DEVELOPING A CONCEPTUAL BRAND FEASIBILITY FRAMEWORK FOR A RETAIL GROUP IN SOUTH AFRICA

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DECLARATION

I declare that this research report is my own unaided work. It is being submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Science in Engineering. It has not been submitted before for any degree or examination to any other university.

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1st day of October 2015

ABSTRACT

The internationalisation of retail firms has become a global phenomenon as retailers around the world expand their operations beyond national borders. Despite the increasing prevalence of research on international retailing, no literature exists to explore the perspective of a clothing retailer looking to partner with an international fashion brand.

The research project proposes a conceptual brand feasibility framework for a South African retailer. A qualitative, single case study approach is adopted drawing on interviews with subject matter experts, as well as a review of the literature and direct observation.

The proposed framework identifies partner selection exhibiting both strategic and opportunistic approaches, pipeline management, brand execution and performance management as the key components. The framework may be useful to base future quantitative studies upon, which may result in noteworthy findings.

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DISCLAIMER

All statements, comments or opinions expressed in this research report are solely those of the author and do not necessarily represent the opinions or reflect the official position of my current or previous employers. The information contained herein is for the sole purpose of information and education.

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LIST OF ACRONYMS

BRICS	Brazil, Russia, India, China and South Africa
CAPEX	Capital Expenditure
CFT	Clothing, Footwear and Textiles
CRQ	Critical Research Question
DI	Divestment
DIY	Do it yourself
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
FMCG	Fast moving consumer goods
GDP	Gross Domestic Product
GM	Gross Margin
GP	Gross Profit
HR	Human Resources
IMU	Initial mark-up
IO	Industrial organisation
IT	Information Technology
IQ	Informant Question
JV	Joint Venture
LSM	Living Standard Measure
MES	Market Entry Strategy
MO	Market orientation

OS	Organisational studies
P&L	Profit and Loss
RI	Retail Internationalisation
RF	Retail firm
ROI	Return on investment
SA	South Africa
SAS	Standalone Store
SIS	Store in store
SME	Subject Matter Expert
TCA	Thematic Content Analysis
TQ	Theory Question
UK	United Kingdom
US	United States
VM	Visual Management

1 INTRODUCTION TO RESEARCH PROBLEM

The following chapter provides the foundation for this research project. It begins with an introduction on the internationalisation of brands to South Africa and an overview of the retail group under discussion. Furthermore, the chapter discusses the motivation as well as the methodology behind the research project. Lastly, an outline for future chapters is provided.

1.1 Internationalisation of brands to South Africa

Internationalisation is a result of global competition and a tendency of a "borderless world" and is becoming increasingly important for businesses globally (Saradjzadeh 2005). During the last two decades the internationalisation of retail firms has become a global phenomenon as retailers around the world expand their operations beyond national borders (Bianchi 2009).

Southern Africa is an attractive market for global retailers. As South Africans become more affluent, the market for fashion apparel, footwear and accessories as well as other luxury goods expands (Hattingh et al. 2012). Large parts of the South African population has risen out of poverty and their disposable income has grown. As disposable income grows, consumers increasingly spend their money on goods beyond their basic needs (AT Kearney 2014). The sector that has experienced this change the most significantly is the apparel industry. In the past three years, there has been a transformation of the South African retail sector where there has been significant growth of international brands and many international brands are still looking to enter the South African market (Hattingh et al. 2012).

1.2 The retail group

The retail group that will be used in this research project is one of the largest non-food retailers in Southern Africa. The group has been in operation since 1929 and has expanded its footprint to include over 1,400 stores through nine different store formats. The Group has an annual turnover in excess of R26 billion and is twice the size of the next largest Clothing, Footwear and Textiles (CFT) competitor. In

2012 the group founded an international brands division to expand its consumer offering by adding international brands to its portfolio. The international brands division brings international fashion brands through exclusive licences to the South African customer. The group currently has 20 exclusive franchise agreements with brands across Europe and the United States and is looking to sign on more brands.

1.3 Motivation for research

Retail internationalisation is increasing rapidly in the South African market and including international brands to the retail offering is a necessity to remain competitive. Both internationalisation and franchising are important subjects of study and ample research exists on internationalisation (Quinn & Alexander 2002; Lopez & Fan 2008; Forte & Carvalho 2013; Dakora & Bytheway 2014). Research has studies franchising and other modes from the perspective of the brand or retailer moving into the foreign terrain (Quinn & Alexander 2002; Evans et al. 2008; Alexander & Doherty 2010). This research differs from the abundant research that has been conducted from the franchisors point of view. Very little study has been done from the franchisee’s perspective (Lee 2000). Although much has been conducted from the perspective of the franchisor, no research has been done to explore the perspective of a retailer (potential franchisee) looking to partner with an international brand or retailer. This gap in research motivated the present study. This research project aims to explore the brand feasibility framework from the perspective of a South African retail group.

1.4 Purpose

The purpose of this research report is to determine the conceptual brand feasibility framework for a South African retailer.

1.5 Research question

In order to determine the conceptual brand feasibility framework for a South African retailer, the following critical research question (CRQ) needs to be addressed:

- CRQ: What are the key components of a conceptual brand feasibility framework for a retail group in South Africa?

In order to answer this question the following theory questions (TQ) were developed:

- TQ1: Explain the brand partner selection process?
- TQ2: How is the brand entry mode established?
- TQ3: What is involved in the brand feasibility study?
- TQ4: What are the key negotiation points? How are negotiations done?
- TQ5: What is the execution process of the brand in the new market?
- TQ6: How is performance monitored?
- TQ7: Which internal or external factors could affect the partnership?

1.6 Research method

The following outlines the research methods adopted to answer the research questions. This paper will adopt a qualitative, case study approach to explore the brand feasibility framework for a South African retailer. According to Bazeley & Jackson (2013) qualitative methods are chosen in research where a detailed understanding of a process or experience is required and where more information is needed to determine the boundaries or characteristics of the issue being investigated. The research is exploratory in nature (Yin 2009a) and takes on a qualitative approach which is commonly found in international retail franchising research (Alexander & Doherty 2010; Quinn & Alexander 2002). This is achieved by employing a case study design to develop a conceptual brand feasibility framework for a South African retailer. A case study approach will be adopted since this methodology is usually used when questions of 'how' and 'why' are being posed. Furthermore a single-case study design will be adopted as the study will be limited to a single retailer (Yin 2009a).

1.7 Research limitations and comments

Numerous limitations where identified during the creation of this research report, such as;

- An examination of the literature reveals very limited research about the international retail franchise process from the franchisee's perspective.
- As this research is a single case study, only the views of the subject matter experts within a single retailer in South Africa were obtained.
- The interview participants are the interviewer’s co-workers. This may be perceived as influencing the responses given to the questionnaire.
- As the researcher has extensive knowledge on this subject, personal biases may have been present.
- For confidentiality reasons, the identities of the interview respondents are not disclosed. The research project refers to the participants by their job titles.
- A non-disclosure agreement was signed with the retail group to ensure that confidentiality is maintained.

1.8 Research outline

Chapter 2 reviews literature with regard to the internationalisation of retail firms, retail internationalisation in emerging markets, entry modes for retailers, success factors and the international franchise market and partner selection process. An initial conceptual framework is developed based on key themes that flowed from the literature.

Chapter 3 outlines the research method and criteria that were adapted for the selection of the interview participants, covers the collection of the data and provides discussion on the analysis approach of the data.

Chapter 4 presents and analyses the data collected. The data is presented in a categorised consolidated format based on the themes that formed the research questions that where presented during the interviews.

Chapter 5 provides the proposed conceptual brands framework in addition to an overall discussion of the research.

Chapter 6 articulates the merits of this research and suggests recommendations.

2 LITERATURE REVIEW

The main purpose of this chapter is to review the relevant literature on different aspects of retail internationalisation in order to obtain a better understanding of how the process could work for a South African retailer looking to bring international brands into the local market. The first part of the chapter reviews the literature on the internationalisation of retail brands and highlights the key motivations for this occurrence as well as reviews internationalisation in emerging countries, with a specific focus on South Africa. The second part of the chapter reviews the different types of entry modes that exist for an international brand or retailer to enter a new market. The third part of the chapter reviews the market and partner selection process from the franchisors point of view. Key themes from the literature are then summarized before a conceptual framework is proposed.

2.1 The internationalisation of retail firms

The internationalisation of retail firms has become a global phenomenon as retailers around the world expand their operations beyond national borders (Bianchi 2009). In the last two decades there has been an increase in literature addressing the topic of international retailing, with focus on motivations for globalisation, market selection, and entry modes (Bianchi 2002; Forte & Carvalho 2013). Two recent reviews of the literature on international retailing have clearly identified the current strength in international retailing research (Doherty 2009; Swoboda et al. 2009). Swoboda et al. (2009) emphasise “the motives for going international”, “internationalisation strategies”, “market selection and (past) entries”, “choices of market entry strategy”, “market operations (standardisation versus adaptation)”, “international performance” and “studies dealing with failures and foreign divestments”. Doherty’s (2009) review of research emphasises the “patterns of international retailer activity”, “host market characteristics”, “the motivations behind international activity”, “market selection”, “market entry methods”, “supply chain management in international markets", "marketing and brand management" and "international retail divestment".

According to Evans, et al. (2008) the most important drivers for international expansion are profit growth, corporate vision, domestic market saturation, exploitation of core competencies and unsolicited foreign orders, pursuit of global efficiencies and competitive response. Furthermore, existing literature has grouped the motivations of retail internationalisation into three categories namely; push/ reactive, pull/ proactive, and internal and external. Push/ reactive drivers generally relate to negative aspects of the domestic market, such as marginal opportunities and saturation whilst pull/ proactive drivers are linked to attractive aspects of either the retail offer or the foreign market (Evans et al. 2008). Market size and growth opportunities is based on the company's willingness to explore the international markets even before the home market reaches saturation (Forte & Carvalho 2013). Internal factors such as management interest, organisational culture and resources, and external factors such as social, economic and political conditions, the size and saturation of the foreign market and competitor activities, are included in the motivation of retail internationalisation (Evans et al. 2008).

Evans et al. (2008) state that early research in the field of retail internationalisation was based on the Uppsala model developed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). The Uppsala model of internationalisation suggests that firms gradually increase their commitment to international markets (Childs & Jin 2012), and that internationalisation is the natural and direct response to saturation in the local market, i.e. push/ reactive drivers (Evans et al. 2008). Forte & Carvalho (2013) add that the Uppsala model was the focus in early research but that literature from the last decade highlights pull/ proactive drivers such as motivation for internationalisation of retail companies. Research has also found that when retail firms target niche global markets, the speed of internationalisation is much quicker than that suggested by the Uppsala model (Childs & Jin 2012).

Alexander & Myers (2000) proposed a framework addressing the process of retail internationalisation. The framework assumes that the source of the competitive advantage of a retailer in a local market is directly related to the firm's internal organisational and managerial capabilities. Organisational capabilities refers to retail mix elements, such as merchandise assortment, uniqueness of product, competitive pricing, retail concept and resources for international expansion. Management capabilities corresponds to the experience, attitude and leadership qualities of managers that facilitate the process (Bianchi 2009). The framework identifies that the source of advantage exploited by a retailer is expressed within a set of domestic environmental factors and when this source of advantage is transferred to a different set of market conditions, the environmental context may change. Therefore the success of the retail firm will depend on its ability to respond to the new market conditions (Alexander & Myers 2000).

Research on internationalisation traditionally focused on Western firms and developed markets. In spite of the rapid growth and remarkable transformation in emerging economies over the past two decades, the rise of emerging markets has attracted scant academic attention (Aliouche et al. 2015; Baena 2012; Bianchi 2009; Forte & Carvalho 2013; Welsh et al. 2006).

2.2 Retail internationalisation in emerging markets

The spending power of consumers in emerging markets is rapidly changing the global and local retail industry. Multinational retailers seeking new sources of growth are watching these mass markets where large populations and strong economic growth have made them nearly irresistible (Artigas & Calicchio 2007).

Emerging markets are generally defined as "low income, rapid growth countries using economic liberalisation as their primary engine of growth" (Bianchi 2009). The current context of emerging markets is characterised by a lower level of economic power and institutional turbulence compared with developed nations (Welsh et al. 2006).

Research shows that emerging markets are favoured when it comes to international distribution networks, as they account for 60 percent of the world's natural resources and 80 percent of the world population (Welsh & Alon 2015). According to Aliouche et al. (2015) emerging markets represent the largest long-term potential for business growth. Welsh (2006) adds that emerging markets are unsaturated compared with developed markets leaving consumers very eager for better products and services with international quality. The US Department of Commerce estimated that over 75 percent of the expected growth in the world in the next two decades will come from emerging countries (Welsh & Alon 2015).

According to Nikolaevich (2015) the overall distribution of the stages of European retailer internationalisation is presented as in Figure 1.

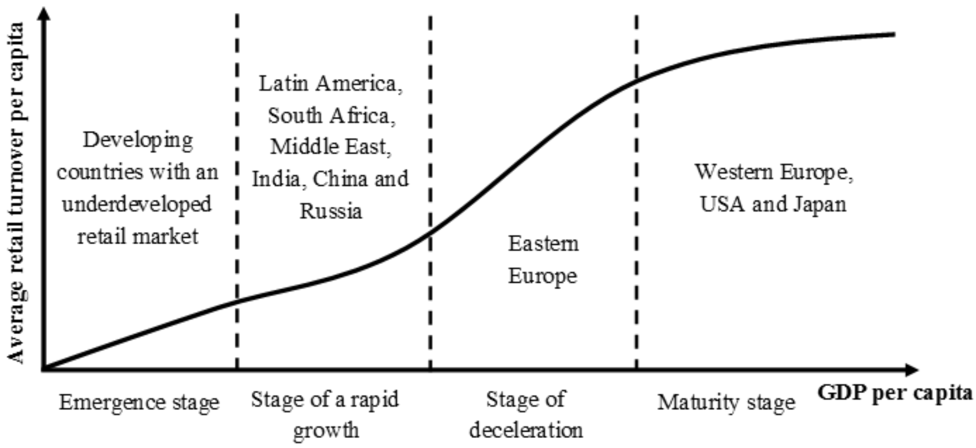

Figure 1: Stages of development of the retail sector (Nikolaevich 2015)

The developing countries with an underdeveloped retail market are in an emergence stage in their development. The emerging markets such as Latin America, South Africa, Middle East, India, China and Russia are at a stage of rapid growth. The development in the retail sector of Eastern Europe is at a stage of deceleration and Western Europe, the United States and Japan have reached saturation and are positioned at a stage of maturity (Nikolaevich 2015).

BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa. These countries are characterized by rapidly growing economies and increasing international influence. With over 40 percent of the world's population, the countries' combined output constitutes more than 20 percent of global GDP (O'Boyle 2014). Retailers are looking at the BRICS markets because of the growth of middle classes, growing spending power, relatively unsaturated markets, a growing youth market, rapid urbanization and a large demand for western-style good (Lees 2012; Welsh et al. 2006).

2.2.1 Retail internationalisation in South Africa

In the past decade, numerous shopping centres have been built in many of the African continent's major cities, some of which are South African investments. The internationalisation of retailing in Africa has been led by South African retailers. Despite the increase in international retail activity across Africa, little research has been done in this area (Dakora & Bytheway 2014).

The world has caught on to Africa's rising consumer market and consumer-facing industries, which include retail, retail banking, telecommunications and tourism. Expected growth is $400 billion by 2020 (Hattingh et al. 2012). Africa's economic growth accelerated after the year 2000, making it the world's second fastest growing region after emerging Asia and equal to the Middle East. It comes as a surprise to many that resources contributed less than a third of total GDP growth in the 2000s (before the onset of the financial crisis in 2008), while 45 percent of growth came from consumer-facing or partially consumer-facing sectors (Hattingh et al. 2012). The African market opportunity is concentrated within 10 of 53 countries - Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, Sudan, and Tunisia. The 10 account for 81 percent of Africa's private consumption in 2011. (Hattingh et al. 2012) These countries are attracting more local retail development, but it is South Africa being sought out by international retailers (DeIonno et al. 2014).

South Africa is the gateway to Africa for international retailers. South Africa has the second largest GDP in Africa after Nigeria (surpassing previous leader South Africa in April 2014), but still remains the most established retail market and the highest consumer spending in Africa (AT Kearney 2014). Retail sales growth has increased in recent years, by an average of 3 percent between 2005 and 2012, thanks to stable macroeconomic conditions, low inflation, and low interest rates. Sixty percent of South Africa's population now lives in cities, which has fuelled a growing middle class (AT Kearney 2014).

African consumers are, generally price sensitive yet brand conscious, and importantly brand-loyal. In South Africa, where consumers have much higher spending power than the rest of the continent, brand loyalty is still very high (AT Kearney 2014). South African consumers use clothing as a vital part of expressing their identity and spend the second highest portion of their disposable income on clothing. South Africans define themselves by their clothing and equate brands with higher quality, fashion and status. The South African consumer is willing to travel to purchase clothing items and values the availability of credit (Hattingh et al. 2012).

The upsurge of consumer culture on the continent presents a compelling investment case for international companies who are progressively looking at rising emerging-market wealth, to offset sluggish growth in traditional economies (Hattingh et al. 2012).

South Africa has attracted a range of global brands such as Zara, Forever 21, Gap, Topshop and River Island over the past 5 years. These brands see the country as a new income stream in a relatively untapped market, as well as a stepping stone to other sub-Saharan markets. Australian retailer Cotton On believes that South Africa is its fastest growing market of the 17 countries in which the company operates (Moorad 2014). The luxury sector is one that has had significant growth, with Tommy Hilfiger having recently opened a store as has Louis Vuitton, Cartier, Montblanc, Burberry and Furla (Grimberg 2014). The international brands that have been brought into the local market by South African retailers will further be explored in section 2.3.3.

2.3 Mechanisms for market entry

There are a number of entry modes for global players in a new market. According to Dakora & Bytheway (2014) the most commonly known modes to enter a new market are wholly owned subsidiaries, franchising and joint ventures. In the case of wholly owned subsidiaries there is full ownership of foreign operations by the company expanding across national borders. The wholly owned entry model allows for greater control over the internationalisation process whereas franchising is advantageous in that it reduces the investment requirements of the entering party (Park & Sternquist 2008). Franchising and joint ventures are the most commonly used entry modes for brands looking to join with a party in the local market (Dakora & Bytheway 2014; Doherty 2009; Menipaz & Menipaz 2011).

2.3.1 Internationalisation through franchising

International franchising is the unique business relationship where the franchising company, the franchisor, grants a license (intangible property rights) to its franchisees (Menipaz & Menipaz 2011). These intangible rights may include trademarks and the brand name. In return, the franchisee pays the franchisor a royalty based on gross sales. Profits after expenses (including royalties) are received by the franchisee as compensation (Baena 2012). In this agreement the franchisee must adhere to strict rules with regard to running the business (Menipaz & Menipaz 2011). International franchising is the most preferred entry modes for international brands as it has advantages for both franchisor and franchisee. The franchisee is buying a successful business, with a known brand, an operational working business, which allows for reduced time and financial spending in store development, marketing efforts or commercial deals paying a fee for the franchisor's knowledge and brand use. It also involves longer commitments, is low cost and includes little political risk. The franchisor has the ability to expand rapidly while spreading costs and risks across the network and gaining the franchisee's knowledge of local markets which in turn minimises cultural and language differences, and political problems (Forte & Carvalho 2013). Doherty (2007) conducted a survey concerning the factors that influence internationalisation through franchising, which are reported in Table 1.

Table 1: Motives for Internationalisation through Franchising (Doherty 2007)

Motives		Authors (in Doherty, 2007a)
Organisational factors	Operating experience	Eroglu (1992)
	Top management's international experience	Eroglu (1992)
	Tolerance of risk	Eroglu (1992)
	Perception of the firm's competitive advantage	Eroglu (1992)
	Firm size	Aydin and Kacker (1990); Eroglu (1992)
External environmental factors	External change agent influence	Eroglu (1992)
	Domestic market saturation, which prevents firms from growing	Welch (1990); Eroglu (1992); Hoffman and Preble (1993)
	Perceived favourability of the external environment	Eroglu (1992); Hoffman and Preble (1993)
	Fortuitous franchisee interest/ contact through third parties	Walker and Etzel (1973); Hackett (1976); Welch (1989, 1990)
Motivational factors or managerial attitudes	Desire to exploit potential markets	Hackett (1976); Welch (1990); Hoffman and Preble (1993); Hopkins (1996)
	Desire to increase sales and profits	Trankheim (1979); Kedia *et al.* (1994) and Hopkins (1996)
	Market expansion	Trankheim (1979); Welch (1990); Kedia *et al.* (1994)
	Desire to be known as an international firm	Trankheim (1979); Hopkins (1996)
	Desire for growth	

Additionally, Doherty (2007) analysed the factors that motivated six major UK-based international fashion retailers to choose franchising as a method for entering international markets and concludes with a combination of both organisational and environmental factors. The organisational factors are the internal factors of each company, such as international retailing experience, availability of financial resources, presence of a franchisable retail brand, company restructuring and influence of key managers. The environmental factors are external to the company, such as opportunistic approaches (possibility to explore international markets), local market complexities, domestic competitive pressures and availability of potential franchise partners.

2.3.2 Internationalisation through a joint venture agreement

Retailers may opt to enter into a joint venture agreement with a domestic player. From an international retailing perspective, joint ventures and strategic alliances are business partnership arrangements between retailers based in different countries, mostly initiated by a retailer wanting to expand its operations across borders (Dakora & Bytheway 2014). Combining capabilities and resources with a partner can reduce time to market. Other benefits include the opportunity to learn from the joint venture partner and share the risk. As with franchising, choosing the right partner, ideally one with complementary resources, skills and assets, is critical. Different cultures and management styles can sometimes result in poor integration and cooperation (Quinn & Houlden 2012).

2.3.3 Preferred mode for entering the South African market

Retailers need to decide what method of market entry will allow them to best adapt to local market conditions. Quinn & Houlden (2012) explain that the more different the market, the greater the need for adaptation, the greater the risk, the less likely retailers are to go in alone.

It is widely recognised that business franchising has become an established global trend within the service sector (Quinn & Alexander 2002; Welsh et al. 2006). Doherty (2007) contends that international franchising gives service sector businesses an opportunity for market expansion. This is certainly the case in terms of the internationalisation of retail services, with franchising increasingly being employed by international retailers to enter a new international market (Dant & Grünhagen 2014).

The South African market was seen as complex and fragmented, displaying both Western and African cultures. Therefore, international players have chosen franchising as the preferred method of market entry in order to recruit a franchisee who has the expertise and understanding of market conditions (Nagel 2002).

2.3.4 South African retailers' brand strategies

The key clothing retailers in South Africa are Woolworths Holdings Limited, the Foschini Group, the Edcon Group, Mr Price Group and Truworths International. Table 2 summarises the retailers that have brought international clothing and footwear brands into the local market as well as the deal structure with the brands.

Table 2: South African Retailers' International Brand Strategy

Retailer	Brands	Deal Structure	Source
Woolworths	Country Road Trenery Witchery Mimco	Acquired the Country Road Group which operates the Country Road, Trenery, Witchery and Mimco brands. Wholly-owned subsidiary since 2014	(Woolworths 2014)
	David Jones	Acquired David Jones Limited in 2014 (brands have not yet been introduced in the South African market)	
Foschini	Phase Eight	Acquired 85% of Poppy Holdco Limited in 2015, which trades as Phase Eight (brand has not yet been introduced in the South African market)	(Foschini 2015)
	Charles & Keith	Exclusive Franchise Partnership 2011	
	Fabiani	Acquisition 2011	
	G-Star	Acquisition 2011	
Edcon	Topshop Topman	Joint Venture Partnership with Busby 2012	(Edcon 2014; Edcon 2015; Millar 2014; Moorad 2013)
	Mango	Joint Venture Partnership with Busby 2012	
	Accessorize	Acquisition of controlling stake 2013	
	La Senza	Acquisition of controlling stake 2013	
	Tom Tailor	Exclusive Franchise Partnership 2013	
	Lipsy	Exclusive Franchise Partnership 2013	
	Jigsaw	Exclusive Franchise Partnership 2013	
	TM Lewin	Exclusive Franchise Partnership 2013	
	Dune	Exclusive Franchise Partnership 2013	
	Salsa	Exclusive Franchise Partnership 2013	
	CR7	Exclusive Franchise Partnership 2013	
	Vince Camuto	Exclusive Franchise Partnership 2013	
	One Green Elephant	Exclusive Franchise Partnership 2013	
	River Island	Exclusive Franchise Partnership 2013	
	Dr Martens	Exclusive Franchise Partnership 2014	
	Express	Exclusive Franchise Partnership 2014	
	Lucky Brand	Exclusive Franchise Partnership 2014	
	Victoria Secret	Exclusive Franchise Partnership 2014	
	Coccinelle	Exclusive Franchise Partnership 2014	
	Juno	Exclusive Franchise Partnership 2014	
	BCBGeneration	Exclusive Franchise Partnership 2014	
	Butterfly Twists	Exclusive Franchise Partnership 2014	
	Jessica Simpson	Exclusive Franchise Partnership 2014	
	Calvin Klein	Exclusive Franchise Partnership 2014	
Truworths	Daniel Hechter	Exclusive Franchise Partnership 1984	(Truworths 2014)

It is evident that including international brands to the portfolio of retailers is key to remaining competitive in the local market. Furthermore, from Table 2 it can be seen that exclusive franchise agreements with international partners is the preferred deal structure.

2.4 International franchise market and partner selection

Once a brand decides to enter a foreign market, the franchise partner selection process begins. The importance of partner selection is well recognised (Doherty 2009; Brookes & Altinay 2011; Forte & Carvalho 2013; Alexander & Doherty 2010; Dakora & Bytheway 2014; Dant & Grünhagen 2014). These studies show there is a range of partner selection criteria. Brookes & Altinay (2011) conducted an intensive study that revealed that in existing literature, fourteen papers exist on franchise partner selection and all are from the perspective of the franchisor only. There remains a gap to understand the partner selection criteria for retail franchising from the perspective of the franchisee. From the fourteen papers studied, the three that focus on retail franchising have been extracted and summarised in Table 3.

Table 3: Adapted from key findings from empirical studies in partner selection (Brookes & Altinay 2011)

Context of study	Authors (year)	Examined from	Partner selection criteria identified	Key findings
UK-based fashion retailers with international franchisees Authors	(Doherty & Alexander 2004)	Perspective of UK franchisor	Main criteria identified: 1) financial stability 2) business know-how 3) partner's local market Also important: 1) like-minded partners 2) chemistry between partners	Financial stability is a crucial factor in potential partner identification, but mutual attraction and relationship potential are important when making partner choices
Case study of retail franchisor in Taiwan	(Hsu & Chen 2008)	Perspective of franchisor	In order of importance, personal criteria: 1) personal background 2) financial situation 3) business ability Store location: 1) consumer purchasing power 2) footfall 3) parking convenience	Personal condition (criteria) of franchisee is more important than store location, and financial and business ability are of particular importance
UK international retail franchisors	(Doherty 2009)	Perspective of UK franchisor	Five criteria used in strategic approach: 1) financial stability 2) business know-how (preferably in retail) 3) local market knowledge 4) shared understanding of brand and strategic future 5) shared chemistry One criterion, i.e. financial capability, used in opportunistic approach	Both selection criteria and process important, but selection criteria differ as to whether a strategic or opportunistic approach is adopted. In opportunistic approaches, partner selection precedes market selection

Doherty and Alexander (2004) examined partner need recognition and partner selection search and evaluation from a relationship marketing perspective and identified examined financial stability, business know-how and the partner's local market as the main criteria when selecting a franchise partner. Hsu & Chen (2008) identified background, financial situation and business ability as the most important selection criteria for retail franchisors in Taiwan. Doherty's (2009) view is that there are two types of partner selection approaches, namely strategic and opportunistic. Strategic partner selection is when the franchisor is actively looking to enter an international market and use a planned search process to look for a franchise partner. Opportunistic partner selection refers to situations where the franchisor enters into franchise agreements as a result of the franchise partner approaching the franchisor without their initiation. Furthermore Doherty (2009) highlights the key partner selection criteria as financial stability; business know-how, a good understanding of the local market; a shared understanding of the brand and the strategic future of the business and finally the chemistry between the two partners. Figure 2 illustrates Doherty's (2009) conceptual framework of market and partner selection. The diagram presents both strategic and opportunistic approaches.

When a planned strategic approach is adopted, market selection precedes partner selection. In the case where a prospective franchise partner approaches a franchisor to franchise its brand internationally, the franchisee identifies the home market as part of the approach to the franchisor. Therefore, in the opportunistic approach, partner selection precedes market selection. Regardless of the path taken, the market and partner selection is achieved (Doherty 2009).

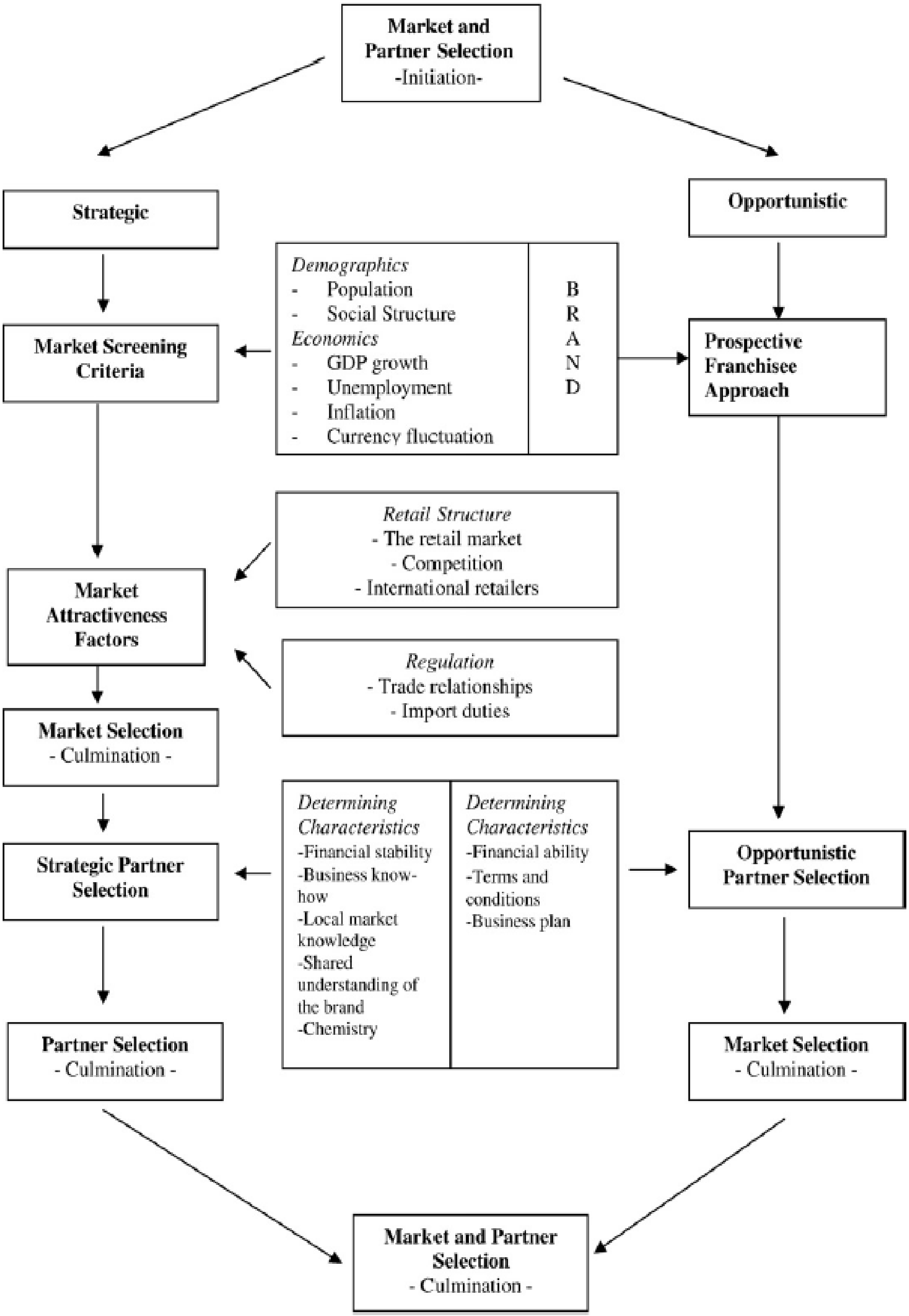

Figure 2: Market and partner selection: a conceptual framework (Doherty 2009)

2.5 Retail internationalisation success

Bianchi (2002) recognised that there is no guarantee of a retail firms success in the foreign market once the internationalisation process has started and that withdrawal may occur at any point in the process. There is very little research that addresses internationalisation success and failure and there is no common agreement on what factors may affect the internationalisation process. However, there are two topics that emerge from most literature on international expansion and they are: 1) the foreign (external) environment and 2) that a form of adaption or modification is required in the transfer of a retail concept to a foreign market.

2.5.1 The foreign (external) environment

The foreign or external environment may have an impact on the success of an international firm new to the market (Bianchi 2002). Alexander and Myers's (2000) internationalisation model considers "the need for retailers to realign their source of competitive advantage to meet new market conditions".

According to (Maharajh & Heitmeyer 2005), the external environmental factors for retail expansion include:

- The political and economic stability of the country.
- The size of the retail market.
- Real estate issues.
- The regulations by the local government for the type of market entry.
- The type of technical capabilities.
- The customer base or target market for the retailer.
- The competition and its intensity throughout the specific country.

According to AT Kearney (2014), market size and saturation need to be compared to determine the right strategy for a new market. Figure 3 illustrates the market saturation scores from 100 (unsaturated) to 0 (fully saturated) vs market size which is measured from smallest to largest (0-100). The majority of the African countries are smaller in size and have limited market saturation. South Africa is in the large market size and highly saturated quadrant. Hence the strategy for new international brands needs to differentiate their product.

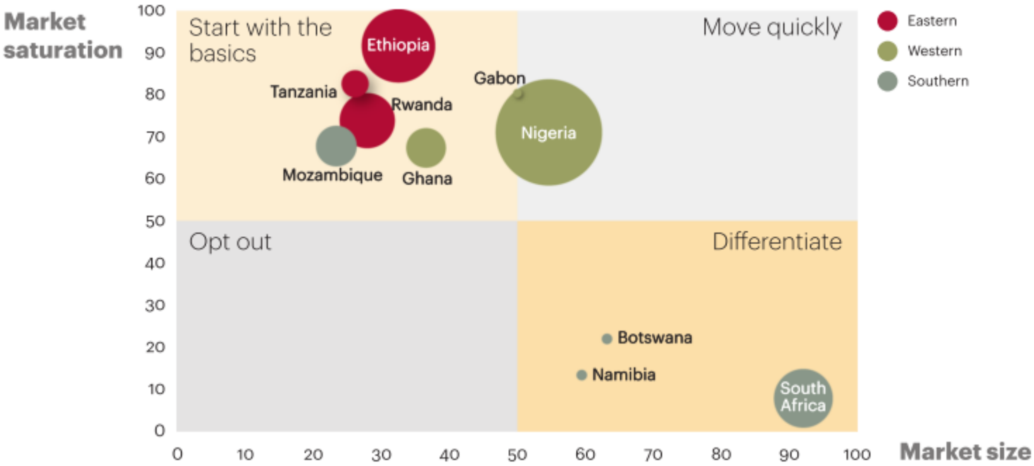

Figure 3: Comparing market size and saturation for the right go-to-market approach (AT Kearney 2014)

2.5.2 Realignment of retail concept to fit local environment

In retail internationalising literature, there is an acknowledgement that a retail firm needs to adapt to some aspects when entering a foreign terrain. Even global retailers like Benetton, Ikea and McDonald, that have standardised retail strategies, modify some aspects of their retail concept to fit foreign markets (Bianchi 2002).

Wigley & Moore (2006) believe that two of the key factors contributing to international retailer success are the development of an internationally attractive brand and product portfolio; and central management supervision of overseas activities irrespective of market entry choice and method via the management of partner relationships. Furthermore Wigley & Moore (2006) summarized the internal and external success factors in international retailing from the perspective of the franchisor as per Table 4.

Table 4: Internal and External success factors for an international retailer (Wigley & Moore 2006)

Internal success factors	External success factors
Commitment of senior management to develop an international presence	Sound understanding of the foreign market
Adequate support for foreign markets	Ability to be commercially innovative
Maximum control over supply chain participants	Offer must appeal to the needs of foreign customers
Appropriate method of market entry selected	Offer must transcend cultural and aspirational differences
Belief in and commitment to long-term potential of the market	Ability to influence customer preferences so that new opportunities can be developed where none previously existed

According to Swoboda et al. (2009), performance of international retail firms are usually seen as the final outcome variable. Five empirical studies relate to performance and failures, four papers focus on market operations and four on internationalisation strategies. Conceptual based papers are valuable but empirical studies are needed to support and generalise findings. The studies that focus on performance of international retail firms are listed in Table 5. The limited empirical studies on performance address the cultural determinants, but not the item characteristics and consequences of performance. It was concluded that adaption in foreign markets depends on environmental variables and on performance (Swoboda et al. 2009).

On the other hand, failures are analysed more deeply with regard to their characteristics, determinants and consequences. The studies on market failures or divestments are listed in Table 6.

In conclusion, Swoboda et al. (2009) are in agreement with Bianchi (2002) that these is no investigation of the determining factors of success or failure of the internationalisation of retail brands.

Table 5: Studies dealing with international performance (Swoboda et al. 2009)

Author(s) and year	Research question	Theory/framework	Empirical basis/ sector/method	Core findings
		Empirical Studies		
Evans/ Mavondo/ Bridson (2008)	Analysis of the several determinants of retail organisational performance	Concept of psychic distance, retail strategy and market entry strategy	Primary data (n = 102)/non-food, worldwide/regressions	- High level of control of entry strategies influences strategic effectiveness positively (organisational performance) - Retail strategy adaptation influence financial performance positively (organisational performance) - Psychic distance correlates positively with financial performance, as well as strategic effectiveness
Evans/ Mavondo (2002)	Empirical test of the concept of psychic distance in order to explain differences in performance in retailing	Concept of psychic distance and conceptualisation by *Evans/Treadgold/ Mavondo* (2000)	Primary data (n = 102)/non-food, worldwide/regressions	- Two countries: psychically close and distant markets - Consideration of cultural and business-related distance enhances quality of explanation - Cultural distance itself is not a significant predictor of performance, but there is a negative relationship between business distance and financial performance (subjective measure)
		Conceptual Studies		
Leelapanyalert/ Ghauri (2007)	Analysis of influencing factors and the role of *MO* within the market entry process	Internationalisation process theory, matching, *MO*, network theory	Case studies (n = 2), based on primary data/Ikea, Marks & Spencer/ qualitative	- Firms' characteristics (commitment, learning) have an impact on host country factors, i.e. matching (of actors, resources) and *MO* (generating and distributing intelligence, adaptation) - Performance abroad determined through host country factors - Result: matching facilitates market entry, efficiency; market-oriented *RF*s understand the foreign market and adapt
Jonsson/ Elg (2006)	Analysis of the role of knowledge (exchangeable) within *RI* processes	Learning theory and process models of internationalisation	Case study (n = 1), based on primary data/Ikea, Sweden, Russia/qualitative	- Different knowledge is needed within the internationalisation process depending on the phase - Internationalisation process models have to be expanded in terms of the form of knowledge exchange as this is a central performance determinant within RI processes
Wigley/ Moore/ Birtwistle (2005)	Performance factors in internationalisation of fashion *RF*s	Based on six topics of *RI* according to *Akehurst/Alexander* 1995	Case studies (n = 2), primary data/UK and US, fashion/qualitative	- *Akehurst/Alexander* 1995 use six topics of *RI* as a framework, differences between UK and US fashion *RF*s demonstrated in four areas - Motives (push/pull); markets (geographical/cultural distance); requirements (resources); *MES* (control/property)
Rogers/ Ghauri/ George (2005)	Effects of *MO* on performance in the international context	Concept of *MO*, partly matching	Case study (n = 1)/Tesco/qualitative	- Stronger *MO* leads to higher performance - European *RF*s tend to transfer processes developed in the home market to foreign markets, which leads to reduced *MO* (as processes do not match)
Moon (2005)	Demonstrate growth strategies of US *RF*s	None (traditionally four growth strategies according to *Aaker*	Short case studies (n = 5)/US, overall/qualitative	- Reasons for international expansion: growth strategies and competition in the home market - Internationalisation is not necessary for all *RF*s and not necessarily needed for future performance
Carr (2004)	IT as performance factor	Industry- and resource-based view (mentioned)	Case studies (n = 2), secondary data/overall/qualitative	- IT application itself does not lead to competitive advantage for Dell and Wal-Mart, it is only an instrument - Competitive advantages result from the execution of a clearly defined strategy
Hernandez (2003)	Effects of entry by a *RF* or format on the market structure (*DIY* sector)	None	Case study (n = 1), secondary data/ Home Depot, USA, Canada/ qualitative	- The introduction of Home Depot in Canada was a success resulting in many closures of former competitors' stores; *DIY* is now common in society - US *RF*s go preferably to Canada; mostly organic *MES*; special, adapted retail offer as performance factor
Arnold (2002)	Demonstration of similarities/performance factors of successful *RF*s, which are relevant inter-sectorally	None	Case studies (n = 5), based on secondary data/overall/ qualitative	- Similarities of the best *RF*s worldwide: 1) inspirational leadership; 2) motivating organisational culture; 3) innovation, adaptability, leadership, opportunistic behaviour (culture); 4) relevance to customers; 5) and to community - "Performance" measured by sales volume, growth, number of stores, number of countries, and stability
Shackleton (1998)	Influence of firms' strategy and culture on international performance; especially transfer, adaptation and implementation	Concepts of firms' culture	Case study (n = 1), analyst interviews/ Sainsbury, UK, USA/qualitative	- Performance of Sainsbury in the USA is based on successful transfer of firm's ideologies and strategies, and thus of management principles - At the same time, failure in the home market is attributed to sticking to these principles instead of facilitating change and adaptation to new environment, change in organisational structures/decision-makers as solution
Dupuis/ Prime (1996)	Development of a model to explain performance factors within *RI* processes	Business-related distance, elements of format	Conceptual	- Performance factors within format internationalisation: 1. degree of innovation, keep marketing mix, either adaptation or globalisation; 2. harmonic relationships (investors, suppliers etc.); 3. develop cultural adaptability
Tordjman (1988)	Explanation of the development of hypermarkets in France and whether they could be successful in the USA	None	None	- Two development conditions are crucial to good performance: 1. appropriate environment:, market growth, price orientation of customers, weak competition, and legislation 2. format-specific know-how; concept, purchasing power, logistic techniques, financial/personnel resources - Difficulties because of decentralised management

MES = market entry strategy, *MO* = market orientation, *RI*= retail internationalisation, *RF* = retail firm

Table 6: Studies dealing with failures and foreign divestments (Swoboda et al. 2009)

Author(s) and year	Research question	Theory/framework	Empirical basis/ sector/method	Core findings
			Empirical Studies	
Elgar/ Rachman-Moore (2007)	Analyse the quality of managerial decision-making as a central cause of failure	Mention implicitly the resource-based view/internal factors	Primary data (n = 140)/experts, Israeli retail sector/mean comparisons	- Determinants of market failures: quality of strategic decision-making, quality of the decision-making by the management of the local entity, and the quality of cooperation between the international retail chain and its local entity - The quality of tactical decision-making is less important
Alexander/ Quinn/ Cairns (2005)	Analysis of degree of history, volume and patterns of *DI* instead of level of individual businesses	*Palmer* (2004) (corporate restructuring) and *Burt/Dawson/ Sparks* (2003) *IO* and *OS* perspective) mentioned	Secondary data (n = 153 *DI*; 1987-2003)/overall, focus on UK/frequencies	- Industry-specific: most *DI* in fashion industry; *DI* in food industry mostly after being present abroad for 10 years - No influence by country of origin on promptness of the *DI*; *DI* in Europe show short-term border-hopping within the first three years; less *DI* at larger firms (number of outlets) - Environmental influences (e.g. economic crisis) affect *DI*
Burt/ Dawson/ Sparks (2004a; 2004b)	Analysis of geographical and *MES*-based form of *DI* in European food retailing	*Burt/Dawson/Sparks* (2003); *Benito/Welch* (1997)	Secondary data (n = 271 *DI*; 1970-2003)/food, Europe/frequencies	- Distinctive rise in *DI*s (difference between exit and complete exit), closure (partial closure) and organisational restructuring since 1994; most *DI*s by EU food *RF*s in USA or Spain - Influence of *MES*: *DI*s less frequent if growth is organic, *DI* most common in alliances/franchising - Influence of format: supermarkets most affected by *DI*, followed by hypermarkets
			Conceptual Studies	
Palmer/ Quinn (2007)	Analysis of *DI* within the scope of the whole internationalisation process	None, process perspective mentioned	Case study (n = 1), primary data/food Ahold, NL/qualitative	- Operational and non-operational forms of *DI* - Observation of external and internal influencing factors - *DI* not always sign of conflicts, but as strategic option in internationalisation processes
Bianchi (2006)	Systematic composition of reasons for failure of Home Depot in Chile	Institutional perspective	Case study (n = 1), expert interviews and secondary data/*DIY*, Chile/qualitative	- Little examination of the market in terms of cultural habits and inadequate behaviour of the management - Customers have other living habits: *DIY* is just starting due to cheap labour and customers do less repairs by themselves - Behaviour by suppliers/competitors not adjusted to country-specific habits, which leads to loss of partners
Jackson/ Mellahi/ Sparks (2005)	Analysis of the exit process based on Marks & Spencer in France	Process perspective; rational economic perspective according to *Shapiro* mentioned 1993, decision perspective and context factors	Case study (n = 1)/Department Stores (Marks & Spencer), UK/qualitative	- From an economic point of view, exit is a good decision and rewarded with a rise in share prices - Sustainable damage to reputation through poor management of processes; this leads to the importance of social and other environmental factors influencing exit processes - Relevance of topics related to management and organisation, as well as economy-oriented topics for exit process
Palmer (2004)	Importance of *DI* in internationalisation process and learning from *DI*, based on the example of Tesco	None; five types of restructuring according to *Bowman/Singh* (1993) and *Young/Hood/Firn* (2001)	Case study analysis (n = 1)/food (Tesco), UK/qualitative	- *DI*s are not considered as options during internationalisation process and have a negative association - Opportunities for learning during *DI*, e.g. regarding appropriate exit strategies, management commitment, reputation of the firm
Burt/ Dawson/ Sparks (2003)	Definition and conceptualisation of a framework for "failures" in retailing	*Mellahi/Jackson/ Sparks* (2002), industrial organisations (*IO*) and organisational studies (*OS*) perspective, as well as *Benito* (1997)	Conceptual	- Failure in a country leads to the following options for actions: *DI* (reduction of investments), closure (closure of outlets/distribution channels), restructuring (change in organisational structures) and exit (complete exit), but also persistence as well as increased investments are possible - Reasons for failure: market-related, competition-related, organisation-based, company-specific
Wrigley/ Currah (2003)	Organisational challenges during internationalisation in countries with different environments	"Comparative study of forms of industrial capitalism", especially *Whitley* (2001)	Case study analysis (n = 1), primary data/food (Ahold), Netherlands/qualitative	- Little conceptualisation of the process of *DI* - Internationalisation process is "dialectical" in the sense of the influence of institutions specific to home and host country - Relationship between *RF* and financial situation as critical factor of internationalisation that is very rarely considered
Alexander/ Quinn (2002)	Analysis of *DI* of Marks & Spencer and Arcadia	Perspective of the decision process according to *Godar* (1997)	Case studies (n = 2), secondary data/fashion and department stores, UK/qualitative	- Phases of *DI* processes: 1. decision-making phase; 2. process of *DI*; 3. (financial) effects according to *Godar* 1997 - Revealing reasons for failure is simple, but whole process is yet to be understood - Option of changeover from an organic *MES* to franchising
Mellahi/ Jackson/ Sparks (2002); *Burt et al.* (2002)	Analysis of external and internal factors influencing the crisis of Marks & Spencer	Combination of *IO* and *OS* perspective, internal and external influencing factors	Case studies, primary data/department Stores, UK/qualitative	- Internal factors as main reason for the crisis of the firm, especially management failures by doing nothing, underestimating the situation and inappropriate reaction - External factors act as accelerators of the crisis (i.e. rapidly changing market conditions)
Godley/ Fletcher (2001)	Demonstration of FDI in British retailing (1850-1994)	None	Secondary data/UK, overall/-(descriptive)	- Increasing number of *DI*s - No implications – illustrating of previous retail FDI in order to stimulate further research
Lane/ Hunter/ Hildebrand (1990)	Analysis of reasons for *DI*	None	Case study, primary data (n = 4)/ CAN, overall	- Customer-oriented reasons: customer preference - Firm-oriented reasons: retailing structure, access to suppliers and conditions; management knowledge - *MES*-related reasons: greenfield investments vs. acquisition

DI = divestment, *DIY* = do-it-yourself, *IO* = industrial organisation, *OS* = organisational studies, *RF* = retail firm, *MES* = market entry strategy

2.6 International Expansion Framework

Albert (2013) illustrates the international expansion framework from the perspective of a global retailer. The same methodology may be considered for a retail group executing a retail brand in the local market.

