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Business models within the private optometry sector in South Africa.

Souza, Mduduzi Terrence

2017
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Business models within the private optometry sector in South Africa

Mduduzi Terrence Souza

A research report submitted to the faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2016

ABSTRACT

The dynamic and evolving business environment continues to impact enterprises irrespective of the industry in which they are operating. These changes have not only increased competition, changed customer dynamics but also question business's value propositions. The business of health care is not immune to these threats as constant changes of legislation, customer needs and other factors associated with globalisation are forcing independent optometrists within the private sector to revaluate how they operate their businesses in order for them to remain relevant and competitive. With new optometry graduates finding more opportunities within private practice, we have seen an increase in the number of practices in urban areas, thus increasing competition for the independent practitioner.

Business models are argued to be crucial in assisting an entity to maintain a competitive advantage. This study seeks to understand what business challenges independent optometrists are facing within the business environment and what business models they are using to maintain a competitive advantage in a highly competitive environment.

The research method is qualitative and non-probability sampling was used to select ten independent private practice optometrists based within the Gauteng region. Semi-structured interviews were conducted with these optometrists who were also business owners. Frame work analysis was used to analyse and interpret data and gather themes from the data while using Osterwalder and Pigneur (2009)'s 's business canvas as a template.

The key finding revealed that unique as they are, these small to medium enterprises faced similar challenges as other enterprises operating in different industries. Such challenges included increased competition, lack of funding, human resources and a lack of challenges for ever-changing legislation. Business models are however, being used within this industry and are mostly influenced by the location in which practices are based and the owner's passion when it comes to a certain skill set. The most unique and competitive model seems to be a model that addresses the

needs of the knowledge economy and provides a service that focuses on an often neglected customer base. While some practices are using a trial and error method to arrive at a particular model, some have settled for a tested and tried model. Interesting enough, none of these models addresses health care needs for an affordable and accessible healthcare system, but optometrists are continuing to thrive.

The study finds that for independent business owners to maintain a competitive advantage, they need to explore the clinical business model as it is difficult to replicate and it is more sustainable as it addresses the needs of the knowledge economy while also servicing a niche market. Training institutions should provide adequate practice management courses to assist practitioners post-graduation in the operation of their businesses. Government and other stakeholders, such as medical aid companies and professional bodies, need to implement legislation that will create an even environment for business owners.

DEDICATION

I dedicate this report to my God, my awesome and loving parents, my family, friends, colleagues and all the people who desire to be significant.

DECLARATION

I, Mduduzi Terrence Souza, declare this research report to be my own work except where indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master in Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Mduduzi Terrence Souza

Signed at ……

On the …… Day of …… 2016

ACKNOWLEDGEMENTS

I would like to thank all those who made it possible for me to submit this research report.

To my supervisor Professor Frederick Ahwireng-Obeng, thank you for understanding and being patient with me while still holding my hand in this academic journey. To Professor Anthony Stacey, thank you for relentlessly encouraging us to complete this report on time. You were indeed our pillar of strength.

I am grateful to my family for always supporting me in my academic life. It has not been an easy journey but you have supported me throughout.

To my friends who kept on asking about my wellbeing during this journey, I am blessed to call you friends. My colleagues at MT Souza Optometrists for their understanding and giving me the time away from work, I thank you.

Lastly, Simphiwe Kulu for always being critical of my writing style.

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ACRONMYNS

SME: Small Medium Enterprises

NHI: National Health Insurance

HPCSA: Health Professions Council of South Africa

SAOA: South African Optometric Association

CHAPTER 1. NTRODUCTION

1.1 Context of the study

The profession of optometry continues to be a dynamic vocation worldwide with technology constantly changing, just as in any other industry. In South Africa, the health professions council (HPCSA) recently approved for optometrists to dispense ocular drugs (Jeewa, 2014). This change is predicted to have a huge impact in the optometry profession and the business aspect of the industry, particularly for those in private practice. With the introduction of a course that will now allow optometrist to prescribe certain legislated medication, certain questions arise, as to how will optometrists manage their practices as therapeutics comes with more responsibility. Will this mean a shift of focus from selling optical devices to the selling of medication? How will this have an impact on the competition within optometrists practicing within the same area? How will corporate practices capitalise on this? How will this affect competition between optometrists and ophthalmologists? And most importantly, how will current business models change in order to address this new way of practising?

Expansion of the current practising scope, both in private and public medical facilities will not only require optometrists to sharpen their skills clinically but will further require them to come up with new and innovative ways to operate their businesses to stay competitive in an already saturated industry. This profession is not immune to changing environmental dynamics. Changing legislation, customer dynamics and impacts of globalisation are challenging independent private practice owners to constantly find new ways in which they can operate their businesses and still maintain a competitive advantage.

In South Africa during the apartheid, optometry posts in the public sector were very limited and a majority of optometrists opted to working in private practices (Sacharowitz, 2005). Post 1994 this continues to be the case as a study done by Oduntan, Louw, Moodley, Richter, and Von Poser (2007), found that 32.9% of students completing their undergraduate studies in optometry considered opening

their own practices as the ideal way to begin their careers. The respondents further mentioned that this option not only gave them personal and professional fulfilment but also offered financial security in the long term. This has therefore resulted in an increase in competition with independent optometry practices seen in major cities and shopping malls. Therefore, there is a need to understand that not only is the clinical aspect of optometry evolving, the business dynamics of the profession are also changing. The global economy has further influenced a change in the dynamics between the customer and the supplier/ business, customers have a wider variety of choices and alternatives, this has in turn, forced businesses to re-evaluate their propositions to clients (Teece, 2010). While many businesses face both internal and external threats, the global economy, influenced by globalisation, has forced them to become more innovative in addressing these threats in order to remain competitive.

Business models are seen as a way that can be utilised by businesses in order for them to survive in this ever changing business environment (Morris, Schindehutte, & Allen, 2005). Just like any other business, the optometric profession is not only facing challenges in the changing environment and customer demands; it also faces increased competition within itself. Franchises are well known for being well established and attracting more patients from their business models than independent practitioners. They often place adverts in newspapers, radio and television, advertising their competitive prices and efficient service while sole practitioners have fewer resources to efficiently market their business. The questions that this study therefore aims to explore are: what challenges are independent private practice owners facing in the current business environment? What business models are they using within their businesses in order to maintain a competitive advantage in this volatile business environment?

