The dominant strategies used within the South African retail industry

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ABSTRACT

Competitive strategy remains crucial for businesses, as it determines success in the market. However, exactly what strategy to employ in a company within a specific industry is a difficult task for practitioners. In the 1980's, Porter (1985) described three "generic" strategies that would allow a company to be more competitive relative to others in the same industry. Although Porter's (1985) strategy types have become the foundation for much of the business policy research in the past twenty years, theorists and researchers alike continue to debate over the appropriateness of these strategies in the current competitive environment bombarded with technology.

This research seeks to identify dominant competitive strategies in the South African (SA) clothing retail industry and further validate the usage of Porters "generic" strategies. The study expands to understand whether different size companies use similar strategies or not.

A structured questionnaire was sent out to clothing retail companies of sample size of 145 participants for them to identify the most appropriate competitive method on their business. The results from the common factor analysis indicated that three major strategies used in the industry namely, lean competitor, mix markets and core competencies. Further, it was identified that some strategies are associated with the size of the company while others are not.

DECLARATION

I, Beauty Mazibuko, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Beauty Mazibuko

Signed at ……………………………………………………

On the …………………………….. day of …………………………2009

DEDICATION

To my mother Dorah, my sincerest thanks for her love, support and encouragement throughout the duration of my studies.

To my daughter Lethabo, who missed her mother while compiling the research studies.

To my late father Pharoah, who gave me the greatest gift; education.

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To my niece Mbali who helped me with the distribution and collection of questionnaires.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this study is determine dominant strategies used within the South African retail industry.

The effect that business-level strategy has on a firm's profitability is a central issue in the management literature (Jones and Butler 1988). In particular, there is considerable debate over the relative advantages of a cost leadership strategy versus a differentiation achieving high profitability (Cool and Woo 1984; Porter 1985).

Competitive strategy remains crucial to the study of strategic management and deserves the prominence Porter gave it two decades ago (Campbell-Hunt 2000). A number of studies have tested aspect of the generic strategy hypotheses, and each set of conclusions has been different. The same studies have stimulated a question to empirically examine the dominant strategies in the South African (SA) Clothing Retail industry. Further, a vast majority of research on competitive strategy, especially relating to generic strategy types has, however, been conducted in relation to United States (U.S.) business. Douglas and Rhee (1989) stated that less interest appears to have been focused on examining the extent to which these findings can be generalised to other markets, but since then several studies have been conducted on companies on other countries like in the UK, Taiwan and Italy (Lewis and Thomas 1990; Corstjens, Corstjens and Lal 1995; Devlin and Ennew 1997; Lawton 1999; Depperu and Gnan 2006). Both empirical research findings and anecdotal evidence give reason to believe that differences may occur in competitive strategies from one country or region of the world to another (Douglas and Rhee 1989).

1.2 Context of the study

South Africa is the economic powerhouse of Africa, and has an abundance of natural resources, well-developed financial, legal, communications, energy and transport sectors, a stock exchange ranked among the top 20 in the world, and a modern infrastructure supporting efficient distribution of goods throughout the southern African region (SouthAfrica.info 2008).

The SA economy has been completely overhauled since the advent of democracy in the country in 1994 and has been in upward phase of the business cycle since September 1999 (SouthAfrica.info 2008). It is further stated that bold macroeconomic reforms have boosted competitiveness, growing the economy, creating jobs and opening South Africa up to the markets of the world (SouthAfrica.info 2008).

South Africa is experiencing growth which is mainly supported by the growing black middle class (Mail_and_Guardian 2007). This sector's combined annual spending power had shown strong growth since the last study conducted over a year ago, from R130 billion at the end of 2005 to R180 billion at the beginning of 2007 (Mail_and_Guardian 2007).

Retail key sectors such as motor vehicles, furniture, clothing, media, property, and cellular phone are benefiting from the booming middle-class and will continue to reap benefits in the future as well. Real disposable income is the core driver for consumer spending and it is expected to grow at a moderate rate during the review period (2007-2011). The fashion industry has continued market instability resulting primarily from its fashion orientation as this industry endures the competitive instability of intensified foreign competition (Powell 1992).

The study is based in the SA retail industry. The SA industry could be easily subdivided into two types of groups: major players who have megastores and small players who have small boutique shops.

The competition on the domestic market is intense, for example in the clothing retail the top seven clothing retailers account for roughly 70% of the domestic market share (Bildsten and Sjölund 2003). The markets are concentrated with imported products, which have higher prices than local produced products, regardless of the higher pricing South Africans choose to wear imported clothes, which is regarded as a status symbol (Bildsten and Sjölund 2003).

With retailers facing such competitive conditions, the study will highlight major competitive strategies used in the South African clothing retail industry and if major and small businesses either choose similar or different strategies to compete.

1.3 Problem statement

1.3.1 *Main problem*

The purpose of the research is to identify dominant competitive strategies used in the South African clothing retail industry and to determine whether there are any differences between strategies selected by small and large businesses.

1.3.2 *Sub-problems*

The first sub-problem is to identify major competitive strategies used in the South African clothing retail industry. Is the industry using the three generic strategies (cost leadership, differentiation, and focus) or are there other dominant strategies?

The second sub-problem is to determine whether there are any differences between the competitive strategies selected by small and large businesses.

1.4 Significance of the study

Porter’s (1980) model of generic strategies is the dominant paradigm in the literature on corporate strategy (Hill 1988; Dess, Newport and Rasheed 1993; Kumar and Subramanian 1997). Although other theorists have proposed varying strategy typologies at different times in the literature, Porter’s (1980, 1985) mode of the generic strategies has eclipsed the other strategy types to dominate the strategic management paradigm (Hudson 2001). In his model Porter (1980, 1985) describes what he considered fundamental business-level strategies for a company to utilize in order to obtain sustainable competitive advantage with its industry, and these strategies namely, cost leadership and differentiation will produce two different types of competitive advantage. Porter (1980, 1985) has maintained that these strategies are mutually exclusive, and this has been challenged by several others like Hall (1980). Day and Wensley (1988) stated that effective strategy moves are grounded in valid and insightful monitoring of the current competitive position coupled with evidence that reveals the skill and resources giving the most leverage on future cost and differentiation advantages. To overcome short-sightedness, the evidence of advantage should clarify the sources of advantage as well as the manifestations of superior customers value and cost superiority, and should be based on a balance of customer and competitor perspectives (Day and Wensley 1988).

Several studies have been done by the following authors: Buzzell (1987), Day and Wensley (1988), Alexander and Veliyath (1993), Akan, Allen, Helms and Spralls III (2006) and Acquaah and Yasai-Ardekani (2008) to identify what strategies do retail companies use and the either impact on companies financial performances and there is limited research done on the SA retail industry. The study identified the types of strategy used within the SA clothing retail industry. This can further guide management when selecting the company strategy taking into consideration the SA external environment.

1.5 Delimitations of the study

The SA retail sector constitutes of clothing, textile, banking and food, among others. The study bounds itself in the clothing retail sector excluding the services retail e.g. banking.

1.6 Limitations

The study has been restricted to only single industry and therefore the external validity of the study is also restricted. The generalisation of the research could be increased if the study was extending to a wider range of industries.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Companies strive to have a competitive advantage against its rivals, and this is established through the firm's competitive strategy. Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of values (Porter 1996).

Studies have been done to identify different types of strategies that companies undertake to make them successful. Porter (1985) introduced the concept of generic strategies, cost leadership, differentiation and focus in order to represent the alternative strategic positions in an industry. The generic strategies remain useful to characterise strategic positions at the simplest and broadest level (Porter 1996).

The aim of this chapter is to summarise the relevant literature to the competitive strategy theory that is subject to this study. This summary is subdivided into four areas. Firstly, a brief review of strategy typologies to illustrate the evolution of competitive strategy constructs that have influenced the development of the current strategy models. Secondly, is to look into Porter's generic models, as they are the major part of this study. Thirdly, is to review the research problem and theory relating to it.

2.2. Background discussion

2.2.1 Competitive Forces shaping strategy

According to Porter (1980), the nature and degree of competition in an industry hinge on the five forces, commonly known as the Porter's five forces, which are: the threat of new entrants, the bargaining power of customers, bargaining power of suppliers, the threat of substitute products or services, and the rivalry among current contestants. The awareness of these forces can help a company stake out a competitive position in its industry that is less vulnerable to attack and hence bring better financial results than its competitors.

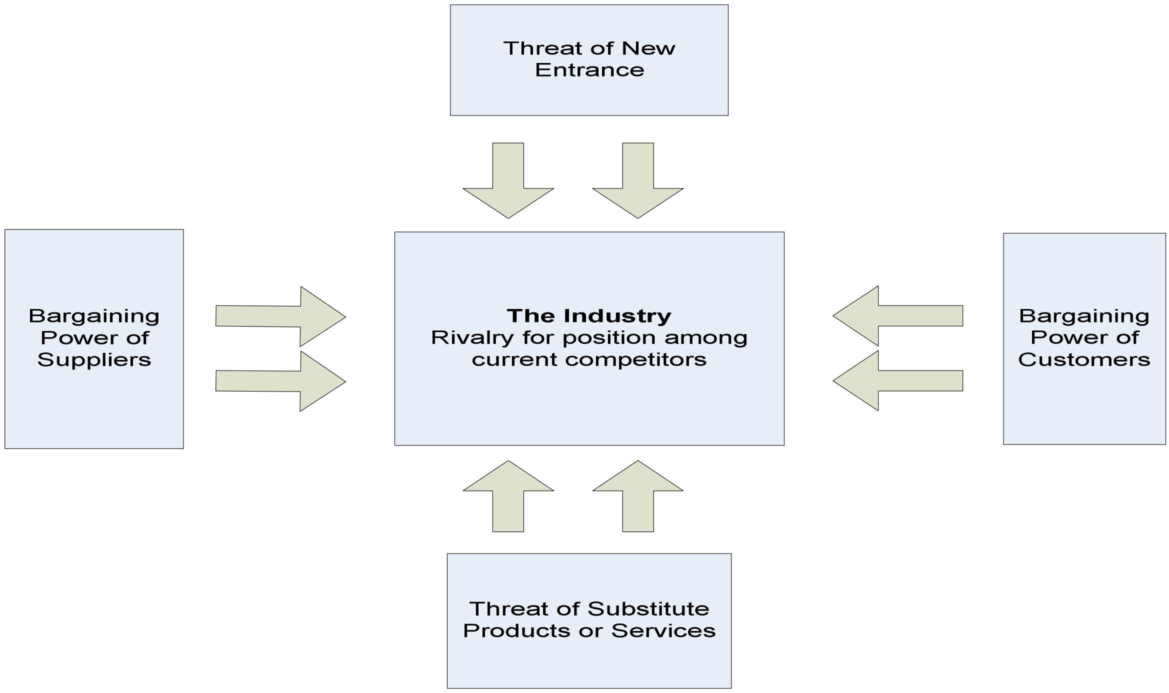

Figure 1: Forces Governing Competition in an industry

Source: (Porter 1979a)

a. ***Threat of entry***

New entrants to an industry bring new capacity, the need to gain market share and often substantial resources (Porter 1980; Smit 1999). The seriousness of the threat will depend on the barriers present and on the reaction from existing competitors (Porter 1980). If the barriers of entry are high, newcomers can expect intense retaliation from the competitors, and therefore will not pose a serious threat of entering.

b. ***Powerful Suppliers and Buyers***

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services (Porter 1980). Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices (Smit 1999). Customers, similarly can force down prices, demand higher quality or more service, and play competitors off against each other all at the expense of industry profits (Smit 1999).

c. ***Substitute Products***

Substitute products not only limit profits in normal times, they also reduce the bonanza an industry can reap in boom times (Smit 1999). Substitute products that deserves the most attention strategically are those that are subject to trends improving their price-performance trade-off and are produced by industries earning high profits (Smit 1999).

d. ***Rivalry for position***

Rivalry among existing competitors takes the familiar form of jockeying for position utilising tactics like price competition, product introduction, advertising, brand differentiation and market positioning (Porter 1980; Smit 1999).

The essence of strategy is coping with competition and therefore the knowledge of these underlying sources of competitive pressure provides the groundwork for a strategic agenda of action (Smit 1999).

2.2.2 Strategy Typologies

Varying studies on strategies refer to the description of a research as either taxonomies or typologies, and it is important to distinguish between the two. Typology should refer only to theoretical conceptual classification schemes and taxonomy on the other hand refers only to empirically derived classifications (Dess et al. 1993). Assessment of performance outcomes associated with different strategic orientations has been a regular component of studies employing the 'typology approach' to operationalise strategy content. Each study of strategy has offered evidence that supports an association or evidence that significantly different levels of performance are associated with different business-level strategies (Robinson and Pearce II 1988). Dess et al. (1993), acknowledged Porter's (1980) generic strategies of cost leadership, differentiation, and focus as a typology appropriate for empirical research.

2.2.2.1 Miles and Snow's (1978) strategy types

Miles and Snow's (1978) commonly used framework is rooted in Child's (1972) conceptualisation of strategic choice and considers the rate at which organisations change their products or markets. They assume that organisations act to create their own environments through a series of choices regarding markets such as products, technologies, desired scale of operation and the enacted environment, is severely constrained by existing knowledge of alternative organisation forms and managers beliefs (Miles and Snow 1978).

Miles and Snow (1978) proposed that organisations develop relatively enduring patterns of strategic behaviour so as to align the organisation with the environment. They identify a set of strategies which organisations could undertake namely, Prospectors, Defenders, Analyzers and Reactors. Prospectors' organisation perceives a dynamic, uncertain environment and maintains flexibility to deal with environmental changes, and therefore strive to identify and exploit new products and market opportunities. Defenders perceive the environment as being stable and certain and focus on stabilising and controlling their operations to achieve maximum efficiency. Analysers focus on stability and flexibility, which is more of a combination of both defender and prospector. Reactors are said to lack consistency in strategic choice and perform poorly (Parnell, Lester and Menefee 2000). In the study done by Parnell et al. (2000) the conclusion was reached that strategy formulation is to some extent a response to key perceived uncertainties about the strategic factors.

2.2.2.2 Ward et al. (1996) strategies

Ward et al. (1996) identified four configurations, which they integrated into the basic framework of competitive strategy, structure and environment, namely, Niche differentiation; Broad differentiation; Cost leadership and Lean competitiveness. They described them as follows:

- Niche differentiators: there is a wide set of possibilities for differentiating its products/service bundle which include, but not limited to product attributes such as customization to provide special performance or reliability characteristics, added-service which appeals to certain segments, and geographic coverage not provided by larger competitors. They can thrive in high velocity environments because of their flexibility characteristics. This configuration is similar to Porter's (Porter 1980, 1985) focus strategy (Ward et al. 1996).

- Broad Differentiators: They seek to be better than their competitors at providing a wide range of products to a variety of markets while trying to maintain market share on the basis of quality or service as opposed to price, which is similar to Porter's Differentiation strategy (Porter 1980, 1985; Ward et al. 1996)

- Cost Leaders: Similar to Porter's Cost leadership strategy, they focus on a range of high-volume staple, usually mature products and often stress scale of economies and product (Porter 1985; Ward et al. 1996)

- Lean Competitor: They manufacture at the lowest possible cost and to achieve product differentiation in a broad market through marketing or other value added service. They are able to achieve this through low inventory levels achieved through just-in-time production and high utilisation of manufacturing processed achieved through continuous improvements (Ward et al. 1996).

2.2.2.3 The Core Competence as a competitive advantage

In their article of core competencies, Prahalad and Hamel (1990) stated that the most powerful way to prevail in global competition is inherent in the ability for companies to identify, cultivate, and exploit the core competencies that make growth possible. They further state that in the short run, a company's competitiveness derives from the price/performance attributes of current products but in the long run, competitiveness derives from an ability to build, at lower cost and more speedily than competitors, the core competencies that generate unanticipated products (Prahalad and Hamel 1990). The real sources of competitive advantage are to be found in that ability of an organisation to consolidate technologies and production skill into competencies that empower business to adapt quickly to changing opportunities (Day and Wensley 1988; Prahalad and Hamel 1990).

Core competencies are complex bundles of skills and collective learning in the organisation, exercised to coordinate diverse production, technical kills and integrate multiple streams of technologies to deliver value (Prahalad and Hamel 1990; Day 1994). Core competencies are built through a process of continuous improvement and enhancement that span a decade or longer (Prahalad and Hamel 1990). Capabilities and organisational process are closely entwined, because it is the capability within an organisation that enables the activities in a business process to be carried out (Day 1994).

