for one apartment they always come back when they’ve got a next project. It all depends on how many projects they do have but of course also of the availability of merchandise that we do and the assortment, we do see that they come back over and over again.

Who would you consider to be your main competitor?
In general it would be @ Home, our main competitor it would be Woolworths, Loads of living when it comes to furniture, but @ Home and Woolworths will be my biggest competitor to me and Mr Price, yes because of price, their lower margins.

What would you say is Boardmans most important advantage in comparison to other competitors?
The most advantage is the assortment that we do have because I feel we’ve got a huge variety of assortment also the availability of stock. So especially when it comes to furniture most of our furniture we do have in stock where some of them are made to order. So a lot of times our advantage is the fact that we do have stock available immediately and a costumer can take it with him where a lot of the other competitors they have to order it by their head office first, and that takes some time. So that’s a huge advantage to us.

Do you know if there any specific laws or obstacles that a furniture company has to consider on the South African furniture market?
Definitively, all this new stores opening all the time, automatically we will have to be on the lookout, also when it comes to the recession, automatically it’s a threat to our business, when it comes to families; there is quite a lot of threat that can happening in our type of business.

Would you consider the market to be matured or do you think that there are some furniture companies constantly entering the market?
I think it’s quite mature, and as I said we are also a threat for other competitors, they are sellers. So it’s always just to stay ahead of marketing and look ahead economically from time to time.

Would you consider the investment climate for furniture companies in South Africa to be favourable?
The investment climate for furniture companies in South Africa should definitely be favourable.
Appendix 4: Interview with Coricraft

Can you tell me a little bit about yourself, background, title, function in the company etc.
I’m 27 years old, I’m in the company for eight years, I’m the store manager, and as you can see we are revamping.

Do you know when this furniture store was founded?
Coricraft was founded about 25 years ago, so we’ve been with furniture, I mean with all the so, owners of or should I say the makers of slipcover couch.

Are you just one owner or is it a franchise?
We used to be just one owner but at the moment we have the, we’ve got; it’s consortable guidance that makes up quite well. Most franchise but I mean we do have branches all over South Africa.

Do you know how big your market share is?
No, but It’s huge, that I can tell you.

Do you know who your customers are?
I would say our customers are your basic every day people because of our slipcover couches, because you can take them off and you can wash them, so I would say it would be your middle class to your high class people.

Do you manufacture yourself or do you use a supplier?
Our couches are manufactured locally and then our wooden furniture we use a supplier.

Is your supplier here in South Africa?
Our wooden furniture we source from abroad, that would be in Indonesia, India, China, that sort of places.

Do you only sell completed furniture or do you sell knock-down furniture as well?
No, only complete whole furniture.

Do you know how many percent of your budget that goes to promotion activities?
I would say, oh Gosh; we do lots of promotion, so it’s quite difficult to answer that question. But we do lots of promotion.

Are there any special occasions / seasons that you would consider more profitable for promoting?
When it comes to promotion we don’t go with seasons, we could have a promotion in the middle of the spring or we could have a promotion in the middle of the winter, so we don’t have to go with the seasons, so we could have promotion any time of the year.

What promotion tools do you usually use?
We normally do radio advertising, we normally do handling out pamphlets advertising but our big marketing would be radio advertising, that’s what we do.

Would you consider them to be the most effective as well?
Yes, very, very.
Who would you consider to be your main competitor?
I would say that we’ve got a lot, Wetherlys, Bakos Brothers, Rochesters all those.

What would you say is your most important advantage in comparison to other competitors?
Our prices, because we manufacture locally and because we manufacture to buy and to order, that’s why I would say it would be our prices.

Are there any specific laws or obstacles that a furniture company has to consider on the South African furniture market?
Prices, I would say prices.

Would you consider the investment climate for furniture companies in South Africa to be favourable?
Yes, I would say so.

Is it difficult for a new furniture company to enter the market and are there a lot of companies that are constantly entering the market or do you consider it to be matured?
I would say if you are going to be a, be a company, you really have to, prices have to be very, how could I say, I wouldn’t start a new furniture company now, because it wouldn’t last. I mean I’ve seen people that had furniture companies that last six months; at least it has to be matured like I said, it has to be matured in order for it to grow more.