In order for optometry practices to succeed, they must maintain a competitive advantage (Alberts, 2002). (Kotler & Keller, 2011) define competitive advantage as a firm's ability to perform to a standard that a competitor cannot reach. However, with optometrists having challenges in this area, and having not acquired sufficient business knowledge in their tertiary education, as this aspect is not covered in-

depth in the syllabus (Richter, 2007) , it is interesting to study how they are addressing these challenges and making sure their businesses are maintaining a competitive advantage. This is further coupled by a lack of literature focusing in this particular industry, while it has the potential for a considerable contribution towards job creation contributing towards the economy of the country. Van Stel, Carree, and Thurik (2005) argue that entrepreneurial ventures and small businesses have an impact on economic growth, depending on their per capita income. It is therefore crucial that work is done to study challenges that this industry faces and to assist it to grow and become more sustainable while not only contributing to the economy, but also contributing towards the needs of the healthcare system.

1.2 Problem statement

1.2.1 *Main problem*

The nature of business is constantly changing yet independent optometric businesses often become stagnant with limited innovation taking place. Practices are opened with optometrists having the same skills and offering the same products as their competitors due to a lack of proper business management skills. With a majority of optometrists opting for the private form of practice competition has increased. Urban areas are becoming more saturated with practices opening on every corner thus increasing competition. An ever-changing business environment, legislation changes, changing customer dynamics etc is also forcing small business owners such as that operating within this industry to find new ways of doing business in order to remain competitive. One of the ways a business can remain competitive while facing such challenges is with business models. However, within a highly legislated industry such as the optometric industry, innovation in business models is often limited. Innovation can range from product offering, new processes and business models. With the increase in the number of optometrists in private practice, there is not much that is being done to improve business knowledge about being innovative and sustaining a competitive advantage within an ever changing business environment. The current undergraduate program focuses more on

clinical skills while business management is offered as one of the modules in final year and emphasis is more on jurisprudence and ethics. Furthermore, the professional boards that govern the profession do not provide clear guidelines on how such courses should be delivered and this is further influenced by the limited literature within the business management of these entities (Richter, 2007). Without proper support and information, independent private practice owners succumb to business environmental pressures and are sometimes forced to close shop and explore other avenues. There is not much research focusing on this industry, while it has the potential to create more jobs for new graduates while also contributing towards addressing the needs of the healthcare system in the country.

1.2.2 Research Objectives

The **first sub-objective** is to study current business challenges that independent private optometrists are facing within their businesses.

The **second sub-objective** is to study business models that independent optometrists are using within their businesses in order for them to maintain a competitive advantage and what processes they are following.

1.3 Purpose of the study

This study therefore aims to investigate what challenges independent private practice optometrists are facing and how business models optometrists are using in order to maintain a competitive advantage within this volatile business environment. The aim is for this study, to not only contribute towards the limited literature available in the business management of optometric practices (Richter, 2007), but also to provide recommendations on how independent private practitioners can manage and grow their businesses better.

1.4 Significance of the study

Identifying the challenges and limitation that optometrists face in their daily running of their practices will help practice owners/managers to implement strategies that will enable them to retain a significant market share while still maintaining a competitive advantage, regardless of the current challenges being faced by the industry such as increased competition, advertising and scope of practice legislation set by governing bodies. This study will not only contribute towards the limited literature available for the South African optometric industry, but will also assist in highlighting practical strategies that are being used and can be used in the running and management of businesses in order for practices to maintain a competitive advantage, especially in the use of innovative business models. Practitioners wanting to venture into independent private practice can use the results of this study as a starting point in designing business models for their new practices while businesses already in operation can do an assessment of their current business models to see if they are in line with this study's recommendations in order to improve their operations.

1.5 Delimitations of the study

- The study focuses on independent-private practices located within the Gauteng area, excluding franchises as it has been assumed that franchises are already operating within a defined business model. This study included optometrist registered with the health professions council as private practitioners within the Gauteng area.

1.6 Definition of terms

Optometry: the use of both subjective and objective techniques to measure the refractive state of the eye (Applegate, Marcos, & Thibos, 2003).

Entrepreneurship: Seeing an opportunity and taking advantage of it to create a business (Bygrave & Hofer, 1991).

Innovation: this is a process with multiple stages. It encompasses the transforming of ideas into new, better products (Baregheh, Rowley, & Sambrook, 2009, p. 1334).

Competitive advantage: A firm's ability to perform in singular or multiple ways that their present competitors cannot /will not match (Kotler & Keller, 2011).

Business model: this is the description of the rationale of how an organisation creates, delivers and captures value (Osterwalder & Pigneur, 2009) .

Small Medium Enterprises (SME) : *''a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column I of the Schedule''* (Dti, 2008).

1.7 Assumptions

- The assumptions were that respondents answered questionnaires truthfully without withholding crucial responses.
- It was also assumed that the respondents had considerable experience in the optometric field and in the day-to-day management of their businesses.

The last assumption was that; the sample of respondents was sufficient to enable the researcher come to a conclusion on the common business models that independent private practice owners were using in order to maintain a competitive advantage.

1.8 The research outline of chapters

The research report consists of the following chapters:

Chapter One: Introduction

This chapter introduces the study and provides a background on the challenges faced by the private optometric industry in the South African context. The purpose of the study, problem statement, significance of the study, is also highlighted in this chapter. The chapter ends by giving the structure of the entire research report.

Chapter Two: Literature Review

This is the chapter that reviews literature relevant to the research topic. A brief history of the optometric profession in South Africa is highlighted, how the profession operates and the challenges that small medium enterprises such as those operated by independent optometrists, face within the business environment. The focus is on how business models can be utilised by business to maintain growth and a competitive advantage.