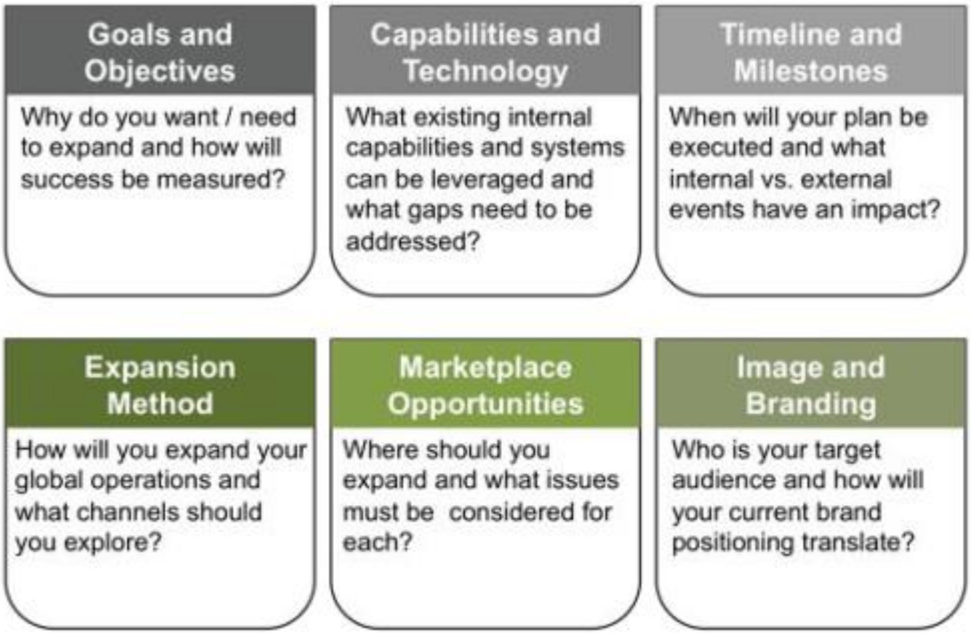

Figure 4: International Expansion Framework (Albert 2013)

2.6.1 Goals and Objectives

Establishing expansion goals and objectives upfront is important in providing clarity and will aid in making beneficial decisions. Each goal should have a target that can be quantitatively measured, (return on investment, market share, etc.) which in turn allows for the acknowledgment of short- and long-term wins and/or losses (Albert 2013).

2.6.2 Capabilities and Technology

Once goals and targets are established, retailers should continue to look inward at existing processes and tools that will and can be used as part of store expansion. Retailers should look across all areas and aspects of their business – merchandising, product development, design, planning, information technology, pricing, finance, legal, marketing, sales, customer service, logistics, sourcing, warehouse management, store operations, real estate, vendor management, human resources, training – to uncover strengths and weaknesses in the process (Albert 2013).

2.6.3 Timeline and Milestones

The purpose of this assessment area is to create a time and action calendar to document important dates and events for example store openings and to measure the overall feasibility of expansion plans (Albert 2013).

2.6.4 Expansion Method

There is not a 'one-size-fits-all' plan, as there are many options available for retailers to take into account. Likewise, the same method does not have to be used for every expansion initiative taken up by a retailer. For example, the first phase of the expansion could consist of e-commerce only, with the intention of using sales data to determine which countries warrant a physical presence (Albert 2013).

2.6.5 Marketplace opportunities

The next step in the assessment is to generate the list of location candidates. Market types, i.e., developed vs. emerging, should also be determined. When considering markets, specific issues should be examined, including:

- Economic Growth and Risk.
- Government and Political Stability.
- Regulations (e.g., trade agreements, commercial & tax laws, trademark & intellectual property protection, etc.).
- Infrastructure.
- Real Estate.
- Demographics.
- Social and Cultural Environment.
- Labour and Suppliers.

2.6.6 Image and Branding

Products and campaigns do not easily translate and can sometimes be seen to be 'lost in translation'. Retailers need to take precautions by taking a serious look at prospective cultures and making sure that product names, for example, do not have a dual or adverse meaning. Additionally, marketing campaigns may need to be revised or restructured to align with the demographics of the country and to safeguard against local and international competitors. Retailers may even have the opportunity to turn a declining brand into a successful value brand in a different market (Albert 2013).

2.7 International Brand Value

To differentiate between brand assets, brand strength and brand value Kapferer (2012) developed Table 7. Brand assets are the sources of influence of the brand, brand strength is captured by behavioural competitive indicators and brand value is the ability of the brand to deliver profits, i.e. financial value is measured at the level of earnings before interest and tax (EBIT). According to Lee (2000) no single measure of performance fully reflects the financial wellbeing of a firm. The financial performance of retailers is multidimensional and requires an examination of profitability, liquidity, capital structure, growth pattern of sales and profits, and growth potential of sales and profits. However, profitability is accepted as the aggregate performance measure (Lee 2000).

Table 7: From brand awareness to financial value (Kapferer 2012)

Brand assets →	Brand strength →	Brand value (financial equity)
Brand awareness Brand reputation (attributes, benefits, competence, know-how, etc). Emotion Perceived brand personality Perceived brand values Reflected customer imagery Brand preference or attachment Patents and rights	Market share Market leadership Market penetration Share of requirements Growth rate Loyalty rate Price premium Percentage of products the trade cannot delist	Net discounted cashflow attributable to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing

2.8 Summary

The internationalisation of retail firms has become a global phenomenon as retailers around the world expand their operations beyond national borders. In the last two decades there has been an increase in literature addressing the topic of international retailing. Key themes that are emphasised in the literature are listed in Table 8.

Table 8: Literature Review Themes

Themes	Sources
“motivations for globalisation”, ”market selection”, “market entry modes”, “internationalisation strategies”, “choices of market entry strategy”, “market operations”, “supply chain management in international markets”, "expansion", “brand management”, “international performance” and "brand value".	Albert 2013, Dakora & Bytheway 2014, Doherty 2007, Doherty 2009, Kapferer 2012, Menipaz & Menipaz 2011, Swoboda et al. 2009

The literature review establishes that Southern Africa is an attractive market for global retailers and that more and more retailers and brands are entering or looking to enter this emerging market. Furthermore, the research concludes that international players have chosen franchising as the preferred method of market entry to South Africa.

It is evident that little research has been done on internationalisation of retailers or brands from the perspective of the franchisee. This research report intends to address that gap.

2.9 Conceptual framework

Based on the themes identified in the literature summarised in Table 8 as well as Doherty’s (2009) model for selecting a partner, the following conceptual framework is proposed by looking at the literature through the lens of the franchisee. Refer Figure 5.

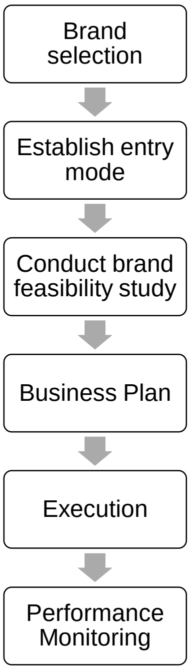

Figure 5: Initial Conceptual Framework

The framework suggests that brand partner selection is the first step in the process of internationalisation of a brand into the South African market. Once market suitability is established, the retailer reaches out to the brand to initiate collaboration. If the brand has an appetite for exclusive collaboration with the retailer in the local market, the entry model is agreed, an in-depth brand feasibility study is conducted, the contract is negotiated and a business plan is set up. The brand is then executed into the market and ongoing performance monitoring is done.

The proposed conceptual framework guided the research theory questions and is tested through interviews with subject matter experts at the retail group.

3 RESEARCH METHOD

3.1 Introduction

Given the relatively unexplored nature of the research topic (retail internationalisation into an emerging market from the perspective of the franchisee), this study adopted an exploratory qualitative research strategy (Yin 2009a). Single-case case study methodology was used to develop the conceptual brand feasibility framework for a retailer in South Africa. Case studies allow researchers to study an organisation and its environment in a natural setting and obtain rich insights into complex processes (Yin 2009a). The single case approach has been an increasingly popular methodology within the retail internationalisation literature and has enabled various researchers to provide important new insights into the field (Bianchi 2009).

According to Yin (2009b) a case study protocol is a key way to increase the reliability of case study research. Therefore Yin's protocol was used to carry out the data collection of this single case. Yin (2009b) suggests that the case study protocol should have the following sections:

- Introduction to the Case Study and Purpose of Protocol.
- Data Collection Procedures.
- Case Study Questions.

3.2 Introduction to the Case Study and Purpose of the Protocol

A qualitative approach was taken as the data obtained was in the form of words, gathered by the author, using the interviewees' interpretation, a literature review and observations (Yin, 2003). The case study question was:

- CRQ: What are the key components of a conceptual brand feasibility framework for a retail group in South Africa?

To answer this critical question, a hypothesis was developed based on key themes that emerged from the literature (refer Table 82.6). The hypotheses is that the following components constitute the brand feasibility process: brand selection, entry mode, brand feasibility, setting up a business plan, store execution and performance monitoring. Based on the hypothesis a theoretical framework (refer Figure 6) was developed, as can be seen in Figure 6

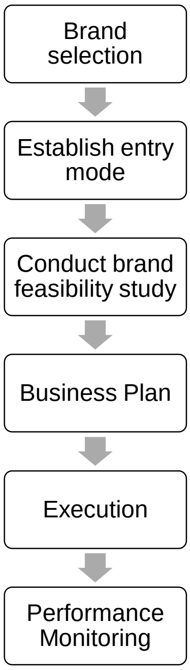

Figure 6: Theoretical Framework

3.3 Data Collection Procedures

The case site was the retail group's head office. As discussed in Section 1.2, the retail group is a non-food retailer in South Africa and founded an international brands division in 2012.

When using case study methodology, there are a variety of data collection methods that should be considered to ensure the most suitable technique is applied. Yin (2009) recommends six sources of data for case studies: documentation, archival records, interviews or surveys, direct observation, participant observation and physical artefacts. Table 9 tables the six main sources of evidence for a case study as well as the strengths and weaknesses of each source (Yin 2009a).

Table 9: Six sources of Evidence: Strengths and Weaknesses (Yin 2009a)

Source of Evidence	Strengths	Weaknesses
Documentation	➢ Stable-can be reviewed repeatedly ➢ Unobtrusive-not created as a result of the case study ➢ Specific-can contain the exact names, references and details of an event. ➢ Broad-can cover a long span of time, many events and many settings	➢ Retrievability-can be difficult to find ➢ Biased selectivity, if collection is incomplete ➢ Reporting bias-reflects (unknown) bias of any given document's author ➢ Access-may be deliberately withheld
Archival Records	➢ [*Same as those for documentation*] ➢ Precise and usually quantatative	➢ [*Same as those for documentation*] ➢ Accessibility due to privacy reasons
Interviews	➢ Targeted-focuses directly on case study topics ➢ Insightful-provides explanation as well as personal views (e.g. perceptions, attitudes and meanings)	➢ Bias due to poorly articulated questions ➢ Response bias ➢ Inaccuracies due to poor recall ➢ Reflexivity-interviewee gives what interviewer wants to hear
Direct Observations	➢ Immediacy-covers actions in real time ➢ Contextual-can cover the cases context	➢ Time consuming ➢ Selectivity-broad coverage difficult without a team of observers ➢ Reflexivity-actions may proceed differently because they are being observed ➢ Cost-hours needed by human observers
Participant Observations	➢ [*Same as direct observations*] ➢ Insightful into interpersonal behavior and motives	➢ [*Same as direct observations*] ➢ Bias due to participants-observers manipulation of events
Physical Artifacts	➢ Insight into cultural features ➢ Insight into technical operations	➢ Selectivity ➢ Availability

For the purposes of this research primary, and secondary data was used. The primary data was composed of semi-structured interviews. Secondary data collection was from data sources as well as direct/ participant observation.

Semi-structured Interviews

Purposeful sampling was used to select the sample group for the interviews. The sample selection was limited to a single retail group. The company under discussion was selected as it is the researcher's employer.

Furthermore maximum variation sampling was used as the interviewee's were selected to provide a broad representation of the organisation. A sample group of 7 were selected from a department of 24 employees at the international brands division at the retailer under discussion. These seven participants were selected as they constitute the senior management team and were regarded the subject matter experts of the high-level brands feasibility process. The other employees were disregarded as they focus on low level operations and do not have insight into the process of internationalisation of brands.

Data sources

Data was collected from various sources including books, annual and news reports, journals and articles. In the literate review the following data was extracted from these sources: "motivations for globalisation", "market selection", "market entry modes", "internationalisation strategies", "choices of market entry strategy", "market operations", "supply chain management in international markets", "brand management" and "international performance". Based on these themes, a theoretical framework was developed (refer Figure 6). This theoretical framework was used to develop the interview questions, which in turn tested the framework and an updated model as well as key conclusions were discovered.

Participant observation

Participant observation is the method in which a researcher takes part in the daily activities, interactions and events of a group of people as one of the means of collecting data (DeWalt & DeWalt 2010**.** As stated in Table 9, the strength of participant observation is that the researcher gains insight into interpersonal behaviours and motives. However, the weaknesses of this method is that participant observation may lead to bias due to the observers' manipulation of events. According to Rajendran (2001), all researchers are affected by observers' bias. In the case of this research project the researcher is subjectively immersed in the subject matter, due to being employed by the retail group. As a qualitative analysis requires a researcher to remain objectively separated (Yin 2009a), personal bias was managed by adopting a stance of neutrality with regard to the topic under study. (Rajendran 2001). Furthermore, the researcher constantly confronted her opinions and prejudices with the data collected.

3.4 Case Study Questions

Wengraf (2001) believes that as a researcher moves phases in the development of a theory from model-building to model-testing, there is also a move from lightly structured, to more heavily structured types of depth interviewing. The spectrum was described from unstructured to fully structured interviewing, as shown in Figure 7.

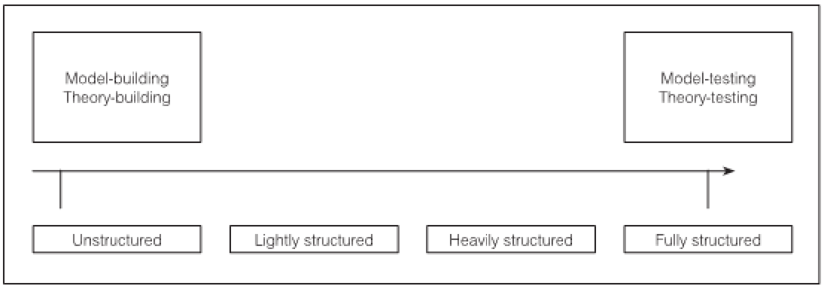

Figure 7: Interview Spectrum (Wengraf 2001)

As the aim of this research paper was to build a conceptual framework for a retail group, a semi-structured interview approach was used. The semi-structured interview involves prepared questioning, guided by identified themes in a consistent and systematic manner interposed with probes designed to elicit more elaborate responses (Qu & Dumay 2011). Wengraf (2001), developed an algorithm for the designing of interview work, called the QRT-TQ-II pyramid (refer Figure 8).

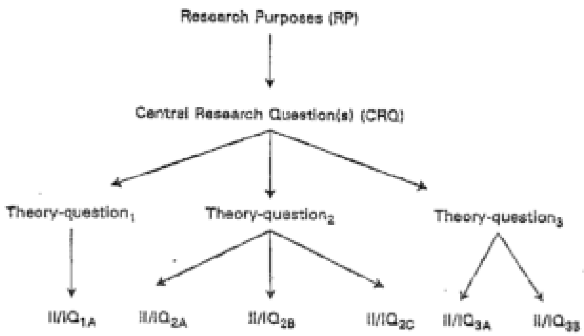

Figure 8:QRT-TQ-IQ/II: Pyramid Model (Wengraf 2001)

The Wengraf (2001) pyramid of interview research proposes the progression from the research purpose (RP) to the central or critical research question (CRQ), differentiated into a number of theory questions (TQ) and the informant or interview questions (IQ). In this research project, the research purpose was to determine the brand feasibility process for a South African retailer. In order to achieve this a central research question (CRQ) was posed:

- CRQ: What are the key components of a conceptual brand feasibility framework for a retail group in South Africa?

Wengraf (2001) believed that when interview work is designed, research problems should be posed within a conceptual framework embodied in a particular theory-language as theory questions. Empirical indicative material is then sought by means of semi-structured interviews, to provide answers to these theory-questions. The theory questions that were developed from the literature review and theoretical framework, formed the basis of the interview questions to answer the central research question:

- TQ1: Explain the brand partner selection process?
- TQ2: How is the brand entry mode established?
- TQ3: What is involved in the brand feasibility study?
- TQ4: What are the key negotiation points? How are negotiations done?
- TQ5: What is the execution process of the brand in the new market?
- TQ6: How is performance monitored?
- TQ7: Which internal or external factors could affect the partnership?

According to Qu & Dumay (2011), the semi-structured interview involves "prepared questioning guided by themes in a consistent and systematic manner interposed with probes designed to elicit more elaborate responses." The probes that were used in the interviews were the informant questions. In order to illustrate how the informant questions were derived, Figure 8 was populated with the research purpose, critical research question, theory questions and informant questions of the research project, as can be seen in Figure 9.

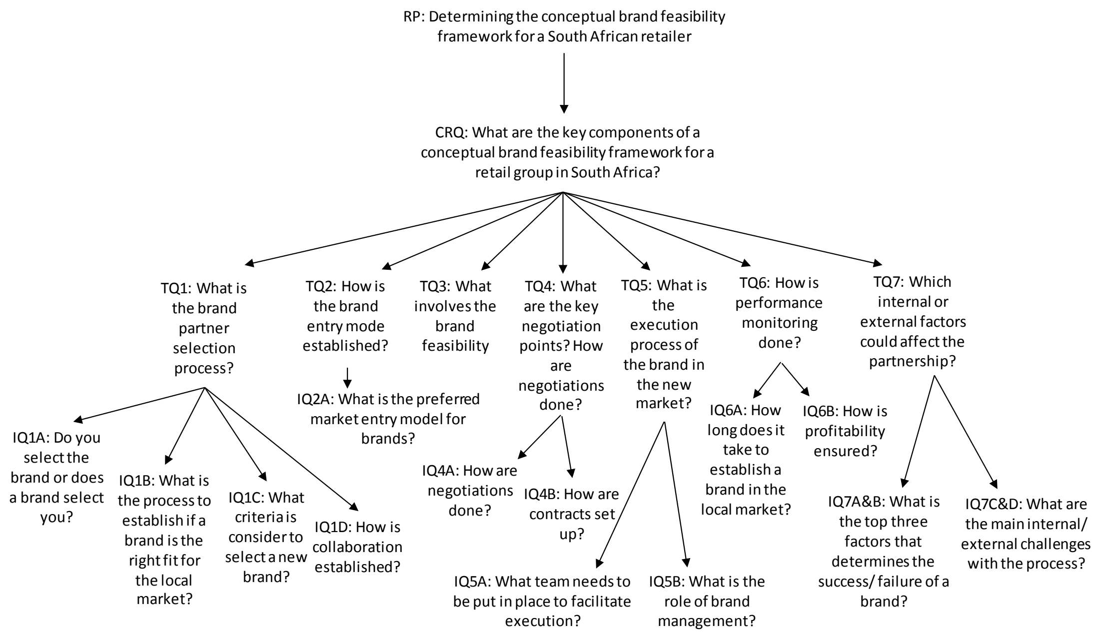

Figure 9: Pyramid Model populated with Research Questions (Wengraf 2001)

The interviews were conducted at the interviewees' place of work and lasted between 23 - 47 minutes each. The interviewees were asked introductory questions regarding their roles and responsibilities and background in the industry as well as 7 primary theory questions and 14 applicable informant questions. Each interview was fully recorded and transcribed.

Prior to the interviews, each interviewing signed a participation letter, which stated that participation in the study is voluntary, and that they may withdraw at any time. Furthermore the participation letter stated that anonymity and confidentiality of information provided will be assured and respected. Permission to record the interviews, to be transcribed was also granted.

3.5 Questionnaire format

The questionnaire is contained in Appendix A. According to Wengraf (2001) the basic unit for a semi-structured interview is open-ended questions, with prompt-supported answering and interviewer listening. The questionnaire is divided into seven sections, as there are seven theory research questions to be answered in order to answer the critical research question.

Section 1 contains questions regarding the brand partner selection process.

Section 2 contains questions regarding how the brand entry mode is established.

Section 3 contains questions regarding the brand feasibility.

Section 4 contains questions regarding brand negotiations.

Section 5 contains questions regarding the brand execution process.

Section 6 contains questions regarding performance monitoring.

Section 7 contains questions regarding the factors that could affect partnerships as well as challenges experience with the process.

For each of the theory questions, further informant questions (IQ) are posed (Wengraf 2001).

3.6 Data presentation and analysis

Data was analysed via Thematic Content Analysis (TCA) using Qualitative Data Analysis software, NVivo. Thematic Content Analysis is the descriptive presentation of qualitative data which involves searching through labelled and grouped text to identify recurrent patterns (Anderson 2007). NVivo is software that supports qualitative and mixed-methods research. According to Bazeley & Jackson (2013) NVivo was designed to assist researchers to manage non-numeric data, such as interviews and literature reviews and allows an increased focus on ways of analysing the meaning of what was recorded. During the analysis of the primary and secondary data collected, NVivo was used to manage data, manage ideas, query data, visualise data and report from the data. The process that is followed in this research project is shown in Figure 10.

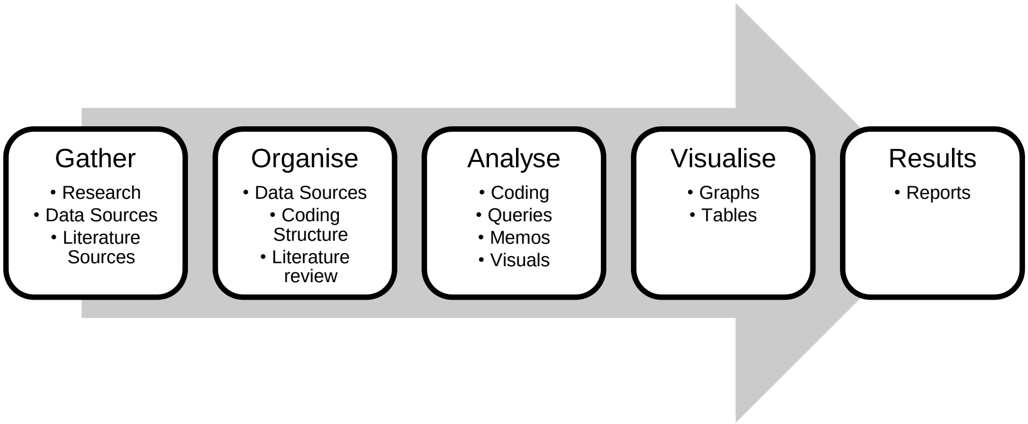

Figure 10: Qualitative Analysis and review of literature with NVivo (Penna 2013)

The process was started with information gathering that was done by conducting semi-structured in interviews with subject matter experts in the retail industry. These interviews were transcribed and imported into NVivo software. The non-numerical data was then organised into sources, classifications and nodes/ codes. The node structure consist of the units of analysis, themes and emergent data. The material was then analysed, and common themes and topics were identified, highlighted and stored in a labelled container or node referring to the specific theme. Lastly, connections in the data were uncovered (Bazeley & Jackson 2013). Examples can be seen in Chapter 4, where pattern matching done can be seen in Section 4.8 and the word frequency count can be seen in Section 4.10.

The data is presented per the sections of the questionnaire. Based on the data analysis, a conclusion on the brand feasibility framework of the retailer can be reached.

3.7 Data reliability and validity

According to Yin (2009) the quality of case studies can be judged by four logical tests: construct validity (identifying operational measures for the concepts being studied), internal validity (does the concept map work the way predicted), external validity (does the study add to the theoretical understanding of the concepts) and reliability (demonstrating that the operations of the study can be repeated with the same results). Figure 11 describes the case study tactics for the four design tests as set out by Yin (2009a).

TESTS	Case Study Tactic	Phase of research in which tactic occurs
Construct validity	♦ use multiple sources of evidence ♦ establish chain of evidence ♦ have key informants review draft case study report	data collection data collection composition
Internal validity	♦ do pattern matching ♦ do explanation building ♦ address rival explanations ♦ use logic models	data analysis data analysis data analysis data analysis
External validity	♦ use theory in single-case studies ♦ use replication logic in multiple-case studies	research design research design
Reliability	♦ use case study protocol ♦ develop case study database	data collection data collection

Figure 11: Case study tactics for Four Design Tests (Yin 2009a)

Yin argues that these tests should be applied throughout the case study process: during research design, data collection, data analysis and reporting. By conforming to these recommendations, the quality of your case study will increase, and traditional criticisms of the weakness of case study research will be overcome (Yin 2009a). Table 10 summarises the recommended tactics covering these four tests and also indicates the ways in which the research design and conduct for this case study responded to these recommendations.

Table 10: Case study tactics applied in research adapted from (Yin 2009a)

Tests	Case Study Tactic	Research Phase in which tactic occurs	Action taken in this research
Construct validity	Use multiple sources of evidence	Data collection	Data triangulation - use of in-depth interviews, various sources including annual and news reports, journals and articles and participant observation
	Establish chain of evidence	Data collection	Interview data were recorded and transcribed; multiple sources entered into thematic content analysis program
	Have key informants review draft case study report	Composition	Case study reviewed by university research committee, project supervisor and editor before submission
Internal validity	Do pattern matching	Data analysis	Patterns identified in data
	Do explanation building	Data analysis	The analysis of the case study was carried out by building an explanation of the case or framework
	Do time series analysis	Data analysis	Not performed in this research
	Do logic models	Data analysis	Not performed in this research
External validity	Use rival theories within single cases	Research design	Not used because of exploratory nature of research and lack of existing theory
	Use replication logic in multiple-case studies	Research design	Not applicable
Reliability	Use case study protocol	Data collection	Case study protocol was used in the data collection process
	Develop case study database	Data collection	Interview transcripts and literature reviewed entered into database

In order to mitigate the bias against case study research, Yin (2009) puts emphasis on data triangulation. This refers to the use of more than one approach to the investigation of a research question in order to enhance confidence in the resultant findings. Yin (2009) also places emphasis on precise documentation of the database and maintaining the chain of evidence which provides validity in reconstructing the study from the research question to the conclusions.

For this research project, triangulating the data by source, rather than by method, was applied as a means of improving the validity and credibility of information and ensuring that viewpoints represents varying levels of responsibility within the retail firm. The three data sources are in-depth interviews, various sources including annual and news reports, journals and articles and participant observation. In Chapter 4, each theory question (TQ) was analysed with respect to the interview data, documentation data and observation data from which conclusions were drawn.

3.8 Ethical Considerations

The ethical clearance process involved obtaining permission to conduct the study from the following parties:

- The University of Witwatersrand.
- The retail group.
- The interview participants.

A school ethics clearance form was approved by the ethics committee and an ethics clearance number was obtained. The ethics clearance number is MIAEC 055/15. Refer Appendix D for the ethical clearance documentation.

Permission to conduct the research was obtained from the retail group. For reasons of confidentiality, the retail group under discussion remained anonymous. The process involved signing a non-disclosure agreement as well as agreeing on the following with the Head of the Business Unit;

- The timing of the research is feasible.
- Organisational context was taken into account during the study.
- The research would be shared with the retail group once completed.
- The research questionnaire was presented and approved.

The identities of the participants remained confidential. Informed consent was obtained from the individual participants in advance. In the letter of consent the participants acknowledged that the research had been explained to them and they understood what it entailed. All the participants were fully informed of the study and what was being asked of them, including the potential risks/ benefits and were therefore able to make informed decisions about whether or not they wanted to participate in the research. Finally in the letter of consent, the participants were provided with a contact number at the university if they had any questions or concerns about their rights or treatment.

3.9 Summary

This chapter of the research report covered the method that was used to conduct the research. The results are presented and analysed in Chapter 4.

4 DATA & RESULTS ANALYSIS

4.1 Introduction

The purpose of this chapter is to present and analyse the data that was collected through the interviews, documentation and participant observation. The research questionnaire was structured into seven main sections as there were seven theory question;

Section 1 contains questions regarding the brand partner selection process.

Section 2 contains questions regarding how the brand entry mode is established.

Section 3 contains questions regarding the brand feasibility.

Section 4 contains questions regarding brand negotiations.

Section 5 contains questions regarding the brand execution process.

Section 6 contains questions regarding performance monitoring.

Section 7 contains questions regarding the factors that could affect partnerships as well as the internal and external challenges of the process.

Each theory question (TQ) will be analysed with respect to the interview data, documentation data and observation data from which conclusions will be drawn and discussed. The chapter will conclude with a consolidated analysis and discussion of the results from each theory question. The pertinent information required to develop the conceptual framework will be identified for use in Chapter 5, Conceptual Framework.

(Refer to Appendix A for the list of interview questions and Appendix B for the vertical analysis of the interview responses. Appendix C contains the interview transcripts.)

4.2 Data validity and reliability

As per the methodology described in Chapter 3, the case study was judged by four logical tests: construct validity, internal validity, external validity and reliability (Yin 2009a). The actions taken to test the case study against these four tests can be seen in Table 10. Data source triangulating was be applied in this report as a means of improving the validity and credibility of information. Each theory question (TQ) was analysed with respect to three sources, i.e. the interview data, documentation data and observation data from which conclusions will be drawn and discussed. In order to collect a variety of perspective on the process, seven subject matter experts of the department were asked the same set of questions. Furthermore, to ensure all data is documented in full, interviews were recorded and transcribed verbatim.

4.3 Overall analysis of interviews

Seven subject matter experts of the International Brands Division at the retail group were interviewed according to the research report method described in Chapter 3.

The interviews were conducted at the interviewees' workplace and lasted between twenty three and forty-seven minutes each. Each interview was recorded and later transcribed. There was no resistance from any of the interviewees to answer any of the questions.

Due to confidentially requirements, the names of the participants are not shown in the responses and have been replaced with 'SME-A-G' or A-G throughout the report. Furthermore, the name of the retail group was replaced with 'the retail group'.

In order to answer the critical research question, 'what are the key components of a conceptual brand feasibility framework for a retail group in South Africa?' the following TQs were developed:

- TQ1: Explain the brand partner selection process?
- TQ2: How is the brand entry mode established?
- TQ3: What is involved in the brand feasibility study?
- TQ4: What are the key negotiation points? How are negotiations done?
- TQ5: What is the execution process of the brand in the new market?
- TQ6: How is performance monitored?
- TQ7: Which internal or external factors could affect the partnership?

These TQs formed the bases of the interview questions. The interview results will now be presented and analysed with respect to the interview data, documentation data and observation data from which conclusions will be drawn and discussed.

The expectation is to test the framework developed in Figure 5 through the interviews conducted and consequently propose an enhanced conceptual framework in Chapter 5.

4.4 Participants details

The interviewees were selected from the international brands division at the retailer under discussion, as they are subject matter experts and manage the end to end process of on boarding and executing international brands into the South African market.

As an introduction to the interviews, the following questions were posed to the interviewees:

- What is your position at the company?
- What is your background in the industry?
- How long have you been working in your current position?
- What are your key roles and responsibilities?
- In your opinion, is South Africa an attractive market for international brands?

Refer Table 11 for a summary of the interviewees' details.

Table 11: Interviewee Details

	Title	Years	Role	Background
A	Managing Director of International Brands	2.5	• Business development • Ensuring profitability • Strategic direction	• Management in Fast Moving Consumer Goods (FMCG) business in the UK • 15 years of retail brand acquisitions in the Middle East
B	Strategic Assignment Manager of International Brands	2	• Vetting potential brands • Financial analyses • Setting up of contracts	• Buying and planning at the retail group • Strategic work within a volume business retail firm Information Technology (IT) solutions implementation
C	Executive Brand Manager of International Brands	2.5	• Managing brand managers • Implementation of brand in country • Performance management	• 23 years at the retail group • Divisional Buying Manager • Executive Buying Manager • General Buying Manager
D	Planning Executive of International Brands	1.5	• Stock management • Budgeting and projections • Ensuring alignment to brand cadence	• 18 years at the retail group • Buying • Divisional Planning and Sourcing Management
E	The retail group International Brands Viability & Compliance Manager	2.5	• Implementation • Strategy	• South African Breweries • Strategy
F	Executive Manager: Business Development	2.5	• Business Development • Management of JV Brands • Strategy	• Financial Manager • Strategy & Business Development
G	Head of Marketing: International Brands	2.5	▪ Marketing strategies ▪ Launches and media events ▪ Campaign building ▪ PR Management ▪ Visual Marketing	▪ Management Consulting ▪ Advertising ▪ Brand Strategy ▪ Marketing

The seven personnel that were interviewed are all subject matter experts in the field of bringing international brands to South Africa.

The interviewees were selected as their roles span the business responsibilities. Their roles encompass different sections of the process of bringing in, on boarding and executing brands in the country. To this end, it was possible to gather a clear view of the process through the interviews. SME-A, managing director of the division, founded the international brands department in October 2012. In total, five of the interviewees have been in the department from inception. The other two joined between 6 months to a year later.

All the interviewees have comprehensive backgrounds in the retail industry. Their experience ranged from working in buying, planning, operations, finance, and strategic roles across different levels in retail firms in South Africa, UK and the Middle East. SME-A has substantial experience in the internationalisation process of international brands through working on retail brand acquisitions for fifteen years in the Middle East of. For the other interviewees, working in the international brands division has been a new encounter.

4.5 South Africa for International Brands

The last introduction question that was posed to the interviewees was, 'in your opinion is South Africa an attractive market for international brands?'

4.5.1 Data from Interviews

The overall response was that South Africa is an attractive market for international brands. The table below presents the interviewee's motivations.

Table 12: The Attractiveness of the South African Market For International Brands

	Motives
A	• Consumers are desperate for better quality products • Untapped market
B	• Attractive growth prospect • Gateway to Africa
C	• Emerging black market's desire for brands
D	• Gateway to Africa
E	• Right brands for the market
F	• Awareness of international trends and brands • Brands are aspirational
G	• Brand desirability

4.5.2 Data from documentation

According to the stages of retail development model developed by Nikolaevich (2015), South Africa is at a stage of rapid growth. Refer Figure 1.

AT Kearney (2014) believes that South Africa is the gateway to Africa for international retailers. South Africa has the second largest GDP in Africa after Nigeria (surpassing previous leader South Africa in April 2014), but still remains the most established retail market and the most consumer spending in Africa.

South African consumers use clothing as a vital part of expressing their identity and spend the second highest portion of their disposable income on clothing. South Africans define themselves by their clothing and equate brands with higher quality, fashion and status (Hattingh et al. 2012).

The upsurge of consumer culture on the continent presents a compelling investment case for international companies which are progressively looking at rising emerging-market wealth to offset sluggish growth in traditional economies (Hattingh et al. 2012).

4.5.3 Participant observation data

From observation, the following conclusions were made:

- South African consumers use clothing to express their identity.
- Many international brands are looking to enter the South African market.
- South Africa is seen as a gateway for brands to enter the African markets.
- Excessive price premiums will not be tolerated as more brands enter the market.

4.5.4 Discussion

It is evident from the favourable responses of the interview, literature review and observation that there is a need for international fashion in the local market. South Africans define themselves by their clothing and equate brands with higher quality, fashion and status (Hattingh et al. 2012). Large parts of the South African population has risen out of poverty and their disposable income has grown. As disposable income grows, consumers increasingly spend their money on goods beyond their basic needs (AT Kearney 2014).

SME-A stated that "*consumers are desperate for better quality products in the market"* and adds that *"there's a huge untapped market to bring brands to the country."* During the interviews a common theme emerged that South Africa is seen as the gateway for international brands to enter the African markets. This is in agreement with the literature review, as stated by Dakora & Bytheway (2014) *"Africa is now home to vibrant and growing consumer markets within which retail activity can thrive."*

4.6 The brand partner selection process

This section of the interview intended to capture the key components of the brand partner selection process of the retail firm. To achieve this, the following informant questions (IQs) were posed to the interviewees:

> IQ1: Do you choose the brands, or do they choose you as a partner?
> IQ2: What process is established to check if the brand fit is suitable for the local market?
> IQ3: What criteria are considered in the selection of a new brand?
> IQ4: How is collaboration established?

The results are presented below.

Table 13: Results on the brand partner selection process

	Retailer selects brand	Brand selects retailer	Fit for local market	Brand selection criteria	Establishing Collaboration
A	✔	✔	• Something different • Right time for market • Price positioning	• Brand recognition • Capability to work in the southern hemisphere • Relationship	• Phone call • Emails
B	✔	✔	• Gap in the market • Price positioning	• Profitability	• By introduction • “Dating game”
C	✔	✔	• Gap in the market • Something different • Price positioning • Consider competition	• Brand recognition • Brand marketability • Fashionability • Growth potential • Growth in local market	• Visit to market
D	✔	✔	• Price positioning	• Financial stability • Logistics capabilities	• Face to face
E			• Gap in the market • Consider competition	• Market fit	• “Marriage”
F	✔	✔	• Brand offering • Footprint	• Financial stability • Profitability • Return on investment	• Contacts
G	✔	✔	• Brand proposition • Something different • Appeal to target market • Price positioning • Consider competition	• Brand recognition • Profitability	• Visit to market • Conference call • Emails

4.6.1 Data from documentation

From the results, it is evident that the retailer selects the brand and often the brand selects the retailer. This resonates with the partner selection process set out by Doherty (2009), which highlights both strategic and opportunistic approaches to partner selection from the point of view of the franchisor looking to enter a new market. From this perspective, strategic partner selection is when the franchisor is actively looking to enter an international market and use a planned search process to look for a franchise partner. Opportunistic partner selection refers to situations where the franchisor enters into franchise agreements with a partner as a result of the franchise partner approaching the franchisor. One criterion, i.e. financial capability is used in the opportunistic approach. The five criteria that Doherty (2009) identified to use in a strategic approach from the perspective of the franchisor are;

1. Financial stability.
2. Business know-how.
3. Local market knowledge.
4. Shared understanding of brand and strategic future.
5. Shared chemistry.

In the literature, there is an acknowledgement that a brand needs to adapt to some aspects when entering a foreign terrain. Even global retailers with standardised retail strategies, modify some aspects of their retail concept to complement foreign markets (Bianchi 2002).