Would you see new companies entering the market or is it a dynamic market or is it just matured?
They probably would, and they probably last about two years or three years, because I mean look, what’s really important in the furniture business is the clientele, your clients will always come back to you. Your customer service is very important, what sort of customer service you give to them, so that is very important, so some people are very sceptical to buy them in a new place because they don’t know how long it’s going to last. So we as a mature company, they know we’ve been standing long and they know in two years time they could always go back. With a new company they always ask people, are you going to be around for two years.
Appendix 5: Interview with Lewis

Can you tell me a little bit about yourself, background, title, function in the company etc.
I am the group marketing executive for Lewis Group and have been her for thirteen years. My primary function is to coordinate the entire marketing effort, including creative output, media strategy, store liaison etc. Primary goals are driving new credit business into our 550 stores. Lewis currently has 4 brands under their umbrella.

Do you know when Lewis was founded?
Lewis was founded 75 years ago.

Do you know how big your market share is?
We are not market share driven but profit driven. We do not know our market share as there is no one in South Africa that measures it accurately. We do see our opposition results and have an idea of their merchandise sales but there are hundreds of independents that we don’t see.

Do you know who your customers are?
Our primary customers are those who buy furniture or appliances on credit and would earn an average of R5000-R5999 household income.

Do you manufacture yourself or do you use a supplier?
Lewis offering furniture, appliances and everything for the home have many, many different suppliers both local and abroad.

Do you only sell completed furniture or do you sell knock-down furniture as well?
We would not entertain selling skd or ckd due the nature of our customer and our merchandise. We do however bring in many of our furniture lines and assemble them either in the home or in the storerooms attached to our stores.

Do you know how many percent of your budget that goes to promotion activities?
Approx – 25% of the marketing budget is dedicated to in store promotions/below the line.

Are there any special occasions / seasons that you would consider more profitable for promoting?
We are not a seasonal business but naturally over the festive season we do 30% of our annual turnover. We do however target the two last weekend of the month and increase our advertising spend accordingly. This is a busy period for us as it is when our customers would be getting paid, over the 25 of the month.

What promotion tools do you usually use?
The bulk of our spend is dedicated to brochures which are distributed door to door, T.V, in store promotions and radio. Brochures, as they are targeted to the homes and demographic of our customer, carry the full range of product and have retention in the homes, are the most effective.

Who would you consider to be your main competitor?
Ellerines, Price n Pride, Barnetts and not forgetting the banks would be our main competitors.
What would you say is your most important advantage in comparison to other competitors?
One of the biggest benefits we have over our opposition is the exclusivity of products. While possibly at the risk of sounding cheesy we have a genuine passion for the customer.

Are there any specific laws or obstacles that a furniture company has to consider on the South African furniture market?
There are many rules that we have to abide by in South Africa as a retailer but the most important one is one we abide by as second nature and not being deceitful in our advertising. The National Credit Act came into effect here not too long ago and with it many policies protecting the consumer. In addition the National Consumer Act will also soon kick in during early 2011.

Would you consider the investment climate for furniture companies in South Africa to be favourable?
With regards to investors, yes now would be a good time to invest.

Would you see new companies entering the market or is it a dynamic market or is it just matured?
Any new comers wanting to sell furniture on a National basis to our customer base would really battle as the furniture industry is really overtraded at the moment. Some of our opposition is in fact rationalising, retrenching and closing stores and brands down.
Appendix 6: Interview with Joshua Doore

Information about you, background, title, function in the company etc?

- Colin Bresler – Chief Executive (Responsible for the effective running of the Joshua Doore Business)
- Worked in JD Group for 11 years
- Last 3 years as Chief Executive
- 2 years as Operations Executive – Morkels
- 2 years as Merchandise Executive - Morkels

When was Joshua Doore founded?

- 1976
- Currently 145 branches nationwide, selling 70% on credit and 30% cash

How big is your market share?

- 3.5% of credit furniture market

Who are your consumers?

- Largely LSM’s – 4-7
- Traditional customers are slightly older and more affluent (39-54 years)
- Contemporary customers are slightly younger, poorer and first time buyers (24-30 years)

Does Joshua Doore manufacture the products themselves or do they have a supplier? If yes, where?

No, we use local manufacturers for +/- 90% of furniture purposes, with the balance coming from China.

Does your company only sell completed furniture? Have you considered selling knock-down furniture?

Just over 95% is completed. The 5% knock down are simple products like entertainment units, dining room suites (metal and glass). Local customers in our target market have had very little exposure to knock down furniture and are currently not comfortable in such buying items.

How many percentage of your budget goes to promotion activities?