Chapter Three: Research Methodology

This chapter discusses the research methodology that was used to conduct this study. This includes how sampling was done, how data was also collected, and analysed. Data validity and reliability are also discussed in this chapter.

Chapter Four: Data Presentation

This chapter presents the results of the study in different formats such as tables, statements and narrates the findings.

Chapter Five: Analysis and interpretation of data

This chapter analyses the results as they relate to the literature review and addresses the research problem.

Chapter Six: Conclusion and recommendation

This is the concluding chapter which also addresses recommendations, limitations and suggest areas of future research**.**

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter of the report contains a detailed review of literature relating to the history of optometry in South Africa, challenges faced by small independent private optometrists, referred to as small medium enterprises, and how innovative business models can be used as a source of competitive advantage. There is however, limited literature available that focuses on maintaining a competitive advantage within the optometry space in a South African context and also business models that are used within this industry. Literature related to other industries has therefore been drawn and used to explore the topic of competitive advantage, innovation, business models and how these concepts can be used by optometrists in their businesses in order for them to remain competitive in a highly competitive environment, influenced by a constantly changing business environment.

2.2 Optometry private practices as Small Medium Enterprises

There seems to be confusion with the definition of optometry. It is argued that one definition has remained unchanged: the use of an optometer (Applegate et al., 2003). The Health Professions Council of South Africa defines optometry as an autonomous, regulated health care profession and optometrists as the primary givers of eye care (HPCSA, 2013).

Oduntan, Mashige, Kio, and Boadi-Kusi (2014) trace the history of the optometry profession in South Africa to have begun in 1921, when 25 British trained optometrists formed the South African optometric association. These authors claim that this was done to assist in the education and establishment of training institutions. It was in 1924 that the first optometry school was launched at the then Technichon Witwatersrand offering a two year diploma exclusively for the white minority (Oduntan et al., 2014). In 2013 there were four institutions in South Africa offering the program at a bachelor's degree level and producing an average of 120

graduates per year (Oduntan et al., 2014). This profession is one of the health care professions that most practitioners post-graduation choose to practice in individual practices while others opt for franchises. However, private practice is still considered the preferred form of employment (Mashige & Naidoo, 2010). This form of employment was also encouraged by the pre 1994 government, which did not employ optometrists in government hospitals, thus resulting in the poor distribution of the services offered by optometrists, making service inaccessible and unaffordable (Sacharowitz, 2005). Optometrists are mainly known for the prescription of devices such as spectacles, contact lenses, low vision devices, etc. and these devices are the single most income generators if a practitioner is in private practice (Mashige & Naidoo, 2010).

However, this should not cloud the importance of this profession, not only in the world wide prevention of blindness, but also in the creation of employment and its contribution to the economy of South Africa. According to STATSSA (2015), in the first quarter of 2015, the South African unemployment rate was estimated to be at 26.4%. With SME's often seen as national economic engines and job creators (Abor & Quartey, 2010), there is a need for the training of people who will not be job seekers but venture into opening their own businesses and create employment for themselves in order to deal with such high unemployment rates (North, 2006). The South African government has identified SME's as crucial in the creation of jobs and stimulating of economic growth in order to address the high unemployment rates (Cant, 2012).

The question that arises is whether graduates who decide to open their own practices, self-employed or entrepreneurs, what are the challenges they face once they start operating their independent practices, and how are they addressing these challenges in order to maintain a competitive advantage.

There are many definitions of entrepreneurship. Rumelt (2005) mentions that entrepreneurship is the creation of new businesses: new businesses meaning that they do not exactly duplicate existing business but have some element of novelty. Amit, Glosten, and Muller (1993) define entrepreneurs as individuals who are not

only able to innovate but also identify and create business opportunities using different resources available and obtain profits from their innovations in volatile environments. Low and MacMillan (1988) define entrepreneurship as the creation of a new enterprise, while Schumpeter (1947) defines an entrepreneur to have certain characteristics of not only doing a new thing, but doing something that has been previously done, differently.

On the contrary , small business owners are satisfied with doing the same thing all over again and earning for themselves a reasonable income while employing a handful of employers and are not interested with further growing their businesses (Badenhorst-Weiss et al., 2010) Carland, Hoy, Boulton, and Carland (1984) further highlight this difference by stating that small business ventures are businesses that are independently owned and do not have any dominance within the market as they do not engage in new marketing and innovation. By using Schumpeter (1947)'s definition of entrepreneurship and highlighting the difference between entrepreneurship and small business owners we therefore aim to explore ways in which we can assist small independent optometrists to grow their businesses by introducing the concept of innovation and business models that help businesses maintain a competitive advantage.

However, there are barriers faced by individuals wanting to explore entrepreneurship. Vesper (1983), cited by Low & MacMillan (1998) lists the following barriers:

1. A Lack of market knowledge
2. Once venture has been created, an inability to delegate responsibility
3. A lack of technical skills
4. And a lack of start-up capital.

Withstanding the above barriers, entrepreneurship can therefore result in the formation of small medium enterprises.

Small medium enterprises

There seems to be no widely accepted definition for SME's (Khalique, Sadique, Abu Hassan, Jamal Abdul Nassir, & Adel, 2011). The geography and legislation of a country has an influence when it comes to the definition of SME's (Smit & Watkins, 2012). Some countries have a different criteria which may include; employment, sales and investment (Ayyagari, Beck, & Demirguc-Kunt, 2007).

For example, in South Africa, the National Small Business Act of 1996 (Dti, 2008), defines a 'small business' as follows:

… *a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column I of the Schedule*.

Businesses are often broken down into groups based on their size and turnover: survivalist, micro, very small, small and medium and it is from this categorisation that the term SMME (small, medium and micro enterprises originates from), however in South Africa SME is the most common used word (Mahembe, 2011).

Table 1: Categorization of SMME's in South Africa

Enterprise Size	Number of Employees	Annual Turnover(S A. Rand)	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200,depending on Industry	Less than R4 million to R50 m depending upon Industry	Less than R2 m to R18 m depending on Industry
Small	Fewer than 50	Less than R2m to R25 m depending on Industry	Less than R2m to R4.5 m depending on Industry
Very Small	Fewer than 10 to 20 depending on Industry	Less than R200 000 to R500 000 depending on Industry	Less than R150 000 to R500 000 depending on Industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

Source: Mahembe (2011) adapted from Falkena et al. (2002).