An organisation in pursuit of using core competencies as a competitive advantage, have to structure their total organisation to support that, as it requires communication, involvement, and deep commitment to working across organisational boundaries (Prahalad and Hamel 1990). If a company is winning the race to build core competencies, it will almost outpace its rivals in new business developments and these distinct capabilities are difficult to match (Day and Wensley 1988; Prahalad and Hamel 1990; Day 1994).

As capabilities are so deeply embedded within the fabric of the organisation, they can be hard for the management to identify (Day 1994). According to Prahalad and Hamel (1990), there are at least three tests which can be applied to identify core competencies in a company namely:

- A core competence provides potential access to a wide variety of markets,
- Core competence should make a significant contribution to the perceived customer benefits of the end product,
- Core competence should be difficult for competitors to imitate.

Prahalad and Hamel (1990), state that the new terms of competitive engagement cannot be understood using tools devised 20 years ago, as they have toxic side effects and hence there is a need for new principles most obviously in companies organised exclusively according to the logic of Strategic Business Units (SBUs). The implication of the two alternate concepts of SBU and core competence is summarised in Table 1.

Table 1: Two concepts of the corporation: SBU or Core Competencies

	Strategic Business Unit	**Core competence**
Basis for competition	Competitiveness of today's products	Intercompany competition to build competencies
Corporate structure	Corporate structure	Portfolio of competencies, core products and businesses
Status of the business unit	Autonomy is sacrosanct, the SBU "owns" all resources except cash	SBU is potential reservoir of core competencies
Resource allocation	Discrete businesses are the unit of analysis: capital is allocated business by business	Businesses and competencies are the unit of analysis: top management allocates capital and talent
Value added of top management	Optimising corporate returns through capital allocation trade-offs among businesses	Enunciating strategic architecture and building competencies to secure the future

Source: Prahalad and Hamel (1990)

As stated by Prahalad and Hamel (1990:91) "Core competencies are the wellspring of new business development" and they need to be a focus of strategy at the corporate level. They further state that "only if the company is conceived of a hierarchy of core competencies, core products, and market-focused business units will it be fit to fight" (Prahalad and Hamel 1990:91). As much as core competencies will give a company its competitive edge, they need to be sustainable and appropriate (Kay 1993). A distinctive capability will be sustainable only if it persist over time and appropriate only if it exclusively, or principally benefits the company which holds it (Kay 1993).

2.2.2.4 *The Strategic Management Beast (10 Schools of thought)*

Early treatments of strategy, rooted in strategic planning models, have viewed strategy primarily as a rational plan. In this view, which still guides much of the thought in the strategy field, action is purposive and prospective, and strategies are realized as planned (Mintzberg, Ahlstrand and Lampel 2001). Mintzberg et al. (2001) described strategy as a pattern that is consistency in behaviour over time and strategies have to form as well as be formulated.

According to Mintzberg et al. (2001), there are few companies that realise intended strategies, as the environment forces these companies to change their intended strategy over time as illustrated in Figure 2.

Figure 2: Intended vs. Realised Strategy

Source: (Mintzberg et al. 2001)

Figure 2 shows that a company set out an initial strategy, which is called intended strategy. Due to environmental forces a company will have to change its initial intended strategy and deliberately embark on a different strategy, and the new strategy which its intentions are realised is called a deliberate strategy, and those that are not realised due to changing the strategy are called unrealised strategy. In some cases organisations find themselves with results or patterns, which were not intended, and therefore find themselves with an emergent strategy. The emergent strategy is as a result of poor management controls.

Mintzberg et al. (2001) identified 10 different schools of thought, which give different perspectives on strategy. For each school, the contributions and limitations are discussed and they allow one to recognise their own bias. Table 2 shows ten Strategy Schools as discussed by Mintzberg et al. (2001).

Table 2: Ten Strategy Schools

School	Definition	Process
Design School	A careful, explicit plan	Conception
Planning	A systematic plan for five to ten years	Formal
Positioning	A tangible position fitted to context	Analytical
Entrepreneurial	A leader's perspective of some desired future state	Visionary
Cognitive	A simplified perspective of what is happening or must happen	Mental
Learning	A pattern that emerges from behaviour	Emergent
Power	An agenda, a compromised position, often a ploy resulting from bargaining among competing actors	Negotiation
Cultural School	A perspective as a set of key values and beliefs about 'the way we do things around here'	Collective
Environmental	A position as a necessary response to external factors	Reactive
Configuration	Any of the above at the proper time	Transformation

Source: Mintzberg et al. (2001)

Mintzberg et al. (2001) grouped the schools into three groups as following:

- Design, Planning, Positioning: As **prescriptive**. These schools are concerned with how strategies should be formulated.

- Entrepreneurial, Cognitive, Learning, Power, Cultural, Environmental: As **descriptive**, as they are concerned with how strategies, in fact, do get made.

- Configuration: As **integrative**, as they are concerned with how all the schools and processes fit together.

2.2.2.5 Porter's Generic Strategies

In coping with competitive forces (Porter 1980, 1985) identified three potentially successful generic strategic approaches to outperforming other firms in an industry, namely cost leadership, differentiation and focus.

- **Cost Leadership**

Cost leadership was the most common one in the 1970s because of popularisation of the experience curve concept. Many companies built successful marketing and production strategies around this learning concept, as according to the concept products costs decline systematically by a common percentage each time that volume doubles and thereby increasing product volumes and market share cost advantage over competitors will be achieved (Abernathy and Wayne 1974). Low cost relative to competitors becomes the theme running through the entire strategy, though quality, service, and other areas cannot be ignored (Lim 1994; Varadarajan 1999). Porter (1985) further, states that this strategy yield the firm above-average returns in its industry despite the presence of strong competitive forces due to high market share.

In order for business to achieve low-cost advantage, they need to have a low-cost leadership mindset, low-cost manufacturing with rapid distribution and replenishment, and a workforce committed to the low-cost strategy and the company needs to be in an industry in which economies of scale are present (Abernathy and Wayne 1974; Porter 1985; Varadarajan 1999; Akan, Allen, Helms and Spralls III 2006).

There are many ways to achieve cost leadership in a business such as mass production, economies of scale, technology, product design, input cost, mass distribution, capacity utilization or resources, and access to raw materials (Porter 1980, 1985; Lawton 1999; Akan et al. 2006). Businesses pursuing this strategy take a number of cost saving actions, including building efficient scale facilities, tightly controlling overhead and products costs, monitoring costs, produce standardised products and minimise distribution costs (Akan et al. 2006).

According to Akan et al. (Akan et al. 2006), minimizing distribution costs is an important tactic for developing a cost leadership position because channels of distribution are a major source of added-value for many companies, especially in retailing.

The cost leadership strategy may be particularly appealing to companies in transition economies such as South Africa because not only has the dismantling of trade barriers led to a flood of imported products from low-wage countries such as China, but also because most consumers are low-income earners and thus highly price sensitive. Thus in transition economies, companies that emphasize the cost-leadership strategy will be expected to experience an increase in performance (Acquaah and Yasai-Ardekani 2008).

- **Differentiation**

This strategy is based on differentiating the product or service offering of the company, creating a perception that the product is unique. Differentiation, if achieved, is a viable strategy for earning above average returns in an industry because it creates a defensible position for coping with competitive forces in a different way from cost leadership strategy (Porter 1985).

This strategy is said to succeed because of brand loyalty where higher prices can be charged for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels (Porter 1980; Varadarajan 1999; Akan et al. 2006).

According to Porter (1985) it has lower market share than a cost leadership strategy. This strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, feature, after-sale support, and service (Porter 1985). The quality may be real or perceived based on fashion, brand name or image (Akan et al. 2006). The strategy of marketing differentiation strives to create customer loyalty by trying to uniquely meeting a particular need of that customer (Porter 1980; Miller 1987; Akan et al. 2006). Companies understand that product appeal may be psychological and therefore utilise marketing segmentation, prestige pricings and advertisement to create favourable images in the customers mind (Miller 1987; Akan et al. 2006).

The differentiation strategy may also be viable in transition economies like SA because due to economic liberalisation policies, increase in black middle class and customers be been exposed to imported products with greater variety and higher quality. Thus emphasising a differentiation strategy could attract more customers and lead to an increase in companies performance (Acquaah and Yasai-Ardekani 2008).

- **Focus**

The strategy focuses on a particular group, segment of the product line, or geographic market with the aim of serving a particular target very well (Porter 1985).

- **Combination strategy**

A combination competitive strategy involves high levels of emphasis on both cost-leadership and differentiation strategies simultaneously (Dess and Davis 1984; Miller and Dess 1985; Porter 1985; Wright, Kroll, Chan and Hamel 1991a; Acquaah and Yasai-Ardekani 2008). A combination strategy should not be confused with a "stuck in the middle" strategy as a firm that engages in each generic strategy but fails to achieve any of them is "stuck in the middle", as it possess no competitive advantage and results in a below average performance (Porter 1985). The concept of being 'stuck in the middle' can be employed as a classification scheme of strategic outcomes as it says that firms which fail in both cost and quality dimensions perform poorly (Cronshaw, Davis and Kay 1994).

Porter (1985), states that sometimes it is possible to have more than one strategy but rarely possible. This raises a question on how applicable is this to the clothing retail industry, as Day and Wensley states that it is possible to have cost leadership ad differentiation at the same time (Day and Wensley 1988).

Porter's (1985) presentation may be interpreted to mean that business firms have the option to choose any of the generic strategies. However, choices of generic strategies have limitation boundaries in terms of the size of the firm and its access to resources, as well as industry and competitive analyses (Wright 1987). He further states that larger firms in an industry with greater access to resources may primarily compete with either cost leadership or differentiations while smaller firms can only viably compete with the focus strategy as depicted in Figure 4 (below). He expands further to state that smaller firms only have the option of successfully competing through the focus strategy and larger firms would not compete with the focus strategy as their only strategy adoption, since this route would not be attractive for the bigger enterprises.

His logic of submitting this proposition is based on the following: Larger firms, particularly the ones subject to capital-intensive technologies, are those that are capable of producing at lower per-unit costs. Cumulative volume of production, conceptualised by the experience curve, it what allows lower per-unit costs through a combination of economies of scale, capital-labour substitution possibilities and incrementally increasing learning curve (Abernathy and Wayne 1974; Allan and Hammond 1975; Hout, Porter and Rudden 1982).

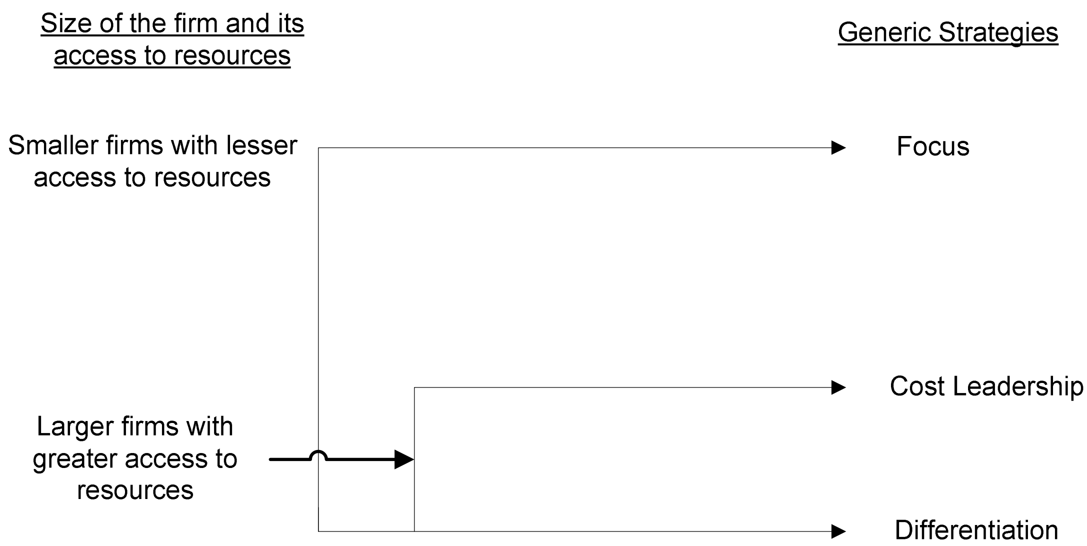

Figure 3: Generic Strategies

Source: (Wright 1987)

The generic strategies characteristics can be summarised as per below in Table 3.

Table 3: Generic strategy characteristics

Focus Strategy	Source
Concern with cost reduction	(Porter 1985; Kotha and Vadlamani 1995)
Price	
Customer service capability (extensive knowledge of product offering)	
Focus to certain segments only	
Focus to certain geographic areas only	
Supply of limited range of products	
Highly trained personnel	
Cost Leadership Strategy	
Lower operating cost	(Porter 1985; Kotha and Vadlamani 1995)
Supply of limited range of products	
High sales volume oriented	
Selling standard products	
Focus on mass distribution	
Price	
Differentiation Strategy	
Product quality	(Porter 1985; Kotha and Vadlamani 1995)
Service quality	
Supply of broad range of products	
Brand identification	
Highly trained personnel	
Have influence on distribution channels	
Service a variety of markets	
Brand loyalty	
High price	
Selling differentiated products	
Above average advertisement /Promotions	

2.2.2.6 Retail Industry Competitive environment

The competitive environment of retailing is becoming increasingly hostile and complex and one means of ensuring the long-tem survival is through the attainment of a competitive advantage (Ellis and Kelley 1992). Retailers can compete for customers on the basis of location, services, low prices or the appeal and quality of product variety and pleasant shopping environment (Arnold, Oum and Tigert 1983; Corstjens et al. 1995). Corstjens et al. (1995) argued that location now gives a lesser edge than it did and services are rarely sources of sustainable advantage, particularly in the face of intense price competition, but Arnold et al. (1983) found that location convenience and low prices, are the top-ranked determinant attributes across most markets and cultures, which is supported by Wrigley, Coe and Currah (2005) saying that there is an intrinsic relation between the location of a retailer and sales.

Location no longer gives that competitive edge due to increased mobility of customers and due to the increase in number of stores, all located in the same place e.g. shopping malls, thus forcing stores to actively compete for shoppers (Corstjens et al. 1995).

Even though in the US retailing service was found to be an important competitive tool, experience in most of Western Europe shows that for large proportions of European shoppers, retailing is essentially a low added-value activity being evident in the massive vote away from friendly local suppliers and helpful specialist stores, in favour of wide choice, low price, low service stores, in every retail sector for example, electrical, clothing, furniture and toys (Corstjens et al. 1995).

One of the reasons that service is not a sustainable differentiator in retail is that successful service innovations are often copied (Corstjens et al. 1995). But Porter (1996) tends to differ, saying that the company's positioning should rest on activity systems with second- and third-order fit, the more sustainable its advantage will be and making it harder to emulate. According to Porter (1996) competitive advantage grows out of the entire system of activities, and the fit among this activities substantially reduces cost or increases differentiation. Hence it is not easy for rivals to indentify these links making it difficult to copy and achieving this fit is difficult because it requires the integration of decision and actions across many independent sub-units (Porter 1996).

According to Yoffie (1998) Syd Muller, CEO of Woolworths (WW) South Africa stated that in order for WW to remain ahead of its competitors it had to offer its customers more quality products for cheaper prices than the competition. This entailed a tightly integrated system of independent South African manufacturers, most of whom supplied all of their output of textiles to WW (Yoffie 1998). He further stated that for their strategy to work, they have to have a constant desire to improve products, services and lower costs, and for them to be the best they require continuous improvement (Yoffie 1998).

Businesses need to take stock of its own capabilities in operations, marketing, distribution, logistics, financial, human resources, organisation, research and development, to see if they are able to support a particular strategy (Lim 1994).

2.3. Strategic Choice

2.3.1 Mutually Exclusive

Porter (1985) asserted that the use of the generic strategies would yield two different types of competitive advantage and he further argued that in order for a company to gain a competitive advantage, a sustained commitment to one of the strategies as the primary target is usually necessary (Porter 1980). Porter's (1980) rationale for this mutual exclusivity in the generic strategy choice is derived from his contention that the organisational requirements, capital allocation, leadership styles, employee skills sets all distinctly vary among each generic strategy. Based on these differences, Porter (1980) concluded that the allure of attaining a sustainable competitive advantage would persuade a firm to commit to a single strategy, since he argued that rarely is a firm suited for all three and if in pursuit for more than one strategy, the company would posses not competitive advantage and would almost guarantee low profits (Porter 1980).