4.6.2 Participant observation data

From observation, it is evident that initially, the retailer approached the brands but after signing on a few brands and gaining creditability the brands started approaching the retailer. It was observed that the retailer tracks the gaps in the market by making use of a price perception vs. a fashionability perception graph. For each category, i.e. menswear, ladieswear, kidswear, footwear and accessories, a matrix is maintained to keep track of market movement as well as where gaps exist to place a new brand. An illustrative example to the price vs fashion graph can be seen in Figure 12. By plotting all the brands in the market by category, gaps can be identified (red circle on graph indicates a potential gap) and the blackboard list of brands are shortlisted accordingly.

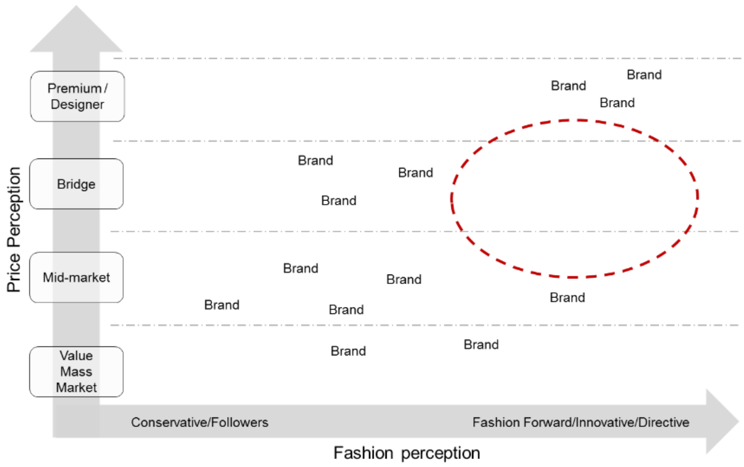

Figure 12: Competitor Matrix Example

4.6.3 Discussion

For the purposes of this research project, the partner selection methodology developed by Doherty (2009) was applied from the perspective of the retail group. To clarify, a strategic approach refers to when a retail group use a planned search process to look for potential international brand partners, whilst an opportunistic approach refers to international brands proactively approaching the retail group in order to enter the new market. The following quote from SME-G exemplifies this:

"In the outset, we set out and documented a number of brands which we were interested in, almost like a Blackboard approach where we listed all of the brands that were possibly available and then started engagement with them. Now that the division's been up and running for 2 and a half years, I think there is quite a lot of brands who've obviously done the reverse and actually reached out to us in terms of looking at us as a brand partner to launch them in South Africa." (SME-G)

Independent of the approach taken, it is important to understand if there really is a fit for the brand in the local market before signing on a new brand. From the interviews, the following factors were identified as key in determining this fit for the local market:

- The brand needs to bring something different to the market.
- There has to be a gap in the market for the product.
- The price positioning needs to be in line with what the market can afford.
- The existing competition need to be considered.

Interviewees agreed on the importance of the brand. "Brand needs to bring something different to the market". This refers back to AT Kearney's (2014) report that in order for international retailers to be successful in the market, they need to differentiate their product. In the case of South African market whilst large is also reaching a high level of saturation.

Once the fit is established, the shortlisting process commences.

The criteria that the interviewees considered important when selecting a brand (the franchisee perspective) are:

- Financial stability of the brand.
- Logistics capabilities, i.e. capability to work in the Southern hemisphere.
- Potential for a strong relationship.
- Correct price positioning.
- Profitability.
- Brand recognition in the market.
- Fashionability of product.
- Growth in the brand's home market.

Financial stability is an important factor in potential partner identification, but mutual attraction and relationship potential are also crucial (Brookes & Altinay 2011). Pricing positioning, brand recognition in the South African market and fashionability are also key criteria along with the logistics capabilities of the potential partner. It is also vital that the potential partner is growing in its own market before considering expansion to an emerging market such as South Africa.

Once the potential partner is selected, collaboration is initiated with a visit to the market, or via the alternative means of email or phone.

4.7 The brand entry mode

The next interview question was posed to the participants to determine the preferred market entry model for brands. Figure 13 below shows the results of the respondents. 72% believe the preferred model for brands entering the local market is through franchising agreement whilst 14% believe joint-ventures are the preferred model. 14% of the participants believe brands prefer a wholly owned agreement.

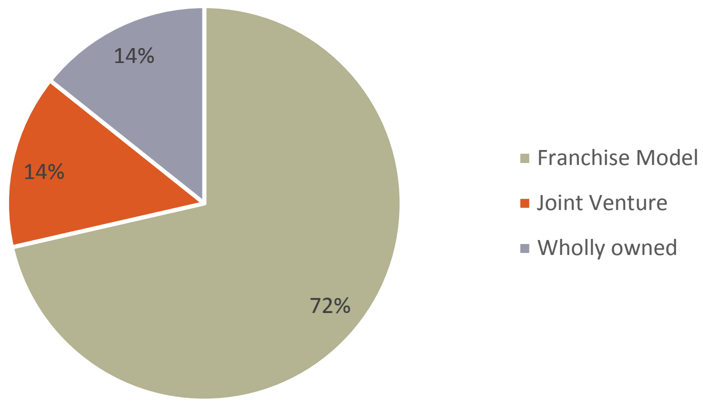

Figure 13: Market Entry Strategy

4.7.1 Data from documentation

Quinn & Houlden (2012) explain the more different the market, the greater the need for adaptation, the greater the risk, the less likely retailers are to enter into a new market alone. From the reviewed literature it was evident that franchise agreements are the preferred mode of entry for international brands (Dant & Grünhagen 2014; Doherty 2007; Quinn & Alexander 2002).

4.7.2 Participant observation data

From observation it was clear that brands prefer the franchise agreement route when entering the South African market, even though it is not always seen as the optimal option for the retail group, who are faced with accepting all the risk.

4.7.3 Discussion

The results reflect the preferred market entry mode for brands is the franchise model. With franchising, the retailer takes ownership from the brand in terms of trademark and intellectual property in order to recreate the brand in the new market under the brand's guidelines.

SME-A highlighted that *"the brand does not have to invest in the territory, they don't have to take risk, and for a company wishing to enter South Africa they are keen to avoid that."*

4.8 The brand feasibility study

This section of the questionnaire intended to capture the respondents' opinions regarding the scope of brand feasibility study. Key themes were identified through thematic content analysis and the results are tabled below. The tick marks indicate that the SME's believe the theme is important in determining brand feasibility in the South African market.

Table 14: Determinants of Brand Feasibility

	Margin	Profitability	Roll-out	Costs	Financials	Pricing
A	✔	✔	✔	✔	✔	
B	✔	✔				✔
C	✔	✔	✔	✔	✔	
D	✔	✔	✔			✔
E	✔	✔			✔	
F	✔	✔	✔	✔		
G	✔		✔	✔		

4.8.1 Data from documentation

Little research exists on the feasibility process used by a retailer onboarding an international brand. According to Lee (2000) no single measure of performance fully reflects the financial wellbeing of a firm. The financial performance of retailers is multidimensional and requires an examination of profitability, liquidity, capital structure, growth pattern of sales and profits, and growth potential of sales and profits (Lee 2000).

4.8.2 Participant observation data

From observation it was noted that determining the feasibility of every brand is very crucial for the retail group. An in-depth profit and loss spreadsheet is set up for every store before it opens and based on the historic performance of the brand, estimates are entered to predict the feasibility of opening a store. The rolled up view of store feasibilities determines the feasibility of the brand.

4.8.3 Discussion

The brand feasibility study is an important step in the onboarding process of brand acceptance. According to the results above, obtaining sufficient margin, i.e. mark-up on the product is a factor that all the SME's believe is important in determining brand feasibility. In order to obtain acceptable margins, the products need to be sold at the "right" price. To estimate profitability of the brand, profitability of the individual stores need to be estimated. Once the number of stores that could be created for a brand has been agreed, a model is run to calculate whether there will be a return on investment over a five year period. The hurdle rate of the retail group is set at 50%. If the feasibility model indicates that the Internal Rate of Return (IRR) will be higher that 50%, the pay-back period can be calculated and brand feasibility can be ensured.

4.9 Brand negotiations and contracts

In this section respondents were asked how contracts are set up with a new brand partner as well as what the key negotiation points are.

The first step in initiating a contract with a new brand is for the parties to agree on the deal structure. As was discovered in sections 2.3.3 and 4.7, franchise agreements are the most popular mode of entry for international brands to South Africa. Once the deal structure is agreed upon, a Heads of Terms agreement is signed by both parties. SME-A explained that the Heads of Terms is non-binding but locks down the commercial negotiation. The contract is scrutinised by both parties and the clauses are amended. Contracts are marked-up and sent back and forth between the parties until agreement is reached and finally the contract is signed. The high-level process is mapped out in Figure 14.

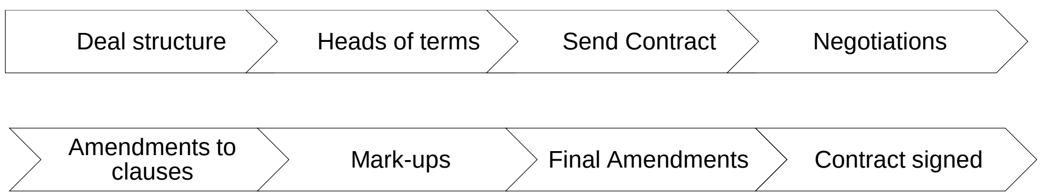

Figure 14: The Process of Contract Initiation and Conclusion

4.9.1 Data from documentation

Doherty (2009) explains the process from the perspective of the franchisor and highlights that after discussing long-term objectives with potential partners, all shortlisted retailers are to send a standard response outlining the general terms and conditions of a franchise contract. In addition to this, a business plan outlining future plans and strategy is to be drawn up. The business plan is presented to the international partner and includes a five-year growth plan, including the need for exclusivity for a country or an area. If this is approved by the firm's directors, the franchisee is responsible for finding a suitable site for the first store, subject to the franchisor's approval. According to Doherty (2009) the key criteria that need to be adhered to before an international party can sign a contract is financial stability; business know-how within the retail sector; a good understanding of the local market; a shared understanding of the brand and the strategic future of the business; and ultimately the chemistry shared between the two partners. According to Cummings (2014) the brand strategy should be tightly integrated into the contract negotiations from the start, influencing key decisions and approaches to;

- Programme support.
- Business case.
- Sources of funding.
- Return on investment.
- Attitude to risk.
- Commercial drivers.
- Revenue generation.
- Sourcing strategy.
- Sustainability targets.
- Team capability and organisation.
- Programme governance and controls.

Furthermore, Cummings (2014) believes that early consideration of the above will assist the parties in addressing any gaps in the business case and funding model enabling them in the management of risk and to establish appropriate targets for the firm and supply chain.

4.9.2 Participant observation data

From observation and discussions with the SME's it is evident that the set-up phase for negotiations and contracts can take up to two years. This allows for both parties being comfortable with the heads of terms and contractual terms. Surprisingly, not all of the negotiations result in a franchise partnership.

4.9.3 Discussion

The SME's believe the key negotiation points with a potential brand are;

- The supply chain model.
- The margin model.
- The financial terms.
- The selling price of the product.
- The cost of the product.
- The structure and how the brand will be managed in the country.
- The number and timing of the stores that will be rolled-out.

Figure 15 graphs the responses from the interviews.

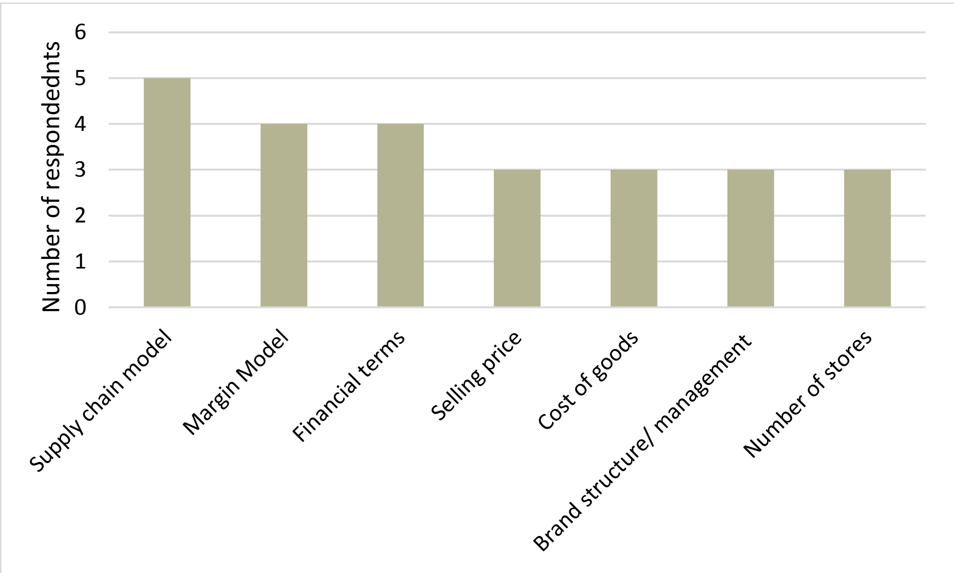

Figure 15: Results on negotiation points

Five of the SME's believe the most important point of negotiation is the supply chain model to be used in the partnership. The supply chain model will indicate how often the brand will supply stock to the retailer and who will be responsible to hold stock and how the stock will be distributed to stores.

The margin model and financial terms were identified as the next crucial negotiation point in the opinion of the SME's. The margin that is added to the selling price (GM) needs to be sufficient for the retailer to remain profitable. The financial terms that need to be negotiated refer in part to the payment terms for goods. Furthermore the SME's believe that all key negotiation points such as; the selling price and cost of the products, how the brand will be structured in the country, whether the brand will have a brand manager and lastly the number of stores that will be rolled out should be negotiated upfront with the franchisor.

4.10 Brand execution

In this section, the interviewees were asked what execution process would be used for a brand in the new market. To assist in process identification, the following sub-questions were posed:

- IQ1: What team is required to facilitate execution?
- IQ2: What is the role of brand management?

The following execution process was developed based on the results of the interviews. The first step in the process is to identify a site. Once the site is identified, a brand pack containing information regarding the real estate as well as adjacencies in the mall and customer demographics is submitted to the brand management for approval. Once the site is approved, the brand will assist with a detailed design of the store. The design will include the fittings and fixtures in accordance with the brand's international standards. A project manager then manages the project through the various stages of construction on site. Once the store is built, the merchandise is unpacked and the store is launched.

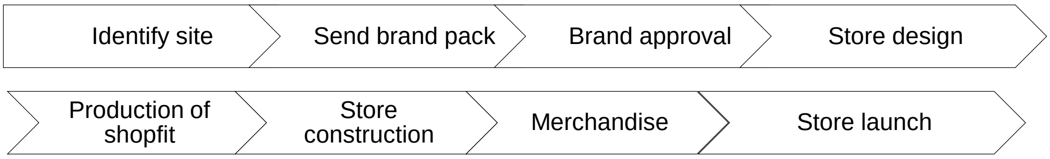

Figure 16: The Brand Execution Process

4.10.1 Data from documentation

Despite the number of literature on international entry mode, market and partner selection research (Brookes & Altinay 2011; Doherty 2009; Hsu & Chen 2008), no literature exists on the process of executing an international fashion brand in a new market. Many papers refer to 'opening stores' and 'store roll-out' as part of the internationalisation process, but none explain how the process occurs and which players need to be involved. Akhsassi (2014) believes it is the franchisee's responsibility to determine store location, purchase the land and build the store and it is the franchisor's responsibility to design the store. The franchisee will receive continuous support from the franchisor with store management and the ordering of goods.

Albert (2013) illustrated the international expansion framework from the perspective of a global retailer in Figure 4. The same methodology may be considered for a retail group executing a retail brand in the local market. The six major assessments and questions based on Albert (2013) is now asked from the perspective of the franchisee:

- Goals and objectives – how will the brand expand and how will success be measured?
- Capabilities and technology – how will the brand be supported from a systems point of view?
- Timeline and milestones – what is the execution plan and what internal vs external events may have an impact?
- Expansion method – what is the optimal supply chain method for this brand?
- Marketplace opportunities – where is the best real estate for a new store?
- Image and Branding – who is the target market and how will the brand positioning translate in the new market?

4.10.2 Participant observation data

It was observed that there is a handover from the person who signs the contract to the person who is in charge of branded store executions. Once the site is identified (difficult in the South African market, due to limited number of premium malls) it is important to brief the brand partner in respect of the location, site drawings and customer demographics of the mall, in order that they can make an informed decision when approving the location. The brand manager plays a crucial role in the execution of the store. The brand manager facilitates this process and is in constant communication with the international cross-functional team as well as the brand party.

4.10.3 Discussion

A cross-functional project team is required to facilitate the execution process. The graph below indicates a word frequency count of the departments that the SME's believe need to be put in place in order to execute a brand in a new market. For every brand execution, the cross functional team consists of a brand manager (BM), the personnel operating in the functions of; information technology, property, logistics & shipping, finance, planning, human resources (HR), operations, marketing, visual merchandising (VM), store design, legal and training.

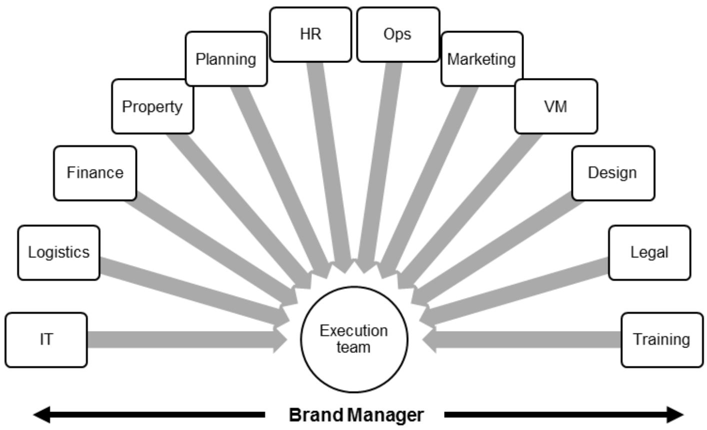

Figure 17: Cross-function execution team

A key component in the execution process is building customer, and brand awareness. The marketing team is responsible for this and works closely with the brand manager to execute the brand marketing strategy. Marketing is also responsible for arranging the launch event, once the store is open. The visual merchandising team works with marketing to ensure that the visual aspects are executed on time and to standards and brand strategy. In addition, IT need to ensure that all systems are setup and seamlessly integrate with the systems and process of the new partner. Logistics need to manage the air or sea freight to ensure that the shop fit and merchandise arrives on schedule. HR need to recruit the store staff and training teams need to ensure that the store staff are trained to meet the brand requirements. Operations plays a key role in the execution process as they facilitate the interview process. The finance team takes care of the financial aspects of the execution process, specifically supplier payment terms as specified contractually.

The interviewees believe the brand manager is key in the execution process. The brand manager is the custodian of the brand in the country. The following two quotes exemplify this:

"The brand manager ensures that the brand is replicated fully [...] the brand standards, the brand image, the merchandising of a brand, the pricing of a brand, the marketing. There's a one person touch point and it's usually set up so that any brand can have a go-to person to ensure that their stores or pads in a different country reflect exactly the international image of that brand." (SME-A)

"The brand manager is the liaison between the brand and the franchisee and is the brand custodian in the whole country. She is the brand identity in the new country, so she represents that brand, so it's vital that she eats, sleeps, the, the brand, so she's the representative of the whole country. She is responsible for running that whole project, ensuring that all the partners are talking to each other, so she's the one that's juggling all the balls in the air and ensuring that none falls." (SME-D)

This would confirm that every brand needs a dedicated person to fulfil the role of the brand manager.

4.11 Performance monitoring

In this section the interviewees were asked how brand performance is monitored. Further sub-questions that were asked include:

- IQ1: How long does it take to establish a brand in the local market?
- IQ2: How is profitability ensured?

Brand performance is tracked daily and typically can be measured by the efficiency or trading density of a store, i.e. sales per square meter. Other key performance indicators that are tracked include stock turn and margin.

The chart below illustrated the respondents' opinions of how long it takes to establish an international brand in the South African market.

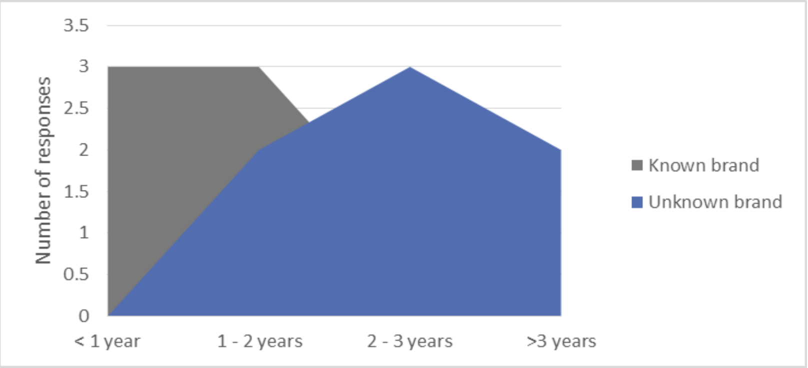

Figure 18: Time to establish a brand in the South African market

4.11.1 Data from documentation

According to Lee (2000) retail franchising can offer attractive profitability as well as potential for long-term growth. No single measure of performance fully reflects the financial wellbeing of a firm. According to Kapferer (2012) brand value is the ability of the brand to deliver profits, i.e. financial value is measured at the level of earnings before interest and tax (EBIT). According to Lee (2000) the financial performance of retailers is multidimensional and requires an examination of profitability, liquidity, capital structure, growth pattern of sales and profits, and growth potential of sales and profits. However, profitability is accepted as the aggregate performance measure (Lee 2000).

4.11.2 Participant observation data

From observation, the retailer measures the success of a new brand in the South African market according to the following;

- Customer acceptance of new brand in the market, which can take from the first day of store opening for recognised brands up to five years for unknown brands.
- Financial components, i.e. sales, efficiency (sales per square meter), EBITDA.
- Execution and operation – translation of brand in the new market.
- Brand acceptance and partnership.
- Growth of the retail group's reputation.

4.11.3 Discussion

The respondents believe that the brand establishment time relates directly to brand recognition. Brands that are well recognised by the customer have a shorter establishment period. Unknown brands can take up to 5 years before brand recognition is gained. On average, the participants agreed on a period of 18 months for brand recognition as the brand would then have traded through 3 seasons. For unknown brands intensive marketing to key customer bases is imperative for brand recognition and success.

In terms of ensuring profitability, SME-A believes, *"the only way you can ensure profitability is to sell the products at the right time in the season at the right price."* Other measures that should be tracked are sales growth, mark up, gross profit, financial gross profit and then ultimately the earnings before interest, taxes, depreciation, and amortisation (EBITDA). As discussed in section 4.8, a profitability study spanning over a 5 year period is completed by the finance team for every new store opening in order to determine the internal hurdle rate or internal rate of return (IRR) of the store. An IRR of above 50% indicates store profitability.

4.12 Success Factors and Internal and External Challenges

The last section of the interview consisted of questions around the factors that determine the success or failure of brands as well as the internal and external challenges with the process. The results are presented below.

Factors determining brand success

The following were identified as factors that could determine the success or failure of an international brand in the local South African market.

Table 15: Results of factors that could affect brand success in the South African market

	Success Factors	Failure Factors
A	▪ Perceived value for money - the combination of price, style and quality ▪ Appropriateness - having the product in the market at the right time ▪ Strong marketing program that builds long-term awareness of brands and desirability of the brand	▪ Overpricing product ▪ Poor quality product ▪ Incorrect product placement - product in locations with non-competitive demographics
B	▪ Competitive pricing of the product ▪ Correct product selection for local customer	▪ Demise of relationship with brand partner
C	▪ Brand attractiveness ▪ Understanding the customer ▪ Strong relationship	▪ Demise of relationship with brand partner ▪ Misperception of value for money ▪ Misaligning of brand
D	▪ EBITDA ▪ Sales performance -like for like growth ▪ Financial GP	▪ Pricing, positioning the product incorrectly - wrong merchandise or the wrong season ▪ Lack of marketing
E	▪ Sales ▪ Strong marketing program ▪ Brand experience ▪ Newness in stores	▪ Incorrect pricing ▪ Service levels ▪ Incorrect product placement
F	▪ Brand maturity ▪ Successful brand manager	▪ Incorrect pricing ▪ Untrendy product ▪ Unsuccessful brand manager
G	▪ Strong brand awareness ▪ Desirable product ▪ Maintaining brand integrity	▪ Lack of brand awareness ▪ Pricing, positioning the product incorrectly - wrong merchandise or the wrong season ▪ Changing strategy

Challenges with the internal and external processes

The following were identified as they key internal and external challenges with the process of executing brands in the South African context.

Table 16: Results of Internal and External Challenges

	Internal	External
A	▪ Lack of real estate, difficult to meet contractual roll-out obligation ▪ Large quantity of brands, challenge for teams to cope ▪ Inter-departmental relationships	▪ Volatility of the currency ▪ Constraints around shipping ▪ Declining economy ▪ Consumer uncertainty is increasing
B	▪ Lack of communication ▪ Large number of brands and complexity of process ▪ Lack in up front due diligence with brand selection	▪ High duty rates ▪ Volatile exchange rate ▪ Declining economy
C	▪ Inter-departmental relationships ▪ Large number of brands and complexity of processes	▪ Loadshedding affecting store trading time ▪ Declining economy is leading to consumers reducing spend
D	▪ Lack of flexibility on our systems ▪ Lengthy logistics time line	▪ Lack of resources or skilled people in South Africa ▪ Political situation ▪ Unemployment - we do not cater for the lower level LSMs, most of our product is LSM 7 and above ▪ Volatility of exchange rate
E	▪ Change management ▪ Budget constraints ▪ Similar brands in portfolio	▪ Volatile exchange rate ▪ Competitors ▪ Declining economy
F	▪ Securing real estate ▪ Change management	▪ Declining economy ▪ Volatile exchange rate ▪ Competitors
G	▪ Lack of communication ▪ Managing brand partners expectations ▪ Lack of brand support	

4.12.1 Data from documentation

According to Bianchi (2002) from the perspective of the brand entering a new market, there is very little research that address the success of internationalisation and there is no common agreement on what factors may affect the internationalisation process. According to (Maharajh & Heitmeyer 2005), a brand considers the following factors for retail expansion;

- The political and economic stability of the country.
- The size of the retail market.
- Real estate issues.
- The regulations by the local government for the type of market entry.
- The type of technical capabilities.
- The customer base or target market for the retailer.
- The competition and its intensity throughout the specific country.

Wigley & Moore (2006) summarized the internal and external success factors in international retailing from the perspective of the franchisor, see Table 4.

Table 17: Internal and External success factors for an international retailer (Wigley & Moore 2006)

Internal success factors	External success factors
Commitment of senior management to develop an international presence	Sound understanding of the foreign market
Adequate support for foreign markets	Ability to be commercially innovative
Maximum control over supply chain participants	Offer must appeal to the needs of foreign customers
Appropriate method of market entry selected	Offer must transcend cultural and aspirational differences
Belief in and commitment to long-term potential of the market	Ability to influence customer preferences so that new opportunities can be developed where none previously existed

Furthermore, Wigley & Moore (2006) believe the following three components are key to international fashion retailer success:

1) Brand – the retailer must own a compelling brand that can be coherently expressed across international markets.
2) Distribution – the retailer's products must be distributed in accordance with its brand positioning.
3) Retail operations – the retailer's brand and product should be represented by stores and people who conform to the brand imagery.

In terms of factors associated with failure Lahouasnia (2012) believes that underperformance and market exits are underpinned by a lack of market understanding. Pricing is a key area of consideration as it can make the difference between affordable and unobtainable (Lahouasnia 2012).

4.12.2 Participant observation data

From observation is was noted that for a brand to be successful in the South African market, firstly the correct brand needs to be selected. Placing the product correctly in the market, i.e. filling the gap in the market is crucial for brand success. Refer Figure 12. The average income in South Africa is much lower than the income of consumers in developed countries. Therefore, international brands need to convince local customers that their new brands are superior to the competition and more importantly more affordable than market alternatives.

4.12.3 Discussion

Based on the interviews, literature review and observation, the key factors that could lead to the success or failure of a brand include; brand desirability in the market, price positioning, perceived value for money and having the branded product in the market at the right time.

In terms of internal challenges experienced by the retailer, numerous issues were highlighted, including lack of real estate, poor inter-departmental relationships, and the complexity of the process due to the large number of brands that the retailer is partnered with. The quote below from one of the interviewees indicates the importance of change management when a key strategic initiative is made in a large corporation, i.e. including international brands in the retailers' offering.

"It's key to have buy in internally. If you don't have buy in from your staff and, and, and key role players in your business, ops, planning, departments, etc., if people don't understand and believe in the brand, you're not going to get any passion in the brand and you not going to get any traction" (SME-E)

In terms of external challenges, the volatile exchange rate and overall declining economy were identified as the most challenging as they can lead to a decline in disposal income and hence consumers pulling back on their spending. As international brands are a luxury for most South Africans, tough economic times, will lead consumers to withhold their spending on luxury branded items. According to Maharajh & Heitmeyer (2005), the external environmental factors for retail expansion from the international brand or retailer's point of view include the following;

- The political and economic stability of the country.
- The size of the retail market.
- Real estate issues.
- The regulations by the local government for the type of market entry.
- The type of technical capabilities.
- The customer base or target market for the retailer.
- The competition and its intensity throughout the specific country.

4.13 Consolidated analysis and Discussion

From the interview results it is clear that the retailer group under discussion has 2.5 years' experience in bringing international brands into the South African market through two channels: standalone stores (SAS) and stores within department stores (SIS).

The vast majority of the interviewee's believe the preferred model for brands to enter the South African market is a franchise agreement. This is in large part due to South Africa being regarded a "risky" market. This concurs with the conclusion of entry mode choice of the literature review and also in line with the results of Forte & Carvalho (2013) for the case study of the internationalisation of Parfois. It is concluded that franchising is the preferred entry mode for international players when the entry market has reduced economic and political stability, a greater cultural gap and is therefore riskier to enter alone (Forte & Carvalho 2013).

In terms of process of internationalisation the first step is partner selection. With reference to the paper *"Market and partner selection processes in international retail franchising"* by Doherty (2009), strategic and opportunistic patterns were identified in the interview results. The following quote from SME-G exemplifies this:

"In the outset, we set out and documented a number of brands which we were interested in, almost like a Blackboard approach where we listed all of the brands that were possibly available and then started engagement with them. Now that the division's been up and running for 2 and a half years, I think there is quite a lot of brands who've obviously done the reverse and actually reached out to us in terms of looking at us as a brand partner to launch them in South Africa." (SME-G)

A strategic approach is when the retail group uses a planned search process to look for potential international brand partners. In the case of an opportunistic approach the international brands approach the retail group in order to enter the market.

When a strategic approach is adopted, a list of brands that are not currently trading the market is drawn up, refer 'Blackboard approach', and then shortlisted. In both the strategic and opportunistic approaches, brands are tested for market fit based on criteria identified in Section 4.6;

- Brand needs to bring something different to the market.
- There has to be a gap in the market for the product.
- The price positioning needs to be in line with what the market can afford.
- The competition needs to be considered.

The other key brand selection criteria that were identified in the results are;

- Financial stability of the brand.
- Logistics capabilities, i.e. capability to work in the southern hemisphere.
- Relationship.
- Price positioning.
- Profitability.
- Brand recognition.
- Fashionability.
- Growth in brand local market.

Once a brand is selected, contact is made via a phone call, email or visit to the market and collaboration is established. This leads to the commencement of the pipeline management process. A high-level process of the negotiation and contract setup process is mapped in Figure 14. The key negotiation points were identified to be;

- The supply chain model.
- The margin model.
- The financial terms.
- The selling price of the product.
- The cost of the product.
- The structure and how the brand will be managed in the country.
- The number and timing of the stores that will be rolled-out.

The contract process ultimately leads to the contract begin signed by both parties, which triggers the execution process.

The high-level execution process is illustrated in Figure 16. The key components of the process include identifying a site, designing the store, construction, merchandising and launching. The following teams were identified as crucial in the execution process: the brand manager, property, store design, legal, information technology, finance, planning, logistics & shipping, human resources, operations, marketing, visual merchandising and training.

As part of the ‘Financials’ in the negotiation process, brand feasibility models are run. The models projects the growth of sales and costs over a 5 year period in order to determine the IRR. If the IRR exceeds the hurdle rate of 50%, brand feasibility is achieved.

Brand performance is tracked daily and is measured by the following measures:

- The trading density of a store, i.e. sales per square meter.
- Stock turn.
- Margin made on products.
- The gross profit (GP).

On a monthly basis the EBITDA of the stores as well as the brand should be calculated in order to determine profitability.

Performance measurements need to be an ongoing activity with international brands as poor performance may result in stores closing down or even a termination of an internationalisation contract. In the case of good performance, further store roll-outs will occur.

4.14 Conclusion

The purpose of this chapter was to present and analyse the data gathered in order to develop a model. The conceptual model will be built in Chapter 5 and is based on the results and conclusions from this chapter.

5 MODEL DEVELOPMENT

5.1 Introduction

A key aim of exploratory qualitative research is building theory (Yin 2009a). According to Akhsassi (2014), building a conceptual framework is an important method to develop a clear research path and assists in describing an abstract aspect that may be under common conditions. This research report proposes a conceptual brand feasibility framework based on the findings of current research and in-depth interviews with subject matter experts.

5.2 Updated conceptual framework

Based on the themes highlighted in the conceptual development, a conceptual framework was developed (refer Figure 20). The following key is used to illustrate the different levels of processes in the model:

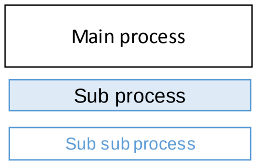

Figure 19: Conceptual Framework Process

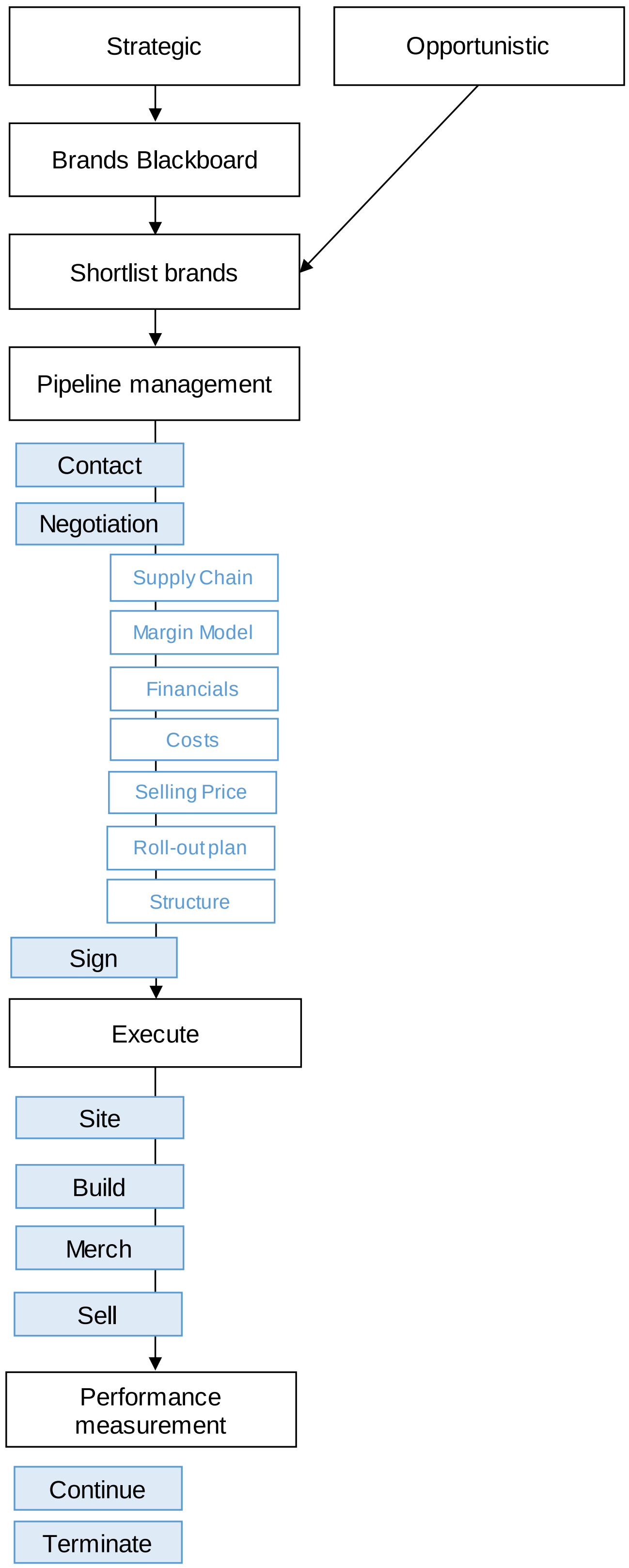

Figure 20: Updated Conceptual Framework

5.3 Discussion of the Framework

In developing of the conceptual framework in Figure 20 the critical research question (CRQ) was answered. The key components of the brand feasibility process for a South African retail group was identified as: partner selection, pipeline management, execution and performance management.

The framework describes the high-level process for the retail group. The assessment of the framework was that for every brand, the process may differ, but the key components, illustrated in Figure 20, are generally the same for all brands looking to enter the South African market via the retail group.

In order to test the process to validate the framework, future quantitative studies that fall out of the scope of this research may have to be conducted. Understanding the process for South African companies from other industries that are partnering with international brands could also be noteworthy. It may prove useful to use one of the brands from the retailer as a further case study to study the same process from both sides of the franchising lens.

As no other similar frameworks exist in current literature, the model developed by Doherty (2009) in Figure 2 was used as a comparison. Compared with Doherty's model, the framework developed in this research project adds research value in that it views the brand partner selection process through the lens of the retail group and not that of the franchisor or international brand. Furthermore, it does not solely focus on the partner selection process but looks beyond and this explores the pipeline management, execution and performance management processes.

5.4 Conclusion

The purpose of this chapter was to develop a conceptual model. The conceptual framework in Figure 20 directly addresses the CRQ set out in section 1.5 as the key components of the brand feasibility process were identified. Based on the model developed, observation and the literature reviewed, conclusions and recommendations are made in Chapter 6.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The research report was conducted to determine the key components of a brand feasibility framework of a South African retailer. The following theory questions were posed:

- TQ1: Explain the brand partner selection process?
- TQ2: How is the brand entry mode established?
- TQ3: What is involved in the brand feasibility study?
- TQ4: What are the key negotiation points? How are negotiations done?
- TQ5: What is the execution process of the brand in the new market?
- TQ6: How is performance monitored?
- TQ7: Which internal or external factors could affect the partnership?

These questions were answered through in-depth interviews with subject matter experts in the field. Further analysis was done by direct observation and with reference to the literature review. As a result, a conceptual framework was developed.

This section outlines the key conclusions and limitations of this research and suggests recommendations for future research. As in any case study, the conclusions made are exclusive for the retail group under discussion.

6.2 Conclusions

By employing a qualitative case study methodology, this research report contributes to the body of the research in a number of ways. It provides an overview of the existing literature on international retailing, retail internationalisation to South Africa as well as partner selection and market entry modes. It discovers that no literature exists to explore the process of bringing international brands into a new market from the retail perspective. It establishes through a review of literature and interviews that there is an untapped market in South Africa for international fashion brands. The literature review and interviews established that franchising is the preferred mode of entry for international brands into the South African market. The research project contributes a conceptual framework for the process which provides an important qualitative contribution to existing research on international retail franchising. It demonstrates the various elements of the process, i.e. partner selection, pipeline management, execution and performance management. The following conclusions were made for each of the process components:

6.2.1 Partner selection

The literature review demonstrated that existing research on franchise partner selections are from the perspective of the franchisor only. The framework highlights strategic and opportunistic approaches for international partner selection. From the interviewees, a list of the key partner selection criteria was developed, including financial stability of the brand, growth of brand in local market, capability of working in the Southern hemisphere, relationship, price positioning, brand recognition, profitability and fashionability. Furthermore it was concluded that it is important to select a brand that will fill a gap in the market and that could contribute something new and different for the local consumer.

6.2.2 Pipeline management

The conceptual framework highlights three main components in the pipeline management process, namely; contact, negotiation and signing of the contractual agreement. The following negotiation points were considered critical by the SME's: the supply chain model, margin model, financial terms, agreeing on the selling price and cost of the product, determining the brand management structure and upfront agreement on the number of stores and timings of roll-out.

6.2.3 Execution

The high-level execution process was developed in Section 4.10 to demonstrate the key components of the execution process. Using this process the key components that were built into the conceptual framework are; identifying and obtaining brand sign off on a site, building the store, merchandising and selling.

Furthermore, the research demonstrates that it requires a cross-functional team to execute a brand in a market and that the brand manager is a crucial part of brand execution as they are the adopted custodian of the brand.

6.2.4 Performance management

The last component of the conceptual framework is performance management, which is an ongoing activity in the brand feasibility process. From the interviews it was concluded that brands that are well recognised by the customer have a shorter establishment period. Unknown brands can take up to 5 years to settle in. On average, the participants agreed on a period of 18 months for brand recognition, as the brand would then have traded through 3 seasons. Therefore it is important to continuously track the performance of a brand. In order to determine the brand performance the following measures need to be tracked on a daily basis: trading density of a store, stock turn, margin on products, gross profit. On a monthly basis EBITDA is calculated to determine the profitability of a brand. Poor performance may result in stores closing down or even the termination of a contract. In the case of good performance, further store roll-outs will occur.

6.3 Limitations

This research report has a few limitations. An examination of the literature reveals limited, existing research on the international retail franchise process from the franchisee's perspective. The research adopts the perspective of the franchisee, i.e. the retail firm under discussion and as such its findings and the conceptual framework can only be interpreted from this perspective.

Further limitations are that the research report examines a single retail group in South Africa and only one sector, namely fashion retail, is studied.

6.4 Recommendations

As highlighted in the introduction, the internationalisation of retail brands has become a global phenomenon and South Africa has been identified as one of the priority markets in which international brands can expand their operations.

Considering this increasing competition the conclusion and limitations, the following recommendations for future research are made:

- The proposed conceptual framework may be useful to base future quantitative studies upon, which may result in noteworthy findings.
- Future research could also consider the international brand feasibility process of other retailers in South Africa, in order to understand if there is any similarity in the processes.
- It would be interesting to understand the process for other emerging markets in an effort to find links and gain understanding from the processes that different countries employ.
- Understanding the process for South African companies from other industries that are partnering with international brands, could be considered in future research.
- Lastly, it may be noteworthy to use one of the brands from the retailer as a further case study to research the same process from both sides of the franchising lens.

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APPENDIX A – INTERVIEW GUIDE

- What is your position at the company?
- What is your background in the industry?
- How long have you been working in your current position?
- What are your key roles and responsibilities?
- In your opinion, is South Africa an attractive market for international brands?

TQ1: Explain the brand partner selection process?

IQ1: Do you choose the brands, or do they choose you as a partner?
IQ2: What process is established to check if the brand fit is suitable for the local market?
IQ3: What criteria are considered in the selection of a new brand?
IQ4: How is collaboration established?

TQ2: How is the brand entry mode established?

IQ1: What is the preferred market entry model for brands?

TQ3: What is involved in the brand feasibility study?

TQ4: What are the key negotiation points?

IQ1: How are negotiations achieved?
IQ2: How are contracts set up?

TQ5: What is the execution process of the brand in the new market?

IQ1: What team is required to facilitate execution?
IQ2: What is the role of brand management?

TQ6: How is performance monitored?

IQ1: How long does it take to establish a brand in the local market?
IQ2: How is profitability ensured?

TQ7: Which internal or external factors could affect the partnership?

IQ1: What are the top three factors that determine the success of a brand?

IQ2: What are the top three factors that could contribute to brand failure?

IQ3: What are the main internal challenges with the process?

IQ4: What are the main external challenges for the process?

APPENDIX B – INTERVIEW RESULTS

The Attraction of the South African Market.

The table below contains the interviewees' responses to the question "is South Africa an attractive market for international brands?"