Carson (1990) mentions that it is important to understand small firms' characteristics which include:

1. An independent management system (managers are also owners)
2. Ownership is by an individual or a small group
3. They have local operations, with staff living within same area
4. And have a relative small size when compared to bigger businesses.

It is difficult to estimate the number of small businesses operating within South Africa, however in March 2007, 2.43 million people older than 15 years were managing small and medium enterprises (Dti, 2008). Cant (2012) estimated that small businesses created about 80% of new job opportunities and employed close to 70% of the South African population. SME's are often found within the retail,

trading and manufacturing industries, both in urban and rural areas, depending on their nature (Abor & Quartey, 2010).

SME's have a positive impact on job creation and overall growth of a country (Davidsson, Lindmark, & Olofsson, 1999). It is evident that small firms are major players in the economy, but not much is known on how they are surviving under pressure from globalisation (Knight, 2000). In developed countries such as South Africa, SME's play a huge role in the economy and it is estimated that they employ a third in industrial employment (Smit & Watkins, 2012). Kongolo (2010) argues that SME's contribute to economic development by providing employment to the ever growing labour force, and by also providing both sustainability and innovation. This therefore makes the development of SME's key in government economic development (Dti, 2008). There is however limited research that is being done on SME's in developing countries (Bowen, Morara, & Mureithi, 2009). The development of SME's is in line with South Africa's National Development Plan (NDP) that aims to eliminate poverty and reduce inequality by 2030 by focusing on one of the priorities which are; raising employment through faster economic growth (NPC, 2011). However most SME's may choose to operate at a micro level and become survivalist and end up contributing less towards employment (Smit & Watkins, 2012).

Inasmuch as SME's are important, they also face challenges of growth and the ever changing environment (Wattanapruttipaisan, 2002). They also face increasing competitive pressure influenced by globalisation and constant innovation from competitors (Smit & Watkins, 2012). These challenges are not country based but are common in the fight for survival and the maintenance of a competitive advantage (Khalique et al., 2011).

SME's have a high failure rate and they need to be assisted in their day-to-day operations and management to help them survive (Cant, 2012b). These failures are often attributed to internal and external factors (Olawale & Garwe, 2010). Internally SME's face challenges of shortage of information, capital, management time and

experience while externally they constantly face challenges arising from the ever changing environment (Lu & Beamish, 2001).

Internal factors:

These are factors within the firm's control that can be managed internally by the firm such as finances, human resource management and operations (Olawale & Garwe, 2010). A lack of capital is often mentioned to be one of the most important problems that SME's face that contributes to their poor growth (Abor & Quartey, 2010). Owners are therefore forced to use their own capital which at a later stage may also inhibit the business during future growth stages (Hashi & Krasniqi, 2011). Lee, Shin, and Park (2012) describe these internal factors as factors of strategy, technology, level of education and investment in areas of research and management of each structure can have both negative and positive effects for a business. One of the most important internal factors that are affecting SME development is the lack of managerial skills, thus forcing them not to be able to compete with bigger firms (Abor & Quartey, 2010). The available management skills forms part of human capital which Hashi and Krasniqi (2011) argue that it is shown by the level of education, training and experience of managers and owners and has a growth impact on the business.

External Factors:

The external environment plays a huge role in the growth and development of an SME (Hashi & Krasniqi, 2011). The external environment therefore introduces factors that could be beyond the firm's control. Such factors, which include economic, social, political and legislative factors, have largely been influenced by globalisation which has created an interdependence between economies of different countries (Knight, 2000) These are factors that are often non-financial but can cause small medium enterprises to fail (Abor & Quartey, 2010). SME's are further more susceptible to this external environment than big firms because they lack the market power to survive in a rather turbulent emerging markets environment (Man, Lau, & Chan, 2002).

Regardless of all these challenges, we expect optometrists to be able to deal with some of these challenges. This is because, with their level of education they are expected to adapt more quickly to the ever changing nature of business (Smit & Watkins, 2012). Owners of small businesses not only need to be aware of challenges facing their businesses but they also need to adapt and be able to come up with ways of dealing with these challenges in order to remain in business (Cant & Wiid, 2013). The success of these entities will therefore depend on how they formulate and implement strategies that will address the posed factors (Knight, 2000).

2.3 Competitive Advantage

Inasmuch as competitive advantage is often discussed in literature, the focus has been largely on big firms while small firms have been ignored due to the fact that a competitive advantage in small firms usually arises accidentally, due to challenges that the firm may be encountering within the operating business environment (O'Donnell, Gilmore, Carson, & Cummins, 2002). Globalisation is however changing the nature of business, especially when it comes to the competitive environment with influences such as increased customer expectations, ever changing technology and regulation (Van Laere & Heene, 2003), thus the need to study small entities as they play a major role in the economy of a country (Knight, 2000). Van Laere and Heene (2003) argue that small firms need to decide how they will survive these conditions and if they will compete globally, which is essential for their survival and growth. The success of SME's therefore under threats of globalisation largely depends on the formulation and implementation of strategy which involves how a firm will address current and future challenges due to the business environment (Knight, 2000). The question therefore that arises is how then can entities achieve a competitive advantage? argues that innovation can be used to achieve a competitive advantage which can involve both the use of new technologies or just simply new ways of doing things, while O'Donnell et al. (2002) argue that a source of competitive advantage for firms can lie in superior skills and

resources. If entities remain stagnant and do not improve, competitors are bound to overtake them (Porter, 2011).

Different authors argue different ways in which companies can maintain a competitive advantage. (Porter, 2011), for example, argues that entities can utilise innovation such as new product designs, processes, new marketing approaches and training. On the other hand, Van Laere and Heene (2003) writes that a firm's social network can create a competitive advantage, especially for small medium enterprises with fewer resources and competencies.

All these different strategies confirm how firms and academics view the importance of a competitive advantage, inasmuch as they tackle it differently.