4.5%

Are there any special occasions/ seasons/ that you would consider more profitable for promoting?

1) Christmas : from end October to 24 December
2) Easter
What promotion tools do you usually use? What is most effective?

1) **Knock n Drop** a monthly catalogue (+/- 2.5 million copies) at our target markets homes (+/- 70% of spend).

2) TV advertising (+/- 10% of spend)

3) Newspaper inserts (+/- 5% of spend)

4) We also do in store signage and telemarketing of the account base.

Who would you consider to be your main competitor?

1) Russells – part of the same Group

2) Lewis Stores – National chain with extensive footprint

3) O.K Furniture – On **plug** items

What would you say is your most important advantage in comparison to your competitors?

1) Value for money products

2) Exclusive designs on wanted items

Are there any specific laws that you as a furniture company have to consider? Factors that could be considered as obstacles on the South African market?

- Credit Granting – **National Credit Act** (NCA) prescribes how you can sell credit
- **Consumer Protection Act** – legislation covering the consumer against poor practice

Is the investment climate for furniture companies in South Africa favorable according to you?

- The traditional credit-type businesses are over-traded (too many retail brands) and this market is currently saturated.
- When the economy picks up and the retail sales growth outperform inflation then further expansion will be possible.

Is it difficult for a new furniture company to enter the market?

Yes

The “Big players”:-

JD Group, Abil (Ellerines group stores), Lewis – currently dominate the mass middle market – so any new entrant would struggle.

Are there many new companies that are constantly entering the market or is the market mature?

- There have been smaller, regional new entrants. This has happened in the bedding area in particular.
Appendix 7: Interview with companies – Connection with theory

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<td>3. How big is your market share? (In general, specific store)</td>
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<td>4. Who are your customers?</td>
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<td>5. Does your company manufacture the products themselves or do they have a supplier? If yes, where?</td>
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<td>6. Does your company only sell completed furniture?</td>
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<td>7. How you considered selling knock-down furniture?</td>
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<td>8. How many percentage of your budget goes to promotion activities?</td>
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<td>Marketing mix: Promotion</td>
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<td>13. Is it difficult for a new furniture company to enter the market?</td>
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<td>14. Are there many new companies that are constantly entering the market or is the market mature?</td>
<td>Market analysis: Competitors</td>
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Appendix 8: Interview - Swedish Trade Council

What position do you have?
Jan Kettnaker I am the head of what we call the Swedish trade council in Southern Africa, comprising of four offices: Angola, Namibia, Botswana and South Africa. We also cover Zambia, Mozambique, we don’t have offices but we do project every once in a while. And those markets are covered from one of the other offices when it comes to resources. I’m also the trade commissioner in South Africa.

How long have you been working here?
I’ve been here for a year almost exactly and before that I was posted in Romania for about three and a half years, also as a trade councillor.

What type of questions do you mainly work with?
Well, the Swedish Trade Council does primarily consultancy for Swedish companies wanting to internationalize their operations in one way or the other, so that’s the bulk of the work we do. We also provide basic information which is financed by the Swedish state, me sitting here for example right now. And then we organize seminars and delegation trips, sometimes in conjunction with say visits by the king and the queen and politicians. So within the consultancy that we provide, that is as you said covering everything depending on the needs of the companies. Traditionally it was very export oriented; you can hear that in our Swedish name. The English name which was adopted later is more neutral, it’s trade in general and import related questions have become more and more important of the last years because globalization has changed trade patterns so Swedish companies do also buy a lot of things from abroad.

How many Swedish subsidiaries would you say there are in South Africa today?
Subsidiaries, about 100, so those are legally registered entities here.

We were thinking of focusing on manufacturing companies, are there many of them here?
I think you need to differentiate here between manufacturing companies or companies having manufacturing operations here. Because, I mean most Swedish exporting companies are per definition manufacturing companies, they sell products, they manufacture and sell products. If you look at manufacturing companies here, there aren’t that many, which is why mainly it
would be a bad choice.