In their study of the Fords early experience, Abernathy and Wayne (1974) concluded that management cannot expect to receive the benefits of cost reduction provided by a steep learning curve projection and at the same time expect to accomplish increased rate of product innovation and product performance either – you cannot have low cost as well as innovation and high quality, as these are the result of two strategies and cannot be pursued simultaneously thereby supporting Porter's (1980) view. To support this, Abernathy and Wayne (1974) state that there is a limit to the learning curve, especially when customers want innovation, as these things cost money and time (time to develop new products and to learn new skills) and during this change costs cannot be reduced fast enough therefore making the experience curve formula inoperative. They further say that the experience curve is only valid for standardized product lines with limited innovation (Abernathy and Wayne 1974). According to Hill (1988), this view ignores the impact that volume has on firm-level scale economies where companies can use their marketing, logistics and finances, to exploit the firm-level scale economies.

Wright (1987), states that firms competing on the basis of cost leadership would do so in isolation of other strategies because the emphasis of this strategy is on cutting costs throughout the value chain encompassing all the functional supports. Consequently, the economics and technologies of functional supports involved in competing with the cost leadership strategy would normally be incompatible with the simultaneous adoption of other strategies, since with the cost leadership strategy all the emphasis is put on cost reduction (Allan and Hammond 1975; Wright 1987). But in the case of the differentiation strategy, larger firms may compete with this strategy in isolation of other strategies or in conjunction with the focus strategy, not only because it is possible, but also because it may be advantageous (Wright 1987).

Since Porter's (1980; Porter 1990, 1996) contribution of the generic strategies, researchers have sought to empirically validate their existence as well as their effect on an organization's performance and test the mutual exclusivity claim (Hudson 2001). Jones and Butler (1988), acknowledged Hall's (1980) view that the picture of the mutual exclusiveness of cost leadership and differentiation strategies differs sharply, arguing that these two strategies are not mutually exclusive.

Hudson (2001) cited that, (Hambrick 1981; Hambrick, MacMillan and Day 1982) was one of the earliest empirical business-level strategy researchers in the literature that attempted to validate strategy typologies and their use by business firms. Hambrick's (1981) study of liberal arts colleges, hospitals and insurance firms, seemed to suggest that these firms generally employ a single strategy type.

Des and Davis (1984) were one of the people to look into the generic strategies. Their research was to demonstrate the viability and usefulness of categorising firms within and industry into strategic groups on the basis of their intended strategies. They developed the first research instrument designed to evaluate the various strategy component characteristics as described by Porter (1980). The study was done on 22 non-diversified manufacturing firms in the paints and allied products industry. Cluster analysis was done to develop the competitive dimension associated with each of Porter's generic strategies, and an analysis was done to compare performance among the three strategic groups. The research findings were generally consistent with Porter's contention that commitment to at least one of the three generic strategies will result in higher performance than if the firm fails to develop a generic strategy (i.e., becomes stuck in the middle) (Dess and Davis 1984). Miller and Friesen (1986), also validated the typology using an empirical taxonomy approach in the consumer durable business.

Nayyar (1993) performed an empirical study on a large multi-product U.S firm which is active in several consumer product markets to study the competitive strategy adopted for its many different products. His findings suggested that cost-leadership and differentiation competitive strategies are mutually exclusive at the product level. They do not appear to be two-dimensional on any strategy, as some authors have suggested (Nayyar 1993).

In the study done by Carter, Stearns, Reynolds and Miller (1994) on new venture firms where retail formed 25% of the sample, they found that within retail companies different strategies are pursued, some companies follow cost leadership, other differentiating themselves either on quality, technology, while others follow mix strategy of cost and differentiation and mostly were following a Niche market. They explained that the reason for majority being in the niche market was due to the size on the companies and that they were new venture firms. A similar study was done by Stearns, Carter, Reynolds and Williams (1995) which included the retail industry as part of the sample, and reached a similar conclusion that one of the factors determining the survival of new businesses is the strategy choice. They found similar strategic choices although given different names to Porter's generic strategies, which also includes a mixed strategy of cost leadership and differentiation. These studies further confirm that companies can either choose to compete on individual generic strategies or a combination of them.

Jacome, Lisboa and Yasin (2002) did an empirical study on the strategic orientation of Portuguese firms in the porcelain industry, and they concluded that some of the strategic orientation followed a classical Porter's model of generic strategies; and even the mixed strategies were found.

In the banking industry Powers and Hahn (2004), found that competitive methods in the banking industry correspond to Porter's generic strategy types after studying 98 US banks.

2.3.2 Mixed Strategies

Despite strong empirical support and theoretical refinement, several studies have criticised Porter's typology for it conceptual limitations (Kotha and Vadlamani 1995). To support their statement, they state that, researchers have: (a) questioned Porter's assertion that generic strategies are mutually exclusive by arguing that generic strategies are the underlying dimensions for firms' competitive strategies (Wright 1987; Hill 1988); (b) argued that generic strategies, as discussed by Porter, are not collectively exhaustive, and thus are unable to describe the strategies adequately (Wright 1987; Chrisman, Hofer and Boulton 1988) and (c) questioned the appropriateness of Porter's simple notions of low cost and differentiation in the current corporate environment characterized by increased global competition and technological change (Mintzberg 1988).

Recent research has extended the "combinations strategy" perspective both conceptually (Hurst, Rush and White 1989) and empirically (Wright, Kroll, Pringle and Johnson 1990) to suggest that a combination strategic orientation exist without trade-offs and is associated with superior business performance. There is increasing evidence that many, if not most, businesses combine generic strategies to some extent (Kotha and Vadlamani 1995) and that the forms of combination vary across cultures (Lemak and Arunthanes 1997; Luo 1997). Miller (1992) noted that both Miller and Friesen (1986) identified successful firms pursuing a combination of differentiation and cost leadership, strategies often seen to be incompatible. Moreover, Miller (1992) noted that studies have shown that combined multiple strategic actions may be either consistent or complementary (Wright 1987; Murray 1988). Ashmos, Duchon and McDaniel (2000) noted that if business try to pursue a variety of strategic activities they get to a state of strategic complexity. Pitt, Ewing and Berthon (2000), added that Porter's (1985) statement of mutual exclusivity of strategies might have been true for the late 1979s and early '80s, more recent development such as flexible manufacturing technologies have rendered these choices less clear-cut. They further stressed that it may not only be desirable strive after both positions, but in many situations it may be the key to survival and success (Pitt, Ewing and Berthon 2000).

Kim and Lim (1988) in their study of 54 Korean firms in the electronic industry found that companies use Porter's generic strategies (differentiation, overall cost leadership and focus) but they were not as pure types as discussed by Porter (1980). They found that companies that employed differentiation also used cost leadership and similar to the ones which employed cost leadership employed significant elements of differentiation.

In his article Hill (1988) argued that the circumstances in which the simultaneous pursuit of differentiation and low cost make sense are common, depend on more factors than Porter has highlighted, and may well lead to the establishment of a sustainable competitive advantage (Hill 1988). He further argues that even though Porter suggest that a combination of both cost leadership and differentiation is unlikely to generate a sustainable competitive advantage, his study shows that pursuing both strategies often results in a sustainable competitive advantage (Hill 1988). Hill (1988) states that Porter's model is flawed in two important respects, the first being that differentiation can be a means for firms to achieve an overall low-cost position, hence, contrary to Porter's statement, cost leadership and differentiation are not necessarily inconsistent. Secondly, there are many situations in which establishing a sustained competitive advantage requires the firm to simultaneously pursue both low-cost and differentiations strategies because in many industries there is no unique low-cost position (Hill 1988). He says that the two strategies can be realised under the following circumstances where the company's ability to differentiate the product is high, and when consumers' commitment to the products of rivals firm is low, when market growth is high, when market structure is fragmented, when the production processes are new and complex, economies of scale are present and economies of scope exist (Hill 1988).

Even though Wright (1987) stated that larger businesses would primarily compete with cost leadership or differentiation strategies, he furthers his explanation stating that larger companies may lower their supply chain costs including other functional support costs and giving them the choice of either competing with cost leadership or assume a more complex profile by assuming a low cost position, but competing only with the differentiation strategy, or simultaneously competing with the strategies. He further states that the choice to be made among these options would be influenced by industry and competitive analysis as well as the preferences of the top managers (Wright 1987).

Competitive interaction and the nature of the marketplace can give rise to strategic groups, even if the firms have similar strengths and weaknesses for example if the nature of the demand is such that consumers make purchase decisions based on industry average prices, then full line producers may be forced to adopt either a below-average price strategy or an above-average one (with implied higher quality) (Kumar 1987). In his study Kumar (1987) he concluded that most industries, the most profitable firms used different strategies and that within-group differentials were probably strongly influenced by implementation capabilities of firms.

Lowson (2002), identified two ways in which differentiation and cost leadership could be achieved, which was through operational effectiveness (doing the same things as your competitors but doing them better) and/or by strategic positioning where one does things differently from competitors delivering a unique value to customers (Lowson 2002). According to Lowson (2002) sustainable competitive advantage can only be achieved by operating at lower cost, by commanding a premium price through differentiation, or doing both. Therefore, in an attempt to achieve competitive advantage, companies aim to present an offering which compete effectively in the marketplace by providing consumers with a combination of added value and price which is deemed to be superior to other offerings in the market (Devlin and Ennew 1997).

Acquaah and Yasai-Ardekani (2008) conducted a study where a sample of 115 Ghanaian companies were surveyed and found that four distinct strategies were found, namely differentiation, cost leadership, combination strategy and “stuck in the middle” strategy.

There are several companies successfully pursuing both differentiation and low-cost strategies for example Toyota and Kellogg. Toyota have been able to achieve substantially lower cost while providing cars that are more reliable than its rivals, likewise, Kellogg is a low cost producer yet its products are highly differentiated by their innovativeness (Lim 1994). Most businesses pursue mixed strategies because they are not easy to copy, but it should be noted that they also demand greater firm capabilities for its successful implementation (Lim 1994).

Eonsoo, Dae-il and Stimpert (2004) did a study on electronic business in the retail industry and also confirmed the existence of all Porter's generic strategies, including the combination strategy, supporting that companies in an industry choose between different strategies in order to be more competitive than its rivals.

2.3.3 Conclusion

In summary the literature suggests that companies, even though within the same industry sector, tend to compete in different strategies. The companies might be faced with the same external environmental factors, but they have different internal capabilities, which dictate how they should be competing.

Porter (1980) has indicated that companies can either compete on cost leadership, focus or differentiation and these strategies are mutually exclusive. His findings have been supported by several authors indicating that a company needs to choose one strategy, if not it finds itself "stuck in the middle" (without a clear strategy therefore weakening its competitive advantage (Allan and Hammond 1975; Wright 1987; Nayyar 1993).

This is contradicted by several researchers indicating that these strategies are not mutually exclusive, companies can use a combination of cost leadership and differentiation (Hill 1988; Lim 1994; Lowson 2002).

2.4. Financial Impact of Strategies

2.4.1 *Financial Impact of Single Strategies*

Various theoretical and empirical investigations have proposed differing relationships between cumulative volume of production/market share and return on investment (Mueller and Hamm 1974; Allan and Hammond 1975; Buzzell, Gale and Sultan 1975; Hamermesh, Anderson and Harris 1978; Woo and Cooper 1981; Wright 1987). Cited in Wright (1987), Porter has summarized the result of these investigations into a graph which depict a U-shaped relationship between cumulative volume of production/market share and return on investment, as shown in Figure 5.

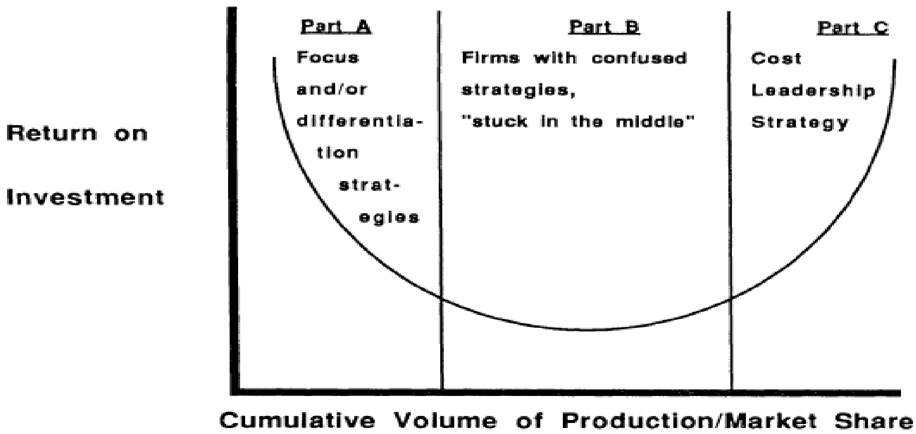

Figure 4: Generic strategies and ROI

Source: (Wright 1987)

He argues that firms that compete through the cost leadership generic strategy will have higher ROI with larger market shares (part C of the graph in Figure 4). Contrarily, Porter reasons that firms which compete through differentiation and focus strategies would observe higher returns on investment with smaller market shares (part A in the graph). Porter makes further distinctions between cost leadership, on the one hand, and differentiation and focus, on the other hand, by his elaboration of part B in the graph which refers to low-performance firms that are 'stuck in the middle'.

The study done by Parnell (1997) which constituted of 219 businesses with sales of excess of five million supports Porter's finding that, Return on Assets for a Reactor/stuck–in-the-middle strategy was significantly lower than for all other strategic types. According to Parnell (1997), companies that do not implement a viable strategy employ a "reactor/stuck-in-the-middle" strategy.

Campbell-Hunt (2000), conducted a meta-analysis study, and the study affirmed that cost and differentiation do play a high-level role in discriminating between competitive strategy designs, the paradigm's descriptions of competitive strategy should be enhanced, and that its theoretical proposition on the performance of designs has yet to be supported. Kean, Gaskill, Leistritz, Jasper, Bastow-Shoop, Holly and Sternquist (1998), in their study of rural retail stores found that the retailers' choices of competitive strategy affect the performance of the retail.

In their research study Jacome et al. (2002), found that companies following a differentiated strategy outperformed those that followed cost leadership even in combined strategies. This indicating that in today's highly competitive global environment, cost alone is no longer a sufficient competitive tool.

Powers and Hahn (2004), found that in the retail bank industry a cost leadership strategy provides a statistically significant performance advantage over banks that are "stuck-in the middle" and alternatively, firms that used competitive methods to pursue a broad differentiation, customer service differentiation, or focus strategy were unable to realise a performance advantage over firms that are stuck-in-the-middle. This study suggested that in the banking industry it may be difficult to generate superior returns using a differentiation of focus strategy.

2.4.2 Financial Impact of Mixed Strategies

Evidence suggest that Porter's (1980) conceptualisation is oversimplified (Hill 1988). Hall (1980), in a study of 64 companies in eight major industries, found that many of the most profitable firms had achieved either the lowest cost of the most differentiated position within their industry, supporting Porter's position, however he also observed that a minority of the most successful firms simultaneously pursued both differentiation and low-cost strategy, suggesting that the two strategies are not necessary inconsistent. White (1986) did a study of 69 business units which produced similar findings. White (1986) found that 19 of the 69 units had a competitive advantage based on a combination of both generic strategies and his results suggest that business unity that successfully combined both low cost and differentiation had the highest return on investment (ROI).

To further support Hill's (1988) view, a study by Phillips, Chang, and Buzzell (1983) found a significant and positive relationship between "relative product quality" and "relative market position" and market position influenced ROI, therefore concluding that pursuit of a quality strategy enables the company to command profit margins superior to lower quality competitors (Phillips et al. 1983). They used the Profit Impact of Market Strategies (PIMS) research data, where 623 different businesses were analysed using a causal modelling methodology. In other words, there was a significant and positive relationship between differentiation and market share. Because increase market share enables the firm to reap economies of scale, this study suggest that differentiation may be one way of establishing an overall low-cost position (Hill 1988). Miller (1992) also tested whether firms held multiple strategies, and whether this impair performance and found multiple strategies do occur and that performance was not impaired.

In the study by Parnell (1997), it showed that 'balancers' / combined strategies experienced superior profitability while maintaining competitive growth rates providing strong support that all businesses need not adopt a pure strategy to maintain competitive advantage.