The GEM report argues that in developing countries such as South Africa, small businesses have a crucial role to play in contributing towards job creation, economic growth and income distribution, therefore providing an enabling environment for them to develop should be key (GEM, 2016). In a study done by Mashige and Naidoo (2010) investigating 117 optometric practices in KwaZulu Natal, it was found that 90% of practices were located in urban areas. 67% of those were mostly independent while 33% were franchises. Only 10% were in the rural areas. This saturation in urban areas has therefore increased competition amongst practitioners who are more or less offering the same services. In a study by Oduntan et al., (2007), 32.9% of new graduates opted to open their own practices post graduating. This is evidence that the optometric industry not only has a potential to create jobs but also to contribute towards the economy. This industry does face major challenges which might result in some practitioners closing shop and exploring other career opportunities. Such challenges include increased competition which may force business owners /managers to be constantly looking for new strategies on how their businesses can attain a competitive advantage.

2.3.1 *Sustaining a competitive advantage*

There is substantial literature that aims to explain competitive advantage and introduce different strategies for firms to use in order for them to maintain a competitive advantage. For example; the use of innovation (Porter, 2011), business models (Morris et al., 2005) , human capital (Bartlett & Ghoshal, 2002), knowledge (Lubit, 2001). However in a white paper by Alberts (2002), it is argued that for an organisation to achieve a sustainable competitive advantage, it must choose the type of competitive advantage it seeks and how it can attain it, and avoid being indecisive and trying to attain all strategies. After all, globalisation and sudden increase in competition has an impact on organisations that now constantly trying to find numerous ways in which they can have a competitive advantage (Hafeez, Zhang, & Malak, 2002). A decrease in product life cycle and ever increasing customer demands is also having an influence (Shepherd & Ahmed, 2000).

Competitive advantage is a term that is often used i

GEM. (2016). *Is South Africa heading for an economic meltdown? 2015/16.* Cape Town: University of Cape Town. Retrieved July 21, 2016, from http://www.gemconsortium.org/country-profile/108

n strategy and it is still poorly defined and used (Ma, 2000). Dess, G.T.Lumkin, Eisner, and McNamara (2014) define competitive advantage as ‘’ a firms resources and capabilities that enable it to overcome the competitive forces in its industry (ies).”

As previously mentioned, there is currently not much work being done to study competitive advantage in small firms when compared to the literature available for big firms (O'Donnell et al., 2002).This does not mean that SME’s are not as important as big firms. Competitive advantage arises when a firm creates value for its customers while managing the cost of creating that value (Porter, 2008).

There are two basic types of competitive advantage (Ma, 2000: Porter, 2008):

1. Cost Leadership
2. Differentiation

While Porter (2008)and Dess et al. (2014) introduce a third one :

3. Focus

Cost Leadership:

Here a firm focuses on creating a low cost position. Costs are lowered which is thought to gain a competitive advantage. Minimising costs in all areas of the business is therefore crucial in this strategy. We do expect businesses to learn from their mistakes as they progress and thus be able to cut production costs (Dess et al., 2014).

Differentiation:

A business invests in creating a product or service that is different from what the market currently offers. Price is often considered not important as customers are willing to pay as long as the product is perceived to be unique. Differentiation of the firm can include: Their brand, technology, innovation, customer service, dealer network, etc. This results in customers being loyal to a particular brand as the firm provides unique products. Customers are willing to pay any amount for the product and suppliers end up having less power as they feel privileged to be supplying such a brand (Dess et al., 2014).

Focus:

Here a niche is found though focus is on limited product lines, targeting a certain target market and the firm uses both overall cost leadership and differentiation to attain market share. Here the firm selects a particular market that has less competition and supplies a product that has few substitutes (Dess et al., 2014). It is also important to note that for a business to enjoy a competitive advantage they

need to be appealing to the majority of the customers in their current target market (Hall, 1993).

For a firm to decide on which strategy to use, it also needs to understand the environment within which it is operating. Porter (2008) further introduces the five forces model of industry competition which is used not only as an analytical tool to examine the competitive environment but also assists businesses to understand the environment within which they are operating and its ability to attract competition and profitability:

1. **Threats from new players**: This influences the limit placed on pricing and may influence how much investment is needed in order for a new competitor to enter the industry (Porter, 2008).

2. **Bargaining power of buyers**: They influence the prices charged by the business (Porter, 2008).

3. **Bargaining power of suppliers**: This may influence the cost of raw material (Porter, 2008).

4. **Threat of substitute products and services**: has the same influence as the power of buyers as it influences the price the business can charge for their products (Porter, 2008).

5. **Intensity of rivalry among competitors in an industry**: This has influence on the set price and the cost of competing in areas of advertising, research and development, etc. (Porter, 2008).