*We were mainly thinking of focusing on them establishing a physical business here, like they have a subsidiary and manufacturing, having manufacturing operations already in the country. Why do you think there aren’t so many here?*

There are a couple of reasons, first of all, if we start off with a picture of them, all Swedish companies manufacturing in Sweden and then sell it abroad, that was what it was like 50 years ago, and then companies started to outsource production internally by establishing manufacturing operations abroad. That leaded, either it was done to save costs to decrease costs and then you would move to Asia and then export from Asia to other places in the world. The Chinese development is pretty much that. Over the last 20 years you did the same in Eastern Europe so you basically moved factories or set up new factories in Eastern Europe or in Asia that then provided goods for the entire world. The other way of doing it was if you had a market, a big market somewhere where it would make sense economically to set up production there locally instead of exporting from either Sweden or Asia or Eastern Europe to that place. Brazil is a good example; Scania Trucks still has one of their biggest factories in Brazil, because the Brazilian market is so big. There was also a case where you due to political sort of legislation or things like that had to do it or when there was a place far away that it would cost a lot, it’s almost like the Brazilian case, it would cost so much to bring goods there so it was more efficient to set up production in that country. And to some extent South Africa was part of that category, it’s far away, but the big difference between South Africa and Brazil is that the South African market is very small and the countries surround are either small or poor. So a number of companies and this is what I’ve discovering here is not only valid for Swedish companies, it’s obviously good for Western companies. A lot of automotive suppliers have set up production here, German automotive supplier’s manufacturers for example. Because of that, because it’s our way and there is a market here and you can export to the rest of Africa. There are a couple of Swedish companies, and I can get you that list, that has manufacturing operations here. But they are not; again they may be five, something like that.

*When you think about it, the labour here is cheap so why don’t they manufacture in South Africa, that’s what you usually think about when you think about South Africa, so it’s very interesting.*

Yeah, so yes labour is cheap but it’s far away from everything, and then you might of course
say that Asia is even further away, sure, but Asia is far away from Europe but Asia is close to other big markets like Japan, it’s close to the U.S if you go the other way around, and in Asia, labour is even more cheap in Asia and Asia has focused on manufacturing and growth through manufacturing and exports for the last 30 years or so.

*What would you say are the other opportunities when it comes to starting manufacturing here, like if there are other opportunities that they can take advantage of, would you say that there is something good to make here anyway, if you are going to manufacture here anyway, or is it just not happening?*

You can’t say per definition almost that South Africa is a great place for manufacturing investments, you simply can’t. If you look outside, it’s pretty obvious that it’s not there, right? What you do need to do then if you want to qualify that statement, you need to look at what kind factors you are talking about, of course if you’re going to do, what do I know, wooden furniture, there might be the right type of tree here so manufacturing that specific type of chair, made of some specific type of wood, is a good thing, right? If you look at Africa and there are sometimes discussions about manufacturing in Africa driven by, supposedly driven by low labour costs. That is at least a statement that needs some kind of analysis. South Africa together with Mauritius are the only countries in Africa that have a manufacturing base to talk about, the only industrialized countries. Mauritius is small as you know it’s in the ocean, they do shoes and clothes and some half complex products, but it’s very small, it’s bigger relation to the economy, because the economy is so small. And then we have South Africa which has a developed industrialized structure, manufacturing structure. Now, what is a little bit important to keep in mind is that a lot of that sector, manufacturing sector was developed because the country was under sanctions. So the only way to get a hold of things was to produce them themselves. Had the sanctions not been in place, South Africa would probably buy these things from other places. So some of these sub parts of the manufacturing sector were sort of artificially nursed by the sanctions. Not the sanction of garments you know and all of a sudden you buy Chinese shoes here instead of South African shoes. Now this is of course happening all over the place that it’s the shift is specifically abrupt here. And then you sometimes talk about manufacturing in the Maghreb countries in northern Africa which due to its proximity to Western Europe would be a good sort of manufacturing base, especially after Eastern Europe has become too expensive. That would still require a reform in Northern Africa to become more investment friendly, to offer investment benefits, and to put it a little bit extremely but in all other countries of Africa you have still so many problems that setting
up a manufacturing plant is just simply not worth it, so even if labour was cheap which it is, you know logistics are bad, communication systems are bad, legislation is bad or at least incomprehensible, and you would quickly eat up your costs benefits by putting time and money on other things. Again, if we're talking about some kind of fruit, or jam, fruit that only exist in Congo it's obviously different.