Wright, Kroll, Tu and Helms (1991b) conducted an empirical study in the screw machine products industry, and they came to a conclusion that winning businesses seem to achieve success through a number of different competencies, the more the better, as argued by (Miller and Friesen 1986). Consequently, to attempt to primarily stress low cost without also emphasising differentiation may not always be advisable, and similarly to attempt to primarily stress differentiation without also emphasising low costs may not always be attractive (Wright et al. 1991b). They further state that attempting to compete with no-frills output through price rivalry does not always provide an advantage, even in a stable industry environment the businesses that are most inefficient but offer differentiated outputs, perform better than no-frills outputs. Further, Peters and Austin (1985) argued that there is no such thing as a commodity, meaning that customers in any market will, if given the opportunity, base purchase decision on attributes other than price. Most industries seem to offer opportunities to exploit economies of scale or economies independent of scale at some point in the value chain (Porter 1985), it would seem that combining both strategies should be feasible in many industries (Murray 1988). Murray (1988), further states that external factors dictate a set of strategic means, which may include components aimed at reducing cost, raising revenues through product differentiation, or both. There are a number of dangers associated with the exclusive pursuit of a single generic strategy, be it cost leadership or a variety of differentiation approaches as they leave serious gaps or weaknesses in product offerings, ignore important customer needs, be easy for rivals to counter, and in the long run, cause inflexibility and narrow an organisation's vision (Miller 1992).

In the study done by Nayyar (1993), in a large multi-product U.S firm, a retail industry, he found that companies seek to establish a cost-leadership position within their market segments for some products in a portfolio while seeking a differentiated position in other market segments concluding that cost-leadership and differentiation competitive strategies are mutually exclusive at the product level. Thus implying companies do implement mix strategies, but offer different products for different market segments.

In the study by Acquaah and Yasai-Ardekani (2008), where a sample of 115 Ghanaian companies were surveyed and found that cost leadership, differentiation and combination strategy positively influenced performance while "stuck in the middle" strategy revealed no relationship with performance. They also found that pursuing a combination strategy gave better results than the other two generic strategies. This supports a similar study by Eonsoo et al. (2004) in the e-business retailers where he found that a combination strategy yielded better results.

2.4.3 Conclusion

In summary, literature suggests that there is a relationship between competitive strategy and company performance. Porter (1980), has indicated that if an organisation selects a single strategy to compete, it will exhibit better financial returns than a company in pursue of a mixed strategy or a 'stuck in the middle' company.

This has been tested in several industries which give different results. Some authors have found results in support of Porter (Porter 1985), that companies in pursuit of a single strategy will have better results than a mix or “stuck in the middle” strategy (Parnell 1997; Powers and Hahn 2004). They also found that in one industry a cost leadership strategy might give better results but in another the opposite will be true, which means that the strategy choice is also dependent on the industry (Parnell 1997; Jacome et al. 2002).

Even though there have been results in support of Porter (1985), however, there has been studies which contradict his findings. In some research studies it has been found that a pursuit of a mixed strategy gives better financial results than a single strategy (Hall 1980; Phillips et al. 1983; White 1986).

2.5. Research Questions

Literature suggests that, companies even though within the same industry sector tend to compete in different strategies. This is because companies might be faced with same external environmental factors, but they have different internal capabilities, which dictate how they should be competing. Porter (1980) identified three strategies namely: cost leadership, focus and differentiation, that companies should be competing with, and indicating that these strategies are mutually exclusive. Over the years, studies have been conducted to support (Abernathy and Wayne (1974), Wright (1987) and Dess and Davis (1984)) or disprove (Kim and Lim (1988), Hill (1988), Pitt et al. (2000), Lowson (2002) Porter’s (1980) theory of mutual exclusivity of the strategies indicating that there are more than just three ways of competing.

Other authors like Miles and Snow (1978), Ward et al. (1996) and Prahalad and Hamel (1990) have gone even beyond the three generic strategies to identify other strategies companies can compete with.

Research Question 1: What competitive strategy types are predominantly used in the current South African retail industry?

Porter (1985) indicates that businesses have an option of choosing any of the generic strategies, but Wright (1987) indicates that choices of generic strategies have limitation boundaries in terms of the size of the firm and its access to resources, as well as industry and competitive analyses. Wright (1987) states that larger companies in an industry will have greater access to resources and hence may primarily compete with either cost leadership or differentiation while smaller businesses can only viably compete with the focus strategy.

A small business is defined as a separate and distinct business entity including cooperative enterprises and non-governmental organisation, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried in the retail industry (Republic_of_South_Africa 2004).

The Government Gazette, under the National Small Business Amendment Act, 2004 categorises business in the retail sector by size as follows: Small businesses, are business with total revenue between R0-19 million, medium size between R20-39 million. Therefore large businesses will be businesses having an annual revenue greater than R39 million.

Research Question 2: What are the differences in the types of strategies selected by small (boutiques) and large clothing retail businesses?

2.6. Conclusion of Literature Review

Studies have been done to identify different types of strategies that companies undertake to make them successful. Several authors like Miles and Snow (1978) proposed that organisations develop relatively enduring patterns of strategic behaviour so as to align the organisation with the environment. In 1985, Michael Porter introduced the concept of generic strategies, cost leadership, differentiation and focus in order to represent the alternative strategic positions in an industry, and several authors used them as the basis to build new strategy formation.

Within an industry, companies choose different way of competing depending on the internal strengths. The strategic choice of the company will determine its financial performance. Porter (1985) has indicated that companies have to choose one strategy as the strategies are mutually exclusive, and if a company tries to pursue both in will affect financial performance. Several studies have been done, and some support and others disprove this ideology. The literature has also indicated that the strategy choice depends on the industry as well as the external environment, where what might be successful in one industry will not work in another industry.

2.6.1 Research Question 1

The first research question is:

What competitive strategy types are predominantly used in the current South African retail industry?

2.6.2 Research Question 2

The second research question is:

Is there a difference in the types of strategies selected by small (boutiques) and large clothing retail business?

CHAPTER 3: RESEARCH METHODOLOGY

The purpose of the research is to determine the dominant strategies used in the South African Clothing Retail Industry. This chapter discusses the methodology to be utilised to assess this relationship.

3.1 Research methodology

The review of the literature conducted has revealed that there is a large body of research which has been dedicated to linking strategic choice to company performance and has come to different conclusions with regard to the type of strategy that gives better results. In order to identify most dominantly used strategies within the South African retail environment a quantitative approach methodology was used.

3.1.1 Quantitative Research

Due to limited research done on Dominant Strategies used in the South African retail industry, it was deemed necessary to conduct a quantitative research. Quantitative research is used to answer questions about relationships among measured variables with the purpose of explaining, predicting, and controlling phenomena (Leedy and Ormrod 2005).

With identified strategies in the literature review, a quantitative methodology lends itself to ascertain the application of the strategies. Furthermore a quantitative analyses was recommended by several authors doing similar studies (Beard and Dess 1981; Hambrick 1983b) and employed by several ‘content studies’ (Dess and Davis 1982; Hambrick 1983a; Robinson and Pearce II 1988).

Some samples of the studies which have used quantitative analysis are in Table 4.

Table 4: Studies on business strategy and business performance

Study (Topic)	By	Reference
The search for competitive advantage through simultaneous execution of cost leadership and differentiation strategies: and investigation into the impact of multiple strategies on the financial performance of firms in the US automotive component industry	Russell Allan Hudson	(Hudson 2001)
Corporate-Level Strategy, Business-Level Strategy, and Firm Performance	Donald W. Beard and Gregory G. Dess	(Beard and Dess 1981)
On the Measurement of Competitive Strategy: Evidence from a large multiproduct U.S. Firm	Praveen R. Nayyar	(Nayyar 1993)
The link between information strategy and electronic commerce	Albert L. Lederer; Dinesh A. Mirchandani and Kenneth Sims	(Lederer, Mirchandani and Sims 1997)
Strategic Group Formation and Performance: The case of the U.S. Pharmaceutical industry, 1963-1982	Karel O. Cool and Dan Schendel	(Cool and Schendel 1987)

3.2 Research Design

The methodological approach taken constituted of two phases, firstly being data collection and followed by data analysis.

Data was collected by using a pre-designed survey questionnaire filled by companies' Managing Directors (MDs) or a company representative who is knowledgeable of company competitive methods in order to identify the company's competitive methods.

There are several issues arising from this methodological approach, namely:

- Access to the company's MDs or company representative and their willingness to respond;
- finding a company representative that has time to complete the questionnaire;
- receiving incomplete questionnaires or no feedback at all;
- the time it takes to collect the data; and
- fear of issuing information deemed sensitive.

The advantage of this methodology is that:

- Specific data to the research was easily collected; and
- a larger geographic area was covered with little cost.

3.3 Population and sample

3.3.1 Population

The population consisted of 35 000 (Statistics_South_Africa 2009) retail businesses within the South African business sector.

3.3.2 Sample and sampling method

3.3.3 Sample and sampling method

Porter's presentation of generic strategies can be interpreted to mean that businesses have the option to choose any of the generic strategies, however, choices of generic strategies have limitation boundaries in terms of the size of the firm and its access to resources, as well as industry and competitive analyses (Porter 1979b; Wright 1987).

- **Sample Size**

The reliability of factor analysis is dependent on sample size, and hence an appropriate sample size should be used (Field 2005). Malhotra (1996) suggests a rough guideline, where a sample should be at least four or five times as many observations (sample size) as there are variables. If a smaller sample is used Malhotra (1996) suggests that results should be interpreted cautiously.

Based on this view a mixed sample of both small, medium and large clothing retail companies operating in SA was taken, with an aim of a minimum sample size of 135 (27 variables x 5) clothing retail shops, but a sample of 145 was obtained.

- **Sampling Method**

A stratified random sampling method was used. This method was used in order to capture data from three groups of the population that is small, medium and large businesses in the clothing retail industry. In a stratified random sample a population is broken into meaningful strata or subgroups and each group is randomly sampled (Ghauri 2005).

A convenient sample selection of companies from each stratum was made during visits to shopping areas.

3.4 The research instrument

An instrument used for data collection was a pre-designed questionnaire. Some of the questions used in the questionnaire were those used in a questionnaire designed by Robinson and Pearce II (1988) as well as additional questions derived from the literature review.

The questionnaire was put together comprising two sections, namely biographical information and investigation of strategy type's factors.

The first section of the questionnaire captured data about the organisation. The information about the years an organisation has been in business was deemed important in order to establish the sustainability of the business. The respondents had to indicate the size of the business based on annual revenue for the purpose of the analyses. In order to see which geographical areas are represented in the sample, respondents had to indicate which provinces they have businesses in. The respondents were also asked to mention their position within the company, to ascertain their knowledge of the company strategy.

The second section consists of a 7 Likert scale question on competitive methods. The respondents have to select a statement they agreed on. The scale used for the questionnaire is as follows:

- Strongly Disagree
- Moderately Disagree
- Slightly Disagree
- Neutral
- Slightly Agree
- Moderately Agree
- Strongly Agree

The sample questionnaire was tested for ease of understanding, alignment and ambiguity. The sample questionnaire was submitted to 5 senior managers for their comments.

Their comments were incorporated on the final questionnaire which was sent out. (The questionnaire can be found in Appendix A)

3.5 Procedure for data collection

Two methods were used for data collection:

- Firstly a link to a web-designed questionnaire was sent via email, where respondents clicked on the link to direct them to the survey for completion. The advantage of this method is that data is easily captured for analysis as the system where the survey questionnaire is created is able to generate reports. Another advantage is that respondents can easily and conveniently give feedback. The disadvantage was that the survey required that all questions be answered, and some respondents only answered a few and submitted the questionnaire which required filtering the data. Another problem encountered was that most people were reluctant to select the link to fill the survey.

- The second method used was handing out the questionnaire by hand for completion. The questionnaire was either filled in immediately if the senior manager was there or collected later. The disadvantage of this method required that the senior manager be there otherwise one needed to go back for collection. The advantage was easy monitoring of completion of the questionnaire and instant feedback.

3.6 Data analysis and interpretation

The data obtained using a questionnaire was analysed making use of various statistical techniques.

3.6.1 What competitive strategy types are predominately used in the current South African retail industry?

The first technique used for data analysis is an exploratory factor analysis, as it seeks to uncover the underlying constructs of a relatively large set of variables (Malhotra 1996). The method was chosen for its ability to identify underlying dimensions that explain the correlation among a set of variables hence able to give different types of strategies undertaken in the clothing retail industry.

Common factor analysis was selected as a method for analysis as the factors are estimated based only on the common variance as compared to principal components analysis which considers the total variance in the data (Malhotra 1996). Common factor analysis is also recommended when the primary concern is to identify the underlying dimensions and the common variance is of interest as per the objective of this study (Malhotra 1996).

The factor analysis was initially to be run with the following settings:

- How many factors : 5
- Factor Count value : 27
- Factor rotation : None

This was done in order to generate an initial report, which was used to establish the optimum number of factors to be used in the factor analysis.

The factors were retained based on the following criteria:-

- Factors with Eigen values greater than 1
- Factors with a cumulative percentage of greater than 75%
- Analysis of the Scree plot: Factors will be retained where there is a noticeable change in the gradient of the Scree plot.

Varimax rotation was conducted on the factors in an effort to obtain new factors that are highly correlated with a few of the original variables. The individual factors were then analysed, where a loading cut-off of 0.45 was used to determine which values load onto each factor.

A Cluster analysis was performed on the results of the factor analysis to identify competitive dimensions associated with each of the strategies identified.

3.6.2 Is there a difference in the types of strategies selected by small (boutiques) and large clothing retail business?

The second technique used to answer the second question is a Chi-Square analysis. In Chi-Square the same action is repeated a fixed number of times under identical condition and each action is independent of the others. Each company size cluster mean was compared to determine goodness-of-fit with a different size company. An analysis was done on NCSS.

The following procedural steps were followed:

- Stated the Null and Alternative Hypotheses: H_o: All populations means are equal and H_1: Not all population means are equal

- Selected the Level of Significance: A criterion for rejection of the H_o is where α is 0.05
- Determined the Test Distribution to Use: X^2 distribution
- Stated the decision Rule: Reject H_o and accept H_1 if the TR is > X^2value
- Computed the Test Ratio
- Made statistical decision

3.7 Limitations of the study

In the sample received not all provinces were represented proportionally, which poses a weakness on the study as strategies identified might not be representative of other regions.

The choices of the industry and the limited numbers of companies to be studied tend to limit the generalisation of the findings to the wider retail industry.

3.8 Validity and reliability

Validity and reliability are two terms which are often used in connection with measurement and the validity and reliability on ones measurement instrument influences the extent to which one can learn something about the phenomenon being studied and the extent to which one can draw meaningful conclusions from your data (Leedy and Ormrod 2005).

Validity is the extent and consistency to which an instrument or tool measures what it is supposed to measure (Leedy and Ormrod 2001). Reliability is concerned with whether or not an instrument produces identical results in repeated application (Leedy and Ormrod 2005).

3.8.1 External validity

External validity is the extent to which its results or conclusions drawn can apply or be generalised to situation beyond the study itself (Leedy and Ormrod 2005).

Leedy and Ormrod (2005) identified three commonly used strategies that enhance the external validity of a research project, namely a real life setting, a representative sample and replication in a different context.

In this study it was not possible to test the validity of the measuring system to ensure a consistency in results if they were repeated in similar environments, and therefore no assurance for generalising across industries.

There are several factors in the study which might reduce the external validity of the study.

First, even though the population has been clearly defined, but by restricting of the sample to a single industry, being retailers of clothing only external validity of the study is also restricted. The generalisation of the research could be increased if the sample were to be expanded across various industries. In order to increase the validity is to capture at least 80% of major retail industry, as the SA clothing retail industry is dominated by few players.

3.8.2 Internal validity

Internal validity relates to the extent that research design and data allows the researcher to draw accurate conclusions about relationships within data (Leedy and Ormrod 2001).

Validity was ensured by collecting data originating from reliable sources.

The model of collecting data was derived from a literature review, supported by previous study results, which have been conducted by researchers such as Kotha and Vandlamani (1995) in their assessment for generic strategies.

The questionnaire was designed using both theoretical work such as work from Porter (1980) as well as work from other research which is pertinent to this study. The questionnaire is able to pick up different competitive dimensions as per Porter's generic strategies (Porter 1980, 1985). The validity of the instrument was increased by previous authors Robinson and Pearce II (Robinson and Pearce II 1988).

3.8.3 Reliability

Leedy and Ormrod (2001:32) define reliability as the consistency with which a measuring instrument yield a certain result when the entity being measured has not changed, and further say that reliability is a necessary but insufficient condition for validity.

A similar 7 Likert scale questionnaire designed by Robinson and Pearce II (1988), was used in order to gather data on the strategy choice of the company.