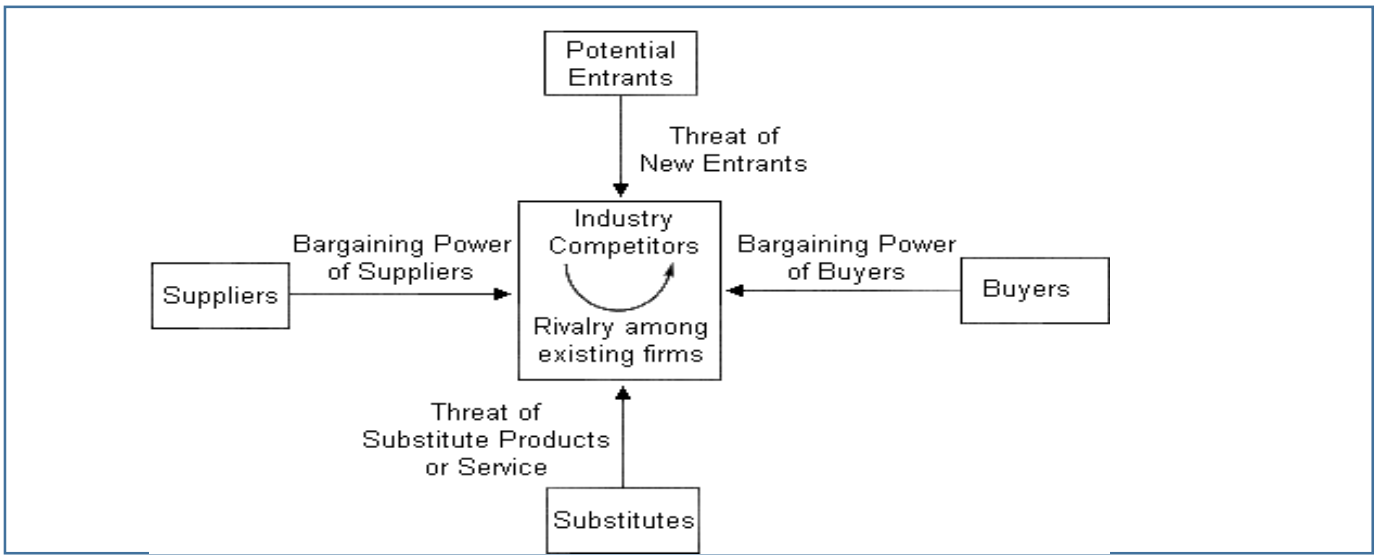

Figure 1 Porters 5 Competitive force's that determine industry profitability.

Source: Porter (2008)

Once the competitive environment has been examined, for the firm to gain a competitive advantage, it will need to exploit these forces that are driving the market dynamics (Hafeez et al., 2002). Barney (1991) argues

'' *firms obtain sustained competitive advantage by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses*"

There are three approaches that Hafeez et al. (2002) seem to suggest:

1. **Resource Based Approach**: this is when the firm uses its accumulated current assets and capabilities. Some firms have unique assets and capabilities which are also known as strategic resources. Managers therefore need not only to explore them but also manage them efficiently in order to gain a competitive advantage (Hafeez et al., 2002).

2. **Competence Based Approach:** this results from the integration of both assets and capabilities. This is also often seen as the core competence of the firm and is not hidden. It can be located both internally and externally (Hafeez et al., 2002).

3. **Dynamic Capabilities Approach:** here a competitive advantage is achieved through using both the management and organisational processes already available. The focus is to constantly renew the already available resources and/or competencies to address the ever changing environment (Hafeez et al., 2002).

2.4 Business Models

Business models have recently been of much interest due to the emergence of the knowledge economy, growth of the internet, e-commerce, and outsourcing of activities by companies and worldwide change of the financial sector (Teece, 2010; Morris et al., 2005). A knowledge economy is defined by Powell and Snellman (2004) as ;

‘*’production and services based on knowledge-intensive activities that contribute to an accelerated pace of technological and scientific advance as well as equally rapid obsolescence”.*

Within this economy, entities rely more on intellectual capabilities than physical resources (Powell & Snellman, 2004).

However, the concept of business models is still poorly understood within research (Osterwalder, Pigneur, & Tucci, 2005; Lambert, 2008). Osterwalder, Pigneur, and Tucci (2005) and Alt and Zimmermann (2001) argue that the term is widely used in academia and practice and even though the definition and examples are diverse, it is one of the most discussed concepts in areas of ebusiness, ecommerce and emarkets. Early research on business models focused on improving revenue streams for businesses that were more web based (Morris et al., 2005), yet the seems to be no consensus in the definition, structure and evolution of business models, thus resulting in less insight into what makes a particular model more appropriate than another (Morris et al., 2005).

Inasmuch as business models can be constantly updated to meet the ever changing needs of customers, they are complex and they need to constantly change as markets, technologies and legal structures change (Teece, 2010). Osterwalder and Pigneur (2009) define a business model as "*one that's describes the rationale of how an organization creates, delivers, and captures value*''. Casadesus-Masanell and Ricart (2012) give a rather simplified definition; '*'the way the company operates".*

The diverse definition of business models poses a challenge as it is difficult to describe the components of a good business model (Morris et al., 2005). A business model represents reality (Shafer, Smith, & Linder, 2005) while also providing a logical explanation, providing valuable data and other necessary evidence on how a business can create and deliver value to its customers (Teece, 2010). It is not static, but can be constantly changed in order for a business to have a consistent competitive advantage (Boons & Lüdeke-Freund, 2013).

Most business ventures are failing because of the underlying business model yet less attention is being given to the subject (Morris et al., 2005). The concept of business model is a recent attribute that has recently gained momentum in explaining how organisations are creating a competitive advantage and also how some businesses are a success story (Wirtz, 2011). Magretta (2002) suggests that for an entity to be successful, a good business model is essential. A business model will outline the business logic required to earn a profit and defines how the business approaches the market (Teece, 2010).

Business models can represent a form of innovation or even facilitate it (Teece, 2010) while increasing the chances of an organization to be successful even during difficult times (George & Bock, 2011). George and Bock (2011) further argue that business models can be seen as a link between innovation and value creation.

2.4.1 *Business models and strategy*

A business model is different from a company's strategy but the words are often used interchangeably (Magretta, 2002). Strategy is forward looking and is often seen as a plan for the future which incorporates which paths to follow and the courses to follow, while business models looks at the chosen choices and evaluate their operation implications (Shafer et al., 2005). Osterwalder (2004) does argue that the business model and strategy address similar issues in the business, however, in different layers. Business models are different pieces of the organisation that fit together in a system (Magretta, 2002). Business models look at the choices made in strategy and also their operating implications (Shafer et al., 2005). A business' vision and strategy are therefore translated into a business model's components which are value proposition, customer relations and value networks (Osterwalder, 2004) Alexander Osterwalder (2004). However, for a business model to be competitively sustainable, strategic analysis is essential (Teece, 2010). The following diagram, which is adapted from Osterwalder (2004), shows how business models fit in with a business strategy in a business environment that is constantly facing external forces.