*That's very interesting, but there around 100 subsidiaries, which of the industries are the most common here?*

That question is not so much related to South Africa but it's related to the Swedish industry structure, so if you look at the Swedish industry structure and the export structure, it's special number of ways from international context. First of all, exports are really important for Sweden, about 55% of GDP export, which is very very big, almost the only other, no other country, I mean Singapore has more export than GDP, that's because goods are flowing through the country. But if you look at normal countries, Austria is about the only country, with similar size that has a higher ratio of, it's about 60%. What's also significant is that there are a lot of multinational companies from Sweden, big big companies, in other countries that serve around nine million people, do not have as many big famous multinationals as we have. The other point is that most of these companies are manufacturing technical products in one way or the other and if you add machinery, transport equipment and IT equipment you get about 60% of exports. And countries today, developed countries in the world require about, they have about the same demands, where the demand structure is very similar in these countries, so in South Africa, Swedish companies sell what they sell in Germany, the Southern U.S, what they sell in Japan, so you would find all these big companies represented here, you will find that most of them are selling technical equipments of some sort and again, about five of them set up manufacturing, and again I'll get you that list. There is no real specific product that you sell in South Africa but not elsewhere.

*So subsidiaries are more like selling agencies?*  
Absolutely.

*Whole owned subsidiaries, or are some of them maybe joint ventures with South African firms?*  
Partnerships exist but joint ventures overall, generally are, joint ventures are not very popular anymore, joint ventures with South African allies in control economies, communist
economies were you couldn't set up a company on your own as a foreign company, you had to have some kind of partner, and the reason for having to have that was because the local government wanting to maintain control. To some extent that was, I mean, South Africa was not a maintained state so to some extent that applied here as well, but joint ventures are not very popular, there are some partnerships, there are some shares, ownership companies.

*Are Swedish subsidiaries increasing o decreasing?* That number of 100 is increasing slowly but it's the law of diminishing returns, I mean these are all the big companies and the number 98, 99 an 100 is smaller and what happens is that you need to cut off science where a company would set up a legal company anymore but work through a distributor. Big companies set up their own companies because their business operations justify it, small companies work through a distributor. That is also where you wouldn't see any investment, right, it would show up in your statistics because you represent you selling products here in South Africa but there is no investment involved, but there is no company being set up. And there you then open up a whole new category of companies in Sweden selling here through distributors and that is increasing and that's a lot of what we do here, helping Swedish companies to find distributors hopefully, suitable distributors, and what we see there is that the number of, that the size of the companies that chose to look for a distributor here decreases, so smaller and smaller companies come to South Africa.

*So that's the most entry mode choice, to go through a distributor?* If you are a small company, yes, if you are a big company you set up a company on your own, and then of course South Africa will always be the jump pad into Africa, most companies establish, if not all establish themselves in South Africa first and then they expand through Africa, either from here or after they have established themselves here.

*We thought of doing analysis on the South African market in general by looking at some factors like political, economical in general, legal. For example, what do you think about the political climate in South Africa?* That's obviously, I mean what's the political climate in Sweden, how would you describe that? It's obviously extremely hard, right. *We were thinking from a company's point of view. If the country provides some support for companies, the ones establishing themselves here, regulations, taxes? Is it easy to get information from the government? How is the relationship between the government and the companies in general?*
Again, in order to answer that with some kind of quality sealing, it would take you two days, right. I think, a couple of comments, I think the co, if I pick some of your suggestions here, the co operations between companies and state in generally works well. There is a skills problem, an enormous skills problem; companies find it hard to put people on the right skills, skills shortage. As you know a lot of skilled people have left South Africa the last 20 years or so and that of course doesn't make it easier.

Yeah, we heard about the brain drain.

So skills are something that the government and companies are working on sometimes together. Legislation follows a very Anglo-Saxon sort of British model, and even if there are corruption charges out there every once in a while the traditionally is well functioning and independent.

Is there any specific laws that could be a problem to a Swedish company specifically? Black economic empowerment, I'm sure you've heard about it. How much does it affect? A lot. You have to follow that as a foreign company as well? You don't need to do anything, that’s the trick; it's not obliging you to do anything. But if you want to do business, especially with the states, if you're in the South of the state for example, they will look at your BEE score card, the higher the point that you have the better position you will have in a tender with the states finance. So it is, you could say technically, a voluntary system, now at the end of the day if you want to do business it's compulsory. There is no laws saying that you need to employ x number of black people or you need to put down x money on skills development or anything, but it's complex, it's a very far reaching set of guidelines and rules which affects Swedish companies, yes. And which they need to put time and energy to look into and follow it through the system.

Are there some other specific rules that you need to think of? Other than that? Yes any specific rules that you need to follow? No, not other than that, no nothing that sticks out, I mean every country has its specific rules right, but nothing.