This questionnaire was developed to serve as the basis for the data-gathering phase on a similar study that would accommodate interview and self-reported approaches to obtaining Chief Executive Officer (CEO) responses about their company’s strategy. The initial questionnaire designed constituted of 27 competitive methods which were obtained through the following methods:

- From competitive dimensions associates with the strategy typologies of Miles and Snow (1978), Porter (1980) and Hoffer and Schendel (1978) were extracted,

- Questionnaire items used by previous strategy researchers (Dess and Davis 1984),(Hambrick 1980, 1983a) served as the second source.

This list was reviewed for comprehensiveness and working with a random set of five CEOs. Their responses were subjected to a Spearman-Brown split-half reliability procedure as a final step in extracting reliable competitive method measures for subsequent analysis, which yielded 22 measures.

To further increase validity, the questionnaire was cross-checked with the questionnaire designed by Dess and Davis (1984), to check questions that may be relevant to the retail industry which might be excluded.

The questionnaire was also piloted in the industry, sent out to five senior managers for comments.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

In this chapter results of this research study are detailed. Tables and exhibits are included for ease of presentation and comparison of the results.

A total of 145 responses were received based on the population criteria exceeding the minimum sample required of 135. All questionnaires were filled in by senior managers, where in small businesses the owners completed the questionnaires.

4.2 Demographic profile of respondents

All questionnaires received were filled in by senior managers, where in small businesses the owners completed the questionnaires.

5.2.3 Company size

The size of the respondent's companies was classified by total sales as follows:

Table 5: Respondents per company size

Total Sales per annum	Classification	Number of Respondents	
R0 - R19 million	Small	90	62%
R20 – R39 million	Medium	24	17%
> R39 million	Large	31	21%

The industry size table indicates the number of respondents received by size of the business. Small businesses constituted 62% of the total sample, and it was expected as the industry constitute of a high number of small business.

5.2.3 Years in business

The number of years of experience in the clothing retail business for all respondents was as follows:

Table 6: Respondents' years in business

	Number of years in business				
Years	0-5	6-10	11-15	16-20	>20
Respondents	57	48	13	4	23
Percentage	39%	33%	9%	3%	16%

From the table above it can be seen that most of the respondents had more than five years experience, with nearly 60%. This was beneficial to the research as these companies represent sustainability, as their strategies carried them over the years.

5.2.3 Geographical foot print

The geographical foot print of where the respondents have businesses is represented in the table below.

Table 7: Respondents' geographical footprint

	No. of Respondents	% of respondents
Gauteng	127	29%
Eastern Cape	61	14%
Free State	34	8%
KwaZulu-Natal	44	10%
Mpumalanga	32	7%
Northern Cape	30	7%
North West	30	7%
Western Cape	45	10%
Limpopo	30	7%
Number of respondents	*145*	

From the responses, most businesses are based in Gauteng followed by the Eastern Cape. When the survey was being done, businesses across the provinces were sent the survey with the plan that an equal number of feedback can be received. The difference in feedback results could be explained that most of the questionnaires received from Gauteng and Eastern Cape was done by hand delivering and collecting, hence the high response. For the other provinces, feedback was dependent on completing an electronic questionnaire, thus explaining the generally low feedback.

4.3 Results pertaining to Research Question 1

<u>What competitive strategy types are predominantly used in the current South African retail industry?</u>

Using a 7 Likert scale questionnaire, the respondents were asked to tick the most appropriate option which described their method of competitiveness. A list of respondents is attached in Appendix B.

The options to choose from were as follows:

“Strongly Disagree”, “Moderately Disagree”, “Slightly Disagree”, “Neutral”, “Slightly Agree”, “Moderately Agree” and “Strongly Agree”

For ease of statistical interpretation of these results, numerical values were assigned to the above options, as follows:

- Value of “1” was assigned to answers that denoted an organisation with a “strongly disagree” option.
- Value of “2” was assigned to answers that denoted an organisation with a “moderately disagree” option.
- Value of “3” was assigned to answers that denoted an organisation with a “slightly disagree” option.
- Value of “4” was assigned to answers that denoted an organisation with a “neutral” option.
- Value of “5” was assigned to answers that denoted an organisation with a “slightly agree” option.
- Value of “6” was assigned to answers that denoted an organisation with a “moderately agree” option.
- Finally, value of “7” was assigned to answers that denoted an organisation with a “strongly agree” option.

Using NCSS an exploratory factor analysis was done on the data feedback from the questionnaires, analysing 140 completed questionnaires.

Based on the initial factor run a 27 factor solution appeared optimum. The 27 factor solution was run with Varimax rotation. The Eigenvalue report for factors 1 to 7 is shown below with a full report in Appendix C.

Varimax rotation is the most popular orthogonal rotation technique. In this technique, the axes are rotated to maximize the sum of the variances of the squared loadings within each column of the loadings matrix. Maximizing according to this criterion forces the loadings to be either large or small. The hope is that by rotating the factors, you will obtain new factors that are each highly correlated with only a few of the original variables. This simplifies the interpretation of the factor to a consideration of these two or three variables. Another way of stating the goal of varimax rotation is that it clusters the variables into groups; each “group” is actually a new factor.

Eigenvalues after Varimax Rotation

		Individual	Cumulative	
No.	**Eigenvalue**	**Percent**	**Percent**	**Scree Plot**
1	7.943722	59.52	59.52	|||||||||||
2	2.541895	19.04	78.56	||||
3	2.627260	19.68	98.24	||||
4	0.847183	6.35	104.59	||
5	0.565368	4.24	108.83		
6	0.484105	3.63	112.45		
7	0.309823	2.32	114.77		

The individual factors were then analysed. A loading cut-off of “eigenvalue greater than 1” criteria was used to determine the number of factors. The results were also checked using a “scree plot” method. Three factors were identified and their eigenvectors after varimax rotation are shown in Table 8.

Table 8: Eigenvectors after Varimax Rotation

Variables as per questionnaire	Variables as per analysis	Factor1	Factor2	Factor3
We focus on pricing below competitors	Low_price	0.215766	-0.010657	-0.347368
We mainly focus on new product development	New_products	-0.173627	0.130525	0.152119
We compete on the basis of broad product range to maintain market share based on price	Range_Price	-0.062738	0.231884	-0.250446
We provide extensive customer service capabilities	Cust_service	-0.259327	0.077732	0.017077
We put specific efforts to ensure a pool of highly trained experienced personnel	Personnel	-0.287059	0.057745	-0.029369
We have extremely strict product quality control procedures	Quality_ctrl	-0.171205	-0.312214	-0.144944
We have a continuing, overriding concern for lowest cost per unit of our product	Lowest_cost	-0.10025	0.033912	-0.209224
We maintain high inventory levels	Hi_inventory	-0.021482	0.290136	-0.12359
We provide a narrow, limited range of products	Limited_range	0.003718	0.02674	0.203831
We are focused on building brand identification	Brand_id	-0.241535	0.015421	0.121961
We focus on improving our operating efficiency	Efficiency	-0.260451	0.115046	-0.012313
We have strong influence over channels of distribution	Channels	-0.269969	-0.018502	0.021082
We only serve specific geographic markets	Geographic	-0.013282	-0.290864	0.120225
Our promotion advertising expenditures is above the industry average	Ad_spend	-0.183532	-0.052419	-0.00272
We only supply speciality products	Spec_products	-0.071628	-0.096544	0.082747
We put concerted effort to build reputation within industry	Reputation	-0.265584	0.092149	0.058749
We focus on innovating our supply processes	Innov_supply	-0.261251	0.105136	-0.040897
We supply products in	Hi_price_segm	-0.127165	-0.288845	0.336256

Variables as per questionnaire	Variables as per analysis	Factor1	Factor2	Factor3
higher priced market segments				
We supply products in lower priced market segments	Lo_price_segm	0.080163	0.414053	-0.294077
We continually innovate our marketing techniques and methods	Innov_mkt	-0.267417	0.133078	-0.113419
We focus on unique core competencies that provide potential access to a wide variety of markets	Access_mkts	-0.203695	-0.228438	-0.219668
We put effort to ensure that our core competencies are difficult for competitor to imitate	Diff_imitate	-0.062657	-0.44226	-0.271687
We focus on our organisation's ability to consolidate technologies and production skills into competencies that empower business to adapt quickly to changing opportunities	Adaptable	-0.250773	-0.03926	-0.060294
We compete based on scales of economies and product	Econs_of_scale	-0.099787	-0.221012	-0.334043
We focus on providing a rage of high-volume staples	Hi_vol_staples	-0.053161	-0.116091	-0.419433
We ensure added-service which appeals to certain segments	Added_service	-0.261763	0.083949	0.04904
We put specific effort in providing a wide range of product to a variety of markets, maintaining market share on basis of quality or service	Wide_range	-0.263288	0.12198	0.027908

The bar chart which graphically displays the absolute values of the eigenvectors is below. It allows a quick interpretation of the eigenvector structure by looking at which variables correlate highly with a factor; and can determine what underlying structure it might represent.

Bar Chart of Absolute Eigenvectors after Varimax Rotation

<table>
<tr><th></th><th>Factors</th><th></th><th></th></tr>
<tr><th>Variables</th><th>Factor1</th><th>Factor2</th><th>Factor3</th></tr>
<tr><td>Low_price</td><td>|||||</td><td>|</td><td>|||||||</td></tr>
<tr><td>New_products</td><td>||||</td><td>|||</td><td>||||</td></tr>
<tr><td>Range_Price</td><td>||</td><td>|||||</td><td>||||||</td></tr>
<tr><td>Cust_service</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Personnel</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Quality_ctrl</td><td>||||</td><td>|||||||</td><td>|||</td></tr>
<tr><td>Lowest_cost</td><td>|||</td><td>|</td><td>|||||</td></tr>
<tr><td>Hi_inventory</td><td>|</td><td>||||||</td><td>|||</td></tr>
<tr><td>Limited_range</td><td>|</td><td>|</td><td>|||||</td></tr>
<tr><td>Brand_id</td><td>|||||</td><td>|</td><td>|||</td></tr>
<tr><td>Efficiency</td><td>||||||</td><td>|||</td><td>|</td></tr>
<tr><td>Channels</td><td>||||||</td><td>|</td><td>|</td></tr>
<tr><td>Geographic</td><td>|</td><td>||||||</td><td>|||</td></tr>
<tr><td>Ad_spend</td><td>||||</td><td>||</td><td>|</td></tr>
<tr><td>Spec_products</td><td>||</td><td>||</td><td>||</td></tr>
<tr><td>Reputation</td><td>||||||</td><td>||</td><td>||</td></tr>
<tr><td>Innov_supply</td><td>||||||</td><td>|||</td><td>|</td></tr>
<tr><td>Hi_price_segm</td><td>|||</td><td>||||||</td><td>|||||||</td></tr>
<tr><td>Lo_price_segm</td><td>||</td><td>|||||||||</td><td>||||||</td></tr>
<tr><td>Innov_mkt</td><td>||||||</td><td>|||</td><td>|||</td></tr>
<tr><td>Access_mkts</td><td>|||||</td><td>|||||</td><td>|||||</td></tr>
<tr><td>Diff_imitate</td><td>||</td><td>|||||||||</td><td>||||||</td></tr>
<tr><td>Adaptable</td><td>||||||</td><td>|</td><td>||</td></tr>
<tr><td>Econs_of_scale</td><td>||</td><td>|||||</td><td>|||||||</td></tr>
<tr><td>Hi_vol_staples</td><td>||</td><td>|||</td><td>|||||||||</td></tr>
<tr><td>Added_service</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Wide_range</td><td>||||||</td><td>|||</td><td>|</td></tr>
</table>

Bar Chart and factor loadings of Absolute Factor Loadings after Varimax Rotation

Factor loadings are the correlations between the variables and factors. This chart graphically displays the absolute values of the factor loadings. It allows a quick interpretation of the correlation structure. By looking at which variables correlate highly with a factor can determine what underlying structure it might represent.

Bar Chart of Absolute Factor Loadings after Varimax Rotation

<table>
<tr><th></th><th>Factors</th><th></th><th></th></tr>
<tr><th>Variables</th><th>Factor1</th><th>Factor2</th><th>Factor3</th></tr>
<tr><td>Low_price</td><td>||||||||||||||</td><td>|||||||</td><td>||||||</td></tr>
</table>

```
New_products       ||||||||||||          |                     ||||
Range_Price        |||||                 ||||||||||            ||||
Cust_service       ||||||||||||||||      |                     ||
Personnel          |||||||||||||||||     |                     ||||
Quality_ctrl       |||||||               ||||||||              |||||||||||
Lowest_cost        |||||                 ||||                  |||||||
Hi_inventory       |||                   ||||||||||            ||
Limited_range      |                     |||                   ||||||
Brand_id           |||||||||||||||       ||||                  |
Efficiency         ||||||||||||||||      ||                    |||
Channels           ||||||||||||||||      |||                   ||||
Geographic         |                     ||||||||||            ||
Ad_spend           ||||||||||            |||                   ||||
Spec_products      ||||                  |||||                 |
Reputation         ||||||||||||||||      |                     |
Innov_supply       ||||||||||||||||      ||                    |||
Hi_price_segm      |||||||               ||||||||||||||        |||
Lo_price_segm      |||                   |||||||||||||||||     |
Innov_mkt          ||||||||||||||||      ||||                  |||||
Access_mkts        |||||||||             |||||                 ||||||||||||
Diff_imitate       |                     |||||||||             |||||||||||||||
Adaptable          ||||||||||||||        ||                    ||||||
Econs_of_scale     |||                   ||                    ||||||||||||||
Hi_vol_staples     |                     ||||                  ||||||||||||||
Added_service      ||||||||||||||||      |                     |
Wide_range         ||||||||||||||||      ||                    |
```

Table 9: Factor Loadings after Varimax Rotation

Variables	**Factor 1**	**Factor 2**	**Factor 3**
Low_price	0.678366	0.326266	-0.297965
New_products	-0.561566	0.001387	0.175661
Range_Price	-0.203086	0.487580	-0.174293
Cust_service	-0.753891	0.006618	-0.092122
Personnel	-0.814542	0.006515	-0.184481
Quality_ctrl	-0.338498	-0.366223	-0.540331
Lowest_cost	-0.247501	0.175363	-0.302617
Hi_inventory	-0.134894	0.481473	0.057655
Limited_range	-0.041697	-0.120861	0.278409
Brand_id	-0.704602	-0.153279	0.002364
Efficiency	-0.763837	0.079557	-0.100490
Channels	-0.750941	-0.130204	-0.169458
Geographic	0.038896	-0.491280	-0.085790
Ad_spend	-0.493074	-0.129184	-0.167669
Spec_products	-0.183556	-0.218442	-0.020037
Reputation	-0.785100	-0.008289	-0.032924
Innov_supply	-0.756625	0.088079	-0.144533
Hi_price_segm	-0.324755	-0.693745	0.109556
Lo_price_segm	0.141267	0.814951	0.009476

Variables	Factor 1	Factor 2	Factor 3
Innov_mkt	-0.768325	0.180169	-0.217575
Access_mkts	-0.442573	-0.205535	-0.590184
Diff_imitate	0.036069	-0.408071	-0.727592
Adaptable	-0.673111	-0.088793	-0.274593
Econs_of_scale	-0.131355	-0.072500	-0.657668
Hi_vol_staples	-0.019892	0.151103	-0.651190
Added_service	-0.769554	-0.010589	-0.048911
Wide_range	-0.782602	0.056777	-0.046657

<u>Factor Structure Summary after Varimax Rotation</u>

A summary of variables making up the factors are shown in Table 10.

The three factors were given the following names:

- Factor 1: Lean Competitor

This strategy is made up of variables which have been highlighted in Table 9 under Factor 1. These are variables which had high factor loadings.

This strategy is termed lean competitor as it focuses on pricing below competitors by keeping operation costs low while differentiating itself from competitors.

In this strategy, companies will use innovative methods in order to lower their operations costs either to become lean in order to be able to price below competitors, and this is supported by high factor loadings on innovation of supply processes, improving operations efficiency, have strong influence on distribution channels and supply a wide range of products. Companies focus on continuous improvement to stay ahead of its competitors.

This strategy is also based on the ability to differentiate the company. The business will offer added service, extensive customer service capabilities, have highly trained personnel, brand identification and build reputation.

- Factor 2: Market Focus

This strategy is made up of two variables which had high factor loadings namely:

  - We supply products in higher priced market segments and

- We supply products in lower priced market segments.