Table 18: South African Market Attractiveness for International Brands

	In favour	Against
A	"Consumers are desperate for better quality products in the market" "..we still think there's a huge untapped market to bring brands to the country"	"The Rand has depreciated against major currencies and, of course, the Dollar which means it's much harder to make the product, attractive to the consumer from a price point perspective.."
B	"I think it is but it needs to be selective and they need to be clear on their strategy because it's not an easy country to come into" "It is an attractive growth prospect if that company is ready to go into an emerging market and with a specific view into getting into Africa"	
C	"In the emerging economy people are very respectful of brands and believe brands sort of mean quality. I think our emerging black market love brands, but it's key that the brands are known in the market for them to be believed as brands."	
D	"It is an attractive market. I think that we are, the gateway to Africa.. there's a lot of lessons to be learnt here and then implemented and expanded on for Africa."	
E	"I think it is, absolutely, but it has to be the right brands."	
F	"Absolutely. I think, we as South Africans, subscribe to latest trends.. and see it as aspirational."	
G	"I think, definitely. I think a lot of South Africans have always had to travel quite abroad in terms of being able to get access to a lot of the international brands. I think, with a lot of social media and the world really becoming a lot smaller, I think, a lot more South Africans, nowadays, have a lot more information in terms of brands that have always been available overseas. I think from a consumer perspective there has been a great desirability"	"I do think, however, there's a lot of market entry factors that you should consider in terms of price accessibility making sure that it's the right range for a broad enough target market and then also making sure that a brand has some sort of brand recognition because, otherwise, the time in order for it to start working within a, within the market takes a lot longer."

TQ1: Explain the brand partner selection process?

IQ1: Do you choose the brands, or do they choose you as a partner?

Table 19: Results on brand and Retailer selection

	Retailer selects brand	Brand selects retailer
A	"Initially when we started, we drew up a list of target brands and approached each of those brands to test out their willingness to come to market and, quickly assess whether or not we felt those brands could, translate into the market."	".. 2 years in and we now get many more requests from brands to work with us than we go looking for brands. So, everyone now understands that there is a, a growth with South Africa, many more brands have arrived, because we're one of the largest companies we tend to find brands approach us more then we approach them."
B	"I think we will, in time, we'll, we'll be in a better position to be more selective."	"because we're a start-up.. the balance of power sits more with the brand"
C	N/A	N/A
D	"Initially we were selecting brands, it was more a wish list, because we were the new comer as such in the international arena.."	"however, I think, the tables have turned, so now, knowing that we've successfully launched [brands], now brands are knocking on our door."
E	N/A	N/A
F	"So we started out looking for them…"	"Now have the flip side where brands are more open to, it's a close network, it's all over the news that X is now trading here and there and some guys are saying, hey, I also need to get my foot in the door. So there is an element of approach as well."
G	"I think it's been a combination. I think, in the outset, we set out and documented a number of brands which we were interested in, almost like a Blackboard approach where we listed all of the brands that were possibly available and then started engagement with them."	"Now that the division's been up and running for 2 and a half years, I think there is quite a lot of brands who've obviously done the reverse and actually reached out to us in terms of looking at us as a brand partner to launch them in South Africa."

IQ2: What process is established to check if the brand fit is suitable for the local market?

Table 20: Results on establishing brand fit for the market

	Results on brand fit for the local market
A	"the products must bring something different to the market, so not a replica of the styles or the fabrics or designs that already exist in the market, it must offer something different." "the brand needs to have an international appeal, already have made its name so that there is a familiarity for the brand and the brand name and a desire for the product"
B	"we would look at, the size of the brand.. if there's a gap in the market for their kind of product, their price points.. whether it's men's, lady's, kids, accessories.. if it's too close to things we already have or if it's too close and in direct competition with our own private label, I think that might be a bit of a problem but that has seldom happened." "international brands have a specific brand recognition and there's a desirability around a brand" "on the few occasions where there hasn't been a good fit, it may be because they're a price premium or a high luxury top-end product and, in terms of timing.. the market's not ready for their pricing"
C	"So I think it's really about looking at how the pricing sits in the marketplace and understanding what the competition for that particular brand is and what this brand's sort of competitive edge will be. Will it be from a quality perspective, will it be from a styling perspective, will it be a pricing perspective?"
D	"I would definitely visit the brand in the home market. I would do research, I would look at where their price positioning is, and based on our current macroeconomic situation, I'd actually see, can it be afforded? And then, where do we plan to pitch it?" "which competitors do they have or who do they pitch themselves against?" "then I would definitely have meetings with their franchise department as well as their merchandise department and evaluate how flexible the brand is and, because sometimes it's not just about the brand fit, it, it's also about the people managing the brand"
E	"South Africa is a very complex market because you've got so many different demographics within the country but then your concentrated market spend is in your middle, black middle class and, I think, your key would be to see what brands currently resonate with the local gross and look for similar or if not improvements on those brands, and that would be a key, for me, to signing up brands in the country."
F	"Will it be viable first of all with, what the brand offering is" "benefit of housing that brand"
G	"I think, in terms of brand fit there's a number of elements that we look at in terms of upfront it's really understanding what is the brand proposition in terms of its full range of product offerings. So is it something were we've already got a lot of those brands in the market or is it something new to the market. I think profitability is really key in terms of understanding is, is it a brand that's going to be quickly recognised? What are the options in terms of store roll out to make sure that you can get the footprint. Um, a lot of the brands would want to understand where they going to be positioned from a location's perspective, so, I think, a lot of the brands would make sure that they in the right sites before they can consider the actual local market to make sure that it's a right kind of brand fit for them. Within their product offering, I think, it's looking at their key price points, so understanding what would the landed cost be and then what are our margins in terms of making sure that we can be profitable. And then long-term, looking at how long is it to take a brand to be profitable in terms of understanding upfront Capex, cost and requirements. And then, obviously, from a contractual perspective, what are the various negotiations that the brands are flexible on in terms of fixed fees, franchise fees, launch fees, etc."

IQ3: What criteria are considered in the selection of a new brand?

Table 21: Results on brand selection criteria

	Results on selection criteria
A	“capability to work in the southern hemisphere rather than northern hemisphere.” “do they have a network, a distribution network and a support network which would allow them to look after South Africa as a market” “do they have the capability to have a product that will be appropriate at the right time in this market” “we would do our assessment in terms of the cost price of the product and the potential selling price of the product to see if there's enough margin in” “the relationship would also be very important. The relationship, between the 2 parties is what would be one of the major deciding factors in the end.”
B	“from a numbers criteria it's.. the profitability, so there's a whole price calculation that happens to see if the brand will hit the kind of IMU's that we need to get.. in tandem with that it would be whether their retail prices are going to be attractive in the marketplace and if whether there's a genuine, opportunity for them to have a space in our market against all of our other competitors..” “The other part is, trading density.. we need to be sure that once we've dedicated space to them that we can actually make a return on investment on that particular trading space..”
C	“how big can that brand be, to put all the effort that we do in building the brand, can it make enough profit.. well priced, good value, great fashion.”
D	“ ..similarities with regards to customer base.. it's about do you have the right customer or can you create the need for the product in that marketplace?” “..are they financially viable? Do they have sustainable strategies in place that can ensure sustainability for performance” “it would be synergies across both companies both, so, so again, with, can we adopt some of the.. brand synergies into our organisation and what does our organisation have that the brand requires to ensure the, the successful performance in the country?” “..is there brand awareness? So is the brand one of the top brands internationally, because currently we've learnt we've got very niche brands that's not performing, should have not been adopted.” “do market research on the demographics, on the customer base, to check, in the right locations, to see would there be a sustainable need for that product or for that brand” “I would always look at their logistics because that's also vitally important and, and, the capabilities, can they pack by store, for instance. How do they pack the cartons?”
E	“it would have to be something that resonates with the local market. South Africans are very particular upon which brands they latch onto. I think, we've got a minimum of the population that travel which are happy to latch onto your international brands but your more popular local international brands because they've been around for so long, you need to have a look at what, what resonates with the local person and then get similar brands in that are sort of upgrades on that, and that would be my view on that.”
F	“The stand out one is the return on investment, if it doesn't make sense the brand can be as popular as it is out there but if it doesn't make sense for us”
G	“I think, the key criteria is profitability. I think it's making sure that upfront that it is a brand that you are going to be able to generate profit from in the long-term.. is the brand going to be profitable? Is it competing with another brand? What is the roll out? What is the timing? And then obviously the key availability of where those brands are actually going to go long term.”

IQ4: How is collaboration established?

Table 22: Results on establishing collaboration

	Results on establishing collaboration
A	"Usually a few phone calls.. a couple of e-mails to introduce the partners, usually there's a sharing of, , introduction packs from both companies to ensure that there's a similarity or an attraction between the two, and then it builds from there. It's very much like, dating, same analogy as dating, so it's the first tentative steps, the first dinner, the first drinks, the first discussions, and then you quickly realise whether or not there's going to be something that's worth building or not."
B	"..it's very much like a dating game, initially you kind of getting to know each other and as we get a bit further into the process and once we know that this is looking like a highly likely prospect, I think, it naturally you get introduced to more people."
C	"I found, the most effective is to, to go in on an sort of induction week where we actually bring across people from property, IT, planning, merchandising, and we actually go and understand exactly how their brand works and what we need to do to actually make sure our systems align."
D	"I say initially face to face, the face to face collaboration's extremely important, getting starting off initiating the relationship. Thereafter, I think, it's vitally important that prior to full implementation, there's proper telecoms in place taking through, going through the whole project plan and the financial plan and getting agreements."
E	"South Africa is still, despite all the current issues, seen as the gateway into the rest of Africa, and that's a massive selling point to people. So things like footprint and execution of existing brands is the key things you would have to bring to the table when you negotiate that. But in terms of further collaboration it's just, it's about fit, remember, a lot of brands just feel that, you know, they don't, our markets currently don't fit where they are as a brand and, and it's not where they currently want to be positioned. So those collaborations is a long lengthy process of deciding, you know, if the marriage is right for everybody."
F	"So there would be a key team initially.. 2 from our side and perhaps, normally the brands have a wider representation where we actually just sit down and say, right, so purely this is what the financials say."
G	"I think, the negotiation process is set up in our line a bit like a dating process. It's seems that there's quite a lot of discussions that go back and forth from the beginning. I think, upfront key stakeholders meet the relevant other parties, , within the different businesses. I think, upfront it's more of conversations in terms of understanding what is the brand's desire to come to the market? What are their expectations and then what are their key structures? And then mapping it back to within our own business where, what are our goals?"

TQ2: How is the brand entry mode established?

IQ1: What is the preferred market entry model for brands?

Table 23: Results on market entry models

	Results on preferred market entry model
A	"It tends to be, at the moment, a franchise model, in other words, we would take all of the, ownership from the brand in terms of the use of their trademark, their intellectual property, so that we can recreate them in this market and under their guidelines. That means they don't have to invest in the territory, they don't have to take risk, and for a company wishing to enter South Africa they are keen to avoid that."
B	"It typically turns out to be a franchise model, and I think that's because South Africa's got such a high, duty rate that very often for us to meet the kind of prices and the margins that we want, we typically need to go into the franchise model. It, it turns out to, very often to be the kind of best suited model for both parties."
C	"Having been mostly exposed to franchise in what we have done. I suppose the only risk with that is that in a lot of cases it becomes just our problem whereas, I think, when it's a JV or there's part ownership from the brand internationally, there's more ownership and understanding that it's not just about what they selling to us but it's about how we've sold through to the customer. So more of a true partnership whereas I think, the franchise root can be a little bit more skewed towards us owning all the issues."
D	"..the 1 model that, that we haven't catered in, from an international brands perspective in a SAS environment and that's the consignment model.. so we not at the mercy of holding too much stock" "So stock is eliminated, it's about the end customer focus.. so it's about providing an assortment that is driven by customer need rather then trying to fulfil a stock number that looks good on paper in that regard, that would be my first choice"
E	"So for international brands, franchising is usually, is, is a good model for them because without taking on the risk of setting up a local company, they can still have control of what you do with the brand. So, but, I mean, ideally first prize is to come in locally on their own because then margin and profits is theirs. So, you know, it's a balancing act with a typical risk reward act. So where do you want to be? So franchising is sort of a mid, good middle ground for most brands."
F	"The brands that I've dealt with, most of them are very familiar with the franchise agreement because they, that's their model across the rest of the world"
G	"I think, it depends on where the brand is strategically looking. I think, a lot of the brands have opted for franchise relationships in Africa specifically." "Ideally first prize is to come in locally on their own because then margin and profits is theirs. It's a balancing act with a typical risk reward act. So franchising is sort of a mid, good middle ground for most brands."

TQ3: What is involved in the brand feasibility study?

Table 24: Results on the brand feasibility study

	Results on brand feasibility study
A	".. once you've established that there's enough margin in the product, to sell, then we run, some tests to say how many Shop in Shops within department store could we create for this particular brand, and how many Standalone stores. Then we apply all of the costs of doing that . and we run a model, usually across 5 years, to see if it can return profit over 5 years.. and typically each company has hurdle rates they looking to hit for, return on investment, and pay-back periods. As long as we can hit those then we could, we could go ahead commercially.. we tend to look at, the history of brands, results year on year, and their financials, which are freely available in, in Europe and America, and, we also, as part of the protection in South Africa of the Consumer Protection Act, before we sign any contract, we get declarations from the brand, we get full disclosure of their financials which are independently signed by auditors of that company as well, so we're protected."
B	".. is the pricing right so the margin, the RSPs, obviously the product, you know, trading densities and the overall P&L, and of course there's an element that's slightly harder to measure but.. a measure of the relationship and the partnership."
C	"what margins they make, to start off with, to understand that there's enough of the pie for us all to make money off the brand so, um, ja, and, and I think that's where we've, where it's been hard to get a value end brand because the margins are so low, so, you know, obviously being in South Africa the toughness is the 45 percent import duty which, you know, no one really else has to, sort of have in their market which, I think, is challenging for any brand and that's possibly why it took so long for brands to come to the market is to find a way to, to be able to sell these brands not at a 45 percent premium."
D	"..so brand feasibility I would think would be again, do we have the customer base? ..is there a perceived longevity in the brand? .. pricing utterly, utterly important.. where is the price positioned in the market? ..will it be affordable in the marketplace? "I would look at the financial structure of the brand.. I would look at the last 3 years to see a trend, so have they been growing.. I'd look at their financials and where are they positioned internationally and are they on a growth strategy or are they looking at South Africa as an exit strategy as such...so it's product quality, marketing, pricing, financial viability."
E	"So a key in that feasibility study is, of course, the demographics of your existing clients but then also the ability of the brand to attract new clients. So, I mean, that's always the balancing act that you've got to find. How much of this brand will speak to our existing clients but what benefits is it for getting new feet through the door? And that's a key part of the, the feasibility that you've got to do. But then also key to it is then at, you know, what margins will we be able to give a product offering that will sell but then still give you the right return because at the end of the day, if there's no return nobody's going to do a deal."
F	"income statement, this is the sales, cost of sales, GP, etc. that it will make but does it make sense that we going to give it a brand manager. We look at it as, if this were to be carved out, what is this business? What will this business look like? And then it has a pure return on investment given that it.. it does to get to a pure EBITDA number to be able to calculate what the return on investment is."
G	"Well, from our side specifically, when we look at brand feasibility and from whether it's going to work in the market a lot. We do a bit of customer dipstick research, we have a look at various data to understand what is the pricing model. Where's it going to be pitched, uh, competitively? Um, what is customer perception of it? I think, from an overall brand feasibility perspective, it's in terms of understanding, what is the landed cost? What are the margins we able to make? What is the input margin? What do we believe will be the stock turn? Roll out will obviously have an impact in terms of feasibility in terms of understanding number of stores. And then planned sales is obviously key from a top line perspective, understanding where you going to be able to get your top line sales. And then, I think, also looking at, what are the fee structures in terms of the actual cost of bringing the brand to the country."

TQ4: What are the key negotiation points?

IQ1: How are negotiations achieved?

Table 25: Results on key negotiation points

	Results on key negotiation points
A	“Once we get past the initial interest in collaboration, the key negotiation points would be the, supply chain model which is how often they supply stock to us and whether they going to hold stock to supply it at the right time or whether we have to hold the stock. Secondly would be, what level of cost can we get from them, what level of discount on their standardised cost can we get in order to make our margin work and in order to minimise the impact of bringing goods into South Africa, South Africa which has got high duty rates, so that would be a very important one. The structure that we would operate with the brand in territory, is also very important discussion point from the, from the brand's perspective, how we structure the brand, how we manage the brand, tends to be a very strong negotiation point throughout. Once we've agreed on the individual margin model, once we've agreed on the number of stores, it's really then a question of what the implementation schedule should look like and whether you going to Shop in Shops first, Standalone stores first, etc. But all of that unravels if we don't get passed probably what's the first, the very first hurdle which is what price to sell the goods at in the market. That tends to be the biggest discussion of all the discussions, because if you price too high, it means both companies get margin but they won't get enough volume to grow the business plan. If you price too low, there's not enough margin in it for both people. That tends to be the most important factor.”
B	“I would say it's whether they are prepared to give us exclusivity, if they are not prepared to give us exclusivity we, we, we won't go ahead.. it really is about can we make the margin.. “Then a couple of operational issues.. Ideally, the brands need to be able to work with us in an operational way where they can hold the stock or bring it in very frequently so that we're not sitting with very high stock holdings. So that's not necessarily a make or break but it's a critical point in how operationally the whole thing's going to work.”
C	“I suppose what that royalty fee will and what we get for the royalty fee? How we going to market the brand and what kind of money we going to spend on marketing the brand? Um, what kind of rollout we are going to see for that brand and what the 5 year plan would be from a sales and input perspective. Um, so those are all the things that, um, you negotiating, you know, what is that up front, um, margin that we going to get?”
D	“.. it's important that the way the cost of the goods is structured and ultimately the pricing that it makes it still cost effective for us to bring the brand into the country at the 45 percent duty and retail it similar, so equal or slightly higher, maximum 10 percent, at a 10 percent premium of home country price.. royalty fees needs to be sustainable. The higher it goes, the less EBITDA we make and that's the bottom line.. the logistics, air freight, sea freight is important, in some cases, I think, we could have negotiated for fast fashion brands where the brands almost subsidises air freight model. That should be in the costing structure.”
E	“At the end of the day, nobody's going to do a deal for the wrong margin. We can't sell something over expensive especially in our market where luxury is currently, you know, almost a swear word, and international brands are seen as luxury, so if you can't bring it in at a decent price where you can play with margin, that is a key breaking point. I mean, your other factors in the contract are sale end factors, things like brand control via the franchise agreement, so they would still want to control where the brand is positioned, Internet presence, your marketing is key.”
F	“Return on investment, they look at us in terms of what we have done and, and, and how we perform. They do extensive site visits, um, in terms of in country, coming to our malls, we have to take them around with intended locations. Logistics in terms of how they currently service their network and what it would mean to service us - what would that

	supply chain look like?.. and then IT, IT's very, very critical. I think that's one of the other big things in terms of how would we speak to them, from a system point of view."
G	"I think, the negotiation process is set up in our line a bit like a dating process. It's seems that there's quite a lot of discussions that go back and forth from the beginning. I think, upfront key stakeholders meet the relevant other parties, , within the different businesses. I think, upfront it's more of conversations in terms of understanding what is the brand's desire to come to the market? What are their expectations and then what are their key structures? And then mapping it back to within our own business where, what are our goals? What are our objectives and how are we going to make sure that we can tie up those processes."

IQ2: How are contracts set up?

Table 26: Results on how contracts are set up

	Results on how contracts are set up
A	"Most brands have their own contract whether it be a wholesale or a franchise contract.. so they will send us that. The first stage we try to do is strip out the commercials or we will do a Heads of Terms for commercials because contracts can take 3 to 4 months, if you can get 1 commercial part agreed first, and signed off on the Heads of Terms which is non-binding but at least locks down the commercial negotiation then that moves you forward much quicker. And then, we go through the contract to see, does the contract work for us, does there need to be clauses that need to be manipulated or changed and, and typically what drives that is, constraints around how we structure our shareholding as a business and other things enforced upon us by the Consumer Protection Act or the Reserve Bank of South Africa who control money flows in and out and have certain requirements in current contracts. So we would then make the amendment, usually mark up the contracts, send it back, and we have a few phone calls and e-mails to debate the various points and eventually, they win one, we win one and you end up with a contract that's signed off by both parties."
B	"Contractually there's a few things, very often some of the brands will insist on having a brand manager, there are standby letter of credits.. a guarantee of funds.."
C	"So, um, ja, I suppose what that royalty fee will be and what we get for the royalty fee? So, um, um, obviously, what we, how we going to market the brand and what kind of money we going to spend on marketing the brand? Um, what kind of rollout we are going to see for that brand and what the 5 year plan would be from a sales and input perspective. Um, so those are all the things that, um, you negotiating, you know, what is that up front, um, margin that we going to get? Uh, you know, what are the, the, the mark downs we should expect to have, um, because those are budgeted. Um, so it's all those sort of elements."
D	"..there's a lot of negotiations up front.. interest is declared and then I would suppose the legal teams is it a franchise agreement, is it joint partnership.. you defining liability on both sides, so I would think that there's a lot of NDAs signed up front because of brand strategies being shared" ".. it's a lot of negotiations between the head of the head of International on both sides and the legal department."
E	N/A
F	So, I mean, so there's pretty, there's some standard things like, I mean, we from a contract that says, right, THE RETAIL GROUP and holding and the party X franchisor we want to go into business so they grant us, it's, it's almost wording that says, we grant you the right to use our trademark, etc in the country, some of them say, you may use it here, some of them say in the further SADC region, so we negotiate that as well in terms of can we, we, I

	mean, we have stores in Namibia so we don't want to now contractually go back, give us the territorial rights for a certain section, so yes, so we grant you the right to do X, Y, and Z, and so that may be the 1 clause. Second clause will be, for example, confidentiality in terms of, um, you know, information because of collaboration, etc. that we may only use it for this working relationship that we have, um, then you will maybe have a, a section, a clause for commercial which will now start talking about the, you know, in terms, for example, the respective sales, projections we spoke about, the franchise fee." There will be, you know, in terms of breaches, you know, what we, what we have to uphold to maintain what they think their brand needs to operate at and there will be various things that we have to maintain, um, or we maybe in breach. Um, then there is, ja, so, so, so it will be, I mean, virtually in that contractually, some of it is template because I've seen, you know, overlay, like for example confidentiality, I mean, if you have to pick up 10 contracts, you always have that in there. Um, specifics to that now will be rollouts in terms of how this brand is different from, from, from that one, and then there will be something on tenure in terms of how long they allow us, most of them are for 5 years, some of them 3 years. Um, ja, so those are sort of the, the, the, what I can remember is contained in, in the contracts."
G	"The negotiations seems to do rounds, 20 rounds of reiteration and processes in terms of, um, making sure that everyone is making money, is being profitable from the brand's perspective as well as our perspective. Um, before the brand is physically actually launched upfront, I think it is reiterating and going through all of the documentation, understanding what are the key structures? Who's going to be the support system from a local perspective? Um, is it going to be a push model versus, uh, where we do the actual buy will depend on it. Negotiation they look at quite a lot of the factors in terms of same seasonality, are we going to be flying product in every week or is it something where we do, going into bond? So I think a lot of the negotiation points are done through reiterating a number of the processes that works for the brand as well as us. And then, obviously internally, SME-A and B work through the detail of the contract in terms of setting up the contractual agreement and then getting it signed by our various board as well as their boards."

TQ5: What is the execution process of the brand in the new market?

IQ1: What team is required to facilitate execution?

Table 27: Results on the brand execution process and team

	Results on the brand execution process and team
A	"First of all we will identify space whether that be Standalone store space or department store pads. We will do design drawings to show the location of, either the Standalone or, or the pad in the department store and we'll pass that over to the brand for their approval of that site and for them to do the detailed design, of what the final store or padding in the department store will look like. They will then manage the design and the fitting of the fixtures or the production of the fixtures and ship it to us usually for the first stores. Later on in the model we can economise by replicating exactly their fixtures and doing it in a, in-house, but initially, the brand supply all the fixtures to the designs that are given to them. We then put project management in place to actually manage through the various stages of constructing the site, bringing in the fixtures, flowing in the stock, as part of that and, of course, there's a lot of negotiation about what time of year the, the store or the location will launch, and therefore that helps select the stock packages. We obviously price the goods, pre-retail the goods before going into the store and then merchandise as per the brand guideline, so each and every brand will be very specific about how a store should look and be displayed in terms of the products." "You tend to have a, a cross-functional project team for most or all of the brands, it basically includes any area of a business, so it will have design, it will have property, it will have finance so they know when to pay for the stock and the fixtures, it will have, um, usually, typically brand managers who will be responsible for the brand and manage the

	ongoing execution of the brand.. VM, marketing is also an important part of the process because, obviously, each new location will launch with a marketing plan, to build customer awareness and sustain that brand over a period of time.”
B	“..it's a multiple team, first of all, and I think, that it can sometimes be underestimated like how much, goes into the execution phase. So, you know, brand manager is key because there are so many people involved, so you are going to have to have an element of IT, of logistics, of shipping, of finance, accounts payable, there really is a, there's a multi disciplinarian team that needs to make the whole implementation work and it would be too hard for the brand to deal with 20 different people, that's why the brand manager is so critical.”
C	“One thing that's worked for us in, in, um, what we've done, so we, we do that week induction at the brand and then, um, what we do locally is we have a sort of a project meeting that runs every, it used to be every 2 weeks now it's every month, where we actually bring all stakeholders across the business at the retail group into a meeting room and we update everybody on where we are and what are outstanding next steps and what are action points that have, and, um, being quite a laborious meeting, um, that everyone would like to get rid of, it's actually, the, the attendance at it is amazing, um, because people find that it is the 1 time to really understand where everything is in the process, so we've actually kept it, we're a lot more efficient with it, but it definitely has worked in making sure all the project, um, stakeholders are up to speed and know what's going on and no balls are dropped.”
D	“Once the contract is signed, I think, brand manager appointed, there's a lot of negotiations, there's a full project plan that gets put in place, okay, incorporates, so again, during the contract stages it's also decided the 5 year growth plan and then within that the store expansion strategy, so the store rollout strategy, up front it will be discussed how many stores in the first year, second year..” “..so Property will travel across, we'd get samples of all the things that needs to be sourced as well, locally and internationally, so from a shop fit perspective, from a merchandise brand perspective, budgets get set, categories split get sent through, OTBs are up front negotiated and agreed upon, opening packs, so based on the store size we look at the linear density, the units per square metre, that's all decided upon, and then you sign off your opening pack.” “.. simultaneously the brand managers will be working with VM and marketing, there's a marketing strategy in place, there's a VM strategy in place and then we work up to the whole store launch.. ensuring that the product is going to be on time, the store's going to be finished on time, we'd take things into account like, where would the product, when would the product arrive, where it would be ticketed, and then also the HR side of it.” “..leading up to the actual opening, there is bimonthly project meetings and from staff recruitment to training, all of that's done, the necessary people travel to the home country to get the relevant training, comes back, shares information..” “..up front in the process there's full IT integration..”
E	“It really differs from brand to brand. I think, some brands are very intensive in terms of the brand positioning where they actually need their own brand manager, whereas in a Department Store environment you could actually have brands that are so cross functional that they could slot into the day to day business of the brand. So, but your key big brands usually, obviously, you need a brand manager to maintain brand standards and make sure we not in breach of the contract agreements because that will be stated in the contract, you know, where do they position the brand, how they want the brand executed, so that would need it's designated team. So it would depend on the size of the brand and, obviously, how big you, how big the intent is for the company to roll out the brand. You can't have a brand manager if you have 4 stores, 2 to 3, 4 stores, it's just not worth it, in, in my opinion. You, you need scale to justify the team and if you not rolling out a really, really big, um, roll out plan, it doesn't justify having its own brand manager in a Department Store environment.”
F	“You get your logistics, IT, property, in terms of these are the time lines, we now want to go in on this grid, we want X Standalone Stores and so many Shop in Shops. Um, so you'll, you'll first have a, it's almost like an enablement team that says, right, this is the brand. From an IT point of view, this is the minimum we have to send them, please go ahead and set that up. Um, you'll have a, um, you know, from a, from a, from a property

	point of view, this is what we're looking for, um, we're looking for X, Y and Z sites. Yes, please go away, um, um, Shop in Shops is a bit more easier because, I mean, we can do whatever we want, you know, to an extent in the stores whereas the Standalones are much more trickier. Um, I mean, you obviously need to staff the stores so there's an operational component. There is a, what else is there? There's the HR, again the HR component now around the whole brand managers in terms of a head office component which that, that will take, be taken care of. So there's basically, um, there's, there will be functional experts within our areas to then actually rollout, um, you know, the respective brands.”
G	“In terms of upfront, the key person who is supposed to manage the full integrated relationship is the brand manager. I think, there's a number of support services in terms of the team, it really is working across operations in terms of the team who will be operatingly executing it at a floor, across all of the stores and that includes operations executives to regional managers to store managers as well as staffing. Um, I think in terms of head office support functions, key things would, obviously, be looking at planning in terms of what is the planning support role in terms of how buys are done, managing the OTB and working with the brand manager to allocate that seasonally as well as then ongoing from a month to month, managing that process. Marketing works closely with the various brand managers as well as the local partners in terms of upfront defining what that brand strategy is and then on a month to month basis, managing execution with the brand manager based on what the objectives are. So if it's, where, it depends on whether it's promotionally driven or whether it's brand driven. So that is really worked through with marketing as well as the brand management team. I think, from a key structure internally is obviously legal and audit, I think, that's probably 1 of the most important parts upfront with these brands because there's obviously, a lot of agreements, there's a lot of things that needs to be put in place for everything. Finance would play an integral role in terms of making sure all of the payments are done in time in line with what their specific things. Visual marketing is a key component (Sharon laughs.) in terms of it, in terms of actually upfront understanding the CI, setting up each store to make sure that it looks the same as what the international brand looks like and then ongoing managing that process with in it. Who have I left out? And then internally, obviously, working closely with the Edgars team to understand what is the role of the various brands within the Edgars division versus Standalone stores and working with their various planning, planning, marketing and operating teams to make sure that there's great brand alignment.”

IQ2: What is the role of brand management?

Table 28: Results on the role of brand management

	Results on the role of brand management
A	“So typically under a franchise agreement, every brand in the world would see the partner that they work with having a brand manager in place, somebody who is, if not totally dedicated to the brand, who is dedicated in enough time and competence to ensure that the brand is replicated fully, so that would be the brand standards, the brand image, the merchandising of a brand, the pricing of a brand, the marketing, there's a one person touch point and it's usually set up so that any brand can have a go-to person to ensure that their stores or pads in a different country reflect exactly the international image of that brand.”
B	“the brand manager is key because there are so many people involved.. there's a multi disciplinarian team that needs to make the whole implementation work and it would be too hard for the brand to deal with 20 different people, that's why the brand manager is so critical. They need to have like that one go-to person that they can deal with and that brand manager's here on the ground dealing with each one of those people and just making sure the whole coordination is happening and that one hand knows what the other hand is doing.. and vice versa, it also helps for us, um, to have a go-to person that can then go directly to the right people at the brand to ask them for the right things as well..” “..because there are so many concurrent streams of activities, you need to have that central person coordinating the whole thing and, of course, loving the brand and being passionate about it and understanding the finer details because there are so many details, it's about the exclusivity, the stores, the locations, the roll-out dates, the IMUs, the price points..”
C	“So we use a, the role of a brand manager which is quite a sort of, almost is a project manager role. They, um, you know, completely own the brand relationship but they get very involved with everyone from legal to finance to, um, property to IT to logistics, to try and actually sort of hook everybody up with the right people in the brand and in EDCON to actually, you know, open the accounts and make sure that the process is a very smooth one going forward. Um, so that really has been, um, you know, the, the process we've used which has been very effective. Um, ja, so it's really quite a project management role which then again changes as you trade more because then you start actually managing the brand performance in the country.”
D	“The brand manager is the liaison between the brand and the franchisee and she is the brand custodian in the whole country.” “She is the brand identity in the new country, so she represents that brand, so it's vital that she eats, sleeps, the, the brand, so she's the representative of the whole country. She is responsible for running that whole project, ensuring that all the partners are talking to each other, so she's the one that's juggling all the balls in the air and ensuring that none falls.” “.. from liaising between all the different stakeholders and ensuring that anything goes off that project time line, what can be done to bring it back on and if it can't, liaising with the necessary parties in ensuring that those time lines are adjusted accordingly.”
E	“Key big brands usually you need a brand manager to maintain brand standards and make sure we not in breach of the contract agreements because that will be stated in the contract, you know, where do they position the brand, how they want the brand executed, so that would need it's designated team.”
F	“The brand manager will then be responsible for predominantly product, I mean, if you had to slice this pie and say, I think, probably 60 percent of the brand manager's function would be just pure product in terms of product in store.”
G	““In terms of upfront, the key person who is supposed to manage the full integrated relationship is the brand manager.”

TQ6: How is performance monitored?

Table 29: Results on the monitoring of brand performance

	Results on the monitoring of brand performance
A	"Typically we measure the sales by density, so sales per square metre coming out of the different size of the locations would be a key one. Return on investment is yield to financial measure but we also measure other KPIs such as stock turn, see how fast we are able to move the stock through. We measure overall stock holding as a KPI, and we also measure the, the margin that we can make on that particular brand in its square floor compared to any other brand."
B	"I think, it goes back to the key thing, so, you know, are we meeting the original objectives? Are we achieving the IMU's that we wanted? Are we achieving the price points that we wanted? Are we achieving the kind of trading densities that we were expecting to get? And if we are not doing anything, any of those, we need to understand why not and there are multiple reasons for those but, I think there's always, in retail fundamentally your things that you always monitor, stocks, sales and margin, end of story, like those are the 3 fundamentals.."
C	"We track performance weekly and then obviously monthly and then quarterly and then yearly, so we set, um, you know, budgets for a financial year and obviously, week by week we understand how we're tracking to that budget. We overlay a second process onto the budget process which is the profit pattern process which, um, you then monitor changes within the next 3 months depending on how you tracking. So, um, it is tightly managed, um, we've implemented recently, um, uh, a weekly feedback meeting on each brand, um, with both the planning and the, and the brand managers. We then pull out an action plan for every week that people feedback on a Wednesday at a little get together, and that's really driven a lot of actions and, um, momentum in terms of changing performance or trade."
D	"Performance is monitored daily. And how? I think it's various KPIs, so it would be, set KPIs that we would have negotiated up front as to simplistically are we trading in accordance to what the sales expectations were and are we trading in accordance to what the profitability which was set out in the contract."
E	"Performance is very difficult to, to measure in terms of EBITDA, I mean, at the end of the day, EBITDA is the cash in the bank and that's your key measure but it's a long-term measure, so I always say in the beginning, you know, you measure your sales performance which will grow gradually as the brand gains traction. For me the key provider is the key indicator that you've got to look at is market sentiment. What does your client say? Are they after the product but can't afford it? Do, is the desire for the product there? A key indicator of that is your first price break, your first mark down. If your stuff has not been selling and then starts flying out the door when you mark it down, it tells you there's a desire for the product in the market, people can just not afford it. Whereas if you go on mark down and you still not selling then it sort of tells you, you in trouble, you know? I think, in the beginning you've just got to monitor your, your sales but, for me, the key indicator in the long-term is your, your IRR."
F	T there's daily performance, um, which we, from our IT point of view, daily sales would go back to the brand, um, and that obviously aggregates in a week into, you know, weekly sort of sales where then the brand can start seeing that, okay, performance is on this trajectory and this is what happens to stock so that they know, for the, the brands that can react if it's a push, uh, push brand, they can react quickly. Um, then there is overall agreement like performance against budget, I mean, in terms of now, you know, by quarter for the year, some of the brands have a different calendar than we have so it's aligning to their, to their calendar. So it will be performance against a budget and then performance against the overall legal agreement that we set out initially because, obviously, by the time you sign, a lot of things have changed, the number of stores you've rolled out, exchange rate, etc. but there's some loop back in terms of how profitable is this store for the brand."

G	"Performance in terms of the monitored everything relies on top line sales and profitability in terms of EBITDA, so I think, ultimately the key KPIs for every brand is top line sales, are we achieving what we've set out to from a contractual perspective as well as is it going to be profitable? So managing, um, input margins, stock turn, uh, what are we marking down, so mark down costs in terms of it, um, top line sales to make sure we get enough things. Foot fall in to each of the stores, that's a key metric in terms of how we look at it. I think that's it."

IQ1: How long does it take to establish a brand in the local market?

Table 30: Establishing the brand in the market

	Results on timeframe to establish a brand in the local market
A	"Typically across the world it can take anything up to 18 months for a brand to start to show traction. It's typically on a fashion retail brand will be 3 seasons before you really start to understand the consumer and the consumer starts to understand the brand and what you buying is in the right, um, depth and in the right size curves for the consumers. So it can take easily 18 months. For brands that are not known it can take an awful lot longer, um, it can take 2 or 3 years. Um, in South Africa, I think, there's history that will show that some of the biggest brands took 5 years to build them to the state they are today."
B	"Certain brands do have a, um, quicker adoption because, possibly, they are well-known overseas, um, and consumers have already had some sort of exposure to them, so, I think, those can be adopted slightly quicker, um, but from what I've seen in the South African market, I think, it's also we're very presumptuous, so, I think, the mass in the main, take a while to adopt to a brand, um, and it seems that it could take well up to, you know, 3 years plus."
C	"I'd say you looking at about 2 years, 18 months to 2 years to really start establishing them and then growing them."
D	"Guess took 5 years to, to, uh, gain credibility and become a success in South Africa" "Between 1 year and 5 years."
E	"16 to 24 months"
F	"Anything between 18 and 24 months, just the establishment to let people get familiar with the brand, to get your stock position right because in some instances you've bought way in advance and there's a seasonality situation which you maybe now still have to work through the stock to get to optimum levels such that you can get fresh stock in."
G	"Based on a lot of studies for brand recognition, you should allow 2 to 3 years to set up a brand from a good, if you were to do it properly."

IQ2: How is profitability ensured?

Table 31: Results on how profitability is ensured

	Results on how profitability is ensured
A	"The only way you can ensure profitability is to sell the products at the right time in the season at the right price. And so typically that's measured by something called Sell Through. So if you going less than a 50 percent Sell Through of your collection at full price you'll never make money and you will never be profitable. And typically most brands work on a basis of getting 60 to 65 percent Sell Through of their products at full price before mark downs kick in."
B	"Profitability is an ongoing thing, so even though you might be looking at the numbers, there's a whole piece of an ongoing relationship, so you have to always make sure that you are optimising everything in the supply chain, are we bringing it in as cheaply as possible, have things in the market changed.. has the exchange rate moved? If that's the case then you have to reprice all over again and think of your pricing strategy."
C	"I think, really understanding the profitability by store and, you know that forum that we've set up now in terms of, um, the profitability because it does vary by store depending on a whole lot of factors whether it's rental, whether it's the staff blue print or whether it's, you know, how that brand performs in that mall, um, and, and really, you know, getting to understand what is the lever that we need to pull store by store to actually ensure the profitability, um, increases. But, you know, there's no doubt that driving sales and growing the brand, you know, week on week, year on year is key because, at the end of the day, you know, the more people we get into the brand and the more people we need to buy it more regularly, that's the, you know, number 1 thing is getting the sales level right then absolutely managing cost at every level, so understanding that we, ja, really tighten and cost control particularly with the economy as it is."
D	"So a couple of things are set out in the contract, you speak to sales, you speak to IMU, you speak to mark up, gross profit, and the gross profit that is in contract is the retake gross profit because you also have financial gross profit and then ultimately EBITDA and trading density."
E	"In the beginning you've just got to monitor your sales but, for me, the key indicator in the long-term is your IRR."
F	"In most instances it's been virtually by price increases. In some instances we've actually gone back to the brand and said, hey, this wholesale price that you've given us, we've tried all of these things, we've come to a level where we don't want to price ourselves out of the market but we not profitable what are you going to do? Some of them have reduced the royalty, some of them have given us a bigger discount on the wholesale price, some of them have contributed to our Capex in terms of future rollouts. So that's sort of where we trying to maintain operational profitability and then overall business case profitability as well."
G	"Everything relies on top line sales and profitability in terms of EBITDA"

TQ7: Which internal or external factors could affect the partnership?

IQ1: What are the top three factors that determine the success of a brand?

IQ2: What are the top three factors that could contribute to brand failure?

Table 32: Results of factors that could affect the success of a brand in the South African market

	Success Factors	Failure Factors
A	▪ Perceived value for money - the combination of price, style and quality ▪ Appropriateness - having the product in the market at the right time ▪ Strong marketing program that builds long-term awareness of brands and desirability of the brand	▪ Overpricing product ▪ Poor quality product ▪ Incorrect product placement - product in locations with wrong demographics
B	▪ Competitive pricing of the product ▪ Correct product selection for local customer	▪ Demise of relationship with brand partner
C	▪ Brand attractiveness ▪ Understanding the customer ▪ Strong relationship	▪ Demise of relationship with brand partner ▪ Misperception of value for money ▪ Misaligning to market
D	▪ EBITDA ▪ Sales performance -like for like growth ▪ Financial GP	▪ Pricing, positioning the product incorrectly - wrong merchandise or the wrong season ▪ Lack of marketing
E	▪ Sales ▪ Strong marketing program ▪ Brand experience ▪ Newness in stores	▪ Incorrect pricing ▪ Service levels ▪ Incorrect product placement
F	▪ Brand maturity ▪ Good brand manager	▪ Incorrect pricing ▪ Untrendy product ▪ Poor brand manager
G	▪ Strong brand awareness ▪ Desirable product ▪ Maintaining brand integrity	▪ Lack of brand awareness ▪ Pricing, positioning the product incorrectly - wrong merchandise or the wrong season ▪ Changing strategy

IQ3: What are the main internal challenges with the process?

IQ4: What are the main external challenges for the process?

Table 33: Results of Internal and External Challenges

	Internal	External
A	▪ Lack of real estate, difficult to meet contractual roll-out obligation ▪ Large quantity of brands, challenge for teams to cope ▪ Pulling the cross-functional teams together at the right time to ensure projects stay on track	▪ Volatility of the currency ▪ constraints around shipping and timelines and being able to get product from the northern hemisphere to the second hemisphere to the southern hemisphere ▪ Poor market economy ▪ High taxes, fuel costs, cost of power ▪ Consumer uncertainty is rising
B	▪ Lack of transparency in communication ▪ Large number of brands and complexity of process ▪ Not enough up front due diligence with brand selection resulting in bringing wrong brands and underperforming brands to the market	▪ High duty rates ▪ Volatile exchange rate ▪ Declining economy
C	▪ Inter-departmental relationships ▪ Large number of brands and complexity of process	▪ Loadshedding effecting store trading time ▪ Declining economy are leading to consumers pulling back on spend
D	▪ Lack of flexibility on our systems ▪ Lengthy logistics time line	▪ Lack of resources or skilled people in South Africa ▪ Political situation ▪ Unemployment - we do not cater for the lower level LSMs, most of our product is LSM 7 and above ▪ Volatility of exchange rate
E	▪ Change management ▪ Budget constraints ▪ Similar brands in portfolio	▪ Volatile exchange rate ▪ Competitors ▪ Declining economy
F	▪ Securing real estate ▪ Change management	▪ Declining economy ▪ Volatile exchange rate ▪ Competitors
G	▪ Communication ▪ Managing brand partners expectations ▪ Lack of brand support	

APPENDIX C – TRANSCRIPTS

A: Managing Director - International Brands

Stefanie: Okay. Just some background questions. What is your position at the company?

SME-A: Um, Managing Director for International Brands.

Stefanie: And what is your background in the industry?

SME-A: So, uh, 15 years in the Middle East of working on retail brand acquisitions for the Middle East. Um, prior to that, um, worked in line management positions in FMCG business in the UK.

Stefanie: How long have you been working in your current position?

SME-A: Uh, 2 and a half years.