Which political factors have had/have the most effect on Swedish companies that have had subsidiaries here? Which political effects? Yeah, factors that have had the most effect on them. Depending on the type that you look at, obviously that South Africa transformed into democracy and that the sanctions were lifted in 1994, I think that deserve special mentioning.
But after that? I think after that, the introduction of the BEE obviously is a big thing no matter how you look at it, it has contributed to form equal society in South Africa, which is good for, which is in everybody’s interest but for companies of course any new set of new laws that need to be looked at into is time that needs to be spend on that. And then 30 million of the very possible economic development that South Africa is enjoying now and that is a consequence of political factors, it has at least been very important for companies.

On the World Bank Group’s 2010 list “Ease of Doing Business”, South Africa is ranked as number 67 under the category “Starting a business”. This is a step-down from number 45 in 2009 (- 22). What do you think is the reason behind this? There have been problems at the company registry authority, and there have been allegations of corruption, and there have been suspensions of people working there, and I didn't know about that list but I would think that this is the background, so this is resulted in communication confusion regarding registration of companies.

Are there many Swedish companies that choose to leave the country right after they established? Officially, everybody left, right, that's what you had to do, unofficially there is kinds of joint ventures and behind the scenes companies were registered from a Swedish perspective but also from other international companies, I mean officially it was illegal to do business with South Africa, right, so you had to leave and then you did leave. During these last years? Recently? Why would they leave? That's the question, are there any, do you know any companies that have left? You need to define, how do you define leaving, if there are no costumers and you shut down your factory and you throw the key away, then you leave but most of the time you sell off whatever you have because your strategy shift somehow, and then of course it might be interesting to know figure out why that strategy shift of course, Swedish Match is probably the best example of a big Swedish company that had operations here and sold that, you could check it up on the internet, they sold it last summer I think. I think they had a big cigar or cigarette factory that they sold out. That's probably the only example.

Would you say that there are any major differences and similarities between the Swedes and the South Africans that might conflict in the way doing business, for example how they manage their operations?
Generally I would say that Swedes work very well with South Africans and vice versa. Both are very open cultures, both are very sort of family cultures, both mentalities are probably a better word in general works well, I think the South African society is more traditional in a number of aspects, work wise it's a more traditional working environment, power distance is greater between managers and subordinates and the sort of traditional aspect of society comes back when you look at gender relations. The racial thing, it's such a big thing in this country that I would suggest that either you focus your study on it or you leave it out, because some kind of sub note comment would just seem displaced. I mean obviously there are a thousand of things to be said about it, ethnicity and racial aspects and apartheid and everything, and you can simply not say anything meaningful with two sentences.

*It obviously effected business a lot but in what way?* What way? I don't know, I mean how would it affect business, I mean it's there, It's like saying... Of course it affects us, it affects the people and people affects the companies, and companies affect the economy, but how and why and what way, again you simply can't say anything, that's like talking about Swedish history in two words.

*What would you say about the crime because South Africa is ranked among one of the countries with highest rate of crime, how does that affect business?* That's a good question, so yes, it adds costs because companies need to develop security policies and guidance, it adds costs of course when employees get car-jacked and don't show up at work and things like that of course it translates time into money and that's your effect. If you go back to previous common interest for a second, if you look at BEE as a consequence of apartheid, to put it simple then of course that's the easiest way to see a consequence between the ethnically and equal society of before and then through BEE instead of regulations or laws you affect companies in order to transform countries, so if you want an easy answer that's probably the easiest one.

*We thought it would be a very interesting aspect to look at and its effects??* Which of course is justified and valid and I understand that, it's just that, it's one of those sensitive topics that either you sort of do it all or I think it's just better to stay away because it's very hard to produce some kind of meaningful contribution if you don't cover it, and it's very hard do bond your question and whatever you're writing about. Back to...so yes, crime is a problem for the society, crime is a problem for people, crime is a problem for companies
and it translates into more work and money to be spent on security systems and developing strategies etc. etc.

In general what would you say are the major obstacles that you encounter on the market for a Swedish company? For the last year, a weak market is probably the biggest problem and that's been a problem everywhere in the world and South Africa has fared pretty well in the global crisis, GP shrank by 2.5% last year, which you know has been a surprise so it's still. But companies have been battling.
Appendix 9: Interview with marketer

To what extend is marketing used among companies in South Africa?
Marketing is big business in most large corporations within South Africa. Our market is diverse and so big budgets are required to build brands.