This factor is named "market focus" as this strategy purely based on the market the business wants to target.

- Factor 3: Core competencies

This strategy is made up of variables which had high factor loadings highlighted in Table 9 under Factor 3. This strategy is termed "core competencies" as the highlighted variables indicate that core competencies play a major role in this strategy. Companies utilising this strategy will use their core competencies to compete and they will put concentrated effort to make sure that their core competencies are difficult to imitate.

Table 10: Factor Structure Summary after Varimax Rotation

Lean Competitor	Market Focus	Core Competencies
We put specific efforts to ensure a pool of highly trained experienced personnel	We supply products in lower priced market segments	We put effort to ensure that our core competencies are difficult for competitor to imitate
We put concerted effort to build reputation within industry	We supply products in higher priced market segments	We compete based on scales of economies and product
We put specific effort in providing a wide range of product to a variety of markets, maintaining market share on basis of quality or service		We focus on providing a range of high-volume staples
We ensure added-service which appeals to certain segments		We focus on unique core competencies that provide potential access to a wide variety of markets
We continually innovate our marketing techniques and methods		We have extremely strict product quality control procedures
We focus on improving our operating efficiency		

Lean Competitor	Market Focus	Core Competencies
We focus on innovating our supply processes		
We provide extensive customer service capabilities		
We have strong influence over channels of distribution		
We are focused on building brand identification		
We supply products in lower priced market segments		
We focus on our organisations ability to consolidate technologies and production skills into competencies that empower business to adapt quickly to changing opportunities		
We mainly focus on new product development		

K-means cluster analysis was performed on the average factor scores and the results are detailed in Table 11 to Table 13. The objective of the cluster analysis was to group the companies into similar strategies and determine those strategies.

An initial minimum iteration report was run with 92 iterations to determine if random starting configurations were selected. A four-cluster solution was adopted using the decrease in the slope of the scree plot of variance reduction versus number of clusters. The results of cluster analysis are in Appendix C.

K-Means Cluster Analysis

The table below shows the means of each of the variables across each of the clusters. The last row shows the count or number of observations in the cluster.

Table 11: Cluster Means

Variables	Cluster1	Cluster2	Cluster3	Cluster4
Lean Competitor	-1.263116	-0.169799	1.147519	-0.6232087
Market Focus	1.084232	0.5918391	8.807655E-02	-1.406556
Core Competencies	1.456148	-1.387148	0.3402521	-0.1427053
Count	24	34	51	36

The table below shows the standard deviations of each of the variables across each of the clusters. The last row shows the count (number of observations) in the cluster.

Table 12: Cluster Standard Deviations

Variables	Cluster1	Cluster2	Cluster3	Cluster4
Lean Competitor	0.2407255	0.5762201	0.4762471	0.4858338
Market focus	0.691425	0.63394	0.6825007	0.6131181
Core Competencies	0.5341246	0.6045945	0.5600859	0.6691704
Count	24	34	51	36

The table below summarises the results of performing a one-way ANOVA on each variable, using the currently defined clusters as the factor. This report helps with investigating the importance of each variable in the clustering process, and all variables were accepted.

Table 13: F-Ratio Section

Variables	DF1	DF2	Between Mean Square	Within Mean Square	F-Ratio	Prob Level
Lean Competitor	3	141	40.13672	0.2261814	177.45	0.000000
Mix markets	3	141	37.24691	0.4305316	86.51	0.000000
Core Competencies	3	141	40.9828	0.3544803	115.61	0.000000

Naming of clusters

Using the cluster means and the variable factor loadings the clusters were named as follows:

- Cluster 1: Differentiation to low price segment
- Cluster 2: Core competencies to low price segment
- Cluster 3: Cost leadership
- Cluster 3: Differentiation to high price segment

Summary

Exploratory factor analysis was used to identify major strategies used within the South African clothing retail industry. A total of 145 respondents were analysed, and three factors were identified from the analysed representing strategies used within the industry, namely: Lean competitor, Market focus and Core competencies.

Using the results from the factor analysis, a cluster analysis was performed in NCSS to identify strategic groups. Four groups of strategies were identified namely: companies using differentiation to low price segment, companies using their core competencies to low price segment, companies competing on price (cost leadership) and companies using differentiation to high price segment.

4.4 Results pertaining to Research Question 2

Is there a difference in the types of strategies selected by small (boutiques) and large clothing retail businesses?

Four clusters were identified, and using the results from the clusters a Chi-Square analysis was performed in order to identify if there is any difference between strategies selected by small, medium and larger companies.

The counts section in Table 14 indicates the number of companies found in each cluster by size of the company.

Table 14: Counts Section

	Size			
Cluster	**Large**	**Medium**	**Small**	**Total**
1	3	3	18	24
2	11	8	15	34
3	2	1	48	51
4	15	12	9	36
Total	31	24	90	145

A chi-square analysis was done, in order to determine that there is no significant difference in strategies between, small, medium and large companies. Table 15 indicates the results from a Chi-Square analysis done using NCSS.

Ho: No difference in strategies selected by small, medium and large companies

H1: There is a significant difference between companies selected by small and large companies.

Table 15: Counts Section Chi-Square Contribution Section

	Size			
Cluster	**Large**	**Medium**	**Small**	**Total**
1	0.89	0.24	0.65	1.78
2	1.92	1.00	1.77	4.69
3	7.27	6.56	8.44	22.27
4	6.93	6.13	7.97	21.03
Total	17.01	13.93	18.83	49.77

Chi-Square Statistics Section

Chi-Square	49.745253
Degrees of Freedom	6
Probability Level	0.000000
Reject Ho	

The results from the analysis indicated that there is a significant difference in the strategies selected by small, medium and large companies.

4.5 Summary of the results

A total of 145 completed questionnaires were received and a factor analysis was performed using the responses of a 7 Likert scale. Three factors were identified namely, Lean competitor, Mix markets and Core competencies.

A K-means cluster analysis was performed on the average factor scores. A four-cluster solution was adopted using the decrease in the slope on the scree plot.

Using the results of the cluster analysis, where small, medium and large companies where identified to determine which clusters they belong to, a Chi-Square analysis was performed. The analysis was performed to understand if there is a significant difference between the strategic choice of small, medium and large companies, and the results indicated that there is indeed a significant difference in the choice of strategy.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter presents a discussion of the results of the research study undertaken and previously described in Chapter 4. The meaning of the research results is also explored and contextualised. The actual research findings are compared to the theoretical premise examined in the in-depth literature consulted on the subject.

5.2 Demographic profile of respondents

5.2.3 Company size

The respondents were requested to indicate the size of the company based on total sales. This information was important for the analysis as we need to know if large, small and medium size companies used the same competitive strategies. From the feedback, all three groups responded, as per planned sample. A high number of respondents came from small companies with 62%; this was expected since the industry is structured that way. A further 21% was received from large companies, this was better than expected, as there was difficulty getting access to senior management.

The quantity of feedback was acceptable for the analysis.

5.2.3 Years in business

Companies had to indicate their years in business, as this was beneficial to the research as these companies represent sustainability, as their strategies carried them over the years. A total of 39% of respondents had 1 to 5 years experience which might indicate that their strategies have not matured yet. A total of 61% of the respondents had more than five years experience, which was good for the research as it indicated companies with mature strategies.

5.2.3 Geographical foot print

There was no good representation of all provinces, as 29% of the respondents came from Gauteng and rest of the provinces constituted less than 8%.

When the survey was being done, businesses across the provinces were sent the survey with the plan that an equal number of feedback can be expected back. The difference in feedback results could be explained by that most of the questionnaires received from Gauteng and Eastern Cape was done by hand delivering and collecting, hence the high response. For the other provinces, feedback was dependent on filling in an electronic questionnaire thus explaining the generally low feedback. .

The responses are acceptable taking into consideration that Gauteng has the highest economic income, having most businesses based there.

5.3 Competitive strategy types predominately used in the current South African retail industry

5.3.2 Factor analysis results

Analysis of the 27 competitive methods indicated that there were three predominantly used strategies within the clothing retail industry. These strategies were named as follows:

- Lean competitor
- Market focus
- Core competencies

<u>Lean competitor</u>

In this strategy, companies are focused on reducing the operation costs and to achieve product differentiation in a broad market through marketing or other value added service. This strategy is in line with the (Ward et al. 1996) strategy of Lean competitiveness. Ward et al. (1996), explained that these companies are able to achieve this through low inventory levels achieved through just-in time systems and high utilisation of processes through continuous improvement.

This strategy also focus on added service, low prices, appeal and quality of products variety and pleasant shopping environment which is in line with the Arnold et al. (1983) and Corstjens et al. (1995) view of competitive environment in the retailing industry.

This strategy indicates that retailing service is an important competitive tool in the South African clothing retail, which is a similar finding to the study done in the US retailing service as literature indicates. But it was argued that experience in most Western Europe shows that retailing is essentially a low added-value activity as successful service innovations are often copied (Corstjens et al. 1995). But Porter (1996) tended to differ, saying that competitive advantage is made out of the entire system of activities, and the fit among these activities substantially reduces cost or increased differentiation. As in the case of the above strategy; service is just one variable of competitiveness in the system.

This strategy can be termed a combination or mixed strategy, as the company differentiates itself through added service and also focusing on low price. According to Porter (1980) a differentiation strategy will have all the variables constituted on the above strategy (lean competitor) except that they will have to charge higher prices for their goods.

According to Porter (1985), companies can only compete on one strategy in order to have better financial results, and if they choose to compete on both cost leadership and differentiation they perform poorly “stuck in the middle”. This thought has also been supported by authors like Wright (1987) and Dess and Davis (1984). According to (Wright 1987) firms competing on the basis of cost leadership would do so in isolation of other strategies because the emphasis of this is on cutting costs throughout the value chain encompassing all the functional supports (Dess and Davis 1984; Hudson 2001).

Many others have disputed this argument stating that companies can compete with both strategies without trade-offs and is associated with superior business performance (Mintzberg 1988; Kotha and Vadlamani 1995).

This strategy is in line with the strategy identified in the literature on a study of Kellogg and Toyota which is used similar strategy (Lim 1994).

Market Focus

This strategy constituted of the following variables:

- We supply products in lower priced market segments
- We supply products in higher priced market segments

This strategy is similar to Porter's strategy of focus, where the company focuses on serving a certain segments only (Porter 1985) but the difference is that in this strategy two types of segments are being targeted.

Core Competencies

This strategy constituted of the following variables:

- We put effort to ensure that our core competencies are difficult for the competitor to imitate
- We compete based on scales of economies and product
- We focus on providing a range of high-volume staples
- We focus on unique core competencies that provide potential access to a wide variety of markets
- We have extremely strict product quality control procedures

In this strategy, a company focuses on using their core competencies as a competitive advantage. Prahalad and Hamel (1990) stated that the most powerful way to prevail in global competition is inherent in the ability for companies to identify, cultivate and exploit the core competencies that make growth possible. In this group, companies have complex bundles of skills and collective learning in the organisation to deliver value. Their core competencies provide access to a wide variety of markets giving them the edge to compete based on scales of economies and product. Prahalad and Hamel (1990), says this is one way of identifying core competencies.

In the literature review, no prior research has identified retail companies using this strategy, which makes this a significant finding.

5.3.2 Cluster Analysis Results

Four strategic groups of companies were identified during cluster analysis, namely: Differentiation to low price segment, Core competencies to low price segment, Cost leadership and Differentiation to high price segment.

Differentiation to low price segment

This strategic group of companies was identified as follow:

The cluster analyses report of means indicated that companies in this cluster as per table 16 fell on:

- The negative plane of lean competitor variables on factor loadings as per negative sign on the mean. These variables form part of the differentiation strategy as described by Porter (1985) (See Table 3).
- They also fell on the positive plane of market focus variables on factor loadings as per positive mean. This variable is focusing on low price segment.
- The core competencies variable were excluded due to low factor loadings on the positive side.

Table 16: Differentiation to low price segment cluster means

Variables	Lean Competitor	Market focus	Core Competencies
Cluster 1	-1.263116	1.084232	1.456148

In this group, companies use the differentiation strategy to attract the low price segment. This is contrary to what Porter (1985) states, that differentiation is used to attract high price segment. As Wright (1987); Chrisman, Chua and Sharma (2005) argued, generic strategies as discussed by Porter are not collectively exhaustive and thus are unable to describe the strategies adequately. Mintzberg (1988) questioned the appropriateness of Porter's simple notion of low cost and differentiation in the current corporate environment characterised by increased global competition and technological change.

Taking into consideration the current competitive retail environment, companies have to differentiate their businesses in order to attract customers regardless of their buying power. In this retail environment there are several companies, which aim is to sell to low market segment, and hence have to differentiate themselves in order to attract customers.

<u>Core competencies to low price segment</u>

This strategic group of companies was identified as follows:

The cluster analyses report of means indicated that companies in this cluster as per Table 17 fell on:

- The Lean competitor variable was excluded due to low contribution
- The positive planes of market focus variables on factor loading as per positive sign on the mean. This variable indicates that companies focus on attracting low price segments.
- The negative plane of core competencies variables on factor loading as per negative sign on the mean. These variables form part of the description of companies using competencies as their competitive strategy as explained by Prahalad and Hamel (1990).

Table 17: Core competencies to low price segment cluster means

Variables	Lean Competitor	Market focus	Core Competencies
Cluster 2	-0.169799	0.5918391	-1.387148

Companies in this group use their core competencies in order to attract low price segment buyers. This group of companies use unique skills which are difficult to imitate in order to remain competitive. Core competencies are those capabilities which are so deeply embedded within the organisation, and they can be even be hard for management to identify, hence difficult to copy (Day 1994).

<u>Cost leadership</u>

This strategic group of companies was identified as follows:

The cluster analyses report of means indicated that companies in this cluster as per Table 18 fell on:

- The positive planes of lean competitor variable on factor loading as per positive sign on the mean. This variable found on this plan is: we supply products in lower priced market segments
- The market focus variable was excluded due to low contribution
- The core competencies variable was excluded due to low contribution

Table 18: Cost leadership cluster means

Variables	Lean Competitor	Market focus	Core Competencies
Cluster 3	1.147519	8.807655E-02	0.3402521

Companies in this group attract customers by using low prices. This strategy is well described in the literature by Porter (1980, 1985) (See Table 3). These companies will have low operating costs and focus on mass distribution.

<u>Differentiation to high price segment</u>

This strategic group of companies was identified as follows:

The cluster analyses report of means indicated that companies in this cluster as per Table 19 fell on:

- The negative plane of lean competitor variables as per negative sign on the mean. These variables form part of the differentiation strategy as defined by Porter (1985) (See Table 3).
- They also fell on the negative plane of market focus variables on factor loadings as per negative mean. This variable is focusing on high price segment.
- The core competencies variable was excluded due to low contribution.

Table 19: Differentiation to high price segment cluster means

Variables	Lean Competitor	Market focus	Core Competencies
Cluster 4	-0.6232087	-1.406556	-0.1427053

Companies in this group used the differentiation strategy to attract high price segment. This means that they will differentiate themselves based on quality, service, brand identification, have highly trained personnel and brand loyalty, among others. This group will direct their efforts in high price market. This strategy is a typical differentiation strategy as defined by Porter (1980).

<u>Conclusion</u>

A factor analysis was performed on the data, which identified three strategies which companies in the South African clothing retail compete with namely: Lean competitor, Market focus and Core competencies. These three strategies are different from the strategies identified by Porter (1980), which supports the notion that Porter's strategies are not collectively exhaustive as stated by Wright (1987). In the current corporate environment characterised by increased technological change, it makes it possible for companies to compete with innovative strategies.

The identified strategies are not new in the literature, as Lean competitor is one of the Ward et al. (1996) strategies, Market focus is defined by Porter (1980) and Core competencies is described by Prahalad and Hamel (1990).

Within these three strategies, companies were grouped to identify major grouping and four groups were identified namely: Differentiation to low price segment, Core competencies to low price segment, Cost leadership and Differentiation to high price segment. These groups indicated that some companies do follow Porter's generic strategies, cost leadership and differentiation, while others did not.

This analysis also support studies of Porter's generic strategies that are not mutually exclusive, companies do compete on mix strategies.

5.4 Is there a difference in the types of strategies selected by small (boutiques) and large clothing retail business?

A Chi-Square analysis was done on the cluster analysis to determine if there is a difference in the types of strategies selected by small and large clothing retail business.