Stefanie: And what are your key roles and responsibilities?

SME-A: Uh, to bring brands into the country, uh, that would resonate with the consumer, that would bring a difference in fashionability to the clothing and the market, um, so that's the business development side. Uh, also to run the division which contains all of these brands in Standalone stores, so 15 brands in 30 stores, 26 brands including Edgars Department stores. Fully responsible for the profitability of the division and the strategic direction for it.

Stefanie: Okay. And then, in your opinion, is South Africa an attractive market for international fashion, fashion brands?

SME-A: I thought so. Once upon a time (SME-A laughs.) we certainly thought it was and still do to a degree. Um, the economy of the last 2 years is slumped somewhat and the Rand has depreciated against major European countries, uh, currencies and, of course, the Dollar which means it's much harder to make the product, uh, attractive to the consumer from a price point perspective, but we know from research that consumers are desperate for better quality products in the market and we can start with International Brands for many years having to survive on almost copy private labels. Um, so yeah, we still think there's a huge market, untapped market to bring brands to the country.

Stefanie: Okay. So then the next section there's, um, main questions and then I'll ask sub questions as we go along. The first 1 is around the brand partner selection process. So firstly, do we choose the brands or do brands choose us to partner with?

SME-A: It's a good question, um, both would be the answer to that. Initially when we started, we drew up a list of target brands and approached each of those brands to test out their willingness to come to market and, um, quickly assess whether or not we felt those brands could, uh, translate into the market. Um, those were the early days when we hadn't started. Um, here we are, 2 years in and we now get many more requests from brands to work with us than we go looking for brands. So, um, everyone now understands that there is a, a growth with South Africa, many more brands have arrived, um, because we're one of the largest companies we tend to find brands approach us more then we approach them.

Stefanie: Okay. And then what is the process to establish if a brand is the right fit for the local market?

SME-A: So it's, it's quite an involved process. The, the first thing that's important is to just understand whether the brand has, um, capability to work in the southern hemisphere rather than northern hemisphere. So do they have the capability to have a product that will be appropriate at the right time in this market? Um, do they have a network, a distribution network and a support network which would allow them to look after South Africa as a market, if on a franchise basis? Um, um, then we would do our assessment in terms of the cost price of the product and the potential selling price of the product to see if there's enough margin in, uh, the business entity we would set up between the 2 companies for both parties to make profit, um, and fairly quickly we can rule those things in or out. If we rule it in, we then go to much more detail [The rest is not clear.].

Stefanie: Okay. And then what is the, the, the key criteria to consider when selecting a new brand?

SME-A: Um, starting with the products, the products must bring, um, something different to the market, so not a replica of the styles or the fabrics, uh, or designs that already exist in the market, it must offer something different. And also the brand needs to have an international appeal, uh, already have made its name so that there is a familiarity for the brand and the brand name and a desire for the product. Uh, that would be the fundamental around the product. Obviously the commercial has to stack up so the price point [Word not clear.]. Um, but then I think, the relationship would also be very important. The relationship, uh, between the 2 parties, um, is what would be one of the major deciding factors in the end.

Stefanie: Um, and then how is collaboration established?

SME-A: Uh, usually a few phone calls, um, backwards and forwards, um, a couple of e-mails to introduce the partners, usually there's a sharing of, uh, introduction packs from both companies to ensure that there's um, a similarity or an attraction between the two, um, and then it builds from there. It's very much like, um, dating, same analogy as dating, so it's the first tentative steps, the first dinner, the first drinks, the first discussions, and then you quickly realise whether or not there's going to be something that's worth building or not.

Stefanie: Okay, cool. And in your experience what is the preferred market entry model for brands?

(Slight pause.)

SME-A: Um, ...

Stefanie: Into the South African market.

SME-A: Into the South African market. It, it tends to be, at the moment, a franchise model, in other words, we would take all of the, um, ownership from the brand in terms of the use of their trademark, their intellectual property, um, so that we can recreate them in this market and under their guidelines. Um, that means they don't have to invest in the territory, they don't have to take risk, um, and for a company wishing to enter South Africa they keen to avoid that. Um, obviously, as we get stronger, as the market gets stronger, we look to bring more of the, uh, brand risk into the equation, so getting them to co-invest with us would be the right way forward.

Stefanie: Okay. And then, what involves the brand feasibility study?

(Slight pause.)

SME-A: Uh, feasibility study would be about, um, once you've established that there's enough margin in the product, uh, to sell, then we run, uh, some tests to say how many Shop in Shops within an Edgars could we create for this particular brand, uh, and how many Standalone stores. Um, then we apply all of the costs of doing that for the rent and for the [Word not clear.], we'll set it up with the, the stores. Um, and we run a model, usually across 5 years, to see if it can return profit over 5 years, uh, and typically each company has hurdle rates they looking to hit for, uh, return on investment, uh, and pay-back periods. As long as we can hit those then we could, we could go ahead commercially.

Stefanie: And do you have a look at the financial state of a brand before signing them up?

SME-A: Yes, we do. Um, I think, there's a different degree of that depending on their size and the, uh, familiarity of the brand, but we tend to look at, um, the history of brands, results year on year, and their financials, which are freely available in, in Europe and America, and, um, we also, as part of the protection in South Africa of the Consumer Protection Act, before we sign any contract, we get declarations from the brand, we get full disclosure of their financials which are independently signed by auditors of that company as well, so we're protected.

Stefanie: Okay. So once the brand is selected, um, how are the negotiations done? What are the key negotiation points and how are the contracts set up?

(Slight pause.)

SME-A: Ask me that again?

Stefanie: So when, um, how, how are the contracts set up and what are the key negotiation points?

SME-A: The first part is the key negotiation points, right? So, um, once, once we get past the initial interest in collaboration, the key negotiation points would be the, uh, supply chain model which is how often they supply stock to us and whether they going to hold stock to supply it at the right time or whether we have to hold the stock? Um, secondly would be, what level of cost can we get from them, what level of discount on their standardised cost can we get in order to make our margin work and in order to minimise the impact of bringing goods into South Africa, South Africa which has got high duty rates, so that would be a very important one. The structure that we would operate with the brand in territory, um, is also very important discussion point from the, from the brand's perspective, how we structure the brand, how we manage the brand, tends to be a very strong negotiation point throughout. Um, once we've agreed on the individual margin model, uh, once we've agreed on the number of stores, um, it's really then a question of what the implementation schedule should look like and whether you going to Shop in Shops first, Standalone stores first, etc. Um, but all of that unravels if we don't get passed probably what's the first, the very first hurdle which is what price to sell the goods at in the market. That tends to be the biggest discussion of all the discussions (Stefanie: Mmm.) because if you price too high, it means both companies get margin but they won't get enough volume to grow the business plan. If you price too low, there's not enough margin in it for both people. That tends to be the most important factor.

Stefanie: Okay. And then what is the execution process of the brand in the new market?

SME-A: Sorry, contract points we missed.

Stefanie: Oh, how, how contracts are set up? At least you touched on that.

SME-A: Yea, so typically, um, most brands have a, their own contract whether it be a wholesale or a franchise contract, um, most brands have that. So they will send us that. The first stage we try to do is strip out the commercials or we will do a Heads of Terms for commercials because contracts can take 3 to 4 months, if you can get 1 commercial part agreed first, uh, and signed off on the Heads of Terms which is non-binding but at least locks down the commercial negotiation then that moves you forward much quicker. And then, uh, we go through the contract to see, does the contract work for us, uh, does there need to be clauses that need to be manipulated or changed and, and typically what drives that is, um, constraints around how we structure our shareholding as a business and other things enforced upon us by the Consumer Protection Act or the Reserve Bank of South Africa who control money flows in and out and have certain requirements in current contracts. So we would then make the amendment, usually mark up the contracts, send it back, and we have a few phone calls and e-mails to debate the various points and eventually, they win one, we win one and you end up with a contract that's signed off by both parties.

Stefanie: So typically 4 to 5 months?

SME-A: Typically, yea. The whole, (Stefanie: The whole process.) the whole process from start to finish of engaging with the brand the first time to having a contract signed, um, can take 2 years. It can actually take 3 years, in our history, I can remember a brand that took 3 years from that moment. And then usually, it's 6 months on top of that before you actually open the first store. (Stefanie: Ja.) Um, typically, I think, in our (Slight pause.) history so far we've been doing it in probably 6 to 9 months period as an average but some have taken well over a year.

Stefanie: Mmm. Okay.

SME-A: I should just say, the successful outcome of signing the contract doesn't change the timelines. You can actually go right the way through that timeline and not sign a contract.

Stefanie: Ja, ja. (Slight pause.) Um, okay, then what is the execution process of the brand into the new market?

(Slight pause.)

SME-A: Uh, so first of all we will identify space whether that be Standalone store space or, um, department store, uh, pads. We will do design drawings to show the location of, uh, either the Standalone or, or the pad in Edgars and we'll pass that over to the brand for their approval of that site and for them to do the detailed design, uh, of what the final store or, or, uh, padding in the department store will look like. They will then manage the design and the fitting of the fixtures or the production of the fixtures and ship it to us usually for the first stores. Later on in the model we can economise by replicating exactly their fixtures and doing it in a, in-house, but initially, the brand supply all the fixtures to the designs that are given to them. Um, we then put project management in place to actually manage through the various stages of constructing the site, um, bringing in the fixtures, flowing in the stock, uh, as part of that and, of course, there's a lot of negotiation about what time of year the, the store or the location will launch, and therefore that helps select the stock packages. Uh, we obviously price the goods, pre-retail the goods before going into the store and then merchandise as per the brand guideline, so each and every brand will be very specific about how a store should look and be displayed in terms of the products.

Stefanie: And what team needs to be put in place for the execution process?

SME-A: You tend to have a, a cross-functional project team for most or all of the brands, um, it basically includes any area of a business, so it will have design, it will have property, um, it will have finance so they know when to pay for the stock and the fixtures, um, it will have, um, usually, typically brand managers who will be responsible for the brand and manage the ongoing execution of the brand, uh, that will be part of it, and, um, ja, that's it, isn't it? Um, VM marketing is also an important part of the process because, obviously, each new location will launch with a marketing plan, uh, to build customer awareness and sustain that brand over a period of time.

Stefanie: So you touched on this but what is the, what is the role of the brand manager and brand management?

SME-A: So typically under a franchise agreement, uh, every brand in the world would see the partner that they work with having a brand manager in place, somebody who is, uh, if not totally dedicated to the brand, who is dedicated in enough time and competence to ensure that the brand is replicated fully, so that would be the brand standards, the brand image, uh, the merchandising of a brand, the pricing of a brand, the marketing, there's a 1 person touch point and it's usually set up so that any brand can have a go-to person to ensure that their stores or pads in a different country reflect exactly the international image of that brand.

Stefanie: Cool. Perfect, thanks. Um, and then how is performance monitored?

SME-A: Uh, your typical retail KPI is, uh, usually, what is there? I mean, obviously the negotiation is done on a turnover level, uh, and a number of stores level, um, and usually brands stipulate both. It's important for them to know they going to get the density of stores and locations, uh, to get the brand name understood in the marketplace, and then each one of those, uh, locations needs to do a set level of turnover, um, in order to make a worthwhile process. And so typically we measure the sales by density, um, so sales per square metre coming out of the different size of the locations would be a key one. Um, return on investment is obviously is yield to financial measure but we also measure other KPIs such as stock turn, see how fast we are able to move the stock through. We measure overall stock holding as a, as a KPI, um, and we also measure the, um, the margin that we can make on that particular brand in its, in its square floor compared to any other brand.

(Slight pause.)

Stefanie: And how long does it take to establish a brand in the local market?

SME-A: Hmmm! Uh, it varies by brand. Um, typically across the world it can take anything up to 18 months for a brand to start to show traction. It's typically on a fashion retail brand will be 3 seasons before you really start to understand the consumer and the consumer starts to understand the brand and what you buying is in the right, um, depth and in the right size curves for the consumers. So it can take easily 18 months. For brands that are not known it can take an awful lot longer, um, it can take 2 or 3 years. Um, in South Africa, I think, there's history that will show that some of the biggest brands took 5 years to build them to the state they are today. Um, in the first 18 months, 2 years, they weren't very successful. Um, but a lot of it depends on the awareness upfront, so you know that international brands from the UK are stronger than anywhere else in the world, America's brands are probably second, um, Italian and French brands, in particular, are not very strong in the marketplace. Um, but we are fortunate because we run Edgars department stores, Edgars is one of the, well, is the number 1 brand icon of South Africa, so there's a lot of trust for consumers in Edgars, if they see brands they don't know they will still buy them because they trust the Edgars branding.

(Slight pause.)

Stefanie: And how can profitability be ensured?

(Slight pause.)

SME-A: Um, if you can count. (Stefanie and SME-A laugh.) The only way you can ensure profitability is to sell the products, um, at the right time in the season at the right price. And so typically, uh, that's measured by something called Sell Through. So if you going less than a 50 percent Sell Through of your collection at full price you'll never make money and you will never be profitable. And typically, uh, most brands work on a basis of getting 60 to 65 percent Sell Through of their products at full price before mark downs kick in.

Stefanie: Okay. (Slight pause.) Perfect, thanks. Okay, last question. This question has 4 parts. (SME-A: Okay.) It's around the internal and external, uh, factors that could affect the, the brand partnership and the process. Uh, the first question is, what, what are the top 3 factors that, that determine the success of a brand?

SME-A: Would that be internal factors?

Stefanie: It, this one is internal and external and then the second part is ...

SME-A: So top 3 factors that would affect the success of a brand, I would suggest number 1 is (Slight pause.) perceived value for money. That doesn't necessarily mean price. It is a combination of price, style and quality. Uh, that actually has to be something the consumer resonates with, it's got to satisfy the needs of the consumer. Uh, that would be the number 1 factor because if that perceived value is not there then it's not going to sell. Um, the second would be (Slight pause.) having the product in the market at the right time, so, in line with the season, in line with key events to actually make sure that the right products are on sale. So if it's, if you put in winter products in summer and summer in winter and so on, (Stefanie: Mmm.) it's not going to be successful, (Stefanie: Mmm.) it's got to be about appropriateness. Um, and then the third one is really having a, (Slight pause.) a strong, um, marketing programme that builds long-term awareness of brands and the quality and, um, desirability of the brand.

(Slight pause.)

Stefanie: And then the top 3 factors that could make a brand fail?

SME-A: Ja, overpricing would be the first, um, so it's destroying, it's really the opposite of what I said, it's the destroying of the perceived value but overpricing would be the first. Poor quality product at any price would be the second. Um, and the third would be, um, placing the product in locations where you've got the wrong demographics for the consumer. So a lot of work has to go on up front to ensure that the brand is put in front of consumers with the right demographics and the right marketing process.

Stefanie: Okay. Then the, the main internal challenges with the process, the end to end process, internal challenges?

(Pause.)

SME-A: Um, probably the biggest internal challenge is being able to get real estate for the stores we want to roll out in the time that you need to do it. (Stefanie: Mmhmm.) Um, that's a, that's always a market issue in any market is to be able to get the right real estate at the right price to ensure the brand can be, uh, profitable. Um, (Slight pause.) the second challenge is one that's fairly unique to us is just the sheer quantity of work and the number of brands we brought in. It gives the teams an internal challenge in coping with all of that. Um, and the third challenge from an internal perspective would be the, um, pulling the cross-functional teams together at the right time to ensure projects stay on track.

Stefanie: Okay. And then the same question for external challenges with the process.

SME-A: Um, the, the key external factor's really, for this country, for South Africa, would be the volatility of the currency, um, the, the Rand against the Dollar, the, uh, Sterling and the Euro is so volatile that it's really, really difficult to get value for money from the products that have been brought in. Um, and given that we've had 2 years of steady decline, up to 50 percent decline against those currencies means making those brands achieve, um, the right price points to give the consumer their perceived value but at the same time return on margin for us, is, is a huge problem. Um, the second factor is the, uh, constraints around shipping and timelines and being able to get product from the northern hemisphere to the second hemisphere, uh, to the southern hemisphere, uh, at the right time and the right speed, um, but also built within that the fact that we have to order an extra 6 months ahead of time to secure the product also places us at risk. (Slight pause.) (Stefanie: Ja.) Is that 3 or was that 2?

Stefanie: Do you have another one?

(Pause.)

SME-A: Uh, the currency, the distribution channel, um, (Slight pause.) no.

Stefanie: Two's also good.

SME-A: Two's good. Can't think of a third.

Stefanie: Okay, so that's all my questions. Do you have any, anything else to add? Any last comments?

(Pause.)

SME-A: Mmm, I don't think so. Put it on pause, we'll, we'll see what we've missed.

Stefanie: Okay, so the third external challenge with the process?

SME-A: Um, well, in terms of getting success for the brands, the third thing that can affect us is the, um, market economy which is obviously way beyond our control and, and in South Africa again as well as the devaluation of the Rand, we've also got higher taxes coming through, we've got higher fuel costs coming through, we've got higher, uh, costs of power affecting businesses and, um, people at home, and so when you add all those together the, uh, consumer uncertainty is rising and therefore just there disposable income is also going down which means their ability to spend on international brands is diminished. Inevitably what that would lead to is a reduction in the number of units we could sell.

(Slight pause.)

Stefanie: Perfect.

B: Strategic Assignment Manager - International Brands

Stefanie: All right, so the first question is, what is your position at the company?

SME-B: So my position in the company is Strategic Assignment Manager for International Brands but more specifically I work on the contracts and the pipeline.

Stefanie: And what is your background in the retail industry?

SME-B: Um, I have previously been a buyer, I was, um, in the planning division as well and then I have been in, um, strategic, um, areas within the business with Mass Mart which is more of a volume business and then in IT also around, um, implementing into retail companies.

Stefanie: Cool. And how long have you been working in your current position?

(Slight pause.)

SME-B: It will be 2 years in September.

Stefanie: Wow! Cool. Um, what are your key roles and responsibilities? You've sort of answered that already but, um, if you just want to (SME-B: Okay.) break it down.

SME-B: So key roles and responsibilities, um, is essentially working with SME-A to, um, vet any new brands that want to come into the country, so primarily international brands, um, doing a kind of a desktop research on them and then actually engaging with them, if we, just to understand if we're interested, um, from both sides and to see if there's any fit. And then once that's a yes then it moves into a whole pipeline where I will do a bunch of, um, analysis and business planning to see, um, if it would work. I would engage with Edgars teams as well and then liaise directly with the branding with SME-A, um, until we reach a conclusion which is hopefully that we do want to go ahead with the brand. And then, um, if all of the numbers work out, we then go into the contractual phase. And once that's done, we conclude that and then that gets handed over to a different team to execute.

Stefanie: Perfect. Thanks. Um, and then the last general question is, um, in your opinion, is South Africa an attractive market for international fashion brands?

SME-B: I think it is but it needs to be selective and they need to be clear on their strategy because it's not a easy country to come into. It's, um, it is quite different possibly from some of the third world or emerging economies that, that they're possibly used to. Um, but it is an attractive growth prospect if that company is ready to go into an emerging market and with a specific view into getting into Africa.

Stefanie: Great, thanks. All right, so now we going to get into 7 headings and for each of the headings I will ask some sub questions.

SME-B: Okay.

Stefanie: So the first 1 is around the brand partner selection process. Um, what is the process to establish if a brand is the right fit for a local market?

(Slight pause.)

SME-B: So I think that's really a two-way street, um, we would need, from our side, we would look at, um, the size of the brand, you know, whether their product is, you know, if there's a gap in the market for their kind of product, their price points, um, whether it's men's, lady's, kids, accessories. Um, if it's too close to things we already have or if it's too close and in direct competition with our own private label, um, I think that might be a bit of a problem but that has seldom happened. Um, I would say, in the main because the international brands have a specific brand recognition and there's a desirability around a brand, um, by-enlarge there's always, um, an opportunity, I would say. Um, on the few occasions where there hasn't been a good fit, um, it may be because they're a price premium or a high luxury top-end product and, in terms of timing, we not ready for them yet, (Stefanie: Mmm.) or the market's not ready for their pricing, but it do, I don't think it precludes them from coming back to us, you know, at a future stage when we are ready and they are ready to enter the market.

Stefanie: Awesome. And then what criteria is considered to select a new brand?

SME-B: Um, so from a numbers criteria it's, um, definitely their, (Slight pause.) the profitability, so there's a whole price calculation that happens to see if the brand will hit the kind of eye mews that we need to get. Um, and in tandem with that it would be whether their retail prices are going to be attractive in the marketplace and if whether there's a genuine, um, opportunity for them to have a space in our market against all of our other competitors who are also, you know, brands and, and, and competitors are also getting into the space of brands. So I'd say, first and foremost is can we get them in at the right price that the consumers are going to go for and that they can actually get a, um, a piece of the pie in the market (Stefanie: Mmm.) and that we can also secure the kind of, um, eye mews and profit margins that we want. Repeat the question for me so I can just see if I ...

Stefanie: The criteria, what criteria is considered to select a new brand?

SME-B: Okay, so that's part, part of the model is the pricing. The other part is, um, trading density where it's crucial for us to understand that once we actually get trading that we, you know, aside from the pricing and the, um, gross margins, we need to be sure that once we've dedicated space to them that we can actually make a return on investment on that particular trading space. So ...

Stefanie: But how do you know that? How do you determine the, or how do you project the, the densities?

SME-B: So I think it's been a learning curve for us, I think initially we were overly ambitious with the trading densities because there was an assumption that the global trading density would fit into the South African market, um, even when it was moderated down slightly, um, but those figures, I think now have, a year and a half later, we've looked at them and we've seen that we are not as robust as maybe some of the other countries are in terms of reaching some of the trading densities. So I think, we've been, or I certainly have tried to be a lot more conservative and realistic against actuals now that we've been in this for awhile to see if those trading densities are actually achievable or not. So I think it was really a learning curve, um, and I think there was a sense of, um, high optimism when we first did this that, you know, any, and, and that's what the brands do, they will always give you a very high trading density, even globally, um, but South Africa's different. They, they consumer, we don't have the same volume and I don't think they have the same, um, amount of, uh, spare cash, certainly not in the economy right now for us to hit those types of trading densities.

Stefanie: And, um, in the, the brand selection process, do you do a background check on the financial position of the brand?

SME-B: Not deep enough, so I think, we are, um, (Slight pause.) I think we've been in a position where we have probably wanted the brands, um, I won't say the word desperately but it's allowed us to, um, be a little bit soft on our selection criteria. So, I think, maybe as we get further into the process, you know, and as this thing takes more traction, I think we can then be af, afford to be more selective and for us to in turn have more criteria around whether the brand truly fits with us but I think, up until now, because we're a start up, and the balance of power sits more with the brand and, you know, we're more desperate, I think, we've been a little bit, um, soft on that but I think we can, we should definitely be more critical. I do think there are some brands that we've brought onboard who were maybe, um, looking for growth in other countries but yet, the own brand itself was not strong, (Stefanie: Mmm.) um, and that, then, their, their strategy was then to find, you know, in an outside market but yet the core of the brand itself, the, that, that own company was not in the best position to, um, be entering tricky markets. (Stefanie: Mmm.) So that, I think, has made it difficult for us, you know, now 18 months down the line but I think we will, in time, we'll, we'll be in a better position to be more selective.

Stefanie: Okay, and then the last question for this section is how is collaboration established when, once the, the brand is selected?

SME-B: So I think once, you know, it's very much like a dating game, um, initially you kind of getting to know each other and as we get a bit further into the process and once we know that this is looking like a highly likely prospect, um, I think, it naturally you get introduced to more people. So where SME-A is generally the initiator and the key person in the relationship, um, somewhere along the line he'll bring in Sally so that sh, they start meeting her as well and, because ultimately the brand will be looked after by someone from her team. So I think, that's quite important that, you know, people are bought onboard early and not too late and I would argue that maybe, um, in certain instances we've bought the SIS teams on too late, you know, we need to bring them in a little bit earlier so that the transition's a lot better and that the relationship's already built long before we execute, so it's not based purely on a contract. It needs to be built on a mutual, um, (Slight pause.) a mutual relationship where all parties are quite happy to, you know, like hurry up (Stefanie: Mmm.) and get the thing going. (Slight pause.) But that's essentially, it really happens more out of a, you know, the interactions that happen before the contract.

Stefanie: Okay. And that brings us to, how is the brand entry mode established?

SME-B: What do you mean by that?

Stefanie: What is the preferred entry mode for brands? Is it a franchise model, wholesale, ...

SME-B: Um, I think that really depends on the brands, some of them, who have been on a, um, global expansion will be quite mature in how they want to enter markets, so they will be quite definitive about whether they want to go in as a franchise or a wholesale, etc. and so they will know their models upfront already and what they want to achieve, they will also know their contractual terms and what they want to achieve. Um, then we've also had brands that are new to this so they haven't necessarily got years of experience going into other territories let alone going into a department store. Um, so there we sometimes have to find our way and it can be a bit looser, they might want to do a wholesale contract first with the view of going into a Standalone. Um, so it really depends on the brand and how mature they are in going into other countries, um, and, I think, that's, that's primarily what determines it, it's not really a push from us, I mean, we do try and we very often will like will put on the table what we'd like to go into but very often I think it's a driver from the brand itself because typically they are listed companies and they've got a whole process behind them of, you know, as to how they want to enter global markets.

Stefanie: And in your experience, what is the preferred model in the brand's opinion?

SME-B: It typically turns out to be a franchise model, um, and I think that's because South Africa's got such a high, um, duty rate that very often for us to meet the kind of prices and the margins that we want, we typically need to go into the franchise model. It, it turns out to, very often to be the kind of best suited model for both parties.

Stefanie: Mmm. Um, what involves the brand feasibility study?

(Slight pause.)

SME-B: Um, what do you mean by that?

Stefanie: From, from all perspectives, you touched on it earlier but, um, what makes it feasible for both parties for them to, to enter the market?

SME-B: Okay. So from my side I'd say again, it goes back to, you know, is the pricing right so the margin, um, the RSPs, obviously the product, um, you know, trading densities and the overall PNL, and of course there's an element that's slightly harder to measure but it's, you know, it's a measure of the relationship and the partnership. That's from my side. I think, from their side it would be very similar, they have their own models about whether this will be profitable or not, um, and whether they like us and then I think, the third thing is whether Africa is strategic in their lives or not, um, because I don't think it would stop, ever stops at South Africa, I think, all of them come in here with the view of, yes, certainly the South African territory but, I mean, you know, it's really, really in the longer-term (Stefanie: Mmm.) to get into the rest of Africa. So, I don't know if that answers your question. (Stefanie: Ja, no, that covers it.) Um, if that's their, their criteria.

Stefanie: Um, what are the key negotiation points? So how are negotiations done and how are contracts set up? (Slight pause.) You also touched on that earlier but ...

SME-B: Ja. So, um, key negotiation points again, I think, um, aside from, you know, the usual metrics that I've already mentioned, I would say it's whether they prepared to give us exclusivity, um, that's, that, that's a deal breaker for SME-A, in every negotiation I've been with him, if they are not prepared to give us exclusivity we, we, we won't go ahead. (Stefanie: Mmm.) Um, (Pause.) repeat the question?

Stefanie: So what are the key negotiation points? So how are negotiations done and how are contracts set up and what are the key things to consider when, when setting up the, when negotiating and setting up the contracts?

SME-B: Okay. All right, so aside from the, the key metrics which are really the make and break like, you know, it's, it really is about can we make the margin, you know, is, you know, would it involve a royalty and it's really just the metrics and the numbers, so we really, um, it works down to like a percentage, you know, or, or like a point something that can make or break the deal. So these are the key things, um, exclusivity and then a couple of operational issues. So, um, I think, another learning curve was whether the brand is, because many of them are northern hemisphere and we're southern hemisphere, and we were hurt in our initial, (Slight pause.) um, steps into this, we brought in all the stock from overseas and we held that stock for so long, (Stefanie: Mmm.) um, I think, the team have now learnt that that's not ideal. Ideally, the brands need to be able to work with us in an operational way where they can hold the stock or bring it in very frequently so that we're not sitting with very high stock holdings. So that's not necessarily a make or break but it's a critical point in how operationally the whole thing's (Stefanie: Ja.) going to work. Um, and then contractually there's a few things, I mean, you know, very often some of the brands will insist on having a brand manager, um, there are standby letter of credits so, in other words, that there's, um, a guarantee of, um, funds, um, I mean, those we can go into like more specific details (Stefanie: Mmm, no, that covers it.) but, I think, like on a high level I, I think that's basically it.

Stefanie: Okay, cool. And then what is the, I know this is not your area completely, but what is the execution process of the brand in the new market? What team needs to be put in place to facilitate execution and then what is the role of the brand management?

SME-B: Um, so I think the, it's got to be, it's a multiple team, first of all, um, and I think, that (Slight pause.) it can sometimes be underestimated like how much, uh, goes into the execution phase. So, you know, brand manager is key because there are so many people involved, so you are going to have to have an element of IT, of logistics, of shipping, of finance, um, accounts payable, there's, um, there really is a, there's a multiple disciplinary, multi disciplinarian team that needs to make the whole implementation work and it would be too hard for the brand to deal with 20 different people, (Stefanie: Mmm.) that's why the brand manager is so critical. They need to have like that one go-to person that they can deal with and that brand manager's here on the ground dealing with each one of those people and just making sure the whole coordination is happening and that one hand knows what the other hand is doing. Um, and vice versa, it also helps for us, um, to have a go-to person that can then go directly to the right people at the brand to ask them for the right things as well, (Stefanie: Mmm.) as opposed to our IT who may be, you know, sends a very rude mail to like their IT people, which has happened in the past, so, you know, you kind of want that, that brand manager (Stefanie: Mmm.) or you want someone who's key (Stefanie: Just a little ...) or, or key 2 or 3 people that are running with this, they all know what's happening, you know, because there are so many concurrent streams of activities, you need to have that central person coordinating the whole thing and, and, of course, loving the brand and being passionate about it and understanding the finer details because there are so many details, (Stefanie: Mmm.) you know, it's about the exclusivity, the stores, the locations, the roll-out dates, um, the eye mews, the price points, you know, all of that and of course, those keep moving, as you'd know, the real estate sometimes moves. So this thing is very dynamic and you need to have somebody who's on top of the game and is able to roll with it at all times and keeps the brand (Stefanie: Mmm.) the brand and us, you know, um, on top of things all the time.

Stefanie: Cool. Thank you. Um, how is performance monitored? (Slight pause.) Then sub, sub questions is, how long does it take to establish a brand in the local market? And how is profitability ensured?

SME-B: So, um, the monitoring is intense, um, there's a gazillion trackers which, um, you would be familiar with. Um, and I think it's also again, it's been a, from what I see, it looks like it's an evolving process, um, you know, there seem to be like new dials and checks that we're always, um, kind of looking at. Um, a, again, I think, it goes back to the key thing, so, you know, are we meeting the original objectives? Are we achieving the eye mews that we wanted? Are we achieving the price points that we wanted? Are we achieving the kind of trading densities that we were expecting to get? And if we are not doing anything, any of those, we need to understand why not, um, you know, and there are multiple reasons for those but, I think, like there's always, you know, in retail fundamentally your things that you always monitor, stocks, sales and margin, end of story, like those are the 3 fundamentals, um, in any retail business that you need to understand whether they working or not. Um, what were the sub questions?

Stefanie: So how long does it take to establish a brand in the local market?

SME-B: Um, I think that's varied, so, I think, certain brands do have a, um, quicker adoption because, possibly, they are well-known overseas, um, and consumers have already had some sort of exposure to them, so, I think, those can be adopted slightly quicker, um, but from what I've seen in the South African market, I think, it's also we're very presumptuous, so, I think, the mass in the main, take awhile to adopt to a brand, um, and it seems that it could take well up to, you know, 3 years plus. You know, if you think of the very established brands like Levis, they've been here, I think, like 25 years, um, you know, Guess, all those people that really own the market have been here for a very long time. Um, and I, I'm still like in the phase of like, I don't actually know how we measure that because I don't think we actively measure that, (Stefanie: Mmm.)but, um, I do think it does, it, it takes some time to, to get that kind of traction. It's really your key ones like Zara, who everybody knew before they entered the country,, everyone kind of pretty much knew Zara (Stefanie: Mmm.) and the H&Ms. So it really depends on the brand itself as well, how well recognised they are.

Stefanie: Okay.

(Slight pause as Stefanie checks that the interview is still being recorded.)

Stefanie: Okay, so the last section is the internal and external factors that could affect a partnership.

SME-B: Sorry, did I answer both? There was, there was another sub question.

Stefanie: Ja, so when, when you answered the, the first you actually, so the second question was (SME-B: Okay.) how is profitability ensured? (SME-B: Okay.) And you answered that in your first part. Do you want to add anything there?

SME-B: Ja. Profitability is an ongoing thing, so even though you might be looking at the numbers, there's a whole piece of an ongoing relationship, so you have to always make sure that you are optimising everything in the supply chain, you know, are we bringing it in as cheaply as possible, (Stefanie: Mmm.) um, you know, are there, you know, have things in the market changed, in the market moved? Has the exchange rate moved? If that's the case then you have to reprice all over again and think of your pricing strategy. Um, you know, if the northern hemisphere's not working, does it mean that we have to find more sort of southern hemisphere, you know, brands. So I, I don't think you ever stop. So I think, you, even though once the brand has signed on, you can never sit back and go like, it's okay, it's signed on, now everything should happen in theory. Everything's theoretical so the, when the real thing comes into play, you have to dynamically, I think, all the time like try and exceed, um, any of the, the targets because it keeps changing. I mean, the contracting and the pipeline phase can take well up to 18 months of just, you know, by which point the market's totally changed so, you know, (Stefanie: Mmm.) we might have based our model on an exchange rate of 10 and by the time the stuff actually comes in its 2 years later and the exchange rate has moved to 13.5, radically changes the entire theory (Stefanie: Mmm.) and the entire model. And we actually don't sit and redo the whole thing, you know, we go ahead with it and then, you know, we kind of try and retrofit to the changes (Stefanie: Ja.) that have happened. So, you know, it's one of those things that it has to be (Slight pause.) actively, um, (Slight pause.) adjusted, you know, all the time. (Stefanie: Mmm.) Um, and I also think, the one other thing that can be improved is that maybe the, the brand managers, um, and even the buyers, they probably need more visibility and understanding as to how some of the models are constructed, (Stefanie: Mmm.) um, because, I think, that would help them to achieve what they need to achieve as opposed to seeing something that's right at the end of the pipeline but they don't have the contextual understanding of like (Stefanie: Mmm.) what some of the things were from 18 months ago that, you know, they should be achieving, (Stefanie: Mmm.) if that makes sense. Okay?

Stefanie: Awesome, thank you. Um, okay, so internal and external factors that could affect this partnership. Um, what is the top 3 factors that determines the success of a brand?

(Pause.)

SME-B: So if you talking about in a South African context, (Stefanie: Ja.) um, it's certainly the economy, so the exchange rate is one, that's quite a sensitive, um, dial and especially in South Africa at the moment, you know, our economy's not strong, the Rand has just been, you know, it's so volatile and it's been getting weaker and weaker and weaker and weaker, so I think, that's something that's going to show, you know, many of our contracts are 5 years, um, they, they, they exist for 5 years before we have to renew, so it will be very interesting to look back, you know, um, once the 4 or 5 years have passed (Stefanie: Mmm.) to see what that has been because that is not built into the models or in the contracts in anyway, the volatility of the Rand is, is, is not built in, (Stefanie: Mmm.) um, and we do nothing to mitigate that risk, um, and I don't foresee that getting lighter any time soon. So I think, that will be interesting to see how that impacts the overall, um, success of the brand, um, I think that's one thing. I think, the other thing is, um, (Pause.) I do think it's about the pricing and understanding and then moving with the market, so I think, some of the, um, initial thinking was a little bit ambitious, you know, where we could price them and how big a margin we could make, and I think, we're kind of learning now that, you know, it's a lot tighter than we thought, so we can't go in at like 120 price premiums, maybe 110 is kind of at a push, you know, kind of the best, but that is really hard to achieve. And then when you throw in the exchange rate that changes things. And then when you throw in inefficient supply chain, that just compounds the problem. So I do think that, um, that's another element, it's like just getting slicker and slicker with the supply chain and the operationals that we really, really squeeze every single cost out so that we can keep the prices right (Stefanie: Mmm.) for the consumer, I think that's quite important. Um, and then our third th, I think, the final thing is a reliance on the brand itself, you know? The brand has to make sure that they bring out the best possible range that they have every single season, (Stefanie: Mmm.) and they have to also offer South Africa the best possible range that they have. So, um, I think it's arguable, debatable, I think, maybe in some instances, um, we haven't always had the best range come in from the brand, um, whether it was isolation or the brand pushing stuff to us, you know, you know, there's a fine tuning that needs to go on with like what the South African consumer wants or needs and, you know, in, in comparison to, to what they've been sending us. So I think, there's an element of that as well where there has to be an understanding of what is right for our consumers here in terms of their range. (Stefanie: Mmm.) Um, and of course, ja, and, you know, so there are some brands who, I think, some seasons they, they hit it and they get like a really great selection going, but if they have a bad season, you know, we suffer with them, you know, there's only, because we have absolutely no say in their design, we obviously just purely select or in some cases they purely push to us. (Stefanie: Ja.) So, I think, that's quite key in, you know, in the overall success is just making sure that the right people have the right understanding of what our customers are asking for, (Stefanie: Mmm.) um, in terms of the, the brand's range and pricing.

(Slight pause.)

Stefanie: Cool. And then that same question flipped over, 3 factors that could make a brand fail? In your experience have you seen things that made the brands fail?

SME-B: Um, (Pause.) so look, I think, it's a little bit early days, I don't think we like that far in it because, I think, the ones where we've had hiccups we are trying to find other ways to fix. Um, maybe an example of that would be, you know, Lip See Ware, you know, the diligence up front of, you know, why it wasn't working, etc. but, I think, we are trying to find ways to make it work and in small little increments, you know, it's, it's sort of performing a little bit better, so I think we are trying different ways but you, just to answer your question of what would, are the 3 things that would make a brand not work? I think if the partnership is one where it is not a partnership, so for, if for some reason it's gone into a state where they just don't want to cooperate with us anymore or they are no longer interested in being in a partnership with us, that's a serious issue or deal breaker, I think that could lead to the end of a brand. (Stefanie: Mmhmm.) Um, I think, also, (Pause.) what else would break things? (Slight pause.) I think that's about it because, I think, no matter what changes in the economy or whatever, if you have a true partnership you'll work around it but, I think, if there's a demise in the kind of relationship then that, that, that, to me, would signal the end of the brand, uh, you know? Um, but in the toughest of times (Slight pause.) a partnership can survive whatever they need to do, (Stefanie: Ja.) you know, they will find ways of working around whatever the obstacles are. So I think, maybe for me, that's probably key is the relationship with the brand.

Stefanie: Ja. (Slight pause.) Um, what are the main 4 internal challenges with our current process? (Slight pause.) Internal and then the next would be the external challenges. So you've touched on, on the things but, um, if you had to prioritise 4 challenges internal.

SME-B: Um, I think, there's probably not enough transparency in communication, um, with entire teams, you know, so it almost, you know, (Slight pause.) there's a degree to which the stuff needs to be confidential but then it happens very quickly, you know, it's confidential 1 minute, next thing we've signed it on and then we're already doing it and, I think, we lose people because I, for me it's a journey, so you need to take people onboard and put them on the bus with you to go the whole way. But when you've left people off the journey, it becomes very hard for them to execute and for them to understand the brand and the vision in the way that you saw it when they only get engaged into the whole process, you know, a year and a half down the line, um, so I think there's room for improvement around that. Repeat the question?

Stefanie: Um, 4 internal challenges with the process, end-to-end process. Anything that can...

SME-B: Um, I do think we haven't ever sat down and l, thought through and work shopped the learnings, um, and I think there's been a lot because so much happens, so fast and each one was different, you know, I think, every single brand had a different brand manager and different timings, different locations, they were geographically from different countries and I think that, um, each one was done slightly differently, some with success and some less successful, etc. So I do think that, um, the 1 thing we can afford to do is to find the optimum, you know, pockets wherever we can and make sure that we put that into all the new brands. (Stefanie: Mmm.) So, for example, I mean, I, you know, I'm doing the new contracts and I'm trying to build in what I know has not worked and what has worked, but I really don't have full visibility on that, you know, there's a whole bunch of things that, you know, we, we don't get to see, (Stefanie: Mmm.) you know, in the process that we can feed in, you know, into the next one. So I do think that's a, that's a bit of a shortcoming. Um, and, I think there needs to be a better way of making the collaboration between all parties, especially like the SAS and the SIS, um, I think that could improve. Um. Sorry, just repeat the question? There's so much going through my mind.

Stefanie: Internal, internal challenges with the process.

(Slight pause.)

SME-B: Ja, you know, again, I think it's a, a start-up business so we keep changing stuff, so, you know, with, you know, um, the logistics, for example, has changed, you know, we go from doing 1 thing, then we with Expediters, now we were going to go with, not with Expediters or, you know, then it's Santova and then I can't remember what the other co, there's a lot of changes all the time (Stefanie: Mmm.) and that's very disruptive, (Stefanie: Ja.) um, and it's, it also eats into a lot of, you know, time wasted, etc. If we could just be focused and just stick to 1 thing (Stefanie: Standardise it.) and get it right or, you know, even if we get it wrong but then we know how to get it right, I think that would be really helpful. So I think, a lot has happened, maybe a little bit too fast and a little bit all over the place, (Stefanie: Mmm.) and I think, we can maybe afford to streamline and be a little bit more selective and I do think we're at a point where, you know, kind of like Jacobus said the other day or someone said, you know, Woolworths will spend 6 months deciding on maybe a spot before they go there. You know, (Stefanie: Mmm.) it's kind of thinking where, I'm not saying we need to copy Woolworths but there comes a point where, you know, okay, we've launched a whole lot of brands which, I think, was a massive, major objective, you know, but we need to now just settle down and get them right (Stefanie: Mmm.) before we sign on more brands and keep making more errors or compounding potential problems. I think, you know, now’s the time to kind of say, how do we get these slick, working, extremely profitable, and what do we know now? And now how do we build this into future things because really what we do now we just replicating the model over and over and over again, assuming that the model's right. (Stefanie: Mmm.) And I don't believe that everything's correct because we haven't challenged it enough. So the sooner we can build in some of the learnings the better, I think, we can be in our thinking and refining our models and our contracts and, you know, some of the terms of the partnerships and even how we vet, um, some of the potential brands (Stefanie: Mmm.) because right now it's a case of people mention brands and suddenly that's on the radar and it, it's assumed that that's going to be a, you know, a potential brand. There's absolutely no tough, due diligence done around, you know, whether the brand (Stefanie: Mmm.) is truly right or wrong, it, it can be a little bit more of a sentimental thing then it is a true (Stefanie: Ja.) hard, you know, up front due diligence (Stefanie: Mmm.) exercise.

(Slight pause.)

Stefanie: Last question is the external challenges with the process, 4 biggest external challenges with the current process.

SME-B: Um, I don't know if shopping and that is ... Do you regard that as external?

Stefanie: In, in your opinion.