What is the most common promotion tool used by companies in South Africa? Example TV commercials, newspapers, banners, flyers.
It really depends on the objectives of the campaign, i.e. if it is a brand building exercise then your traditional media will be utilized. However, if it is relationship marketing campaigns then more direct marketing tools are deployed.

Differences in how companies promote in South Africa/Europe? (The differences can be social, culture, legal etc.).
In South Africa we have to cater for numerous cultural nuances, so generally “one size does not fit all”. Although, having said that, often the approach to marketing campaigns is driven off socio-economic factors, since people living in the same socio-economic bracket tend to have similar requirements and aspirations.

What major changes do you see when it comes to advertising during the apartheid time and post apartheid time?
I’d say that the fundamental change would be how the target audience is represented – you will seldom see advertising with whites only these days. Also, there is a far greater selection of media available now versus during apartheid. To be honest, I was a child growing up during apartheid, so can only speak from an academic perspective.

Can you see any trends in how companies promote themselves nowadays?
Companies no longer rely solely on ATL media, campaigns are developed for TTL (Through the line) exposure. There is so much clutter in the traditional media space that companies have to find clever ways of breaking through. So face to face and location specific activity is deployed to compliment any ATL activity in order to give it a local relevance and impact.

Is marketing promotion expensive in South Africa? Examples?
Marketing exposure is expensive when you consider that 1 double page spread in the Sunday Times costs R1-million. The production values on TV advertising are high and then the flighting costs are elevated because in order to break through the clutter you need to launch
with at least 600-700 AR’s (Audience Ratings) – a measure we use in programme selection to ensure the greatest penetration for our commercials. To flight a 60” ad in a prime time slot can cost around R400 000. Radio is less expensive but just as cluttered – your average 30” commercial will flight for around R20 000 depending on its programme selection.

*Are there any special occasions/ seasons/ that you would consider more profitable for promoting?*

I believe that some products and services have their own seasonality and so marketing needs to tie into the respective seasonality. However, there are products and services that are in demand all year round and so need constant drip strategies to keep them top of mind.

*Are there any sensitive subjects you should avoid here in South Africa?*

There are some cultural nuances when you get into translations, but beyond that we all have a pretty good sense of humour here and there are plenty of people who can review material in order to avoid sensitivity.

*How could IKEA promote itself? What kind of marketing activities should IKEA use?*

IKEA would need to come into South Africa and decide how they were going to play within this market. I’d certainly see a large piece of the budget going towards brand building in order to establish the brand within the market. Added to a strong ATL campaign I would recommend Face-to-Face demonstrations showing how easy it is to assemble IKEA furniture. A segmentation on the market must be done and the marketing campaigns must be adjusted. For example, if you targeting the black population, I would recommend TV commercials. This because this group in general doesn’t have a lot of money to spend on activities outside their home, instead they are often at home watching TV.
Appendix 10: Interview with marketer – Connection with theory

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<td>2. What is the most common promotion tool used by companies in South</td>
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<td>Africa? Example TV commercials, newspapers, banners, flyers.</td>
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<td>3. Differences in how companies promote in South Africa/Europe? (The</td>
<td>Marketing mix: Promotion</td>
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<td>differences can be social, culture, legal etc.).</td>
<td>Market analysis: Environmental factors- Social/Cultural</td>
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<td>4. What major changes do you see when it comes to advertising during the</td>
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<td>apartheid time and post apartheid time?</td>
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<td>5. Can you see any trends in how companies promote themselves nowadays?</td>
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<td>should IKEA use?</td>
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Appendix 11: Questionnaire

MARKETING SURVEY ABOUT FURNITURE AND HOME DECOR

1. Gender?
   Male ☐   Female ☐

2. Age?
   18-25 ☐   26-35 ☐   36-45 ☐   46-65 ☐   66+ ☐

3. Marital status?
   Single ☐   Married ☐   Divorced ☐

4. Living situation?
   Alone ☐   With my partner ☐   With my parents ☐   With roommates ☐

5. Do you have any children?
   No ☐   1-2 ☐   3-4 ☐   5+ ☐

6. What is your occupation?
   Student ☐   Employed ☐   Selfemployed ☐   Unemployed ☐   Retired ☐

7. Name the first three furniture stores that come up in your mind?
   ____________________________________________
   ____________________________________________