The results indicated the following:

- The strategy group of Cluster 1 (Differentiation to low price segment) and Cluster 2 (Core competencies to low price segment) was independent of size. This means that in these size of the company did not matter. For these two groups it could be concluded that small, medium and large companies follow the same strategy. This explanation is supported by low values in the Chi-Square contribution section in Table 15 and count section on Table 14.
- The strategy group of Cluster 3 (Cost leadership) is influenced by size of the company. This group is dominated by small companies, where more

than 50% of the sampled small companies fall in this group. It was expected that within the South African retail might use this strategy as stated in the literature, the country's economy is in transition, and dismantling of trade barriers has lead to a flood of imported products from low-wage countries such as China, but also because most consumers are low-income earners and thus highly price sensitive. This finding supports Acquaah and Yasai-Ardekani (2008) notions that, in transition economies, companies that emphasize the cost-leadership strategy will be expected to experience and increase in performance.

- The strategy group of Cluster 4 (Differentiation to high price segment) is also influenced by the size of the company. This group is dominated by large and medium sized companies, as 50% of the sample for each size belongs to this group. This could be explained by that, because of the size, these companies have greater access to resources, as well as industry and competitive analyses. This finding supports Wright's (1987) statement that larger firms will primarily compete with either cost leadership or differentiation as other routes would not be attractive for the bigger enterprises. This is depicted in Figure 4.

Conclusion

The analysis identified that strategic group of cluster 1 and 2 are not influenced by the size of the company. That is, these strategies are used by all size companies. But strategic group of Cluster 3 and 4 is influenced by the size of the company. Small companies choose to compete on price while larger companies compete on differentiation.

This was a significant finding where, in two strategic groups size of the company does not matter but in the other two it does.

Based on the results we have to conclude that the size of the company does matter when it comes to strategy choice, hence small and large companies will choose to follow different strategies.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter summarises the main points that have emerged from this research study. This chapter is divided into three sections, namely summary and conclusion of the study; recommendations; and suggestion of future work.

6.2 Conclusions of the study

The purpose of the study undertaken was to extend the existing body of empirical research into Porter's (1980, 1985) generic strategies and other strategies and the use of combined strategies. As stated in the first chapter the aim of the study was to address the following: the first sub-problem is to identify major competitive strategies used in the South African clothing retail industry: Is the industry using the three generic strategies (cost leadership, differentiation, and focus) or are there other dominant ones? The second sub-problem is to identify if there are any differences between the competitive strategies selected by small and large businesses.

- **Research Question 1: What competitive strategy types are predominantly used in the current South African retail industry?**

Table 20: Strategies used in the SA retail Industry

Strategy	Literature Source	Research Finding	Identified
Focus	Porter (1980,1985) Ward et al. (1996) Kotha and Vadlamani (1995)		No

Strategy	**Literature Source**	**Research Finding**	**Identified**
Differentiation	Porter (1980,1985) Ward et al. (1996) Kotha and Vadlamani (1995)		Yes
Cost Leadership	Porter (1980,1985) Ward et al. (1996) Kotha and Vadlamani (1995)		Yes
Lean Competitor	Ward et al. (1996)		Yes
Core Competencies	Prahalad and Hamel (1990) Day 1994		Yes
Cost leadership and Differentiation (Mixed strategy)	Day and Wensley (1988) Wright et al. (1990) Miller (1992)		Yes
	No literature	Market focus	Yes

Using a factor analysis three groups of strategies were identified namely: Lean competitor, Market focus and Core competencies. These three strategies are different from the strategies identified by Porter (1980).

Further analysis using cluster analysis was done to identify groupings within companies and four groups of companies were identified namely: Differentiation to low price segment, Core competencies to low price segment, Cost leadership and Differentiation to high price segment. Two groups followed the conventional Porter's (1980) generic strategies while the other two did not, which leads to the conclusion that companies still use Porter's (1980; 1985) generic strategies and other strategies.

Secondly, the results indicated that companies do use multiple strategies at the same time.

- **Research Question 2: What are the differences in the types of strategies selected by small and large clothing retail businesses?**

Table 21: Strategic groups by size of company

Strategic group	Small Company	Large Company
Differentiation to low price segment	√	√
Core Competencies to low price segment	√	√
Cost Leadership	√	
Differentiation to high price segment		√

The study also revealed that within the South Africa retail companies, four strategic groups were present, where in two the size of the company was related to the strategy choice but in the other two there was no relation.

6.3 Recommendations

This study had identified important factors which should be taken into consideration by relevant stakeholders.

- Educators should have an in-depth understanding of the strategies used within the South African retail industry, in order to focus some material specific to the South African environment.
- Within the company's strategic groups there is a gap of strategy which is not utilised. Most large companies are using Differentiation to high price market; they might consider using differentiation to low price market. Most small companies use Cost leadership, but they should consider using differentiation to compete as were as target high price market.
- The strategy of core competencies is not fully exploited; companies should consider using this strategy. As complex as it is understanding companies' core competencies, when fully understood they provide access to a wide variety of markets and are difficult for competitors to imitate.

6.4 Suggestions for further research

The study of dominant strategies used in the South African retail industry is a relatively new field within South Africa, and hence has raised additional studies that could be done.

- As this study only covered the clothing retail it is important to expand this research into other retail industries so that the findings will be more generalised. Future research could be structured to test companies in other resource and product markets, since the type of market in which a company competes could impact their strategy choice.

- The study can further be done to include the relationship between strategy choice and performance within the South African retail industry. Different strategies are deemed to give different financial performances hence a study to see what different strategies have on a company's financial performance could be beneficial.

- A study on strategic planning as a competitive advantage could be pursued, in order to understand if there is a relationship between companies which formally do strategic planning and their performance. Either, will companies which formally do strategic planning have a competitive advantage compared to companies that do not within the South African market?

- The relationship between strategy and location. A study should be done to see if the location either in urban, metro or rural vicinities of the business impacts on strategy. Will companies pursue different strategies based on the province located?

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APPENDIX A: RESEARCH INSTRUMENT

Wits Business School

PO Box 98

Wits 2050

South Africa

January, 2009

To Whom It May Concern:

As Wits Business School would like to confirm that, **Beauty Mazibuko** is a student at the institution and registered for MBA. She is currently doing her research thesis (part of the MBA curriculum) on identifying major strategies used in the South African clothing retail industry.

The survey feedback will only be used for academic purposes, and will be treated as confidential.

The institution will appreciate if you could support her towards completing the research by providing her with the information and would like to thank you in advance.

Sincerely,

Dr Terri Carmichael (PhD)

Deputy Director: Special Projects & Senior Lecturer: Research Methodology,

Phone: +27 11 717-3657 (work) or +27 82 458-9583 (cell)

Fax to email: 086 555-7917 Fax: (011) 717-3507

E-mail: terri.carmichael@wits.ac.za or teresa.carmichael@wits.ac.za

Competitive methods questionnaire

It is rather common for firms competing in the same industry to choose different methods through which to compete.

The methods chosen usually reflect particular strengths of the firm, specific demands of particular target methods, and in general the chosen strategy of the firm.

Listed below are several factors that might be used as methods of competing in your industry. Rarely if ever would any firm place a *major* emphasis on all of these. Rather, most firms *selectively* emphasize particular ones which top management feels best operationalise a chosen strategy.

Section 1

Name of organisation: ____

Years in business: ____

Position in Company: ____

Size of Business based on Annual Revenue:

Small (R0 – R19 million) ☐

Medium (R20 – R39 million) ☐

Large (>39 million) ☐

Geographical foot print:

Gauteng	☐	**Mpumalanga**	☐
Eastern Cape	☐	**Northern Cape**	☐
Free State	☐	**North West**	☐
KwaZulu-Natal	☐	**Western Cape**	☐
Limpopo	☐	**All of the above**	☐

Section 2

For each of the statements below, please indicate the extent of your agreement or disagreement by selecting an appropriate column.

	Degree of emphasis over past year							
	Competitive method	**Strongly disagree**	**Moderately disagree**	**Slightly disagree**	**Neutral**	**Slightly agree**	**Moderately agree**	**Strongly agree**
A	We focus on pricing below competitors							
B	We mainly focus on new product development							
C	We compete on the bases of broad product range to maintain market share based on price							
D	We provide extensive customer service capabilities							
E	We put specific efforts to ensure a pool of highly trained experienced personnel							
F	We have extremely strict product quality control procedures							
G	We have a continuing, overriding concern for lowest cost per unit of our product							
H	We maintain high inventory levels							
I	We provide a narrow, limited range of products							
J	We are focused on building brand identification							

Degree of emphasis over past year								
	Competitive method	**Strongly disagree**	**Moderately disagree**	**Slightly disagree**	**Neutral**	**Slightly agree**	**Moderately agree**	**Strongly agree**
K	We focus on improving our operating efficiency							
L	We have strong influence over channels of distribution							
M	We only serve specific geographic markets							
N	Our promotion advertising expenditures is above the industry average							
O	We only supply speciality products							
P	We put concerted effort to build reputation within industry							
Q	We focus on innovating our supply processes							
R	We supply products in higher priced market segments							
S	We supply products in lower priced market segments							
T	We continually innovate our marketing techniques and methods							

Degree of emphasis over past year								
	Competitive method	**Strongly disagree**	**Moderately disagree**	**Slightly disagree**	**Neutral**	**Slightly agree**	**Moderately agree**	**Strongly agree**
U	We focus on unique core competencies that provide potential access to a wide variety of markets							
V	We put effort to ensure that our core competencies are difficult for competitors to imitate							
W	We focus on our organisation's ability to consolidate technologies and production skills into competencies that empower the business to adapt quickly to changing opportunities							
X	We compete based on scales of economies and product							
Y	We focus on providing a rage of high-volume staples							
Z	We ensure added-service which appeals to certain segments							

Degree of emphasis over past year								
	Competitive method	**Strongly disagree**	**Moderately disagree**	**Slightly disagree**	**Neutral**	**Slightly agree**	**Moderately agree**	**Strongly agree**
AA	We put specific effort in providing a wide range of products to a variety of markets, maintaining market share on basis of quality or service							

APPENDIX B: NAME OF RESPONDENTS

Genius at work	Zonte Bonte Fashion	Real Style Fashions	Strand Outfitters	Zabalaza Impahla Distributors	Pep	Exclusive Brands
Kebebo	Advance Ladies Fashion	Mary Funky Fashions	DFX	Ntabiseng Chothing House	Meltz Clothing Factory Shop	Magents Lifestyle Apparel
After Dark	Fafo Ladies Fashion Retailer	Uzma Fashion Port	Bay Fall Fashion	X-treme Shoes	Sidewalk Surfer	Legit
Nothing Lego 1	Dione Ladies Fashion	Wow Fashions	Universal dealers	ZeeZee's	Foschini	Temptation
Be-Jo Trading Enterprises	Havaliwala Fashion Point	Vuzu Clothes	Shoe Vibes	Ladies	Sportscene	Europa Art Shoes
Sowearto	Shogun	SDF Fashions	Jumbor bazaar	Fashionastia	Due South	Mod Man
Nym Fashion	Maponya Fashions	La Boham	M-Zone Fashions	Granada’s Clothing Store	Total Sport	Nine West
Looks Bombay	Munks Concepts Stores	The Fashion Corner	Jay Jay’s	Mohammed Ladies Fashion Express	Mr Price	Rage Clothing
Niger Fashions	Stain	Huangdu trends	The Merchant Shop	Bafana Bafana	Stuttafords	Soviet Jeans
Royal Fashion	Ujuwo Fashions	Price Maker Wholesale and Retail	Delbro Outfitters	Jojo’s Sports wear	Pringle of Scotland	SanMarino
Safe Price	O fashion	Made Fashion	Sassy Fashion Shop	Ungaro	Fashion Express	Pumpkin Patch
Foxy	Fashion Discovery	Daks International	Shoe Styles	Milteul	Exact	Nicci
Local's Lekker	Gogal Brands	Studio 88	Wise Guys	Eurosuits	Donna Claire	Jenni Button
Discount Cante	Nokomo Ladies Fashion	TBY fashions	GG Boutique cc	YDE	Luella	Gerani
Global Fashions	Lerato's Ladies Fashion	Bad Street Boys & Strand Outfitters	Alexander Clothing CC	Bogart man	Markhams	Shipperteer
Nof nof	Arinze Clothing	Ace-Mens Fashion	Beef"have no shame	Cameroon	Woolworths	Aca Joe

S & N Fashion	Gloria's Fashions	Shoe bazaar and Fashion Fair Clothing	Afrimoda Custom Clothing	Clays of JHB	Edgars	Earth Child
S&K Showroom	Urban Rebel	Bansdas	Honey Boutique	Tekkie Town	Jet	Alluela
Resal Fashions	Classic Clothing Botique	Malkinsons Bros	Kids Couture	Street Fever	Truworths	Ideals
Allfinas Fashion and Accessories	Alli Fashions	Fanco Ceccato	Panstula Clothing Store	Footzone	Identity	Beaver Canoe
Daniel Hechter	Louis Vuitton	The X-trainer	Spitz	Ackermans		

APPENDIX C: RESEARCH WORK STATISTICAL DATA

Factor Analysis Report
Eigenvalues after Varimax Rotation Individual Cumulative

No.	Eigenvalue	Percent	Percent	Scree Plot
1	7.943722	59.52	59.52	||||||||||||
2	2.541895	19.04	78.56	||||
3	2.627260	19.68	98.24	||||
4	0.847183	6.35	104.59	||
5	0.565368	4.24	108.83	|
6	0.484105	3.63	112.45	|
7	0.309823	2.32	114.77	|
8	0.259407	1.94	116.72	|
9	0.215627	1.62	118.33	|
10	0.168857	1.27	119.60	|
11	0.130285	0.98	120.57	|
12	0.089575	0.67	121.25	|
13	0.046411	0.35	121.59	|
14	0.026458	0.20	121.79	|
15	-0.051180	-0.38	121.41	|
16	-0.082135	-0.62	120.79	|
17	-0.123911	-0.93	119.86	|
18	-0.142170	-1.07	118.80	|
19	-0.175072	-1.31	117.49	|
20	-0.186477	-1.40	116.09	|
21	-0.194723	-1.46	114.63	|
22	-0.208324	-1.56	113.07	|
23	-0.255572	-1.91	111.16	|
24	-0.282605	-2.12	109.04	|
25	-0.328935	-2.46	106.57	|
26	-0.384291	-2.88	103.69	|
27	-0.493160	-3.69	100.00	|

Factor Analysis Report
Eigenvectors after Varimax Rotation Factors

Variables	Factor1	Factor2	Factor3
Low_price	0.215766	-0.010657	-0.347368
New_products	-0.173627	0.130525	0.152119
Range_Price	-0.062738	0.231884	-0.250446
Cust_service	-0.259327	0.077732	0.017077
Personnel	-0.287059	0.057745	-0.029369
Quality_ctrl	-0.171205	-0.312214	-0.144944
Lowest_cost	-0.100250	0.033912	-0.209224
Hi_inventory	-0.021482	0.290136	-0.123590
Limited_range	0.003718	0.026740	0.203831
Brand_id	-0.241535	0.015421	0.121961
Efficiency	-0.260451	0.115046	-0.012313
Channels	-0.269969	-0.018502	0.021082
Geographic	-0.013282	-0.290864	0.120225
Ad_spend	-0.183532	-0.052419	-0.002720
Spec_products	-0.071628	-0.096544	0.082747
Reputation	-0.265584	0.092149	0.058749
Innov_supply	-0.261251	0.105136	-0.040897
Hi_price_segm	-0.127165	-0.288845	0.336256
Lo_price_segm	0.080163	0.414053	-0.294077
Innov_mkt	-0.267417	0.133078	-0.113419
Access_mkts	-0.203695	-0.228438	-0.219668
Diff_imitate	-0.062657	-0.442260	-0.271687
Adaptable	-0.250773	-0.039260	-0.060294
Econs_of_scale	-0.099787	-0.221012	-0.334043
Hi_vol_staples	-0.053161	-0.116091	-0.419433
Added_service	-0.261763	0.083949	0.049040
Wide_range	-0.263288	0.121980	0.027908