SME-B: Okay. So I think, the whole supply chain is, is a tricky one, um, we haven't done too badly under the circumstances but I definitely think there's more that can be done. So, um, I think, understanding how we can get better in terms of our third p, third party logistics, it would be helpful. Um, I don't know where the duty is going to go and that's, that's a critical one. Um, you know, there was talk of the duties maybe even increasing at 1 stage which would really, really kill us, you know, it's bad enough as it is. So I don't know if, um, THE RETAIL GROUP has some sort of task team that's prepared to speak to like, you know, the DTI or whatever, to keep suggesting alternatives to such high duties and to making, you know, making, you know, maybe there's some way they can make concessions or whatever, but nothing's really happening in that space, it just feels like, you know, the duty's a duty (Stefanie: Ja.) and if it gets worse it gets worse and nothing's being done about it. Um, but that could potentially hurt us, you know, particularly if we continue at this rate to bring on so many international brands and in a year's time, you know, they decide to increase the, the duties, that would be a real blow. So there's things like that that are kind of unknowns in the future but I don't really understand if anyone's really looking into that (Stefanie: Mmm.) and tried to mitigate that risk in anyway. Um, (Slight pause.) you know, of course the exchange rate continues to be, and our economy obviously, continues to make it like a very challenging, um, thing. Um, I think the other thing is, you know, we talk about going into Africa, it's a no-brainer that there's growth there but the actual details of that strategy are a bit, um, loose, I mean, I don't see a clear directive anywhere saying that, you know, we are definitely going to go into X Y country because it shows the following, and we therefore need a denim brand and a kids brand or, you know, it just, there's just a very loose thing of us going into Africa but I don't see a cl, very clear game plan (Stefanie: Mmm.) and I think, now's already the time to start planning that because I don't want us to go into Africa like we did with Ghana where, um, we paid double duties, etc. because the store was opening and we just had no choice and we had to send stock in. It's the kind of thing we need to start thinking about now so that we are ready in 2 years' time to enter that country properly (Stefanie: Mmm.) because we've done all of the homework and the supply chain and the trading densities and the consumers and the market and the pricing and all the other things that we, we kind of need to do. So, you know, and it's expectation from the brands that we'll be, you know, going into Africa because we keep telling them that that's part of the reason why they should come onboard with us. (Stefanie: Mmm.) Um, so that's kind of the thing where, I think, you know, we need to understand that and, you know, get into that sooner rather than later (Stefanie: Mmm.) because if South Africa's hurting, the 1 thing that could save us is to say, okay, well let's go into the next country because it gives the brand the opportunity to still show growth, um, on their side, you know, because obviously that's what fundamentally the brands want. They want to grow their business. So maybe if the South African economy's a bit tricky or it stagnates or it continues like it is at the moment on a decline, possibly, in other countries like Namibia or, you know, Nigeria, they have a very different set of economics going on there and it maybe actually more prudent to open a store in Nigeria and not, and delay the opening of, you know, the next 5 stores in South Africa. So those are the kinds of things, I think, we need to maybe look at so that it's a bit more of a long-term strategic view and not just what we're doing in the next 6 months or so. (Stefanie: Mmm.) (Slight pause.) Is that enough external?

Stefanie: Ja, no, that's perfect. Anything, those, those are all my questions. Is there any, any last comments or anything you would like to add?

(Pause.)

SME-B: Mmm. No, but I will let you know if anything else comes up. Um, no, but that's been really interesting. So, I think, this will be fascinating to see what the results are.

Stefanie: Great!

SME-B: Thank you.

Stefanie: Thank you.

C: General Manager - International Brands

Stefanie: All right. What is your position at the company?

SME-C: So, um, my position is the General Manager of Group Brands.

Stefanie: And what is your background in the retail industry?

SME-C: So I've been with THE RETAIL GROUP for 23 years. My background is actually design, um, but I came in 23 years ago as a buyer, um, and then moved up through the ranks to Divisional Buying Manager and then Executives and then General Manager and looked after various areas from home, children's wear, men's wear, ladies wear, I think, to name a few of them.

(Stefanie and SME-C laugh.)

Stefanie: All over. And then [The rest is not clear.].

SME-C: Ja, all over in merchandising. Ja, so all in merchandising and it was a combination of private label and brands.

Stefanie: Okay. And then, how long have you been working in your current position?

SME-C: So in my current position, I think we started the branded division almost 3 years ago, (Stefanie: Mmhmm.) ja. So I think Jirgon [Not sure of spelling.] announced it in the September and we started, I started officially in the December, so it's probably (Stefanie: 2012.) 2 and a half years, ja, ja, (Stefanie: Mmm.) ja.

Stefanie: Okay, so from the beginning. (Stefanie laughs.)

SME-C: So from the beginning.

Stefanie: Um, and what would you say are your key roles and responsibilities?

SME-C: So I think, um, it is a multifaceted and depending on where you are with each brand but obviously the role starts when we are investigating the opportunity of a new brand in the country and to understand, um, you know, where it sits in the South African market and if it's something we think we can sell here and how the pricing would then fit in to the market. And then obviously, um, you know, the contractual work, contract work is, is done but I don't have anything to do with that but then once the contract is signed and done, me and my team then take over the implementation of the brand in South Africa. So it really is setting up everything from them being a supplier to THE RETAIL GROUP as well as getting involved in setting up the stand by letter of credit, um, and then putting together the project plan in terms of launching either the first stores or a combination of stores and Shop in Shops, and then understanding and unpacking their whole buying process and how it's going to work in a counter seasonal market. Um, and then, ja, I mean, overall, we manage the relationship with the brand, so, um, we are the point of call in South Africa and we are their go to people, doesn't matter what they need, um, from their partner, we will get the information for them. Um, so it's really, you know, that's the sort of set upside of it. And then obviously, as you start trading there's then the management and trade and performance NSCs and, (Stefanie: Mmm.) um, going through the seasons. So it really is, um, got 2 parts to it, um, but those are the 2 sort of key parts.

Stefanie: Great, thanks. And then, in your opinion, is South Africa an attractive market for international brands to enter?

SME-C: So I do think, um, that, that it is because brands are new to the market, I think that, in the emerging economy people, um, are very respectful of brands and, and believe brands sort of mean quality and, um, you know, I think, in our emerging black market, you know, love brands, but I think, um, it's key that the brands are known (Stefanie: Mmm.) in the market for them to be believed as brands almost.

Stefanie: Mmm. Ja, that's true. Okay, so the first question is then, what is the brand partner selection process?

SME-C: So the brand partner being them to us?

Stefanie: Yes, so how do we select our, our, the brands we would like to partner with?

SME-C: So I think, um, one of the things is to understand where the gaps in the market are in South Africa, so are there specific categories that need brands? so, I mean, recently we've been looking at say the handbag area which in South Africa there isn't great choice, you've got a great business in Guess handbags and Polar handbags and then at the top end there's a bit of Louis Vuitton, but there's really not a lot of other choice, a lot of the rest of handbags is private label. So I think, it's really identifying key categories where brands are needed. (Stefanie: Mmm.) Um, and then, ja, I, I think the one that I referred to earlier is about brands that people know. (Stefanie: Mmm.) So I think, to get a big brand that people know is very powerful because, you know, people automatically aspire to it and understand it versus bringing in a brand that no one knows and having to start from grass roots (Stefanie: Mmm.) to build it.

Stefanie: So then, what is the, the process to establish if the brand is the right fit for the local market?

SME-C: So I think it's really about, ja, looking at how the pricing sits in the marketplace (Stefanie: Mmm.) and understanding, you know, what the competition for that particular brand is, and, ja, what this brand's sort of competitive edge will be. Will it be from a quality perspective, will it be from a styling perspective, will it be a pricing perspective? So, um, you know, you'd look at all those different fundamentals and where the brand would sit and how much other competition. (Stefanie: Mmm.) I can give you the 1 example, we obviously wanted to bring an entry brand into the market, um, and we were looking, um, at F&F in the UK which is a supermarket brand, so the, you know, we aspired to bring something that was really good value but when you, when you compare it at good value in South Africa and you up against a Mr. Price and you know that H&M is coming, (Stefanie: Mmm.) it's a very, very tough market to be in, and the fact that it wasn't a known brand, what makes customers think that it actually is a brand (Stefanie: Mmm.) versus just another private label? (Stefanie: Mmm.) Um, so, you know, that's a space that's very, very difficult to compete and, um, and very difficult to make enough margin up front, you know, to bring it in as a, as a profitable brand. (Stefanie: Mmm.) So, uh, that's a tough one. It's easier where, you know, there's a, there's a gap in a, in a market for, for whatever reason (Stefanie: Mmm.) whether it's sort of ladies classic clothing that's, you know, much better quality at a higher price but it's, it's a very aspirational brand. (Stefanie: Mmm.) You can see a natural gap in the market and then it's a lot easier.

Stefanie: Okay. And then, what is the criteria, um, to consider when selecting a new brand?

(Slight pause.)

SME-C: Um, ja, so I, I, I mean, similar, so criteria is, uh, ja, how big can that brand be, I mean, to put all the effort that we do in building the brand, can it make, you know, enough, enough profit and enough, you know, is there enough growth in that brand into the future that's not going to end up in 1 store, like a one sort of, um, (Stefanie: Mmm.) 1, 1, something Wonder? Um, so you, you want something that's, obviously you can get your teeth into and grow to be a significant part of your business, um, so that means that it, you know, you know, it's going to be something the customers love and, you know, want more of and had the ability to, ja, sort of be a, a big, um, brand in the market, so it's probably, you know, well priced, good value, great fashion, um, you know, I th, because, you know, otherwise you have to put a lot of effort into something that's just a little bit of money. (Stefanie: Mmhmm.) So I think, you know, knowing that it's got growth potential is a, is an important criteria.

Stefanie: And do you look at the brand's economical state [The rest is not clear.]?

SME-C: Ja, no, I mean, they must be brands that are growing in their own markets and, (Stefanie: Mmm.) you know, be profitable. So there's no point, um, going and investing money in a, in a brand that's been on a 10 year decline (Stefanie: Mmm.) and closing stores all over the world, so it, it really is important that you look at a brand that is doing well in its own market (Stefanie: Mmm.) and growing.

Stefanie: And then, how is, um, once we, once the brand is selected, how is collaboration established? That initial collaboration.

SME-C: So, ja, the initial, um, collaboration, different brands have different, um, structures but generally there is, um, someone who heads up the international relationship, um, and generally, I found, the most effective is to, to go in on an sort of induction, uh, week where we actually bring across people from property, IT, planning, uh, merchandising, and we actually go and understand exactly how their brand works and what we need to do to actually make sure our systems align. So, you know, a key component of, of establishing a re, you know, a partnership is that our systems can feeds automatic sales and all those things. So there's a lot of background work that has to be done through all different facets of both companies (Stefanie: Mmm.) to align and get sort of, um, you know, common understanding in how we set up the businesses to talk to each other.

Stefanie: Okay. And then, to get back to the brand entering into a new market, from your experience, what is the, the preferred entry mode for a brand? Is it a, a franchise, a JV, a, a wholly owned? What, what, what do you think?

SME-C: Ja, listen, I think that's quite a tough one, you know, having been mostly exposed to, um, franchise in what we have done. I suppose the only risk with that is that, you know, once, once the, we've set up, in a lot of cases it becomes just our problem whereas, I think, when it's a JV or there's part ownership from the brand internationally, there's more ownership and understanding that it's not just about what they selling to us but it's about how we've sold through to the customer, (Stefanie: Mmm.) and, and if we to, you know, meet challenges or that there is ownership into assisting and working through those challenges (Stefanie: Mmm.) with us. (Stefanie: Mmm.) So more of a true partnership whereas I think, the franchise root can be a little bit more skewed towards us owning all the issues. (Stefanie: Mmm.) (Slight pause.) So that, that, that would just be, you know, after having seen the last year and, I mean, there different brands get more involved than others, so, you know, if you look at a River Island, they literally, you know, are involved to every level but, you know, the fact that we've got a lot of old stock from a previous season is our problem, not theirs.

Stefanie: Mmm. So you'd say, from our perspective, franchise agreements are not necessarily the optimal structure but from the brand's perspective it, it makes (SME-C: Sense.) sense.

SME-C: Ja.

Stefanie: Okay.

Then, um, what involves the, the brand feasibility study to see if the brand would be feasible in our market?

SME-C: Ja, so, I mean, a lot of that work is obviously done by Priscilla and Paul in understanding, um, what margins they make, to start off with, to understand that there's enough of the pie for us all to make money off the brand, (Stefanie: Mmm.) so, um, ja, and, and I think that's where we've, where it's been hard to get a value end brand because the margins are so low, so, you know, obviously being in South Africa the toughness is the 45 percent import duty which, you know, no one really else has to, sort of have in their market which, I think, is challenging for any brand and that's possibly why it took so long for brands to come to the market (Stefanie: Mmm.) is to find a way to, to be able to sell these brands not at a 45 percent premium. (Stefanie: Ja.) Um, so, ja, I, I think, so within that feasibility is to say, well, if, if these are the prices, how, what prices can we sell it for in the country versus what else is here? Um, to know that is there any premium we can add to the price, the international price, um, because that will then define what we can make off the margin, you know, (Stefanie: Mmm.) and what the cost prices are and, ja, so other things that we look at is, where is the product source from, so obviously if it's only China, that's the highest duty rate but if it comes from Europe there's a much lower duty rate, (Stefanie: Mmm.) so all those things impact the financial feasibility of, of how we can bring that brand in. And then, ja, the other things you look at is, you know, just in terms of the logistics, you know, how that stock comes to you, so if it's just in time and it has to be aired, obviously that's more expensive than putting it on a boat, (Stefanie: Mmm.) um, but then if it's a counter seasonal brand and you have to store it and put it in a bond, there's another added cost there that isn't, (Stefanie: Mmm.) that you don't see immediately. So it's really understanding all those different factors of, of how that stock's getting here, you know, how you can sell it, how you can range it and how you can price it that, I think, impacts on, on whether it's going to be a feasible brand or not. I think, over and above that there's obviously the whole conversation on the Capex, so what those particular stores cost to build, so you have some that are very, very expensive. Um, is it feasible for us to make the fixtures locally? Does it save money? Um, is the brand prepared to contribute to those sort of things (Stefanie: Mmm.) because, obviously, that from, from, you know, getting your store to turn a profit quicker is obviously all impacts. Um, and then understanding from, from actually operating that store, what it takes, so, you know, what's the level of staff, what's the level of service, what's the, you know, what kind of, um, staffing blue prints do we need to put in to make that brand true to what the international brand is and what's the cost of that? Um, so those are all sorts of elements that you need to consider when understanding (Stefanie: Mmm.) if we can actually do it properly, profitably in this country.

Stefanie: Um, and then when the, the negotiations are done and the contracts are set up, what are the key negotiation points?

(Slight pause.)

SME-C: So, um, ja, I suppose what that royalty fee will be (SME-C laughs.) (Stefanie: Mmm.) and what we get for the royalty fee? So, um, um, obviously, what we, how we going to market the brand and what kind of money we going to spend on marketing the brand? Um, what kind of rollout we are going to see for that brand and what the 5 year plan would be from a sales and input perspective. Um, so those are all the things that, um, you negotiating, you know, what is that up front, um, margin that we going to get? Uh, you know, what are the, the, the mark downs we should expect to have, um, because those are budgeted. Um, so it's all those sort of elements.

Stefanie: Okay. Um, then to get to the execution process, (SME-C: Yes.) uh, what team needs to be put in place to facilitate the execution of a brand in the new market?

SME-C: So we use a, the role of a brand manager which is quite a sort of, almost is a project manager role. They, um, you know, completely own the brand relationship but they get very involved with everyone from legal to finance to, um, property to IT to logistics, to try and actually sort of hook everybody up with the right people in the brand and in THE RETAIL GROUP to actually, you know, open the accounts and make sure that the process is a very smooth one going forward. Um, so that really has been, um, you know, the, the process we've used which has been very effective. Um, ja, so it's really quite a project management role which then again changes as you trade more because then you start actually managing the brand performance in the country.

Stefanie: Okay. Um, anything else you want to add to the, the actual process of how, (SME-C: So ...) how a brand is executed?

SME-C: Ja, I mean, one thing that's worked for us in, in, um, what we've done, so we, we do that week induction at the brand and then, um, what we do locally is we have a sort of a project meeting that runs every, it used to be every 2 weeks now it's every month, where we actually bring all stakeholders across the business at THE RETAIL GROUP into a meeting room and we update everybody on where we are and what are outstanding next steps and what are action points that have, and, um, being quite a laborious meeting, um, that everyone would like to get rid of, it's actually, the, the attendance at it is amazing, um, because people find that it is the 1 time to really understand where everything is in the process, so we've actually kept it, we're a lot more efficient with it, but it definitely has worked in making sure all the project, um, stakeholders are up to speed (Stefanie: Mmm.) and know what's going on and no balls are dropped.

Stefanie: Okay. And then, in terms of performance, um, how is performance monitored?

SME-C: So obviously, we track performance weekly, um, and then obviously monthly and then quarterly and then yearly, (Stefanie: Mmm.) so we set, um, you know, budgets for a financial year and obviously, week by week we understand how we're tracking to that budget. We overlay a second process onto the budget process which is the profit pattern process which, um, you then monitor changes within the next 3 months depending on how you tracking. So, um, it is tightly managed, um, we've implemented recently, um, uh, a weekly feedback meeting on each brand, um, with both the planning and the, and the brand managers. We then pull out an action plan for every week that people feedback on a Wednesday at a little get together, and that's really driven a lot of actions and, um, momentum in terms of changing performance or trade. Um, so, ja, that's ...

Stefanie: And in terms of profitability, how, how can profitability be ensured for a brand?

SME-C: So, ja, I think, really understanding the profitability by store and, you know that forum that we've set up now in terms of, um, the profitability because it does vary by store depending on a whole lot of factors whether it's rental, whether it's the staff blue print or whether it's, you know, how that brand performs in that mall, um, and, and really, you know, getting to understand what is the lever that we need to pull store by store to actually ensure the profitability, um, increases. But, you know, there's no doubt that driving sales and growing the brand, you know, week on week, year on year is key because, at the end of the day, you know, the more people we get into the brand and the more people we need to buy it more regularly, that's the, you know, number 1 thing (Stefanie: Mmm.) is getting the sales level right (Stefanie: Mmm.) but then absolutely managing cost at every level, so understanding that we, ja, really tighten and cost control particularly with the economy as it is.

Stefanie: Okay. And then, in your opinion, how long does it take for a brand to be, to get established in the new market?

SME-C: I think it depends on how well known the brand is. So if you take the example of a TM Learn, that didn't take any time at all. It, it worked from day 1, you know, (Stefanie: Mmm.) as we put it into Shop in Shop and then opened the Standalone stores, it's a known brand and, um, it, it didn't take a lot of time to be successful. I think, where a brand is not known, so I think good examples of that being Tom Taylor or Lucky, (Stefanie: Mmm.) it's been a much harder process to get them known and get them grown and then I'd say you looking at about 2 years, 18 months to 2 years to really start establishing them and then, and then growing them. So, ja, I think it really is brand dependent and then location, secondly I would look at location. Is, you know, depending on where the mall sits, um, if it sits in an area where people, you know, don't travel and don't know international brands (Stefanie: Mmm.) it also is a, a harder burden than if it's in a Sandton or a Rose Bank where, you know, the, the catchment area is wealthy and, you know, travels a lot and is exposed to brands internationally.

Stefanie: So for, for a known brand from day 1 and for an unknown brand you said 2 ...

SME-C: 18, 18 months (Stefanie: 18 months to 2 years.) to 2 years, ja.

Stefanie: Okay. Okay, then the last question is, is, there's 4 parts to it. Um, the first, it's all about the, the factors that could affect the, the partnership. Uh, the first 1 is, what is your top 3 factors, that you think, determines the success of a brand?

SME-C: Ja, so definitely, um, (Slight pause.) sort of how on trend and successful that brand is. (Stefanie: Ja.) I think, you know, you either have a brand that's a top performer and got legs and there's an opening in the market and, um, you know, customers are just attracted to it (Stefanie: Mmm.) and, you know? And it's priced well, you know, effectively or, you know, priced reasonably to the market. So, um, I think, you know, that's a number 1 thing of it being, um, successful, it's a cool brand that people love, you know? Um, I think, second to that is, um, you know, working with a progressive brand that's really open to understanding the differentials in your market and, and, and tweaking or, um, changing processes to make sure that they also support us in doing the right thing for our market. So not just, well, we are so and so and this is how we do things. (Stefanie: Mmm.) You know, the fact that you're a southern hemisphere third world country, we not going to change anything. So definitely, I think, a critical success factor is brands that are, are really, you know, willing to understand the nuances of our market and work with us to, um, close gaps (Stefanie: Mmm.) or, or, you know, widen opportunities that exist. Um, so that would be another one. Um, I think relationships are key, there's no doubt that where we've got very, very good relationships with brands, we've managed to negotiate and, um, ja, compromise on things that, you know, you know, and move forward in, in a way that creates success, so I think that's also important. Um, (Slight pause.) I'm trying to think, remind me of the question again? The, the ...

Stefanie: Just the, the 3 factors that determines success of the brand.

SME-C: Brand. Ja, so I think, being a pull brand, ja, Ja, and then being accessible, so I think, what, what makes, um, our market quite different to a European market is, is the fact that the unemployment is huge and, you know, there isn't a lot of spare cash in the market. Um, so, obviously brands, you know, in their own right are aspirational but you also want them to be accessible (Stefanie: Mmm.) to as many people as possible. So that, um, we've got a greater opportunity to embed them into, into everybody's lives.

Stefanie: Okay. And then on the flip side, what are the 2, top 3 factors that could make the brand fail in the market?

SME-C: So I think, um, arrogance of the brand, (Stefanie and SME-C laugh.) ja, to not understand that there are different nuances in our country. Um, I think, ja, if, if the, if the, the actual product, at the end of the day, is not great value for money, doesn't matter what price point, level, but if customers don't aspire to that, (Stefanie: Mmm.) that product and think that it's absolutely brilliant and is brand, you know, has great brand integrity, they, they not going to buy it and it's not going to be successful. So, you know, the brand needs to deliver on, on their integrity, you know, in all facets (Stefanie: Mmm.) but, you know, at the end of the day, the customer's not stupid, so, you know, (Stefanie: Mmm.) um, you can't force, you've got to deliver what you say you going to deliver. (Stefanie: Mmm.) So, ja, I do think, you know, there are brands that we are going to get it wrong with, um, you know, that you can be multimillion Dollar businesses in the rest of the world, but do not really, you know, sort of align with our market for whatever reason, whether it's a case that they don't believe that the, the value is there in the product or that they don't believe it's a cool brand, or, you know? (Stefanie: Mmm.) Whatever that little thing is, um, if, if customers don't look at it and go, oh my god, I need to have that! (Stefanie: Mmm.) Then, then it's not going to be successful. (Stefanie: Ja.) Um, ja, so, and, and, and, ja, and that whole price per, that value perception, you know, that everyone understands that a brand is going to be more expensive than a private label but it must deliver on quality and fabric and make up and all those things (Stefanie: Mmm.) otherwise you will only buy it once.

Stefanie: Ja. Um, any other factors that could make them fail?

SME-C: Um, ...

(Slight pause.)

Stefanie: You've mentioned a whole, a whole bunch of things there (SME-C: Yes.) in your ...

SME-C: Ja. Um, (Slight pause.) ja, so, (Slight pause.) ja, I mean, I suppose you could also get a brand on its, you know, it could have been a great brand but you come in and it's at the bottom, start of the demise kind of thing (Stefanie: Mmm.) and, um, you know, you, you, you didn't pick that up and there's too much competition in, in that sector. So I think, that prework of really understanding if there is a gap and where it would sit and, um, you know, there being a need for that, that brand and, you know, in the market, is key, and being exceptionally cautious of brands that are not known.

Stefanie: Ja. Okay, and now, in terms of the, the process, end to end process from looking for the brand to execution and onwards, what are the internal, top internal challenges that you faced?

SME-C: For me, the top internal challenge is managing the management between SIS and SAS. Um, I would say (Stefanie: Ja.) that, for us, is one of the hardest, um, things to, and it's an internal issue, (Stefanie: Mmm.) it's not a, it's not a, a brand issue at all. (Stefanie: Mmm.) Um, I'd, ja, I'd say also being the size of company that we are, um, that, that we not as nimble as I think we could be on a lot of issues. (Stefanie: Mmm.) So the fact that, um, we are a big corporation that has many people and many pies and many pots, um, that if we were smaller it would be easier to do what we do, you know what I mean? Um, I do think that there often, you know, too many people involved. (Stefanie: Mmm.) Um, (Slight pause.) Ja, I think, those are the, I, I think, um, you know, one of the things that's been quite challenging is, is getting the level of service correct for brands and understanding and unpacking, you know, what that service needs to be and how we can deliver a different experience to what is the standard in South Africa. (Stefanie: Mmm.) Um, so it's been a very exciting thing but it's hard to, um, find those people, um, that are cost effective to make it profitable, you know what I mean? So you can find the people but then it's, you know, they at a rate that's too high to, to make it profitable, so it's really finding that balance in the middle. Um, ja, I'd say those are the, the m, the, the major things, um, and, ja, I'd say it, it's the continual work at the relationships and, um, understanding the ability to renegotiate at all times (Stefanie: Mmm.) to get a better and better deal, um, for our market.

Stefanie: Mmm. (SME-C: Ja.) And then, on, the external challenges, things that are out of our control. What are the ...

SME-C: Load shedding, (Stefanie: Ja.) (Stefanie and SME-C laugh.) the fact that my, (Stefanie: Number 1.) ja, that many of my stores can't actually trade, um, (Stefanie: Ja.) when there's load shedding. Um, so I'd say definitely, ... I just think the whole economy in South Africa's tough, um, with, you know, sort of inflation, (Stefanie: Mmm.) you know, and electricity and all those things, I think that there has felt like a complete pull back on spend, um, across the, the market. I mean, I was actually chatting to someone from Cotton On who said they not getting the like the like growth in the stores.

Stefanie: Mmm. Because of the load shedding.

SME-C: Ja. So, um, ja, and I suppose there's, there is a little bit of a, an unstable feeling, (Stefanie: Mmm.) you know, that feeling of like, everyone's watching to see what's next, kind of thing. (SME-C laughs.) Um, and, ja, I suppose you have someone stand up and say, there's not going to be any load shedding this winter and then (SME-C laughs.) there rolling blackouts. So, so you don't have a good view of, of what it's really going to do, (Stefanie: Mmm, ja.) your, your external factors. And then obviously the Rand, I mean, (SME-C laughs.) the volatility of the Rand is also been very hard to manage pricing, um, and, and very stressful because you, how much can you pass onto the consumer knowing how strapped they are and how much do you just actually, you need to grin and bear it and wait for it to settle. (Stefanie: Mmm.) So there quite, there are a lot of, um, unknowns (Stefanie: Mmm.) that feel hard, you know, to, to sort of manage the, the volatility. But, um, ja, I'd say those are the, the, the major, um, things and, and, obviously, you know, is, I think one of the other things is just knowing, you know, like new malls, you don't know how good or bad or how long it's going to take for them to, to run (Stefanie: Ja.) to, um, profitable levels and so you can be big and bold and go into them when they new but it might take a longer time for a pay back (Stefanie: Mmm.) versus going into an established mall. Um, but obviously, you know, the exciting thing about Africa is the growth and the, you know, the potential (Stefanie: Potential, ja.) that there is, so, so, you know, with the negatives come positives as well (Stefanie: Mmm.) and it's about balancing those 2.

(Slight pause.)

Stefanie: Great. So that's, that's my whole questionnaire. Are there any other last comments?

SME-C: Not that I can think of. What, what do you think I've missed? Um, (Slight pause.) no. I mean, it's a very exciting journey. Um, (Slight pause.) ja, I can't think of anything.

Stefanie: Any other gaps in the process, things that you've picked up that are not ideal?

(Pause.)

SME-C: Um, ja, I suppose just, you know, the, um, ja, managing time lines and exp, you know what I mean? So often the opportunity of a space in a mall comes quicker than it's actually physically possible to institute, (SME-C laughs.) you know, (Stefanie: Mmm.) it's just, it's those things that are the, the stress points in, (Stefanie: Mmm.) in, in the role, um, but nothing that, you know, can't be sort of overcome or sorted or compromised on. (Stefanie laughs.) Um, ja, I think that's it.

Stefanie: Great!

Thank you so much.

SME-C: Pleasure.

D: Planning Executive - International Brands

Stefanie: Okay. What is your position at the company?

SME-D: Executive Manager of planning for Group Brands.

Stefanie: And what is your background in the retail industry?

SME-D: Uh, I started off in operations, moved up as an MDP trainee in planning, planning moved into buying, went into, uh, business unit manager, did both buying and planning, thereafter I moved into Divisional Planning Manager and then Divisional Sourcing Manager and now Execu Planning.

Stefanie: So how many years is that in the industry?

(Slight pause.)

SME-D: Uh, I'd say about 18 years.

Stefanie: Cool! And, um, how long have you been working in your current position?

SME-D: 18 months.

Stefanie: (Stefanie laughs.) Okay. And what are your key roles and responsibilities?

SME-D: Stock management, uh, profitability management, uh, budgeting, reprojecting, um, collaboration with brands, ensuring alignment to brand cadence, um, from a profitability perspective, um, mark downs, um, overall management, mmm.

Stefanie: Cool. [SME-D says something that is not clear.] And then, in your opinion, is South Africa an attractive market for international fashion brands?

SME-D: Uh, it is an attractive market. I think that we are, uh, the gateway to Africa, so I think, we are the stepping stone, um, I think, there's a lot of lessons to be learnt here and then implemented and expanded on for Africa. So, yes.

Stefanie: Okay. And then the first major question is, what is the brand partner selection process?

SME-D: Um, I'd say customer, so first it would be, do we have the, um, similarities with regards to customer base, okay? So ultimately, with any brand with any product, it's about do you have the right customer or can you create the need for the product in that marketplace? So, um, uh, from a rational perspective I'd, I'd say, from a non-emotive side I'd say, um, both sides are they financially viable? Do they have, uh, sustainable, uh, strategies in place that can ensure sustainability, um, for performance, both sides. So if you asking me what would my criteria be in selecting a brand, yea? (Stefanie: Ja, that's the next question. (Stefanie laughs.)) Um, then it would be synergies across, uh, both companies, um, both, so, so again, with, can we adopt, um, some of the, (Slight pause.) so the brand synergies into our organisation and what does our organisation have that the brand requires to ensure the, the successful performance in the country? So, personally for me in selecting a brand, I'd look at it and, and look at our customer base and say, do we have, based on the demographics and the, the LSM, uh, information that we, we have, is there a sustainable market for the brand? So, and is there brand awareness? So is the brand one of the top brands internationally, um, because currently we've learnt we've got very niche brands that's not performing, should have not been adopted. So, so again, (Stefanie: Mmm.) is there a need for it? So what market research, uh, I would, personally, do market research on the demographics, on the customer base, to check, in the right locations, to see would there be a sustainable need for that product (Stefanie: Mmm.) or for that brand?

Stefanie: And do you think more often we select brands or do the brands select us to partner with?

SME-D: I think, initially we were selecting brands, it was more a wish list, uh, because we were the new comer as such in the international arena in, in wanting to, to bring in brands, so I think, that 3 years ago when, uh, when Paul started, uh, I think it would have been a case of which brands wanted to sign THE RETAIL GROUP as the, as the, um, uh, franchisee. Uh, however, I think, the tables have turned, so now, um, knowing that we've successfully launched Top Shop, uh, joint venture though, um, River Island, I mean, one of the best brands is River Island, team [Word not clear.] successfully launched all those brands, I think, now brands are knocking on THE RETAIL GROUP's door. (Stefanie: Ja.) So, I think, the tables have turned.

Stefanie: Okay. And then, um, so you've answered actually my other questions, the, the one was, what is the process to establish if the brand is right, fit for the local market? (SME-D: Ja.) So that you've answered as well as the criteria that you need to consider to select a new brand. I don't know if there's anything you would like to add there?

SME-D: A new, a, I, I would, I would definitely visit, uh, the brand in the home market, (Stefanie: Yes.) I would do research, I would look at where their price positioning is, um, and, and based on our current macroeconomic, um, uh, uh, situation, I'd, I'd actually see, can it be afforded? (Stefanie: Mmm.) And then, where do we plan to pitch it? So a couple of things, so I'd definitely visit the home market. I'd look at where are they pitched and which competitors do they have, um, uh, or who do they pitch themselves against? And then, um, I would definitely have meetings with their, um, um, franchise department as well as their merchandise department and evaluate, uh, how flexible the brand is and, because sometimes it's not just about, uh, the brand fit, it, it's also about the people managing the brand (Stefanie: Mmm.) and, and how fussy are they, (Stefanie: Ja.) um, and, and what, what are the leeways because you can't, as much as you going to try and, uh, a cookie cutter approach with regards to shop fit and shop layout, but from a demographics perspective and a product perspective if that cannot be flexible in catering for a, a domestic market (Stefanie: Mmm.) then, then a lot has to be said with regards to whether it's going to be successful in, in, in, in the new country, (Stefanie: Ja.) ja, so.

Stefanie: And, so once you've selected the brand or the brand selects you, how is collaboration established?

SME-D: Um, lots of things, I think it's, ja, you, you, you initially, so basically with River Island, the first meet was Sal and I going to, um, to the UK and this was 7 months prior to actually opening and we didn't just meet with the franchise depart, with, with the international team, we actually met the merchandise team as well and what was nice is we went through all the business partners and we created that link. So we knew in IT this is who we needed to speak to, logistics, ... By the way, the other thing about, um, about adopting, uh, one of the criteria, I would always look at their logistics (Stefanie: Ja.) because that's also vitally important and, (Stefanie: Ja, it is.) and, um, the capabilities, can they pack by store, for instance. (Stefanie: Mmm.) How, how, how do they pack the cartons? [Stefanie says something that is not clear.] Ja. So, so lots of learnings there. Um, so it's about, so I say initially face to face, the, the, face to face collaboration's extremely important, getting, um, starting off initiating the relationship. Thereafter, I think, it's vitally important that prior to full implementation is yes, there's, there's, uh, proper telecoms in place taking through, going through the whole project plan and, and the financial plan and getting agreements. So from a planning perspective I can tell you that up front, um, the, the, the, the planning team on that, on, on the other end versus the planning team here, we liaised quite a bit on agreed trading densities, agreed options, units, um, category splits, and that was done during the whole course, um, and then, and, and it was done via telecom. And then, during implementation stage, I find that the most successful brands is where we have weekly telecoms (Stefanie: Mmm.) on performance, on reaction, um, and, and just, just taking the proactive approach is what can we do, what next? (Stefanie: Ja.) Ja.

Stefanie: Okay, great. Um, okay, then, what is the preferred market, market entry model, in your experience for brands?

(Slight pause.)

SME-D: Explain market entry?

Stefanie: So, um, the dual structure as in joint venture, (SME-D: Oh, okay!) franchising agreement, ...

SME-D: Um, (Slight pause.) personally, I, I disapprove of the franchise, uh, sorry, of the joint venture. Um, I think, for the people implementing and the people managing the, managing a joint venture, um, the expectation is, uh, or the workload is too much because it's like a, I call it a Tripartheid alliance. (Stefanie laughs.) Okay, Tripart, because you've got 3 parties. You've got the, the, um, (Slight pause.) the brand and you've got the joint venture between both parties. So what happens is the team managing has to report the same figure in 3 different formats and 3 different reporting periods because each person's calendar is different. Trading calendars are all different. (Stefanie: Mmm.) So, so, so that’s the 1 complexity. Then you have what's important from 1, um, uh, franchisee might not be important for the other one. (Stefanie: Ja.) So I just think, it's an added complexity and, um, also communication is not free flowing, um, when there's joint venture in comparison to, to a franchise, um, model. So, uh, there again, I think, much better. Um, however, the 1 model that, that we haven't catered in, from an international brands perspective in a SAS environment and that's the consignment model where as if you look at it, uh, as much as it, it's a joint venture, you know, (Stefanie: Mmm.) Forever New, for instance, if you look at how profitable that brand is, it's because it's consignment. (Stefanie: Mmhmm.) So we not at the mercy of holding too much stock, (Stefanie: Ja.) so stock is eliminated, it's about the end customer focus, and that becomes the focus. (Stefanie: Mmm.) So it's about providing an assortment that is driven by customer need rather then trying to fulfil, um, a stock number that looks good on paper and, and, and, so, so, in that regard, that would be my first choice, but currently it's not.

Stefanie: Forever New an international brand?

SME-D: Uh, Forever New is an international brand, hey?

Stefanie: Yes, but they have a local plant now.

SME-D: Now, sure, ja. So, so, [Word not clear.] ...

Stefanie: So for a newcomer?

SME-D: So I'd say, um, I don't know the overall impact on partnerships as such, so, so whilst, yes, there's the Airlie part of it, (Stefanie: Mmhmm.) I don't know how, um, uh, the ins and outs of it, but if I have to compare it the Airlie Group is far more successful than us.

(Pause.)

Stefanie: So acquiring the brand then (SME-D: Ja.) like Country Road, (SME-D: Ja.) like Woollies did with Country Road, (SME-D: Ja.) do you think that's the preferred option?

SME-D: Well, uh, just basing it on numbers, if I just go on numbers, not relationships, nothing else, if I just go on numbers, partnerships because it, it's, you can see the profitability is so much higher, (Stefanie: So franchise ...) the margins are so much higher.

Stefanie: Ja. But franchise partnerships or (Slight pause.) wholly owned sort of agreements?

SME-D: Um, what is Airlie, um, ...

Stefanie: I believe Woollies bought 51 percent, (SME-D: Ja.) so we, we, (SME-D: So I would choose that.) we've got the (SME-D: I would.) controlling stake. (SME-D: Mmm.) Okay. Cool. Um, all right, then what involves the brand feasibility study?

SME-D: Um, I don't know too much. It's strange that you mentioned that, in, in today's coaching session I asked Paul that I want full visibility into how the feasibilities are done. I told him that I would like to be involved in it. (Stefanie: Okay.) Um, I, I want to know how do they go about determining what the IRR is and, (Stefanie: Yes.) so I, I, I haven't been exposed to it but what I can assume, um, uh, based on what, what we see is, is looking at liked brands and like performances and determining the sales per square metre and where we break even and anything above that would be, um, a feasible store. Um, so with regards to ...

Stefanie: But this is brand feasibility not store feasibility.

SME-D: Oh!

Stefanie: So (Slight pause.) to know that the brand will be feasible in the market. Surely the store feasibility (SME-D: Oh! Okay, okay, okay!) is also part of that but ...

SME-D: So, uh, I would think like, um, the brand, but it's very much aligned to the first question. (Slight pause.) Okay.

Stefanie: Does it overlap?

SME-D: Ja. Um, so brand feasibility I would think would be again, do we have the customer base? Um, can, is there a perceived longevity in the brand? So, like currently the risk in Dr. Martens is, is it a, a 1 year trend and then it's going to die, exactly what happened a couple, you know, 20 years ago. So I, I would think it's about longevity of the brand, um, (Slight pause.) pricing utterly, utterly important, how, where, where is the price positioned, um, in the market? So again, contractually, what is the agreement for the premium? So, and will it be affordable in the marketplace? Um, for instance, would Edgars ever bring, I know Louis Vuitton is here but, but we would not go into that because it's such a small percentage, uh, it's very niche for South Africans. Um, so I'd think, is it aligned to our current strategy which is, can it be rolled out in SIS and SAS? Uh, does it cater for, uh, mass to upper LSM? Um, would it be profitable? So would the model be profitable? Um, ja.

Stefanie: And in terms of the brand feasibility, do you, do you think we do, um, a, uh, research on the, the brand's financial state before signing?

SME-D: I would think so. So therefore I say, it goes back to the other one. (Stefanie: Ja.) I would look at the financial structure of the, of the brand. So currently I would look at, uh, the last 3 years to see a trend, (Stefanie: Ja.) so have they been growing, um, absolutely, I'd look at their financials and where are they positioned internationally (Stefanie: Mmm.) and are they on a growth strategy or are they looking at South Africa as a dumping site, o, so, you know, as an exit strategy as such. So, in hindsight I, I think that if we did that with OGE for instance, we wouldn't have, we wouldn't have signed on. Also Lipsy, as much as Lipsy, (Stefanie: Yes, Lipsy.) uh, Lips, ja, as much as Lipsy we've, (Slight pause.) apparently, you know, they've won the awards, they've won the Drapo awards, but from a, it's not a sustainable s, uh, Standalone store (Stefanie: Mmm.) concept. So I, but again, I think, we were brand new to so many things and we can only grow from strength to strength based on the learnings. But yes, I think the financial viability of any brand is important. Um, I think, also (Slight pause.) their marketing strategy, so how do they market themselves and do they do sufficient marketing internationally for their brand, (Stefanie: Mmm.) that, that would be high up, um, because OGE apparently never did, (Slight pause.) so.

Stefanie: Interesting. Um, okay. Then the, the negotiation points, what are the, what are the key negotiation points?

SME-D: Oh, sorry, the other thing about the feasibility of the brand (Stefanie: Yes, yes, sorry.) is also product quality. (Stefanie: Yes!) So I would look, so apart from the price positioning I also look at the product quality, does it differentiate to anything else, like is it differentiated to, to other areas? So yes, a denim is a denim (Stefanie: Mmm.) but if they, if they have inferior, um, fabric and inferior cut making trim (Stefanie: Ja.) in comparison, um, to, to, to a house label but pitched much higher, it's not going to work. (Stefanie: Ja, that makes sense.) Ja, so, (Stefanie: That's a good point.) so it's product quality, marketing, pricing, financial viability.

Stefanie: Okay. Um, what are the key negotiation points with the brand and how are the contracts set up?

(Slight pause.)

SME-D: Um, once again, I haven't been very involved on that side (Stefanie: That's fine!) but (Stefanie: From your opinion.) uh, ja, um, I would think that because South Africa has such high import duties, 45 percent on clothing, 30 percent on footwear and accessories, it's important that the way the cost of the goods, uh, is structured and ultimately the, the pricing that it makes it still, uh, cost effective for us to bring the brand into the comp, into the country at the 45 percent duty and retail it similar, so equal or slightly higher, maximum 10 percent, at a 10 percent premium of home country price. So that for me, the way we structure that (Stefanie: Mmm.) costing model, for me, that's number 1, (Stefanie: Ja.) okay. Um, I think also,

uh, royalty fees, uh, needs to be sustainable. (Slight pause.) The higher it goes, the less Ibadowy [Not sure if that's correct.] make, and, and that's the bottom line. Um, I think, that, um, so it's the royalty fee, um, (Slight pause.) uh, the cost of the goods, um, (Pause.) I would also, personally, I know this is not part of it but, uh, in fact, some of the models are now going to it, but I would have dual, uh, shared responsibility in non-performance for push brands. So I would make it imperative because it's the brand that's selecting the products, (Stefanie: Mmm.) it's not, uh, the, the brand managers or the home country, you know, the, the, the new country that's selecting the products, so for push brands there needs to be dual responsibility (Stefanie: Mmm.) for mark downs, um, because currently we know that with Top Shop and River Island push brands and as much as we, we are same season the, inappropriate merchandise is being sent and we take that hit, (Stefanie: Mmm.) so, so I would structure it differently for push brands. Um, for pull brands, granted, I think, we need to take the responsibility for mark downs because we should be making more informed decisions on product and we should be basing it on history and basing it on customer trend, so hence we should. Um, ...

Stefanie: Ja, it's a good point you make.

SME-D: Ja. what else in the negotiations? Um, I would have, uh, because this is just important for me, up front making sure that because SIS and SAS are two different businesses whilst it's organisation, is ensuring that from a logistics perspective, from a reporting perspective, everything is dealt with separately and, and the brand agrees to that (Stefanie: Mmm.) because it adds, it, it lessens the work load. (Stefanie: Ja.) Um, (Pause.) ja, those are the main ones, so the costing, for me, is important, the logistics, air freight, sea freight, um, uh, is important, in some cases, I think, we could have negotiated for fast fashion brands where, um, the brands almost subsidises air freight model. (Slight pause.) That should be in the costing structure.

Stefanie: Ja. (SME-D: Mmm.) And then, how are the contracts set up? (Slight pause.) How are the contracts set up?

SME-D: Explain what part, uh, what do you mean?

Stefanie: You have to, ja, your, your, um, idea of ...

SME-D: Um, (Stefanie: What is the process ...) so I think, there's a lot of negotiations, uh, up front, so at the point of interest, um, uh, from what I can see what, what Paul's shown me is, um, interest is declared, uh, and then I, I would suppose the legal teams, um, is it a franchise agreement, is it joint partnership, um, (Slight pause.) you know, you defining liability (Stefanie: Ja.) on both sides, um, so I would think that there's a lot of, um, NDAs signed up front because of, um, brand strategies being shared, so, uh, (Slight pause.) ja, I would think it's a lot of negotiations between the, the head of, um, the head of International on both sides and the legal department. (Stefanie: Ja.) Ja.