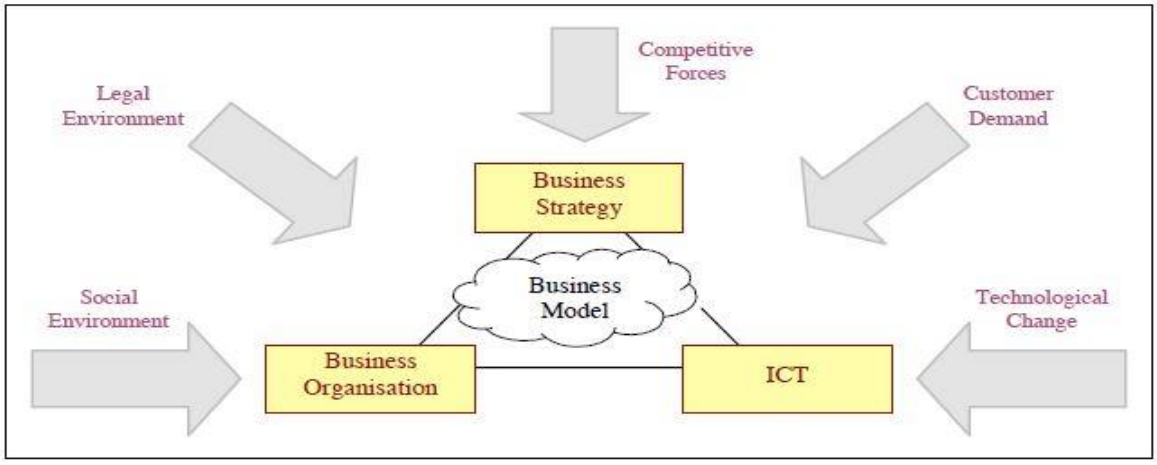

Figure 2: Business model

Source: Osterwalder (2004)

Business strategy, business organisation and ICT are often faced with constant external forces, such as changing customer demands, competition, legal environment and a manager needs to design and adopt a business model according to these changes (Osterwalder, 2004). Firms may choose to use the same strategy and business models for years while others may opt to change their strategy often while keeping the same business model, however, the most successful companies constantly update their strategies and business models (Mitchell & Coles, 2003).

2.4.2 *Benefits of a business model:*

Osterwalder and Pigneur (2009) further summarise the benefits of business models as per below;

Benefit	Explanation
1. General significance of success	Since a business model is a structured tool, it assists an organisation in achieving its aims.
2. Focus and sustainability	A manager of an organisation is able to focus on essential aspects of his/her responsibility.
3. Differentiation	This becomes a comprehensive management tool for companies; they help in differentiating themselves from competitors in a long run. An organization is able to analyse the different partial models of the business model thus enabling the organisation to

	assess the relevant competitors and thus creating a value proposition for their customers.
4. Changes in management	For an organisation to survive in the market for a long time there needs to be changes in existing business models and adapting to changing conditions.

Adapted from Wirtz (2011).

2.4.3 *Elements of a business model;*

According to Osterwalder and Pigneur (2009), the business model has nine building blocks:

1. **Customer Segments**: these define the target group of people or organisations to which that the business aims to provide services. The business needs to decide which segments to serve and which not to serve and then design a business model that suits that segment's needs.
2. **Value proposition:** these are the products and services that are designed to create value for a specific customer segment. These become benefits that the business offers to their clients and can be innovative and offer benefits that have not previously been offered by the market.
3. **Channels:** this is how a business communicates and reaches its customer segments to deliver a value proposition.
4. **Customer relationships**: there are the types of relationships a business may establish with specific customer segments. Such relationships could be personal or automated and are influenced by: customer acquisitions, customer retention and increasing sales.
5. **Revenue streams:** this is the revenue that a business is able to generate from a selected customer segment. There are two types of revenue streams.

Transaction revenues which results from one-time customer transaction/payment and recurring revenue streams from continuous payments when delivering on value proposition**.**

6. **Key resources:** there are assets that are required for a business model to function**.** Assets could be physical, financial, intellectual and human. The business can decide to either own them or lease them.
7. **Key activities:** these are the crucial steps that a business needs to take in order for the business model to operate efficiently.
8. **Key partnerships**: there are the network of suppliers and partners that make the business model function successfully. There partners can include: strategic alliances between non competitors, co-operation (strategic partnerships between competitors), joint ventures and buyer supplier relationships for reliable supply of raw materials.
9. **Cost structure:** there are the costs involved in the operation of a business model. They can be calculated by knowing the key resources, key activities and key partners. However, some business models may be more costly than others.

Adapted from Osterwalder and Pigneur (2009).

2.4.4 *Types of business models*

Rappa (2011) suggests the below types of business models;

Type of Model:	Description:
Brokerage Model	Brokers bring buyers and sellers together while facilitating transactions. They function within business to business (B2B), Business to customer (B2B) and consumer to consumer (C2C) markets. They charge a fee for every transaction that takes place.

Advertising Model	This is seen as an extension of the traditional media broadcast model. A website is used to provide content and services such as; email, IM, etc. Adverts are then placed within this website and they become a source of revenue. This model works when there is high viewer traffic.
Infomediary Model	This model utilises knowledge gathered and analysed on consumer spending habits. Data is collected and is sold to businesses that desire to understand markets they are operating within. This information is also valuable in marketing.
Merchant Model	This is a model used by wholesalers and retailers of goods and services. Sales are often based on list prices or auction.
Manufacturer (Direct) Model	This model uses the web to reach buyers directly and thus shortening the distribution channels. It is often based on efficiency, improved customer service and also a detailed understanding of what customers prefer.
Affiliate Model	Also called the pay for performance model. This model provides purchase opportunities whenever people are on a particular website. Affiliated partner sites get a certain percentage of the revenue generated. A suitable model for web based businesses.

Community Model	This model is based on user loyalty. Since users have a high investment in time and emotion this is used in the selling of ancillary products and services. Revenue is often received from advertising and subscriptions to certain services.
Subscription Model	This model uses the concept of charging daily, monthly or annual subscription fees for a particular service. These fees may be paid regardless of use or not. This model is often used in conjunction with the advertising model.
Utility Model	Also called the ‘’on-demand’’ model. This uses the pay as per use concept and they are based on usage rates. Often used for services such as electricity, water, etc.