Factor Analysis Report

Bar Chart of Absolute Eigenvectors after Varimax Rotation Factors

<table>
<tr><th>Variables</th><th>Factor1</th><th>Factor2</th><th>Factor3</th></tr>
<tr><td>Low_price</td><td>|||||</td><td>|</td><td>|||||||</td></tr>
<tr><td>New_products</td><td>||||</td><td>|||</td><td>||||</td></tr>
<tr><td>Range_Price</td><td>||</td><td>|||||</td><td>||||||</td></tr>
<tr><td>Cust_service</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Personnel</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Quality_ctrl</td><td>||||</td><td>|||||||</td><td>|||</td></tr>
<tr><td>Lowest_cost</td><td>|||</td><td>|</td><td>|||||</td></tr>
<tr><td>Hi_inventory</td><td>|</td><td>||||||</td><td>|||</td></tr>
<tr><td>Limited_range</td><td>|</td><td>|</td><td>|||||</td></tr>
<tr><td>Brand_id</td><td>|||||</td><td>|</td><td>|||</td></tr>
<tr><td>Efficiency</td><td>||||||</td><td>|||</td><td>|</td></tr>
<tr><td>Channels</td><td>||||||</td><td>|</td><td>|</td></tr>
<tr><td>Geographic</td><td>|</td><td>||||||</td><td>|||</td></tr>
<tr><td>Ad_spend</td><td>||||</td><td>||</td><td>|</td></tr>
<tr><td>Spec_products</td><td>||</td><td>||</td><td>||</td></tr>
<tr><td>Reputation</td><td>||||||</td><td>||</td><td>||</td></tr>
<tr><td>Innov_supply</td><td>||||||</td><td>|||</td><td>|</td></tr>
<tr><td>Hi_price_segm</td><td>|||</td><td>||||||</td><td>|||||||</td></tr>
<tr><td>Lo_price_segm</td><td>||</td><td>||||||||||</td><td>||||||</td></tr>
<tr><td>Innov_mkt</td><td>||||||</td><td>|||</td><td>|||</td></tr>
<tr><td>Access_mkts</td><td>|||||</td><td>|||||</td><td>|||||</td></tr>
<tr><td>Diff_imitate</td><td>||</td><td>||||||||||</td><td>||||||</td></tr>
<tr><td>Adaptable</td><td>||||||</td><td>|</td><td>||</td></tr>
<tr><td>Econs_of_scale</td><td>||</td><td>|||||</td><td>|||||||</td></tr>
<tr><td>Hi_vol_staples</td><td>||</td><td>|||</td><td>||||||||||</td></tr>
<tr><td>Added_service</td><td>||||||</td><td>||</td><td>|</td></tr>
<tr><td>Wide_range</td><td>||||||</td><td>|||</td><td>|</td></tr>
</table>

Factor Analysis Report

Factor Loadings after Varimax Rotation Factors

Variables	Factor1	Factor2	Factor3
Low_price	0.678366	0.326266	-0.297965
New_products	-0.561566	0.001387	0.175661
Range_Price	-0.203086	0.487580	-0.174293
Cust_service	-0.753891	0.006618	-0.092122
Personnel	-0.814542	0.006515	-0.184481
Quality_ctrl	-0.338498	-0.366223	-0.540331
Lowest_cost	-0.247501	0.175363	-0.302617
Hi_inventory	-0.134894	0.481473	0.057655
Limited_range	-0.041697	-0.120861	0.278409
Brand_id	-0.704602	-0.153279	0.002364
Efficiency	-0.763837	0.079557	-0.100490
Channels	-0.750941	-0.130204	-0.169458
Geographic	0.038896	-0.491280	-0.085790
Ad_spend	-0.493074	-0.129184	-0.167669
Spec_products	-0.183556	-0.218442	-0.020037
Reputation	-0.785100	-0.008289	-0.032924
Innov_supply	-0.756625	0.088079	-0.144533
Hi_price_segm	-0.324755	-0.693745	0.109556
Lo_price_segm	0.141267	0.814951	0.009476
Innov_mkt	-0.768325	0.180169	-0.217575
Access_mkts	-0.442573	-0.205535	-0.590184
Diff_imitate	0.036069	-0.408071	-0.727592
Adaptable	-0.673111	-0.088793	-0.274593
Econs_of_scale	-0.131355	-0.072500	-0.657668
Hi_vol_staples	-0.019892	0.151103	-0.651190
Added_service	-0.769554	-0.010589	-0.048911
Wide_range	-0.782602	0.056777	-0.046657

Factor Analysis Report
Bar Chart of Absolute Factor Loadings after Varimax Rotation Factors

<table>
<tr><th>Variables</th><th>Factor1</th><th>Factor2</th><th>Factor3</th></tr>
<tr><td>Low_price</td><td>||||||||||||||</td><td>|||||||</td><td>||||||</td></tr>
<tr><td>New_products</td><td>||||||||||||</td><td>|</td><td>||||</td></tr>
<tr><td>Range_Price</td><td>|||||</td><td>||||||||||</td><td>||||</td></tr>
<tr><td>Cust_service</td><td>||||||||||||||||</td><td>|</td><td>||</td></tr>
<tr><td>Personnel</td><td>|||||||||||||||||</td><td>|</td><td>||||</td></tr>
<tr><td>Quality_ctrl</td><td>|||||||</td><td>||||||||</td><td>|||||||||||</td></tr>
<tr><td>Lowest_cost</td><td>|||||</td><td>||||</td><td>|||||||</td></tr>
<tr><td>Hi_inventory</td><td>|||</td><td>||||||||||</td><td>||</td></tr>
<tr><td>Limited_range</td><td>|</td><td>|||</td><td>||||||</td></tr>
<tr><td>Brand_id</td><td>|||||||||||||||</td><td>||||</td><td>|</td></tr>
<tr><td>Efficiency</td><td>||||||||||||||||</td><td>||</td><td>|||</td></tr>
<tr><td>Channels</td><td>||||||||||||||||</td><td>|||</td><td>||||</td></tr>
<tr><td>Geographic</td><td>|</td><td>||||||||||</td><td>||</td></tr>
<tr><td>Ad_spend</td><td>||||||||||</td><td>|||</td><td>||||</td></tr>
<tr><td>Spec_products</td><td>||||</td><td>|||||</td><td>|</td></tr>
<tr><td>Reputation</td><td>||||||||||||||||</td><td>|</td><td>|</td></tr>
<tr><td>Innov_supply</td><td>||||||||||||||||</td><td>||</td><td>|||</td></tr>
<tr><td>Hi_price_segm</td><td>|||||||</td><td>||||||||||||||</td><td>|||</td></tr>
<tr><td>Lo_price_segm</td><td>|||</td><td>|||||||||||||||||</td><td>|</td></tr>
<tr><td>Innov_mkt</td><td>||||||||||||||||</td><td>||||</td><td>|||||</td></tr>
<tr><td>Access_mkts</td><td>|||||||||</td><td>|||||</td><td>||||||||||||</td></tr>
<tr><td>Diff_imitate</td><td>|</td><td>|||||||||</td><td>|||||||||||||||</td></tr>
<tr><td>Adaptable</td><td>||||||||||||||</td><td>||</td><td>||||||</td></tr>
<tr><td>Econs_of_scale</td><td>|||</td><td>||</td><td>||||||||||||||</td></tr>
<tr><td>Hi_vol_staples</td><td>|</td><td>||||</td><td>||||||||||||||</td></tr>
<tr><td>Added_service</td><td>||||||||||||||||</td><td>|</td><td>|</td></tr>
<tr><td>Wide_range</td><td>||||||||||||||||</td><td>||</td><td>|</td></tr>
</table>

Factor Analysis Report
Communalities after Varimax Rotation Factors

Variables	Factor1	Factor2	Factor3	Communality
Low_price	0.460181	0.106449	0.088783	0.655413
New_products	0.315356	0.000002	0.030857	0.346215
Range_Price	0.041244	0.237734	0.030378	0.309356
Cust_service	0.568352	0.000044	0.008486	0.576882
Personnel	0.663478	0.000042	0.034033	0.697554
Quality_ctrl	0.114581	0.134119	0.291958	0.540658
Lowest_cost	0.061257	0.030752	0.091577	0.183586
Hi_inventory	0.018196	0.231816	0.003324	0.253336
Limited_range	0.001739	0.014607	0.077512	0.093858
Brand_id	0.496464	0.023494	0.000006	0.519964
Efficiency	0.583448	0.006329	0.010098	0.599875
Channels	0.563912	0.016953	0.028716	0.609582
Geographic	0.001513	0.241356	0.007360	0.250229
Ad_spend	0.243122	0.016688	0.028113	0.287923
Spec_products	0.033693	0.047717	0.000401	0.081811
Reputation	0.616382	0.000069	0.001084	0.617535
Innov_supply	0.572482	0.007758	0.020890	0.601129
Hi_price_segm	0.105466	0.481282	0.012002	0.598751
Lo_price_segm	0.019956	0.664146	0.000090	0.684192
Innov_mkt	0.590323	0.032461	0.047339	0.670123
Access_mkts	0.195871	0.042245	0.348317	0.586432
Diff_imitate	0.001301	0.166522	0.529391	0.697214
Adaptable	0.453078	0.007884	0.075402	0.536364
Econs_of_scale	0.017254	0.005256	0.432527	0.455037
Hi_vol_staples	0.000396	0.022832	0.424048	0.447276
Added_service	0.592213	0.000112	0.002392	0.594718
Wide_range	0.612466	0.003224	0.002177	0.617866

Bar Chart of Communalities after Varimax Rotation Factors

```
Variables          Factor1          Factor2          Factor3          Communality
Low_price          ||||||||||       |||              ||               ||||||||||||||
New_products       |||||||          |                |                |||||||
Range_Price        |                |||||            |                |||||||
Cust_service       ||||||||||||     |                |                ||||||||||||
Personnel          ||||||||||||||   |                |                ||||||||||||||
Quality_ctrl       |||              |||              ||||||           |||||||||||
Lowest_cost        ||               |                ||               ||||
Hi_inventory       |                |||||            |                ||||||
Limited_range      |                |                ||               ||
Brand_id           ||||||||||       |                |                |||||||||||
Efficiency         ||||||||||||     |                |                ||||||||||||
Channels           ||||||||||||     |                |                |||||||||||||
Geographic         |                |||||            |                ||||||
Ad_spend           |||||            |                |                ||||||
Spec_products      |                |                |                ||
Reputation         |||||||||||||    |                |                |||||||||||||
Innov_supply       ||||||||||||     |                |                |||||||||||||
Hi_price_segm      |||              ||||||||||       |                ||||||||||||
Lo_price_segm      |                ||||||||||||||   |                ||||||||||||||
Innov_mkt          ||||||||||||     |                |                ||||||||||||||
Access_mkts        ||||             |                |||||||          ||||||||||||
Diff_imitate       |                ||||             |||||||||||      ||||||||||||||
Adaptable          ||||||||||       |                ||               |||||||||||
Econs_of_scale     |                |                |||||||||        ||||||||||
Hi_vol_staples     |                |                |||||||||        |||||||||
Added_service      ||||||||||||     |                |                ||||||||||||
Wide_range         |||||||||||||    |                |                |||||||||||||
```

K-Means Cluster Analysis Report

Minimum Iteration Section

Iteration No.	No. of Clusters	Percent of Variation	Bar Chart of Percent
4	2	71.67	||||||||||||||||||||||
8	3	46.68	|||||||||||||||
11	4	28.35	|||||||||
19	5	24.89	||||||||
21	6	21.45	|||||||
30	7	19.27	||||||
34	8	17.21	||||||
40	9	15.62	|||||
42	10	14.05	|||||
48	11	13.11	||||
52	12	11.86	||||
58	13	11.21	||||
65	14	10.15	||||
68	15	9.46	|||
74	16	9.08	|||
78	17	8.80	|||
83	18	7.92	|||
87	19	7.50	|||
92	20	7.24	|||

K-Means Cluster Analysis Report

Iteration Section

Iteration No.	**No. of Clusters**	**Percent of Variation**	**Bar Chart of Percent**
1	2	73.75	|||||||||||||||||||||||
2	2	75.10	|||||||||||||||||||||||
3	2	75.57	|||||||||||||||||||||||
4	2	71.67	||||||||||||||||||||||
5	2	73.75	|||||||||||||||||||||||
6	3	52.33	||||||||||||||||
7	3	47.36	|||||||||||||||
8	3	46.68	|||||||||||||||
9	3	46.68	|||||||||||||||
10	3	52.33	||||||||||||||||
11	4	28.35	|||||||||
12	4	28.35	|||||||||
13	4	28.35	|||||||||
14	4	28.35	|||||||||
15	4	28.35	|||||||||
16	5	25.17	||||||||
17	5	25.18	||||||||
18	5	25.21	||||||||
19	5	24.89	||||||||
20	5	24.91	||||||||

<table>
<tr><td>21</td><td>6</td><td>21.45</td><td>|||||||</td></tr>
<tr><td>22</td><td>6</td><td>22.93</td><td>|||||||</td></tr>
<tr><td>23</td><td>6</td><td>22.81</td><td>|||||||</td></tr>
<tr><td>24</td><td>6</td><td>22.69</td><td>|||||||</td></tr>
<tr><td>25</td><td>6</td><td>22.00</td><td>|||||||</td></tr>
<tr><td>26</td><td>7</td><td>20.61</td><td>|||||||</td></tr>
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<tr><td>29</td><td>7</td><td>22.01</td><td>|||||||</td></tr>
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<tr><td>31</td><td>8</td><td>17.29</td><td>||||||</td></tr>
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<tr><td>35</td><td>8</td><td>19.56</td><td>||||||</td></tr>
<tr><td>36</td><td>9</td><td>16.03</td><td>|||||</td></tr>
<tr><td>37</td><td>9</td><td>15.81</td><td>|||||</td></tr>
<tr><td>38</td><td>9</td><td>16.24</td><td>|||||</td></tr>
<tr><td>39</td><td>9</td><td>15.99</td><td>|||||</td></tr>
<tr><td>40</td><td>9</td><td>15.62</td><td>|||||</td></tr>
<tr><td>41</td><td>10</td><td>14.14</td><td>|||||</td></tr>
<tr><td>42</td><td>10</td><td>14.05</td><td>|||||</td></tr>
<tr><td>43</td><td>10</td><td>14.42</td><td>|||||</td></tr>
<tr><td>44</td><td>10</td><td>14.67</td><td>|||||</td></tr>
</table>

45	10	15.25	|||||
46	11	13.79	|||||
47	11	13.89	|||||
48	11	13.11	||||
49	11	14.30	|||||
50	11	13.44	|||||
51	12	12.37	||||
52	12	11.86	||||
53	12	12.57	||||

K-Means Cluster Analysis Report

Iteration Section

Iteration No.	**No. of Clusters**	**Percent of Variation**	**Bar Chart of Percent**
54	12	13.33	||||
55	12	12.22	||||
56	13	12.93	||||
57	13	11.80	||||
58	13	11.21	||||
59	13	12.36	||||
60	13	12.01	||||
61	14	10.96	||||
62	14	10.44	||||
63	14	11.84	||||
64	14	11.08	||||
65	14	10.15	||||
66	15	10.82	||||
67	15	9.89	|||
68	15	9.46	|||
69	15	12.17	||||
70	15	9.68	|||
71	16	9.16	|||
72	16	9.22	|||
73	16	11.11	||||

74	16	9.08	III
75	16	9.41	III
76	17	9.38	III
77	17	8.89	III
78	17	8.80	III
79	17	9.67	III
80	17	8.86	III
81	18	8.09	III
82	18	7.95	III
83	18	7.92	III
84	18	8.53	III
85	18	8.34	III
86	19	8.20	III
87	19	7.50	III
88	19	8.34	III
89	19	8.06	III
90	19	8.00	III
91	20	8.18	III
92	20	7.24	III
93	20	7.34	III
94	20	8.03	III
95	20	7.98	III

K-Means Cluster Analysis Report

Cluster Means

Variables	**Cluster1**	**Cluster2**	**Cluster3**	**Cluster4**
F1	-1.263116	-0.169799	1.147519	-0.6232087
F2	1.084232	0.5918391	8.807655E-02	-1.406556
F3	1.456148	-1.387148	0.3402521	-0.1427053
Count	24	34	51	36

Cluster Standard Deviations

Variables	**Cluster1**	**Cluster2**	**Cluster3**	**Cluster4**
F1	0.2407255	0.5762201	0.4762471	0.4858338
F2	0.691425	0.63394	0.6825007	0.6131181
F3	0.5341246	0.6045945	0.5600859	0.6691704
Count	24	34	51	36s

F-Ratio Section

			Between	Within		Prob
Variables	**DF1**	**DF2**	**Mean Square**	**Mean Square**	**F-Ratio**	**Level**
F1	3	141	40.13672	0.2261814	177.45	0.000000
F2	3	141	37.24691	0.4305316	86.51	0.000000
F3	3	141	40.9828	0.3544803	115.61	0.000000

Plots