8. Where do you normally buy your furniture/ home decor?
   ____________________________________________

9. How often do you buy furniture?
   Two or more times a year ☐
   Once a year ☐
   Every two years ☐
   Less than every two years ☐
   Never ☐

10. How often do you buy home decor?
    About once a week ☐
    Once or twice a month ☐
    Once or twice a year ☐
    Less than twice a year ☐
    Never ☐

11. How much money do you usually spend on furniture and home decor within a period of 6 months?
    R 0-500 ☐   R 501-1500 ☐   R 1501-2500 ☐   R 2501-3500 ☐
    R 3501-4500 ☐   R 4501-5500 ☐   R 5501-6500 ☐   R 6501+ ☐
12. If furniture and home decor were cheaper, would you buy them more often?  
Yes ☐  No ☐

13. Would you consider buying knockdown furniture (Not assembled furniture that come with tools) if they were cheaper than completed furniture?  
Yes ☐  No ☐

14. How important are the following factors when you are buying furniture and home decor?  
Not important at all 1 2 3 4 5 Very important
A- Quality ☐ ☐ ☐ ☐ ☐ ☐
B- Price ☐ ☐ ☐ ☐ ☑ ☐
C- Design ☐ ☐ ☐ ☐ ☐ ☐
D- Well-known brand ☐ ☐ ☐ ☐ ☑ ☐
E- Wide range ☐ ☐ ☐ ☐ ☑ ☐
G- Fashion ☐ ☐ ☐ ☐ ☐ ☐
H- The location of the store ☐ ☐ ☐ ☐ ☑ ☐
I- Good service ☐ ☐ ☐ ☐ ☑ ☐
J- Home delivery ☐ ☐ ☐ ☐ ☑ ☐
K- Knockdown furniture ☐ ☐ ☐ ☐ ☑ ☐
L- Completed furniture ☐ ☐ ☐ ☐ ☑ ☐

15. To what degree does the following marketing tools have an impact on you when it comes to furniture and home decor?  

Small impact 1 2 3 4 5 Great impact
A - TV- Commercial ☐ ☐ ☐ ☐ ☑ ☐
B - Catalogue ☐ ☐ ☐ ☐ ☑ ☐
C- Newspaper advertisement ☐ ☐ ☐ ☐ ☑ ☐
D - Internet ☐ ☐ ☐ ☐ ☑ ☐
F- Family/Friends ☐ ☐ ☐ ☐ ☑ ☐
E- Radio ☐ ☐ ☐ ☐ ☑ ☐

Are there any other factors that influence your choice?

THANK YOU FOR YOUR PARTICIPATION!
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<td>often?</td>
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<tr>
<td>13. Would you consider buying knock-down furniture (Not assembled</td>
<td>Market analysis: Market conditions and customers</td>
</tr>
<tr>
<td>furniture that come with tools) if they were cheaper than completed</td>
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<tr>
<td>furniture?</td>
<td>Marketing Mix: Product</td>
</tr>
<tr>
<td>14. How important are the following factors when you are buying</td>
<td>Market analysis: Customers</td>
</tr>
<tr>
<td>furniture and home decor?</td>
<td>Marketing Mix: Price</td>
</tr>
<tr>
<td>A- Quality</td>
<td></td>
</tr>
<tr>
<td>B- Price</td>
<td>Market analysis: Customers</td>
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<tr>
<td></td>
<td>Marketing Mix: Price</td>
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<tr>
<td>C- Design</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Product</td>
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<td>D- Well-known brand</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Product</td>
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<tr>
<td>E- Wide range</td>
<td>Market analysis: Customers</td>
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<tr>
<td></td>
<td>Marketing Mix: Product</td>
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<tr>
<td>F- Fashion</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Product</td>
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<tr>
<td>G- The location of the store</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Place</td>
</tr>
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<td>H- Good service</td>
<td>Market analysis: Customers</td>
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<tr>
<td></td>
<td>Marketing Mix: Promotion</td>
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<tr>
<td>I- Home delivery</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Promotion</td>
</tr>
<tr>
<td>J- Knock-down furniture</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Product</td>
</tr>
<tr>
<td>K- Completed furniture</td>
<td>Market analysis: Customers</td>
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<td></td>
<td>Marketing Mix: Product</td>
</tr>
<tr>
<td>15. To what degree do the following marketing tools have an impact on</td>
<td>Marketing Mix: Promotion</td>
</tr>
<tr>
<td>you when it comes to furniture and home decor?</td>
<td></td>
</tr>
</tbody>
</table>