Stefanie: Okay, great. Um, and then, what is the execution process of a brand in the new market?

SME-D: Oh, goodness! (Stefanie laughs.) So once the contract is signed, um, yes, I think, brand manager appointed, um, there's a lot of negotiations, uh, there's a full project plan that gets put in place, okay, incorporates, um, so again, during the contract stages, sorry, during the contract stages it's also decided the 5 year growth plan and then within that, um, uh, the store expansion strategy, so the store rollout strategy, so, um, uh, it's, up front it will be discussed how many stores in the first year, second year, uh, whether it's SIS or SAS, and then, so part of the project plan would be to incorporate the number of pads, uh, and stores and, um, budgeting starts, so the budgeting process offered, and, um, so property will travel across, we'd get samples of all the things that needs to be sourced as well, locally and internationally, um, so from a shop fit perspective, uh, from a merchandise brand perspective, budgets get set, categories split get sent through, uh, OTBs are up front negotiated and agreed upon, uh, opening packs, so based on the store size we look at the linear density, so, um, again, the units per square metre, that's all decided upon, and then you sign off your opening pack. (Slight pause.) And in conjunction, so simultaneously the brand managers will be working with VM and marketing, there's a marketing strategy in place, um, there's a VM strategy in place, um, and, and then we work up to the whole store launch, as such, uh, ensuring that the product is going to be on time, um, the store's going to be finished on time, um, we'd take things into account like, uh, where would the product, when would the product arrive, where it would be ticketed, um, sorry, and then again, also the, the HR side of it. So what's nice is in the project meetings, leading up to the actual opening, there is bimonthly project meetings and from store, um, staff recruitment to training, all of that's done, um, the necessary people travel to the home country to get the relevant training, comes back, shares information, um, what else? From an IT perspective, up front in the process there's full IT integration, in fact, part of the contract as well, it's all about the IT side, the sharing of information (Stefanie: Mmm.) and the level of information they require and the, um, uh, the duration and the, the frequency of the information, that's also part of the contract. So, so, for instance, on, on Next it was very important for them to get that and then River Island now, um, sales poling forms 1 key, key part of, um, negotiations. Uh, reporting, all of that is determined part of the project plan and, so there you have multiple task teams working simultaneously.

Stefanie: That brings me to my next question. Um, what team needs to be put in place to facilitate the execution? You've touched on all of them but ...

SME-D: Ja, so, so there's a full project team in place, uh, so it is from ... Sorry, I've missed out logistics, so in the, the previous question as well logistics is very important, (Stefanie: Mmm.) so I'd say logistics, IT, um, logistics, IT, legal, uh, property, um, (Slight pause.) so property's broken up into 2, (Slight pause.) so, so there's store design and, uh, so there's operations side of it as well, um, there's marketing, uh, there's SIS and SAS teams, um, (Slight pause.) brand managers, planning, ja, wow, it's a huge team.

Stefanie: And then, what is the role of the brand manager?

SME-D: The brand manager is, um, the liaison between the brand and the franchisee and she is the brand custodian in the whole country. So she's ultimately responsible, um, ...

(Slight pause as SME-D sees who's left.)

SME-D: Um, so she is the brand identity in the new country, so she represents that brand, so it's vital that she eats, sleeps, the, the brand and, uh, so she's the representative of, uh, the whole country. Um, she is responsible, um, for running or, or running that whole project, ensuring that all the partners are talking to each other, um, so she's the one that's juggling all the balls in the air and ensuring that none falls. So, um, from liaising between all the different stakeholders and ensuring that, uh, anything goes off that project time line, what can be done to bring it back on and if it can't, uh, liaising with the necessary parties in ensuring that those time lines are adjusted accordingly. (Stefanie: Mmm.) So she's not, the brand manager encompasses project management, um, merchandising skills, uh, operational skills, so it's, it's a host of skills.

Stefanie: Great. 2 more questions.

SME-D: Okay.

Stefanie: Um, how is performance monitored?

SME-D: Mmm! So how and how often. So, I think, performance is monitored daily. And how? Uh, I think it's various KPIs, um, so it would be, um, set KPIs that we would have negotiated up front as to simplistically are we trading in accordance to what the sales expectations were and are we trading in accordance to what the profitability which was set out in the contract? (Stefanie: Mmm.) Uh, so, so a couple of things are set out in the contract, you speak to sales, you speak to IMU, uh, you speak to mark up, um, uh, gross profit, um, and the gross profit that is in contract is the retake gross profit because you also have financial gross profit and then ultimately [Word not clear.] (Stefanie: Mmm.) and trading density. (Stefanie: Mmm.) So, um, um, most KPIs can be tracked daily (Stefanie: Mmm.) whilst, um, the trading density is, is realistically, um, monthly (Stefanie: Mmm.) and [Word not clear.] monthly. Uh, ja, but it's tracked daily. And we have some of the best systems, uh, internationally. so, so, so for instance, for clarity there's, there's, you know, one of the best systems from a data warehouse perspective. Um, and MFP has now been rolled out in, in quite a lot of retailers, um, for instance, River Island mentioned that they might be implementing (Stefanie: Mmm.) MFP, (Stefanie: Interesting.) ja, and they have [Name not clear.] as well. So 2 of, 2 of our biggest planning tools River Island are implementing it. So yes, so we've got tools, we've got the necessary tools to report as frequently as required.

Stefanie: Perfect. And then, how long does it take to establish a brand in a, in a new market? In our market specifically.

SME-D: Apparently, well, 1, 1 of the examples that was, was mentioned Guess took 5 years to, to, uh, gain credibility and become a success in South Africa, (Stefanie: Shoh!) so it took 5 years. Uh, If I look at TM New On, in a SAS environment it's less than a year and it's successful. (Stefanie: Ja.) So it, it's different, it varies from brand to brand. Um, Lipsy it's less than a year and it's still, uh, it's not successful. (Stefanie: Mmm.) So if you have to compare, so, I think, it varies from brand, uh, brand to ...

Stefanie: Between 1 year and 5 years.

SME-D: Between, ja. (Slight pause.) Um, and Tenuine it's less than 1 year. So, ja.

Stefanie: Cool. Okay then, um, this last question is around the, the factors that could affect the partnership between the retailer and the brand partner. The first one is, the 3 top factors that determines the success of a brand? Your, your 3 top factors.

SME-D: Uh, (Pause.) I'm going to be a typical merchant and I'm going to say sales performance and like for like growth, because that's core, like for like growth, not, you know, incremental new store expansion. So, because for me, like for like growth determines sustainibility of that brand in home market because all things being equal can the brand still continue to trade under circumstances. So I'd look at that up front. Um, so, so yes, sales but, (Stefanie: Is your number 1.) ja. Uh, and then I would look at, um, (Slight pause.) I almost want to say financial GP because it would take all the factors into account, you know, store operating expenses, how much has been taken for, uh, for, for that store to operate and then ultimately [Word not clear.]. (Stefanie: Great!) So, so the first thing should be [Word not clear.], (Stefanie: [Word not clear.], profitability.) so that should be number 1, absolutely.

Stefanie: And then, if you flip the question around, what are the 3 things that could make a brand fail in the new market?

SME-D: Uh, (Pause.) pricing, I think, if it's positioned incorrectly. (Stefanie: Ja.) Um, wrong merchandise, so no matter how much stock you put in, if it's the wrong merchandise or the wrong seasons it, it's not going to do well. (Stefanie: Ja.) Um, 1 of the reasons, 1 of the things I use there is in 1 of the brands now we, we put in, we, we thought that the brand wasn't, the store wasn't performing because there was a lack of stock, we've put in a whole lot of stock. So we've put in probably 30 percent more stock than what the brand should have and it still hasn't turned, So I think it's about the, the product (Stefanie: Ja.) offering. So pricing, product, um, (Slight pause.) and then I'd say, the lack of marketing because if you cannot tell customers you have this brand in the country (Stefanie: Mmm.) and what it has to offer, (Slight pause.) all the will in the world, it's not going to work. How do you bring a new customer in?

Stefanie: Ja. Okay, and then the very last portion is around the end to end process from signing on a brand to implementing and, um, and onwards. What are the 3 internal challenges with the process and the 3 external challenges?

SME-D: Internal, I think the lack of flexibility on our systems. Uh, 2 the lack of flexibility on our, sorry, the lengthy logistics time line, so, um, from shipping shop fit to shipping merchandise to getting it on the floor could take a month and most fast fashion businesses from pick up to floor it's less than 3 days. It's act, in some cases it's 24 hours and when you compare it to a month that just adds to stock, every time you stock product, every time you touch a product, it adds to cost and it, it, it adds to, um, um, non-productivity. (Stefanie: Ja.) So, so, uh, my biggest frustrations, internally, is IT and logistics.

(Slight pause.)

Stefanie: Okay.

SME-D: And, um, from a macroeconomic perspective I'd say, uh, the, the other factor was the lack of resources or skilled, skilled people in South Africa because, I think, that with not a lot of money and time is spent in training and developing, uh, South Africans, and this is a new skill set (Stefanie: Mmm.) and unless, unless we can sustain that and grow that because yes, you can have technical planning skills but if you not out the box thinking and if you not, uh, equipped with, it's, it's a different way of thinking. So, so my 3 internal challenges was recruitment or resources, uh, IT and logistics.

Stefanie: Logistics. And the external factors?

SME-D: External factors, when you say external you still talking within South Africa though, hey?

Stefanie: Ja. With, (SME-D: Or, or ...) not in our control.

SME-D: Not, correct, but, but, so read the question again, Stef?

Stefanie: So you said the, the internal challenges and then the external challenges with the process.

SME-D: Uh, that, that impacts the implementation?

Stefanie: End to end process.

SME-D: End, so this would also, um, mean the performance of the brand or, so, so currently the 3 biggest external things that causes me, um, stress, I', I'd say what we have no control over, I think, it's our political situation. I think, people are so scared to shop, um, because they don't know, there's such uncertainty in the political arena. Um, and then, tied into that it's the socio-economic, uh, situation in that our unemployment has now shot up to 26 percent, so whilst we do not cater for the lower level LSMs, you know, the 3s, 4s, 5s, um, uh, most of our product is 7 and above, still, it's also impacted, (Stefanie: Mmm.) um, so, I think that, um, and then the other biggest thing is the exchange rate, the volatility of the Rand because all our price positioning is determined by the exchange rate, so it's the home country RRP, (Stefanie: Mmm.) uh, retail price verse our exchange rate and, and every time the Rand depreciates, (Stefanie: Mmm.) forget it, we are positioning ourselves worse and worse. So whilst all the other retailers are in the same predicament, there's just so much less spend. (Stefanie: Ja.) So it, it just becomes, it becomes unattainable, it, it, ja, unachievable, um, ja. So those are my 3.

Stefanie: Thank you.

SME-D: Perfect. Thank you.

E: The retail group International Brands Viability & Compliance Manager

Stefanie: All right. (Slight pause.) Okay. So what is your position at the company?

SME E: I'm a Viability & Compliance Manager, sorry, working in the Group Strategy and International Brands Department.

Stefanie: What is your background in the retail industry?

SME E: I've been in retail for the last 2 and a half years since I joined THE RETAIL GROUP. So prior to that I was in manufacturing with SAB, so not too long history in the industry.

Stefanie: And how long have you been working in your current position?

SME E: It's 2 and a half years, just over 2 and a half years.

Stefanie: And with brands?

SME E: 2 and a half years. (SME E laughs.)

Stefanie: 2 and a half years. How, uh, what are your key roles and responsibilities?

SME E: So my initial role was very executionary when I joined, um, it was to get the Top Shop brand open and, and operating in the country. Subsequent to that it has been to supply a support role to all new brands that come in and just assist, uh, maintain the strategic positioning and the strategy of the company, uh, to just keep that going and make sure that what we do in brands is aligned with that.

(Slight pause.)

Stefanie: Cool. In your opinion, is South Africa an attractive market for international brands?

SME E: I think it is, absolutely, but it has to be the right brands.

(Slight pause.)

Stefanie: Sure. Okay. The first section is, um, regarding the brand partner selection process, so the first question is, what is the process to establish if a brand is the right fit for the local market?

(Slight pause.)

SME E: So, look, ideally I haven't worked with the, with the signing up of brands but in my personal opinion, it, um, you know, it's got to fit with the local market. South Africa is a very complex market because you've got so many different demographics within the country but then your concentrated market spend is in your middle, black middle class and, I think, your key would be to see what brands currently resonate with the local gross and look for similar or if not improvements on those brands, and that would be a key, for me, to signing up brands in the country.

Stefanie: Okay. What criteria is considered to select a new brand?

SME E: So it's, like I said, in, to your first question there, it has, it would have to be something that resonates with the local market. South Africans are very particular upon which brands they latch onto. I think, we've got a minimum of client, of client, of, sorry, of the population that travel which are happy to latch onto your international brands but, uh, your more popular local, local, if I can call them local international brands because they've been around for so long, you need to have a look at what, what resonates with the local person and then get similar brands in that are sort of upgrades on that, and that would be my view on that.

Stefanie: Okay. And then, um, how is collaboration established once the partner is selected?

SME E: Once the partner is selected, so you would obviously have your initial thoughts enough to actually sell yourself as a provider locally in terms of what you bring to the table. (Stefanie: Mmm.) I think, international brands are always weary of new markets but the driving factor for most of them is that they want to be in Africa, so there is a desire to be here. (Stefanie: Mmm.) South Africa is still, despite all the current issues, seen as the gateway into the rest of Africa, and that's a massive selling point to people. So things like footprint and execution of existing brands is, is, is the key things you would have to bring to the table when you negotiate that? But in terms of further collaboration it's just, it's about fit, remember, a lot of brands just feel that, you know, they don't, our markets currently don't fit where they are as a brand and, and it's not where they currently want to be positioned. So those collaborations is a long lengthy process of deciding, you know, if the marriage is right for everybody.

Stefanie: Okay. And then, in your opinion, what is the preferred market entry model for brands? Is it a franchise model, is it coming in directly as a partnership?

SME E: I think, the key thing for brands is control, I mean, your brand is as good as your, as, as it's execution. What brands want to do is still be able to control the brand. So if you sell the brand, for example, wholesale into South Africa, your partner, locally, could do exactly what they want, you know, they could burn it, they could sell it at strange price points, you know, there's no control. So for international brands, franchising is usually, is, is a good model for them because without taking on the risk of setting up a local company, (Stefanie: Ja.) they can still have control of what you do with the brand. So, but, I mean, ideally first prize is to come in locally on their own because then margin and profits is theirs. So, you know, it's a balancing act (Stefanie: Mmm.) with a typical risk reward act. So where do you want to be? So franchising is sort of a mid, good middle ground for most brands.

Stefanie: Ja. (SME E: Ja.) Um, and then once, once the brand is selected, what involves the brand feasibility study? The, the study of determining whether the, the partnership will be profitable for both parties.

SME E: So a key in that feasibility study is, of course, the demographics of your existing clients but then also the ability of the brand to attract new clients. So, I mean, that's always the balancing act that you've got to find. How much of this brand will speak to our existing clients but what benefits is it for getting new feet through the door? And that's a key part of the, the feasibility that you've got to do. But then also key to it is then at, you know, what margins will we be able to give a product offering that will sell but then still give you the right return because at the end of the day, if there's no return nobody's going to do a deal. And those are the key facets, for me, in, uh, assessing whether it, it can or can't be done.

(Slight pause.)

Stefanie: And before a brand is signed, is there analysis done of the brand's, um, financial position to see if they are strong?

SME E: Absolutely, I mean, you would never want to sign a brand that's at the brink of liquidation. At the end of the day, you know, um, track record speaks as well, so you would also look at the brand's past performance and in various markets. You know, for example, South America financially is very close, is the closest that I can say to Africa (Stefanie: Ja.) so we would always look at if they have a presence there and how that was done and how they fairing there. But then also their global presence, I mean, if the brand is rocking, you know, some brands just work in other markets and then don't in others. (Stefanie: Ja.) So a typical example is Lasenza that's gone bankrupt in, in, in, in UK yet is flying everywhere else in the world (Stefanie: Yes.) and it just didn't work in that market. (Stefanie: Shoh.) So that could be a question of just either the local partner just having done a very bad job or, you know, it's just a product that doesn't resonate with the market. Obviously there's many different reasons. So you would never ignore those factors before signing a brand, (Stefanie: Ja.) you've got to look into, you know, the nitty-gritties of performance globally.

Stefanie: And then, um, when the negotiations are done, what are the key negotiation points and how are the contracts set up?

SME E: Key negotiation points [A few words are not clear.], you know, at the end of the day, nobody's (SME E laughs.) going to do a deal for the wrong margin. (Stefanie: Ja.) Uh, we can't sell something over expensive especially in our market where luxury is currently, you know, almost a swear word, um, so, and international brands are seen as luxury, so if you can't bring it in at a decent price where you can play with margin, that is a key breaking point. I mean, your other factors in the contract are sale end factors, things like brand control via the franchise agreement, (Stefanie: Ja.) so they would still want to control where the brand is positioned, Internet presence, your marketing is key, I mean, they would not want to be marketed in the wrong space where they feel they, they don't want to be. And then also the competitive brands that you have because, um, you know, some brands just don't want to be operated, for example, next door to a competitor or, you know, in the same competitor secrets, they don't want any cross, crossing of those secrets. (Stefanie: Mmm.) So those goes, those are the key things that go into the contract and, you know, the rest are sort of your general payment terms, etc., those are financial things, (Stefanie: Ja.) but the breaking points would be then your margin that you can get out of this and, you know, what markets you can and can't operate in and also your Internet presence, you know, because, you know, (Stefanie: Ja.) you never want to compete with a brand on a global scale, so if you are selling on the Internet, you wouldn't be, for example, limited to certain territories, etc. because then you have, you know, you've got a clash in what you doing.

Stefanie: Okay, great. Um, and then once the brand has signed on, what is the execution process of the brand in the new market?

(Slight pause.)

SME E: Hmmm?

Stefanie: What team needs to be put in place to facilitate this execution? And then, what is the role of the brand manager?

SME E: So look, it really differs from brand to brand. I think, some brands are very intensive in terms of the brand positioning where they actually need their own brand manager, for example, or actually a team to run that brand, (Stefanie: Mmm.) whereas in a Department Store environment, you know, you could actually have brands that are so cross functional that they could slot into the day to day business of the brand. So, but your key big brands usually, obviously, you need a brand manager to maintain brand standards and make sure we not in breach of the contract agreements because that will be stated in the contract, you know, where do they position the brand, how they want the brand executed, so that would need it's designated team. So it would depend on the size of the brand and, obviously, how big you, how big the intent is for the company to roll out the brand. You can't have a brand manager if you have 4 stores, 2 to 3, 4 stores, it's just not worth it, in, in my opinion. You, you need scale to justify the team and if you not rolling out a really, really big, um, roll out plan, it doesn't justify having its own brand manager in a Department Store environment.

Stefanie: And which, which other departments are involved in this execution process?

SME E: Key to that is planning, so you'd have to understand planning and logistics in order to get your stock into store, you can't sell what you don't have, so planning and logistics is key. Um, you would need your marketing there, like I say, you can't have a, especially with brands that have no equity in the country, if you have a brand that's not known in the country, you need, you need your marketing to be on top of how you launch the product and then how you position it in the market. Pricing is key, I mean, where do you position the brand in terms of pricing to the other competitors you have. (Stefanie: Mmm.) And, um, your operations, your operations are key to, they the face of the company to the client and they've got to make sure that the execution, the actual final execution for shop fit and how, how the store looks and feels, and then the service you get is key, so your operations is key. So, I think, those 4 are your key, key operators when you execute a brand.

Stefanie: Cool. Um, and then once the, the brand is rolled out, how is performance monitored?

(Slight pause.)

SME E: So, for me personally, when a brand starts, performance is very difficult to, to measure in terms of Ebadar, I mean, at the end of the day, Ebadar's the cash in the bank and that's, that, that's your key measure but it's a long-term measure, so I always say in the beginning, you know, you measure your sales performance which will grow gradually as the brand gains traction. Uh, for me the key provider is, is, the, sorry, the, the key indicator that you've got to look at is market sentiment. What does your client say? Are they after the product but can't afford it? Do, is the desire for the product there? A key indicator of that is your first price break, your first mark down. If your stuff has not been selling and then starts flying out the door when you mark it down, it tells you there's a desire for the product in the market, people can just not afford it, (Stefanie: Mmm.) you know? Whereas if you go on mark down and you still not selling then it sort of tells you, you in trouble, you know? So, I think, in the beginning you've just got to monitor your, your sales but, for me, the key indicator in the long-term is your, your IRR. You've got to see if you getting a return because that's a full package. What you spent on Capex and inventory, are you getting a decent return for that? That is your key long-term indicator. In the short-term I'd say in the first 16 to 24 months, that's what it takes a brand to sort of start becoming profitable and that's when you start looking at profitability. But in the beginning you've got to look at your sales. Where's your spikes? Where's your dreads? And understand your demographic. Get, get to know that who's coming in? Who's not coming in? Who are, who's my marketing speaking to? Who is it not speaking to? Who should it be speaking too? So those, your key things in the beginning is your customers. Who are they? Are they coming in? Who should I be speaking to? Those are your key measures in, in the beginning of the brand but long-term IRR absolutely because that's, that's why you do business (Stefanie: Ja.) is for a return.

Stefanie: Good answer. (Stefanie and SME E laugh.) Okay, so the last question is split into 4. (SME E: Okay.) The overarching question is, which internal and external factors could affect the partnership (SME E: Good.) between the retailer and the brand? The first 1 is, what is the top 3 factors that determines the success of the brand? And then, what are the top 3 factors that can make a brand fail? (SME E: Shoh!) So the 3 that could determine the success and then the 3 that could make it fail.

SME E: So 3 that determine success I would say, shoh, that's a rough question. (SME E laughs.)

Stefanie: Top of your head. (Stefanie laughs.)

SME E: Top of my head. Top 3 that determines their success is sales, (Slight pause.) if you selling, you know, you doing well. It's a filter, if you don't sell, you don't make money, Stefanie: Ja.) you know, at the end of the day. So the key thing, so in order to get those sales is your marketing plan, I think it's key, (Stefanie: Ja.) so your sales/marketing plan that's number 1 for me. (Stefanie: Okay.) If you not marketing to the right people at the right time at the right levels, the brand won't be successful, you know, if you speaking to the wrong people, so that's a key. Secondly, for me, is operations, when that person walks into the store, if they getting the full brand experience because buying a brand is not like buying a C20 piece of candy. You want the brand experience. (Stefanie: Ja.) If you going to spend R1000 per unit on something you want brand experience. You want to walk in and experience that brand as if you shopping at Macy's, ja, not Macy's, bad example, but if you shopping at 5th Avenue in New York, you want that experience, right? (Stefanie: Ja.) You want to feel that, you know, I was in the store at the brand. And then thirdly, is just continual refreshment of the brand. I mean, (Stefanie: Mmm.) if, if you keep walking into a brand, you've had the experience but the product remains the same and you not bringing freshness into that store, then the, you killing the brand. So for me, those are the 3 key, key things, your marketing plan, your operational execution, giving the brand experience and then thirdly, (Stefanie: Ja.) thirdly is your freshness in the store to make me keep coming back. Those are the key things.

Stefanie: Okay, cool. And then on, on the other side, the 3 things that could make the brand fail?

SME E: For me, it's positioning, if you position your brand in the wrong place with very limited marketing and so positioning (Stefanie: Ja.) but also pricing, so if you have a brand that should be on a certain level and you've out positioned, out priced your client or actually high or low, if a brand is too cheap and, you know, because people want a brand experience, (Stefanie: Mmm.) so if you walk in there and something is too cheap, your pricing is key. (Stefanie: Ja.) If it's cheap and everybody can buy it, eventually you going to say, you know what, we don't want it anymore, I'm going to upgrade. So if it's too cheap or too expensive. Get your price right. So pricing, for me, is key to the failure of a brand. Um, those 3 are basically the opposite of the term, so, (Stefanie: Sacred, ja, [The rest is not clear.]) the, you know, when I talk about, um, operate, bad service, I mean, if you come in there and (Stefanie: Ja, [The rest is not clear.]) you not going to spend R1000 per unit on bad service. You walk out of there in an instant and go where you appreciated. So your service levels can kill a brand. Um, (Slight pause.) last 1 I guess is, (Pause.) mmm, what else can make a brand fail? (Slight pause.) I think, bad planning, you know, if you walk into a store and you find things that you absolutely love but can never find your size in it, eventually you not going to keep going back. So your planning is key to it as well (Stefanie: Okay.) and on what depth and breadth of product you buy, what you get into the store is also key.

(Slight pause.)

Stefanie: Great. Okay, and then the very last section is, um, um, with regards to the end to end process, from signing the brand to executing to performance monitoring, what are the main internal challenges for the process and then the main external challenges that's not in your control?

SME E: Okay, so I will start with the internal. The key internal challenges is acceptance, you know, your current teams accepting the brand. (Stefanie: Ja.) I think, it's key to have buy in internally. If you don't have buy in from your staff and, and, and key role players in your business, ops, planning, departments, etc., if people don't understand and believe in the brand, you not going to get any passion in the brand and you not going to get any traction. So key is buy in by your staff, if your staff believe in it then you will get the execution. Secondly is, uh, I think a key constrain internally is your budget. How big is your budget? You know, if you've got a big budget in terms of Capex and marketing, you can easily get a brand off the ground in a short space of time and get it moving. When you are moving within budget constraints, you end up rolling out too few stores in too few areas, you end up, you know, not marketing the brand at the levels it is, you know, especially a new brand to a market where like nobody has heard of, that has no brand equity (Stefanie: Ja.) locally, you really need to actually sell that to people and tell them why they should be jumping on that brand. So budget constraints, a massive issue internally, it, it can really hamstring a brand. And then the third 1 internally is just, um, (Slight pause.) I think in, (Pause.) I think, similar brands, so signing too many similar brands is a, a key, is, is a key constraint (Stefanie: Mmm.) internally. I, if you are signing so many of the same brand, if the customer proposition becomes blurred, if a customer walks in, what differentiates the one from the other and what's going to make him choose that brand? (Stefanie: Ja.) And especially when a brand is new (Stefanie: Mmm.) competing against a brand that's been here and has equity amongst your clients already, it just makes it very tough. You know, the opposite could apply where it disrupts the existing brand and actually starts flying out the window, (Stefanie: Ja.) but 9 out of 10 times you have a struggle when you have so many similar brands that you know what, it just doesn't become worth it anymore (Stefanie: Mmm.) and becomes more, I think, to select 2 or 3 key ones and run with those in terms of profitability as a group. So internally, I think, similar branding becomes an issue.

Stefanie: Okay. And then on the external side, which challenges are there with the process?

SME E: Look, I think, with internal, international brands the, your, your external, key external factor is exchange rate. The fluctuation, and, and, and not just going the wrong way but going the other way, becomes very difficult to control your inputs when you have a volatile exchange rate, (Stefanie: Ja.) which we currently do. And that's out of your hands, I mean, you can hedge as much as you want, I think, that's just a short-term, it's a short-term answer because, you know, in the long-term it's going to come out in the wash (Stefanie: Ja.) as much as you've hedged it, so fluctuations of brands. I think, um, secondly, your secondly is your competitors' responses, you can't control that. If competitors bring in then similar brands or competing brands and with that you can't control that and, and that's a massive, you've got to take that into, to account, and if they bring something cheaper then you or, for a better price, value proposition, if I can call it that, then you, it will put you in trouble, especially when the brand's new. Like I said, that's a key phase, (Stefanie: Mmm.) when that brand is new (Stefanie: Excitement.) is when you get your, you know, that, you have that exciting, if you get killed in that new phase and that uptake then it becomes quite tough. And then the third external factor is just your, your microeconomic environment which is the slowed down economic market. So international brands, like I said, is a luxury to most South Africans and the first thing to go in tough times is your luxuries. People either scale down and just buy cheaper clothing or cheaper, you know, I think, cheaper everything, you know, cheaper food, you know, your Woolies of the world, etc. or all your, your high quality, high priced items suffer in times like these and this is currently where we are in our economic, economy. I mean, we have 1.4 percent GDP growth, you going to struggle. (Stefanie: Mmm.) So that's a tough market for everyone. It's how you shine in this tough market that will differentiate you from your competitors.

(Slight pause.)

Stefanie: Cool!

That's all my questions. Any last comments?

SME E: No, no. Thank you. That's, that's it from me. So I'm off the hook, thank you.

(Stefanie and SME E laugh.)

F: Executive Manager Business Development

Stefanie: Okay. Uh, SME F, what is your position at the company?

SME F: I'm Executive Manager Business Development.

Stefanie: And what is your background in the retail industry?

SME F: Um, so as retail industry is a bit of a fi, financial background, I used to work in the Finance Department and then the strategy side of things and including business development.

Stefanie: And before THE RETAIL GROUP?

SME F: Uh, South African Breweries,, um, Financial Manager.

Stefanie: Okay. Um, how long have you been working in your current position?

SME F: My current position, um, I would say, (Slight pause.) call it 2 and a half years.

Stefanie: Okay. And what are your key roles and responsibilities with regards to brands?

SME F: How much time do you have? No, I'm joking. Um, so my involvement in brands was before even your, the brand's department was started, um, I'm not too sure if I'm allowed to mention the names of the brands that we started with.

Stefanie: Ja, [The rest is not clear.] ...

SME F: So, 1 of the first ones is Tom Taylor where there was no department, we just had an agreement with them in terms of, you know, our footprint and intention to do business, etc. So that's where it started with respect to a, the brand's department as it is now, so my involvement was from contractual to, um, internal property, um, arrangement, etc. um, to start in your department and then the eventual, um, you know, opening of, of the stores, (Stefanie: Mmhmm.) so that was from pre sort of your, when your department was started. And then my involvement in the joint venture brands was, um, again also just after signing of agreement (Stefanie: Ja.) with, um, Arcadia, um, to actually then kick start the legal entities that will now be housed in a joint venture with the House of Busby situation and then getting THE RETAIL GROUP onboard with respect to how do we now deal with the fact that we're doing a joint venture and, of such a nature up unto the point again where we, um, you know, develop into appointing, you know, brand managers, etc. and to the whole getting product across and opening stores. So that's, ja, so that was my involvement in both brand's department and then the, call it JV brands, (Stefanie: Mmm.) ja.

Stefanie: Okay, cool. So, in your opinion, is South Africa an attractive market for international fashion brands?

SME F: Absolutely. Um, I think, we as South Africans, we obviously, it doesn't mean that we, you know, way down in the south back and we don't subscribe to latest trends or know about it and would like to, obviously, you know, ascribe, ascribe and, and, and see it as aspirational and we do, I mean, there is, um, an, I think, an underest, underestimated amount of, um, economic spend like from, from that sort of the shopper re, you know, the, the, the person walking the, the mall, (Stefanie: Mmhmm.) um, such right, I think, it's, it's sometimes the, the, some of the bigger brands sort of underestimate the potential that, that South Africa has. (Stefanie: Mmm.) So it's, it's definitely, it's definitely an attractive, um, landscape, ja.

Stefanie: Ja. Ja, I agree. So what is the, the brand partner selection process?

SME F: So it started off with, um, (Slight pause.) you know, who would do business with us, um, in terms of we needed to get an international brand presence in our stable, um, and then it started with for example, who would do business with us. Tom Taylor started with the German connection basically, I mean, it was an obvious 1. The Arcadia 1 started with, I mean, that was, at that point in time, Top Shop was the hot off the press in terms of fashion but we didn't hold the actual right or Busby held the right and hence the whole JV situation, (Stefanie: Mmm.) so that's where that came about.

So at the time it was less sophisticated, then it became more sophisticated around what do we then actually lack in our stores for, for example, men's formal offering, you know, what is our private label, you know, what can we then still get the international players and hence the TM Lewin. (Stefanie: Mmm.) And there, even in the ladies wear, how are we represented, you know, what could still fit in there, (Stefanie: Mmm.) for example, that's where the Mangos of the Worlds came about, um, you know, then it became more sophisticated in terms of what do we, what do we need that we don't already have a good footprint of or where would we like to take on competitors, um, etc. such that ...

Stefanie: In the market and (SME F: And in s ...) in our environment.

SME F: Yes, in the market and then versus our private label in terms of a better offering to, (Stefanie: Mmm.) to our customers.

Stefanie: Okay. (SME F: Ja.) So, so what is the, the process to establish if the brand is the right fit for the local market?

SME F: Um, so (Slight pause.) it is definitely in terms of our footprint, um, around, for example, will it be viable first of all with, obviously, yes, what the brand offering is but then, can we, one of the things we've always sold is our footprint (Stefanie: Mmm.) in terms of we can scale the brand up very quickly if we wanted to. Then we had to ask the question that that brand specifically, will it be able to, for example, go deep down into our grid? Is it only, does the brand warrant itself where it can handle, like a Top Shop as an example, few stores but the brand equity is there so it can handle itself just across the sparse locations, if you want to call it that. Um, and then, we also then looked at, um, obviously, the financial, the commercial viability in terms of, (Stefanie: Mmm.) um, what margins are we each getting, you know, us and them, and where does it land, um, with respect to the whole profitability, um, such, and obviously, I mean, you know, you want to spin a profit from this given the amount of funds you sink into it, etc.

So I would say, um, it is, it would be a combination of the, the, what, what's not being currently offered, (Stefanie: Mmhmm.) how commercially, does it make sense from a, you know, pure financial model sort of point of view and just then, I suppose, just then our benefit in the THE RETAIL GROUP benefit of housing that brand. (Slight pause.) Ja, that's, (Stefanie: Okay.) that's how I would sum that up.

Stefanie: So you've actually answered now the next question which is, what criteria is (SME F: Ja.) considered to select a new brand? Do you want to add anything there?

SME F: Um, (Slight pause.) I think it was mainly, so one of the, the stand out one is, is, um, the return on investment, (Stefanie: Mmm.) if it doesn't make sense, um, the brand can be as popular as it is out there but if it doesn't make sense for us, especially with us in terms of how we structured with the whole bane, the capital, the private equity, so you have a higher required return on investment, if it doesn't make the cut there, even how fantastic the brand, it doesn't even get considered. (Stefanie: Mmm.) So that was that. That was a key, if you had 1 element, even if you really, really wanted a brand, if it didn't make that return, the, the additional return on investment (Stefanie: Mmm.) given the private equity own, ownership, um, then, sorry. You, You would even then say, someone else may then go ahead and, and, and snap up that brand, that may have a lower capital structure, ja.

Stefanie: And, um, in your opinion, like, well, from your experience, (SME F: Ja.) does, do we more often go out and look for brands or do brands approach us and ...

SME F: So we started out looking for them, um, that's why we really had to sell the story in terms of we are the biggest retailer and this is our footprint, etc., we think we can, it would make fantastic business sense, some of the brands have no presence in Africa at all, and we would spin that story around, (Stefanie: Mmm.) get your foot in the door, we will help you and then we will see how further north we can go. Um, so that was absolutely at some stage that where you maybe now have the flip side where brands are more open to, because, I mean, it's a close network, (Stefanie: Mmm.) um, people find out that X, I mean, it's all over the news as well that X is now trading here and there and some guys are saying, hey, I also need to get my foot in the door. So there is an element of approach as well, um, where then have to also then see about the fit, that fit is.

Stefanie: Ja. (SME F: Ja.) And, um, and how is collaboration established once the brand is selected?

SME F: So there would be a key team, um, initially, call it a, I mean, you first start with the commercials, um, around, so there will be key stakeholders, key sort of, and if I say a team even it may be 2 from our side and perhaps, normally the brands have a wider representation, um, where we actually just sit down and say, right, so purely this is what the financials say. And on paper, conceptually, financials make sense. Whom, okay, so we are happy now, so let's get, contractually let's start talking now in terms of (Stefanie: Mmm.) now that this is what the model has said, let's build it in contractually that says, your royalty now will be X percent, etc. because that model says it will work at that number, let's put that down. Let's talk about our wholesale discount because we've built that in. You know, let's talk about rollout because we said we going to 10 stores or 40 stores, so now let's do it contractually, etc. Then from their side it's all about the trademark protecting, etc., etc. such that, so once you've done the commercial model, you build up the contract and there's appendices from the model, there's an appendix that goes in and says, right, this is what this was based on, so we can sign gentlemen's agreement to this. Let's sign on. And then, so once you, so that's a small team, and so once you've got to the contractual signing stage and it's completed, that's now where the bigger team becomes involved in terms of now right, how do we operationalise this, um, in terms of this is the brand we want to bring, we said we going to go into 40 stores, what is the time and what's practical? So who all needs to be involved, (Stefanie: Mmm.) you know, for example, IT, um, property, um, you know, marketing, um, you know, I mean, the whole host of finance, (Stefanie: Mmm.) you know, what are the implications and, and so there's a, a nice order of a broader team, (Stefanie: Ja.) um, getting involved only, but obviously only once you've, you've signed it up.

Stefanie: So we, we will get to the execution phase (SME F: Okay.) but that's, that's perfect for collaboration. Um, then just to go back, when, when we decide on a brand (SME F: Mmhmm.) like what, what, in your opinion, is the preferred entry model for a brand to come into the new market?

SME F: So now that we've done both sides in terms of the smaller entry in terms of for example, a Top Shop which only still now has 3 Standalone stores, um, and it has 2 Shop in Shops, as an example, so that's the extreme end of a small (Stefanie: Mmm.) sort of entry whereas Mango has 42 Shop in Shops, um, that is gone from 42 and actually, you know, the optimum number is actually 30. (Stefanie: Mmm.) So in terms of the format of, of entry is actually, now that we know it, we didn't know it at the time is you do have to build up scale to an extent but you actually have an absolute cut off that says, we will consciously only enter with 3 Standalones and X Shop in Shops, as an example, or only X Shop in Shops up to a point, say, 2 years or whatever, give it ample time to iron out whatever and test and, and how it performs, then we will roll out the balance, um, as opposed to too little, then you don't have the footprint, or too much and then you over expose and you end up closing again. (Stefanie: Ja.) But it can only be done, it can only now with hindsight in terms of having done both, (Stefanie: Mmm.) um, so, and some brands are scalable, others are not. For example, I mean, the Top Shop again back as an example, I don't think we will be able to put that in across our grid just by the sort of exclusivity that it, (Stefanie: Mmm.) that it, that it has.

Stefanie: And from the brands that you've dealt with, do they, do they normally push for a franchise agreement or do they prefer JVs or the wholly owned ...

SME F: No, so, so the brands that I've dealt with, most of them are very familiar with the franchise agreement because they, that's their model across the rest of the world (Stefanie: Rest of the world.) as well, ja, so they extremely familiar with, with, with that and obviously their expectations, etc., etc.

Stefanie: Okay, so they prefer that.

SME F: Yes.

Stefanie: Um, and then to get to the, the brand feasibility study, (SME F: Mmhmm.) what, what does it involve? What sort of financial aspects do we, do we look at?

SME F: So it's more from a Standalone point of view, um, for example, as much as it's being absorbed into our business, we look at it more in terms of, does this business, will it be able to stand on its own feet in terms of, so yes, income statement, this is the sales, cost of sales, GP, etc. that it will make but does it make sense that we going to give it a brand manager, we'll give it a financial manager, um, we'll give it a marketing manager, (Stefanie: Mmm.) etc. as if it's a Standalone business. We'll give it a, an allocation of a head office costs if it were to now be in its own little area. So it's virtually looked at as a Standalone, so then you, (Stefanie: Ja.) then it's a function of, so actually you need 20 stores to make this viable at X sales because now you have all of these head office costs, etc. (Stefanie: Mmm.) so it's not a function of we just absorb the sales, (Stefanie: Ja.) if that makes any sense. (Stefanie: Ja.) We look at it as, if this were to be carved out, what is this business? What will this business look like? And then it has a pure return on investment given that it, we look at it as a Standalone ...

Stefanie: It's operated separately, ja.

SME F: Yes. And you may not fill it, so you will have a brand manager but you not going to have a financial manager (Stefanie: Mmm.) for each brand, (Stefanie: Ja.) you know? So those are the things that don't materialise after the fact but we build it in as if it, it, it does to get to a pure Ebadar number (Stefanie: Mmm.) to be able to calculate (Stefanie: Ja.) what the return on investment is.

Stefanie: Okay, cool. (SME F: Ja.) And, um, and the, when it comes to the negotiations with the brands that you touched on earlier, (SME F: Yes.) um, what are the key negotiation points?

SME F: Um, so they, their, one of their key things, um, there's also return on investment for them, um, in terms of can they come in and do it for themselves at what, what, what is better for them in terms of, yes, they do franchise even all, everywhere else but for this specific market, um, can they come in and, and secure space in Sandton, Gateway, etc. and do it themselves? (Stefanie: Mmm.) Why would, why would they prefer franchise then? You know, what, what, what makes our case stronger? (Stefanie: Mmm.) So, so they would absolutely look at return on investment. They look at our, how we, what's in our stable, um, and it's obviously much easier how further down you are to your rollout, your brand strategy, it's much easier now to talk to them now then it was when we just started um, you know? So they look at their, what's in it for them, return on investment, um, they look at us in terms of what we have done and, and, and how we perform.

Um, they do, they do look at the general, um, um, the macro, um, economics of the country, um, especially, I mean, Tom Taylor did that extensively. They do extensive site visits, um, in terms of in country, coming to our malls, (Stefanie: Mmm.) we have to take them around with intended locations, etc., etc. Um, they look at even existing partners they, they speaking to. We've lost some deals because, I mean, they just found it more attractive to go with someone else. Um, (Slight pause.) uh, what else? Um, they look at, you know, something like even logistics in terms of how they currently service their network and what it would mean to service us, you know, we down here, um, again, for example, I mean, if, if I talk Europe again in terms of do they get local product there? Does it come from China, etc. etc (Stefanie: Mmm.) in terms of how that's applied. What that, what would that supply chain look like? So that's also one of the key things that's also dec, discussed up front, (Stefanie: Mmm.) um, and not, we've signed now, we need to service the market. It's, it's, you know, it's, it's quite a key consideration for them as well. (Slight pause.) Um, what else do they look at? (Slight pause.) Ja, I think, and then IT, IT's very, very critical, yes, I think that's one of the other big things in terms of how would we speak to them, because from a system point of view, because we need to have visibility of stock situations, how things are moving, (Stefanie: Ja.) and not just sales, I mean, more the back end as well in terms of the stocks and etc. and how, what do we have that they, (Slight pause.) how do we then communicate with them and say, okay, this is how you trading. This is your inventory situation, (Stefanie: Mmm.) etc., etc., ja.

Stefanie: So once all of those points are negotiated, how are the contracts set up? How does it normally work?

SME F: So, I mean, so there's pretty, there's some standard things like, I mean, we from a contract that says, right, THE RETAIL GROUP and holding and the party X franchisor we want to go into business so they grant us, it's, it's almost wording that says, we grant you the right to use our trademark, etc. (Stefanie: Ja.) in, in the country, some of them say, you may use it here, some of them say in the further SADC region, so we negotiate that as well (Stefanie: Mmm.) in terms of can we, we, I mean, we have stores in Namibia so we don't want to now contractually go back, give us the territorial rights for a certain section, (Stefanie: Mmm.) um, so yes, so we grant you the right to do X, Y, and Z, and so that may be the 1 clause. Um, second clause will be, for example, confidentiality in terms of, um, you know, information because of collaboration, etc. that we may only use it for this working relationship that we have, um, then you will maybe have a, a section, a clause for commercial which will now start talking about the, you know, in terms, for example, the respective sales, projections we spoke about, (Stefanie: Ja.) the franchise fee, etc., etc. There will be, you know, in terms of breaches, you know, what we, what we have to uphold to maintain what they think their brand needs to operate at (Stefanie: Mmm.) and there will be various things that we have to maintain, um, or we maybe in breach. Um, then (Slight pause.) there is, ja, so, so, so it will be, I mean, virtually in that contractually, some of it is template because I've seen, you know, overlay, like for example confidentiality, I mean, if you have to pick up 10 contracts, you always have that in there. (Stefanie: Mmm.) Um, specifics to that now will be rollouts in terms of how this brand is different (Stefanie: Mmm.) from, from, from that one, and then there will be something on tenure in terms of how long they allow us, most of them are for 5 years, (Stefanie: Ja.) um, some of them 3 years. Um, ja, so those are sort of the, the, the, what I can remember is contained in, (Stefanie: Mmm.) in the contracts.

Stefanie: Awesome, thanks. Then, um, to get to the execution process of the brand, (SME F: Yes.) um, what, what, what is the process to execute a brand in, (SME F: In the country.) in the new market?

SME F: Okay, so as I touched on it earlier, there will be a broader team (Stefanie: Ja.) with functional experts in each area. You get your logistics, IT, property, etc. (Stefanie: Ja.) in terms of these are the time lines, we now want to go in on this grid, we want X Standalone Stores and so many Shop in Shops. Um, so you'll, you'll first have a, it's almost like an enablement team (Stefanie: Mmm.) that says, right, this is the brand. From an IT point of view, this is the minimum we have to send them, please go ahead and set that up. Um, you'll have a, um, you know, from a, from a, from a property point of view, this is what we're looking for, um, we're looking for X, Y and Z sites. (Stefanie: Mmhmm.) Yes, please go away, um, um, Shop in Shops is a bit more easier because, I mean, we can do whatever we want, (Stefanie: Ja.) you know, to an extent in the stores whereas the Standalones are much more trickier. Um, I mean, you obviously need to staff the stores so there's an operational component. Um, (Slight pause.) there is a, what else is there? There's the HR, again the HR component now around the whole brand managers in terms of a head office component (Stefanie: Ja.) which that, that will take, be taken care of. So there's basically, um, there's, there will be functional experts within our areas to then actually rollout, um, you know, the respective brands, so that's something that we can do or, or control but then there's a loop back to the brand itself in terms of, for example, Capex in terms of store design, um, you know, what does your store look like? (Stefanie: Ja.) What are your standards? So we have to design it to X standard. Are you sending any equipment Capex from your manufacturer or can we manufacture locally? Are you sending samples? (Stefanie: Mmm.) Are you happy with us doing it here? Does all of it have to come, you know, from the States? For example, Lucky, there was a stage where everything came from, from the States, (Stefanie: Mmm.) so very expensive but then we eventually, obviously, got to a stage where we have the local capacity, (Stefanie: Mmm.) um, and that's obviously where a natural saving and can make the brand more profitable (Stefanie: Ja.) if you do that. Not all the partners have that. From my interactions with Lucky especially when we were, for example, over there, some of the partners still relied on, um, central support or central manufacturing and then sending it to them, not all of them had the capability to do it locally. (Stefanie: Mmm.) So it's actually quite a, a big factor if you starting out, um, the ability to even do that here because, as you can imagine, it's a Capex out, out flow and the more expensive that is, the less return on investment you get from a set (Stefanie: Ja.) grid of stores, basically, ja.

Stefanie: Okay. (SME F: Ja.) And then, uh, you touched on brand management, (SME F: Yes.) what is the role of a, of a brand manager?

SME F: Uh, to make sales. Um, so the brand manager eventually steps into the brand interaction point of view because there's a stage where, for example, that I would have done all of that interaction just by virtue of the age of the brand, if you want to call it that, um, then the brand manager comes in. So, um, brand manager will then be responsible for predominantly product, I mean, if you had to slice this pie and say, I think, probably 60 percent of the brand manager's function would be just pure product in terms of product in store and, you know, what that's doing and by category, you know, what's happening there and, and the liaising with the brand as to, hey, you know, send us more jackets, as an example because it's selling well or it sold well last season. You know, can we have more of those it's ... Or, this is not performing. You know, so there's that product element, um, to it. But then there's, and, obviously, the product element with, you know, like the mark downs and clearance and, and (Stefanie: Mmm.) those sort of product strategy around that. But then there's absolutely an overall, um, brand performance role, which is now not only specific to site A in Sandton but the whole portfolio (Stefanie: Mmm.) in terms of how that's performing, um, and, you know, where the lags are, we'd, you know, is Gateway, why's Gateway performing so terribly? (Stefanie: Ja.) Then you can, you know, look at it. But it's overall grid performance as well. There's some, there's some Capex, um, work in terms of, we opening, you know, X stores and we need all of these components, effectively, I mean, I would bucket that as new rollouts as well, that's how I see the brand manager there. And, I think, I mean, I'm not too sure if we sort of going to cover this in the gaps though, but I think, the brand manager, the missing opportunity is, um, A, in terms of how we set up with Standalone versus Shop in Shop, the organisational split. (Stefanie: Ja.) I don't think there should be a split, um, because it's 1 brand, um, you know, and for the customer if they find Lucky in the Edgars store and go to a Standalone store, (Stefanie: Mmm.) it's for them, they don't see the difference. We know the difference internally. So that's the first 1. And then B is the people element. I don't think the brand gets, the brand manager gets involved as much or as they should in terms of the people element within the stores. Maybe a function of how we are set up in terms of we have an ops team that does that but as a brand manager, I think, (Stefanie: Mmm.) that, [Stefanie says something that is not clear.] that, there's, that's, that's what I would see as a gap, yes.

Stefanie: And the performance monitoring that you spoke about, (SME F: Yes.) how do we, how do we monitor brand performance?

SME F: So there's daily performance, um, which we, from our IT point of view, daily sales would go back to the brand, um, and that obviously aggregates in a week into, you know, weekly sort of sales where then the brand can start seeing that, okay, performance is on this trajectory and this is what happens to stock so that they know, for the, the brands that can react if it's a push, uh, push brand, they can react quickly, like for example, Top Shop can react weekly to what's happening because of we flying the stock in (Stefanie: Mmm.) whereas if you've bought, you know, the others you've bought 6 months ahead, it's a bit of a different story in terms of how you react to that but, ... So there's daily, um, sales performance that we send that aggregates sort of into weekly and monthly, um, obviously. There's definitely some clearance, um, feedback to them and mark down (Stefanie: Mmm.) in terms of the season is coming to an end and that's how it performed, it's almost like last of the best sellers and what has happened, etc., etc. Um, then there is overall agreement like performance against budget, I mean, in terms of now, you know, by quarter for the year, some of the brands have a different calendar than we have (Stefanie: Mmm.) so it's aligning to their, to their calendar. So it will be performance against a budget and then performance against the overall legal agreement that we set out initially because, obviously, by the time you sign, a lot of things have changed, the number of stores you've rolled out, exchange rate, etc. but there's some loop back in terms of how profitable is this store for the brand.

Stefanie: How is, how is profitability ensured?

(Slight pause.)

SME F: Um, so one of the levers you can definitely pull and, for example, what we're doing in Top Shop is, um, we obviously need to target a first, we target a first initial margin, um, which is the IMU and how we've done it up to now is, you know, for example, as the exchange rate, so you've agreed a wholesale price with the, with the, the brand, there's obviously a margin that comes out of that, the initial margin before clearances and, and, and mark downs and we've largely, as the exchange rate has gone south sort of now, you know, shifted that onto the consumer to make sure that you maintain initial margin, so out of that initial margin you mark down a section or clear a section and then from that profit then you can, you can obviously then pay salaries, rental, wages, etc. (Stefanie: Mmm.) and then get to the Ebadar line. So most, in most instances, um, it's, it's been virtually by price increases. In some instances we've actually gone back to the brand and said, hey, this wholesale price that you've given us, we've tried all of these things, we've come to a level where we don't want to price ourselves out of the market but we not profitable, (Stefanie: Mmm.) what are you going to do? Some of them have reduced the royalty, some of them have, um, given us a bigger discount on the wholesale price, some of them have, uh, contributed to our Capex, um, in terms of future rollouts, (Stefanie: Mmm.) etc. whether it be full contribution or half contribution in terms of stores that we open. (Stefanie: Mmm.) So that's sort of where we trying to maintain operational profitability and then overall business case profitability as well.

Stefanie: And then, in your opinion, how long does it take (SME F: Take.) to establish a, a brand (SME F: Ja, the proverb, it's the proverbial question.) in the new market?

SME F: I think, anything between 18 and 24 months, um, just the establishment to understand people do, (Slight pause.) get familiar with the brand, to get your stock position right because in some instances you've bought way in advance and there's a seasonality situation which you maybe now still have to work through the stock to get to optimum levels such that you can get fresh stock in (Stefanie: Mmm.) such that people can say, hey, this brand actually is on trending. We getting better fashion. Um, so I think, I think about, ja, 18 to, even, I mean, I would go as far as saying 24 months, (Stefanie: Ja.) for you to iron out all of these, these, these issues, ja.

Stefanie: Okay, then the last question (SME F: Mmhmm.) is around the, the factors that could affect the, the process and the partnership. (SME F: Yes.) So the first bit is, um, what is the top 3 factors (SME F: Mmhmm.) that determines the success or a brand (SME F: Yes.) in the new market? And then the next 1 is, what are the top 3 factors that could make the brand fail in the new market?

SME F: I think, (Slight pause.) in terms of the success is, so again going back to the 18 and 24 months, like one of the things that stand out is, um, I would call it sort of brand maturity, um, you know, in terms of (Slight pause.) we conceptually said this is what we're going to do and this is the number and the profit that share that everyone will take, once you in the market it's a whole different story to what's actually we thought would happen and then it's about how much was the brand to, for example, listen to us as a local expert (Stefanie: Ja.) and overlay it with their brand sort of experience in the other areas as well but such that they give us, uh, um, reduction in, in, in [Word not clear.] support fee, (Stefanie: Mmm.) maybe reduction in stock, maybe a Capex contribution, to actually say, hey, we've got something going here but we sorting it out over the 24 months. Don't bank on the number that we said we would give you now but walk this journey (Stefanie: Mmm.) basically, you know, this 5 year journey and give us then the following, you know, um, concessions. So I think that's the 1 thing. Some brands are, that's the number, that's the stock you said you going to buy, [Stefanie says something that is not clear.] it's, it's your problem, you know, so I think that's, for me, the maturity, um, you know, so, so that's with the partner itself. (Stefanie: Ja, ja.) The second 1 success factor would be, um, the property, um, in terms of securing sites, (Stefanie: Ja.) um, that's critical, um, if you want to achieve any form of scale and it's tripped us up in the past, um, where we said, we ambitious, we going to open 10 or 8 Standalones and we still only on 3 so we can't [Word not clear.], you know, so property is, is, is, because you, and, and the thing is you can only, there's only 1 Sandton City, there's only 1 V&A, etc. (Stefanie: Ja.) and if you don't find space in that it's, I mean, so critical to the success of the brand. So property is definitely, um, you know, a, a key 1. (Slight pause.) The third 1, (Slight pause.) um, what would I call the third 1? (Pause.) I think, um, the third 1 would be the brand manager that's behind the brand. Um, there's a lot of internal things going on here and, and, you know, going back to the Silo Shop in Shop, Standalone, etc. but if you really have a determined, sort of, you know, uh, go getter brand manager that could really own and love his or her brand, um, that person would be then the brand ambassador and sort out, you know, all of these things because we have a lot of bottle necks here in terms of process and, but you can't do this or, but you can't do that, and it's, for me, it's just the brand manager behind that brand in terms of getting, if you don't get joy with X party, appropriately escalate or, you know, appropriately action, etc. to actually stand behind the brand and, um, really ensure that then the things that we can control at least internally, that we don't mess that up as well because there's 1 thing saying that it's the brand, the clothes are not selling because the customers don't like it but there's another thing if it's not selling because we are the cause of our own internal, um, demise, basically. (Stefanie: Ja.) So, I think, the brand manager. So it will be maturity, um, property and then the brand manager behind that.

Stefanie: And then on the flip side, what could make it fail, the brand?

SME F: In terms of failure, (Slight pause.) I think, um one of the things is the price where absolutely you want a margin but you can't always just increase the price, (Stefanie: Ja.) um, there, we have to be at some point some level of absorption and that links back to the maturity of the brand where you go back and say, hey, we can't put the prices up more, we are bleeding in this end, you know, can you give us other, uh, (Stefanie: Ja.) concessions, etc. but, um, price can make it fail. Um, where you actually a lovely product but if you out price yourself, hey, you know, (Stefanie: Mmm.) someone is, they going to get better value or their perception of value they will get it elsewhere instead of your, because you consistently, you not priced right, um, so, so high price let's, let me put it to you that way. (Stefanie: Mmm.) And obviously, low price will kill you from a profitability (Stefanie: Mmm.) point of view but high, you know, price you, you can't, you have to understand where you fit in in terms of price and it's not an infinity cycle where you can just put it up (Stefanie: Ja.) till, you know, uh, the end of time. Um, (Slight pause.) the other thing is the brand itself in terms of how it reinvents itself and stays on trend. (Stefanie: Mmm.) For example, I mean, we have a massive issue with Mango at the moment in terms of what the brand is doing internationally and how the consumer is responding to it locally. You can't control that. You can push back and say, hey, but, I mean, if they, they've done it for the season in terms of, this is the collection, this is what we've done, (Stefanie: Ja.) so if the brand does that it can absolutely make it fail, um, you know, (Stefanie: Mmm.) 150 percent (SME F laughs.) it can make it fail because the guys just stop shopping because it's not where, what they used to from the brand, um, you know, again. And number 3, I think, um, (Pause.) uh, third failure would be, what would I call it? (Pause.) I think, um, it also, I think, would come back to the attention that the brand gets, and that's back to the brand manager (Stefanie: Mmm.) because it's not, it's not going to go on autopilot as well (Stefanie: Ja.) in terms of we've brought it now, let it be, we've priced it right, um, we have the innovation or the edginess or how it appeals to the consumer and, ag, let it sail off into the sunset. You still need, going back to the brand manager, you need that person there. If you don't have it, so, I mean, if you don't appoint a brand manager that this belongs to and say, for example, I mean, our pri, private labels they don't really have a brand man, they maybe have, belongs to someone's category and say, right, you look after knitwear, (Stefanie: Ja.) and you go and do that. And all we do is we put a title behind it that says, you know, Marion Hall or Penny C, whatever. Um, so that's fine, um, up to a point but, I mean, I think the international brands would definitely, it can't run on autopilot, (Stefanie: Ja.) so you would have to ... So that, in my opinion, would also then make it fail, (Stefanie: Ja.) that's opposite end of making a success of it as well, (Stefanie: Ja.) ja.

Stefanie: Both sides. (SME F: Yes.) Then the very last 2 questions (SME F: Mmhmm.) is again, internal challenges with the process (SME F: Mmhmm.) if you think end to end process (SME F: Ja.) from deciding which brand you want to bring onboard to execution and (SME F: Yes.) beyond, (SME F: Yes.) what are the internal challenges that we, that we face with the process, so within our control? (SME F: Mmhmm.) And then on the flip side, the main, uh, external challenges with, not with the brand necessarily but with the entire process [The rest is not clear.]?

SME F: So I think, the process, um, I think, one of the internal challenges or issues is just change management because this brand was, brands department, JVs, or whatever, is new for everyone (Stefanie: Ja.) but the way we did it was, obviously, hindsight is perfect science, but you need to have had everyone onboard, because we had lots of, um, um, defensiveness and people not buying it, into it, etc., etc. and why are we doing this and we, we wasting money. So you need to, if, if I were, for example, you know, the, the, the, the CEO, you know, in terms of there would be a different way of getting your people onboard (Stefanie: Mmm.) in terms of this is what we're doing for the organisation as a whole, and that's how you would get it, um, that organisational change, you know, for example, even the new brands, you start wearing them, you know, for example, 1 of the examples I made is the whole CEF, they should have been kitted ou in whatever brands we, we have and bring, because that's how leadership and that's how people would start getting onboard, etc. (Stefanie: Ja.) So, I think, that whole change management in terms of how we launched it (Slight pause.) we would have had, so out of all those areas, logistics, IT, HR, etc., we would have had better buy in if we did a prop, uh, better top-down explanation as to why we doing it, where we want to position ourselves, (Stefanie: Ja.) so that you would get the whole buy in mentally and then, thereafter, when these execution sessions are set up, people already understand, not but why is, why are we doing this, and, I don't like this brand or, or that type of thing. They must understand that we doing this because of, for example, the following competitive advantage, etc. (Stefanie: Ja.) that whole buy in (Stefanie: Mmm.) type of thing. So that's what I would say will then, to an extent, solve all of these issues where IT is fighting with logistics because we can't rewrite programmes and but why are we doing it in the first place (Stefanie: Mmm.) and, you know, so that's what I think, um, I mean, I would call it that whole change management/business development leg, I would communicate that better. Ja.

Stefanie: Any other internal challenges?

SME F: Um, so that, then the mindset in terms of you can do anything you like, I mean, if you set, you know, the whole cliché type of thing but a lot of things we find that, for example, the immediate answer is, this brand requires information in the following way. And it's like, no, it can't be done. (Stefanie: Mmm.) Finance needs to change in the following way because we now have brands or we have JVs. No, it can't be done. So it was that mindset sort of also now change in terms of if you just think out of the box a little bit and not be that process sort of driven in terms of this is how we've done it in the past and we literally stop short of telling people (Stefanie: Ja.) it's changing. Doesn't matter whether you now like it or not, yes, we did it like this in the past but this is how we doing it going forward. So, you know, so it's either now you, you, you know, go with it, you know, some people are actually key cob where they can actually break the whole process if they not along with it, or like we will get someone to tell you to do it, so what is your, your choice going to be, you know? So it's just that, I think, just that mindset such that you can go into IT and think creatively in terms of this is the constraint that we have currently without a lot of development work but how can we then change it and slot it in such that it can still accommodate what it needs to. And then that applies to logistics, you know, finance, (Stefanie: Ja.) all of, all of the other areas, for me. (Stefanie: Mmm.) So I, I wouldn't want to single out, this person says, logistics is a problem because they can't accommodate, you know, break bulk or [Word not clear.] but it's more around if people just thought differently, (Stefanie: Ja.) um, you could have then got to that, okay, so then this is the issue, this is the constraint, how do we solve it? You know, so, because, I mean, here we are, and everything is trading but at the beginning people were like, no! We can't! We can't! We can't! So it's more like a mindset. So, I think, that's, that's basically how I would say from a, um, (Slight pause.) like an internal constraint it's, it's more at, as opposed to a specific function, I think it was the mindset (Stefanie: Mmm.) of the people.

Stefanie: Ja, that's very [Word not clear.]. (SME F: Ja.)Um, anything else on internal or do you want to move onto external?

SME F: Um, in, ja, so, so that, for me, is able to cover internal. (Stefanie: Yes.) External, um, obviously, for example, I mean, the economics, the, the microeconomics in terms of, I mean, everything is going up and (Stefanie: Ja.) the exchange rates, etc., so it has a direct impact with A, how much money people have to spend on these, you know, international brands and then B, um, at what price and how do you position it, you know, to the people because if your, uh, Rand to Dollar rate goes south, if your petrol increases, um, if your inflation is at X amount, I mean, it all translate then into at what price you can, (Stefanie: Mmm.) you can sell your product at and, obviously, people's income don't run in parallel or (Stefanie: Ja.) there's no correlation in terms of how costs increase (SME F laughs.) versus what you earn. (SME F laughs.) So, I think, that is one of,, of, of the, the standouts in terms of that sort of micro, the whole micro plus macroeconomics situation. I think that's, that's a big thing. (Stefanie: Mmm.) Fine, ja.

Stefanie: Other external factors or is that the main 1?

SME F: I think, uh, the competitors in terms of what they doing, um, because you obviously react to how they are perhaps doing certain things or you want to be the market leader (Stefanie: Mmm.) in terms of not ev, not all the other competitors, um, roll out brands at the scale that we did in terms of all of them. So, so that was a key strategic intent in terms of to be the first to market at that scale (Stefanie: Mmm.) because then we have all of them and people want to come to us. Um, so, but then, obviously, as you, so here your competitors they start waking up and saying, hey, this is the situation, so some of them just get their product there, so they start tweaking their product such that (Stefanie: Ja.) it can start, you know, for example, some of them, even their private labels, start tweaking it such that it then competes, they, they become more edgier, more fashionable, (Stefanie: Mmm.) more appealing to then what we have and, and that's now where they would steal their advantage as well, so, I think, ja, competitors would be, um, the other external factor. Um, (Slight pause.) the other external factors, (Slight pause.) I think, um, in terms of going back to the property, I mean, you can plan as much as you want, externally now, if the landlords, I mean, there's only so many malls that you can go in. The advantage we have internally though is we have the Shop in Shop grid (Stefanie: Mmm.) so we can at least control that (Stefanie: Ja.) but if you want to roll out, um, Standalones, you can't be in every location, there's only so many, from a heat map point of view, in terms of where the best economic activity is. Um, so, you know, a max of probably 8 Standalones if, (Stefanie: Mmm.) at, and that's at a stretch, you know, and you can see the correlation of even out of that 8 as an example, where the consistent best performers are, (Stefanie: Ja.) ja. So, ja, I would say that, that is also, um, (Slight pause.) another external factor. Ja, and that's it, I think.

Stefanie: So that's, that's my total questionnaire. Are there anything, any other comments you would like to add?

(Slight pause.)

SME F: Um, I think, if I were to do this differently (Slight pause.) to make this whole successful is I would not have lumped the Standalone and Shop in Shop, I would not have split it, (Stefanie: Mmm.) um, I would have made 1 person responsible and that person would just hire space, if you want to call it that, in the Edgars stores. I would make 1 person responsible for that, um, because we somehow neglected it at some stage between Shop in Shop and there's this whole in fighting, etc., etc., so that's how I would have done it (Stefanie: Mmm.) in terms of, this is your, this is your responsibility but it's across Standalone and Shop in Shop, that's how I would have done it differently. And I would not, my selection of brands would have been different in terms of from the outset, what do we have in stores? What do we need? And then start targeting those brands, um, (Stefanie: Mmm.) in terms of what we have instead of after the fact sort of say, hey, maybe there's duplication between this brand and our private label and that offering as well. (Stefanie: Mmm.) So those, for me, are the 2 things that I would have probably have done, um, I would have done differently. (Stefanie: Ja.) (Slight pause.)

Ja, but, I mean, hindsight gives you 20/20 vision, so.

Stefanie: Okay.

G: Head of Marketing: International Brands

Stefanie: Okay. So what is your position at the company?

SME-G: I currently look after Head of Marketing for all the international brands. Background in terms of the industry, I've probably been working in marketing for about 10 years now. My background actually started in Management Consulting which wasn't really in marketing at all. I preferred brand insights and customer insights, so I moved from the Monitor Group to Jupiter Drawing Room, which is an ad agency. From there I headed up Brand Strategy across a number of brands in the industry in terms of developing their overall brand strategy and whilst I was there I met Steve Ross and he brought me across to THE RETAIL GROUP Group.

Stefanie: I didn't know that. (Stefanie laughs.)

SME-G: Ja, (SME-G laughs.) so I've probably been working on the Edgars and THE RETAIL GROUP business for about 8 and a half years now in some form or another.

Stefanie: Oh my word! It's long!

SME-G: Horrendous! (SME-G laughs.) Time for a change.

Stefanie: What are your key roles and responsibilities?

SME-G: In terms of key roles and responsibilities for marketing, we responsible upfront, um, [Word not clear.] relationships with each of the international brand partners. Upfront, in the beginning part, we are responsible for developing a local brand strategy in terms of a market strategy and how we'll actually launch the brand within the country. From that phase, we take it to an ongoing marketing plan in terms of developing what is a fully integrated marketing plan for each brand within the country. (Stefanie: Mmhmm.) And then, from a day to day execution it covers a number of elements in terms of campaign management, building various campaigns for each brand, digital and social media management, PR management in terms of managing PR, press releases, uh, launches and media events. We also work across visual marketing in terms of all of the VM components of each brand within all of the stores as well as look after a number of elements in terms of managing a relationship with the brand from a (Stefanie laughs.) ongoing basis.

(Stefanie and SME-G laugh.)

Stefanie: Cool! It's a mouthful. Um, and in your opinion, is South Africa an attractive market for international brands? (SME-G: Yes!) Fashion brands that is.

SME-G: Yes. I think, definitely. I think a lot of South Africans have always had to travel quite abroad in terms of being able to get access to a lot of the international brands. I think, uh, with a lot of social media and the world really becoming a lot smaller, I think, a lot more South Africans, nowadays, have a lot more information in terms of brands that have always been available overseas. I think, um, from a consumer perspective there has been a great desirability, so, I think, over time we've seen how people are moving from private label brands into branded elements. I do think, however, there's a lot of market entry factors that you should consider in terms of price accessibility, (Stefanie: Mmm.) making sure that it's the right range for a broad enough target market and then also making sure that a brand has some sort of brand recognition because, otherwise, the time in order for it to start (Stefanie: Mmm.) working within a, within the market takes a lot longer.

Stefanie: Okay. So the first, uh, question is, what is the brand partner selection process? There's sub questions, so I don't know if you want to do like an introduction or do you want to go into (SME-G: Hmmm.) the sub questions? So the ...

SME-G: Maybe go into the sub ques ...

Stefanie: The first 1 on top of these is, does the, do we choose the brand or does brands choose us?

SME-G: I think it's been a combination. I think, in the outset, we set out and documented a number of brands which we were interested in, almost like a Blackboard approach where we listed all of the brands that were possibly available and then started engagement with them. Now that the division's been up and running for 2 and a half years, I think there is quite a lot of brands who've obviously done the reverse and actually reached out to us in terms of looking at us as a brand partner to launch them in South Africa. I think, the establish, in terms of establish ...

Stefanie: Okay. So what is the process to establish if a brand is the right fit for the local market?

SME-G: I think, in terms of brand fit there's a number of elements that we look at in terms of upfront it's really understanding what is the brand proposition in terms of its full range of product offerings. So is it something were we've already got a lot of those brands in the market or is it something new to the market. I think profitability is really key in terms of understanding is, is it a brand that's going to be quickly recognised? What are the options in terms of store roll out (Stefanie: Ja.) to make sure that you can get the footprint. Um, a lot of the brands would want to understand where they going to be positioned from a location's perspective, so, I think, a lot of the brands would make sure that they in the right sites (Stefanie: Mmm.) before they can consider the actual local market to make sure that it's a right kind of brand fit for them. Within their product offering, I think, it's looking at their key price points, so understanding what would the landed cost be and then what are our margins in terms of making sure that we can be profitable. (Stefanie: Mmm.) And then long-term, looking at how long is it to take a brand to be profitable in terms of understanding upfront Capex, cost and requirements. And then, obviously, from a contractual perspective, what are the various negotiations that the brands are flexible on in terms of fixed fees, franchise fees, uh, launch fees, etc. (Stefanie: Mmm.) because I think, that's quite key in terms of making sure that it's a profitable market in terms of it. I think, looking at, also from a right fit, understanding the opportunity, so is it a brand that will appeal to a broad target market's really key. Um, understand what are the competitive natures, so is there a lot of brands that play with in that same space from a, um, product aspiration branding perspective as well as, obviously, price point perspective. Shoh, what else? Lots! (SME-G laughs.)

Stefanie: So you've covered, uh, the second question in effect as well. (SME-G: Oh! Look at that.) Do you want to add anything? (SME-G: What is the cri ...) Are there any other criteria that you need to consider to select a new brand?

SME-G: I think, the key criteria is, um, obviously, profitability probably is probably the most important. I think it's making sure that upfront that it is a brand that you are going to be able to generate profit from in the long-term especially when you at a stage where we now have quite a lot of brands, I think, in the beginning (Stefanie: Ja.) if it depends on the nature of where the business is, I think, when we launched the brands it was almost a phase in of making sure that we could get as many brands as possible. I think now, 2 and a half years down the line, it's almost slowed it down to make sure, is the brand going to be profitable? Is it competing with another brand? What is the roll out? What is the timing? And then obviously the key availability of where those brands are actually going to go long term, (Stefanie: Ja. I think.

Stefanie: And then once the brand has been selected, um, how is collaboration established?

SME-G: So generally collaboration in terms of upfront setting relationships with them from a marketing perspective specifically, we always reach out to them. We do a full intro in terms of who the current team is in terms of each of our roles and responsibilities. We set up a document to map out all the key questions that we interested in in terms of understanding from a brand perspective and information and assets that are required from our side whether it be creative assets, brand positioning assets, um, all of the various elements that we need. We then generally work over a number of conference calls to work through that type of data. And then we generally will put together a full brand launch plan from a launch as well as a full (Stefanie: Mmm.) annual marketing plan. And we work closely with them in terms of understanding, is the brand, is it, does it tie back to their brand integrity, their brand values, their brand proposition and then obviously tailored to what the local market relevance is to make sure that it works. And then ongoing collaboration with weekly calls, e-mails and ongoing visits to them. Generally, a lot of the bigger brands I've travelled to go visit most of the brands, so upfront gone and had a meeting with all of them, understanding what their business is, and I think, that's been good from a relationship perspective.

Stefanie: Okay. Um, and then what, from your experience, what is the preferred brand, um, market entry model, like dual structures, is it a franchise brand, is it a wholly owned, is it ...

SME-G: Uh, I think, it depends on where the brand is strategically looking, so I think, various brands, depending on where they going, I think, a lot of the brands have opted for franchise relationships in Africa specifically. I think, maybe when they look at their European models, a lot of the brands, like River Island, have a combination where they've got franchise markets as well as wholly owned models within that kind of, uh, area. I think, a lot of the UK brands that we've looked at have gone the franchise model where we take out and pay franchise fees and are the vested partner entry into it. Um, I think we've made the decision not to be wholesalers and whole product on consignment. I think it's not because maybe brands didn't want that option, I think it's been driven by that was the best decision at that point in time. I think where, um, there's other brand partners in the country, for example where it doesn't come through THE RETAIL GROUP, there our preference, from an THE RETAIL GROUP perspective at the moment, is to get them on consignment, make sure that they carrying the risk (Stefanie: Mmm.) and carrying the structure of it. But I think, from a brands' perspective, I think, their best option would be where the company's actually invested to be able to actually take the risk and a support in franchise fees as well (Stefanie: Ja.) as well as carrying the cost to launch it, otherwise it would be a lot cheaper for us. (SME-G laughs.)

Stefanie: Um, and then, what involves the, the brand feasibility study?

SME-G: Well, from our side specifically, when we look at brand feasibility and from whether it's going to work in the market a lot. We do a bit of customer dipstick research, we have a look at various data to understand what is the pricing model. Where's it going to be pitched, uh, competitively? Um, what is customer perception of it? I think, from an overall brand feasibility perspective, it's in terms of understanding, what is the landed cost? What are the margins we able to make? What is the input margin? What do we believe will be the stock turn? Roll out will obviously have an impact in terms of feasibility in terms of understanding number of stores. And then planned sales is obviously key from a top line perspective, understanding where you going to be able to get your top line sales. And then, I think, also looking at, what are the fee structures in terms of the actual cost of bringing the brand to the country.

Stefanie: It's perfect. (Stefanie laughs.) And then, what are the key negotiation points? We can do this whole question in one. How are negotiations done and how are contracts set up?

SME-G: I think, the negotiation process is set up in our line a bit like a dating process. It's seems that there's quite a lot of discussions that go back and forth from the beginning. I think, upfront key stakeholders meet the relevant other parties, uh, within the different businesses. I think, upfront it's more of conversations in terms of understanding what is the brand's desire to come to the market? What are their expectations and then what are their key structures? And then mapping it back to within our own business where, what are our goals? What are our objectives and how are we going to make sure that we can tie up those processes. The negotiations seems to do rounds, 20 rounds of reiteration and processes in terms of, um, making sure that everyone is making money, is being profitable from the brand's perspective as well as our perspective. Um, before the brand is physically actually launched upfront, I think it is reiterating and going through all of the documentation, understanding what are the key structures? Who's going to be the support system from a local perspective? Um, is it going to be a push model versus, uh, where we do the actual buy will depend on it. Negotiation they look at quite a lot of the factors in terms of same seasonality, are we going to be flying product in every week or is it something where we do, going into bond? So I think a lot of the negotiation points are done through reiterating a number of the processes that works for the brand as well as us. And then, obviously internally, Paul and Priscilla work through the detail of the contract in terms of setting up the contractual agreement (Stefanie: Mmm.) and then getting it signed by our various board as well as their boards.

(Slight pause.)

Stefanie: Okay. Um, okay, so when the, now that the brand's signed up, from here, what is the execution process of the brand into the new market? What team needs to be put in place to facilitate this execution? And what is the role of the brand manager?

SME-G: So, I think, in terms of upfront, the key person who is supposed to manage the full integrated relationship is the brand manager. I think, there's a number of support services in terms of the team, it really is working across operations in terms of the team who will be operatingly executing it at a floor, across all of the stores and that includes operations executives to regional managers to store managers (Stefanie: Mmm.) as well as staffing. Um, I think in terms of head office support functions, key things would, obviously, be looking at planning in terms of what is the planning support role in terms of how buys are done, managing the OTB and working with the brand manager to allocate that seasonally as well as then ongoing from a month to month, managing that process. Marketing works closely with the various brand managers as well as the local partners in terms of upfront defining what that brand strategy is and then on a month to month basis, managing execution with the brand manager based on what the objectives are. So if it's, where, it depends on whether it's promotionally driven or whether it's brand driven. So that is really worked through with marketing as well as the brand management team. I think, from a key structure internally is obviously legal and audit, I think, that's probably 1 of the most important parts (Stefanie: Mmm.) upfront with these brands because there's obviously, a lot of agreements, there's a lot of things that needs to be put in place for everything. Finance would play an integral role in terms of making sure all of the payments are done in time in line with what their specific things. Visual marketing is a key component (SME-G laughs.) in terms of it, in terms of actually upfront understanding the CI, setting up each store to make sure that it looks the same as what the international brand looks like and then ongoing managing that process with in it. Who have I left out? And then internally, obviously, working closely with the Edgars team to understand what is the role of the various brands within the Edgars division versus Standalone stores and working with their various planning, planning, marketing and operating teams to make sure that there's great brand alignment.

(Slight pause.)

Stefanie: Cool! Thank you. Um, and then the second last question is, how is performance monitored?

(Slight pause.)

SME-G: Performance in terms of the monitored everything relies on top line sales and profitability in terms of Ebadar, so I think, ultimately the key KPIs for every brand is top line sales, are we achieving what we've set out to from a contractual perspective as well as is it going to be profitable? So managing, um, input margins, stock turn, uh, what are we marking down, so mark down costs in terms of it, um, top line sales to make sure we get enough things. Foot fall in to each of the stores, that's a key metric in terms of how we look at it. I think that's it.

Stefanie: And how long does it take to establish a brand in the local market?

SME-G: In our business mind they seem to think it would take 6 months but realistically, based on a lot of studies for brand recognition, you should allow 2 to 3 years to set up a brand from a good, if you were to do it properly. So, I think, a lot of the key examples and international things is brands do take quite a while in terms of brand recognition, setting it up properly, um, I think also because you do your buy so long in advance, even if you doing air freight and understanding it, you've got to really work through 2 seasons properly, so you've got to make sure you see a full summer and a winter to really understand what the product's about and then be able to influence changes. So I think, in a retail perspective they say even where you look at private label brands or international brands, any decisions you take generally take 18 months to imple, to input (Stefanie: Ja.) and actually see a change in the store level. So I think that's something that, uh, hasn't always been taken into consideration. I think, buys have got done where we launch the brands are still impacting us 2 years down the line and only now you can start seeing a little bit of the change and that. I think, customer recognition, it depends on how well known the brand is, some brands if they've got higher brand recognition, obviously, can work a lot quicker. Um, that being said, some of the brands, if they have got absolutely no recognition within the country, (Stefanie: Mmm.) will take a lot longer in terms of working. Um, from a time, we see UK brands generally work quicker in South Africa versus some of the US brands, (Stefanie: Mmm.) and I think, that's got to do with quite a lot of the brand recognition. Um, so to make it, I think, a good benchmark would be a 2 year time frame (Stefanie: 2 years.) to really be able to see what it is. I think, we under a lot more pressure to make sure it works within kind of the first 6 months from a numbers perspective and we get a bit reactionary. (SME-G laughs.) [SME-G says something that is not clear.]

Stefanie: Okay. So the last question is split into 4 sub questions. It's basically about the internal and external factors that could affect this new brand partnership. (SME-G: Cool.) So the first 2 is, um, the first 1 is, the top 3 factors that determines the success and then the top 3 factors that could make a brand fail.

SME-G: Okay, so is this internal and external factors?

Stefanie: Ja. And then, um, the third 1 is the, the main internal challenges with the process and the external challenges with the process.

(Slight pause.)

SME-G: In terms of the partnership or the brand? So I'm answering this correctly.

Stefanie: The, the, the, the partnership and the brand. So the first 2, 2 questions is, is with regards to the brand (SME-G: Okay, cool.) and then the last 1 is the whole process from end to end.

SME-G: Perfect. So, I think, in terms of the number 1 factor of whether a brand will work or not is as you launch a brand, brand awareness, and, I think, that can cover a whole lot of dimensions in terms of do customers know you've got the brand? Have they got, uh, brand, propensity to buy into the brand? (Stefanie: Mmm.) Do they like the brand? So for me, if they, if you don't have brand awareness upfront, and that's why you should invest quite heavily in a brand within the first 1 year to 2 years to make sure that you drive that. I think, without awareness you not going to be driving foot fall to stores and you going to never get the kind of feet into store. I think number 2 is, uh, making sure that a product is desirable, so, I think, (Stefanie: Mmm.) we can pull feet into store, you can do all the marketing you want but if when you on the floor product doesn't match customers’ expectations and by product I mean fashionability, price point, fit in terms of what they like as well as a number of options on the floor, I think, regardless of what you do at any of the kind of levels or brand awareness, you will kind of fail from that perspective. Um, so those are probably 2 of the most important things. Um, and then the third thing, I think, is making sure that you continue re-evaluate where you are position and how you kind of make sure that the brand is ongoingly desirable to customers. I think people can get a bit stagnant in terms of what you do, so I think, you've got to keep on re-evaluating, make sure that you aligned to what international brand stands for, for me, is key. So probably the third 1 is brand integrity, so making sure that absolutely you've kept the brand integrity, (Stefanie: Mmm.) you've implemented in line with what brand guidelines are, and that if people travelled abroad, it looks and feels the same as what the brand is in South Africa. So I'd say awareness, product and brand integrity. Top 3 factors that will make a brand fail. Um, probably the, in reverse of that, I think, if you haven't done any kind of work in and around creating brand awareness, I think, it's definitely hard if you picking the wrong locations, if people aren't seeing the brand across various platforms to make it work. I think, uh, some of the things that we've learnt from brand failing is, uh, making sure that the seasonality and the product mix has been right (Stefanie: Mmm.) at the right point in time, I think that that can hurt you badly were we've learnt launch in Top Shop with the same season where it just didn't match at all, customer expectations really can make a brand fail. And then probably putting too much change in terms of what you do. So I think, a brand can fail if the objectives of what you trying to achieve change too regularly. So by that I mean, if you going from creating brand awareness to liquidating stock to change in your mind, so I think, 1 of the big things is a reactionary approach to what the brand is. I think you've got to be patient and make sure that you give brands time (Stefanie: Mmm.) for people to actually recognise them, buy in to them, before you have kneejerk reactions to change because, I think, sometimes some of those things are what can hurt a brand and, I think, that's also where relationships break down between us (Stefanie: Mmm.) and the international partners.

(Slight pause.)

Stefanie: Okay, then the internal challenges (SME-G: Mmm.) with the process? So internal as in our control (SME-G: Mmm!) and then the next is external, outside of our control.

SME-G: Probably some of the biggest challenge with us, um, internally is communication. So, I think, sometimes what gets decided at certain levels from a contractual phase is not communicated to everyone and that can often lead to surprises where you not aware of contractual agreements in terms of whether it be spend, OTB, um, mark downs, processes, so, I think, the communication in terms of upfront understanding what that, what, what is, what was supposed to be achieved by the business, (Stefanie: Mmm.) what was the roll out plan, what was the profitability expected, I think that can sometimes lead to downfalls in terms of the process. Um, not enough alignment all the time with what the brands are doing. So, I think, here, sometimes internally, we make a lot of the decisions without necessarily getting the support or buy in from the brands and, I think, that causes a lot of confusion and disruption. Biggest we face is alignment between SIS and SAS and understanding what are their objectives? What are our objectives? And who really is the key stakeholders to make decisions? I think, if you own a brand in a country, decisions should be centralised in 1 point, (Stefanie: Mmm.) so I, so I find one of the problems with us is decisions getting made across 2 different channels, um, impact the brand and customers perception of the brand can be very different depending on whether they see it in a Standalone or a, a separate kind of store. Um, and then challenges within the process, I think, ja, for me, the communication is really a key thing and, I think, the communication across us, Edgars, with the brand partners, within the department, I think, that's probably one of the biggest challenges for us. External challenges, (Slight pause.) shooh! I think, managing brand partners expectations. I think, sometimes a lot of the brand partners have never been to South Africa, they maybe do 1 visit or 2 people do a visit, so they don't understand the local nuances that actually happen within the, within the market and, I think, that leads to sometimes decisions being pushed from the international partners without context in terms of local market relevance. Uh, challenges within it is, I think, for us it's just then understanding the profitability externally and not getting enough support sometimes from the brands. So biggest challenge that we've experience from marketing is everyone assumes that they've got a whole lot of information and brand assets and creative, but actually, most of our brands have got absolutely none of that. So I think, we always are under the expectation that you will be able to get campaigns and images and 80 percent of the time we land up developing all our own content locally. So that, for us, has been a really big challenge. Um, external challenges also in terms of, um, support structure, number of people, I suppose, and I think, that's got to do with the, where we are from a profitability perspective but, I think, the number of people working on the team is very small relative to what it is in, as an (Stefanie: Mmm.) international businesses where they can drive it and, I think, that puts a lot of pressure on a lot of the touch points across ops, across visual, across the planning team, so, I think, that's one of the big challenges we have too.

(Slight pause.)

Stefanie: Perfect.

SME-G: Done.

APPENDIX D – ETHICAL CLEARANCE

Letter of consent for participation template

I, ______________________________________, agree to participate in the MSc research entitled 'DEVELOPING A CONCEPTUAL BRAND FEASIBILITY FRAMEWORK FOR A RETAIL GROUP IN SOUTH AFRICA', to be undertaken by Stefanie de Wet under the supervision of Bernadette Sunjka and certify that I have received a copy of this letter of consent.

I acknowledge that the research has been explained to me and I understand what it entails, as follows:

1. There will be one interview, which is expected to take no more than 1 hour
2. The interview will be audio taped, and transcribed for analysis by the researcher
3. I have the right to refuse to answer one or more of the questions without penalty
4. I am entirely free to discuss issues and will not be in any way coerced into providing information that is confidential or of a sensitive nature
5. Pseudonyms will be used to conceal my identity, and that of my company, my employees, my suppliers and my customers. The information disclosed in the interviews will be confidential.
6. Audio-tapes and transcripts will be kept securely stored during the research and after the research has been completed
7. This project was approved by the Faculty of Engineering and the Built Environment of the University of the Witwatersrand and the School of Mechanical, Industrial and Aeronautical Research Ethics Committee (non-medical) of the University.
8. If I have any questions or concerns about my rights or treatment as a participant, I may contact the Chair of the School of Mechanical, Industrial and Aeronautical Research Ethics Committee (non-medical) at +2711 717 7367 or by Bernadette.Sunjka@wits.ac.za.

Signed: _______________________ Date: _____________________________

Questions concerning the study can be directed to:

Stefanie de Wet (Tel: 011 495 7458/ 082 445 0484, Email address: SdeWet@edcon.co.za)

Supervisor: Bernadette Sunjka (Tel: 011 717 7367, Email address: Bernadette.Sunjka@wits.ac.za)