Source: Rappa (2011)

2.4.5 *The business model framework*

According to Chesbrough (2007), there are six business models frame works:

1. **Undifferentiated business model**: These are companies without a defined model and have no processes in place to manage them. Such businesses use price and availability to entice customers. They are not different from their competitors as they do not offer anything unique.

2. **Some differentiation in the business model**: These companies create a differentiation in either their product or services. This therefore results in a different business model and a different target market. A lack of resources

may result in the company failing to maintain this differentiation and thus resulting in the success of only one first product.

3. **Segmented business model**: a firm in this model is able to serve markets in different segments, thus resulting in more profits. Segments concerned about price help drive volumes while those segments concerned about performance help drive margins. Challenges faced by firms in this segment include a shift in technological advancements that may not be within the scope of the business and also major market shifts.

4. **Externally aware business model**: This firm opens itself up to external ideas and technologies that can influence how the business is operated. External relationships are created to help identify other projects and this results in reduced costs of the business and also minimises the risk of trying new products and processes alone as other external businesses are also involved.

5. **Integrated innovation process with business model**: In this type of a firm, the business model is integral in the success of the entity. The process is more formalised and the firm invests in studying the needs of their customer in order to address unmet needs. Different distribution channels are studied and new technologies are introduced in order to continuously improve processes.

6. **Business model in adaptive form**: Firms operating in this type of model are more adaptive. Experimentation is part of the process with firms trying different approaches such as venturing with corporate entities in trying new business models. Key suppliers and customers become partners in the business where both technical and business risk is shared. Business models from the supplier side become part of the firm's business model.

2.5 Business models and Competitive Advantage:

While some types of competitive advantages are linked to a firm's position in the market place, some are becoming more linked to business models (Christensen, 2001). An increase in competition due to influences such as; globalisation, deregulation, and innovation, has resulted in markets becoming more competitive and business models becoming more valuable to organisations as they can assist in the production of new ideas, and improvement of strategies that are currently being used (Wirtz, 2011).The global economy has further influenced the change in dynamics between the customer and the supplier/business with customers having a wide variety of choices and alternatives becoming more common, thus forcing businesses to revaluate their propositions to clients (Teece, 2010). Businesses are therefore starting to compete through their business models (Zott, Amit, & Massa, 2011). Other businesses are however opting to stay with their current models due to the challenges that globalisation is posing and thus remaining less competitive (Lee et al., 2012).

A sound business model can assist a business to survive during a challenging economic environment (Morris et al., 2005). With the increase in the costs of innovation in product development and research development, business model innovation has become an alternative (Chesbrough, 2007). Business models are further becoming a source of innovation within firms, resulting in firms constantly transforming (Trimi & Berbegal-Mirabent, 2012). An innovative business model can do more than just bring value for a business but it can further change the way business is being done while also setting standards for the future, thus creating a strong competitive advantage, especially if it is difficult to replicate (Magretta, 2002). Without a well-planned business model even the most innovative product is bound to fail (Teece, 2010) and the economic value of technology remains dormant until it is commercialised through a business model (Chesbrough, 2010). Magretta (2002) argues that for a business model to be successful, it needs to be able to have a holistic view of the elements affecting the success of the business. Business models need to provide value not only to the client, but also to the organization (Casadesus-Masanell & Ricart, 2012). In order for business models to help a

business achieve competitive advantage, they do need to be difficult to replicate while also having characteristics of being effective and efficient (Teece, 2010).

Proper strategic analysis is crucial for a business to create a competitively sustainable business model, as a proper business model needs to pass through all strategic filters (Teece, 2010).

2.5.1 *Innovative business models*

Customer demands and life styles are constantly changing and firms need to innovate (Trimi & Berbegal-Mirabent, 2012). Product and process innovation can be highly expensive and time consuming for an organisation and require huge capital investments, which then leads to companies opting for business model innovation as an alternative (Amit & Zott, 2012; Chesbrough, 2007). In previous studies done in big entities such as IBM, it was found that business model innovation has become top on the priority list (Amit & Zott, 2010).

Innovation is starting to focus more on business models due to their potential to leverage on a firm's core competencies (Trimi & Berbegal-Mirabent, 2012). Business model innovation is seen as the search for a new ways of creating, capturing value, generating revenues and also value proposition for all stakeholders (Casadesus-Masanell & Zhu, 2013).

According to Amit and Zott (2012), business model innovation matters to managers of organisations because it represents an underutilised source of value and since it is system based, competitors may find it hard to replicate, rather than replicating a new product. Innovative business models have been seen to offer sustainable business success (Casadesus-Masanell & Zhu, 2013). For a business model to be created and implemented, top management of an entity need to be involved completely (Chesbrough, 2007).

Business model innovation can result in the creation of new markets and the exploitation of new opportunities within existing markets (Amit & Zott, 2012). A good business model can assist a business function better than a new idea or new

technology (Chesbrough, 2007). However, depending on the type of the business venture, the business model revolution can be limited (Morris et al., 2005). For example, a business model followed by a lifestyle business could be different to that followed by a more formal business aiming for growth. Chesbrough (2007) argues that one of the challenges that an innovative business model has is a leadership gap, where organisations do not have a leader with the authority and capabilities to innovate a current model. However, past these challenges, innovative business models can assist firms to stay ahead, also with product innovation (Amit & Zott, 2010). The evolution of a business model follows a specification, refinement, adaptation, revision and reformulation life cycle (Morris et al., 2005).

Business models innovation are usually supported by technological innovations ie internet, causing firms to communicate in new and better ways (Amit & Zott, 2010) .Trimi and Berbegal-Mirabent (2012) argue that business model innovation can show itself in three different ways:

1. The business model can itself be seen as innovation by introducing new methods and improving processes without changing the product

2. Secondly, business models can result in the technology push approach where a new technology invention can result in a firm becoming a leader in the market

3. Lastly, they can have the demand pull effect where they are formulated to fulfil new customers' needs and the business environment itself.

Amit and Zot (2010) argue that business model innovation can therefore take place by using a business design element, interdependencies amongst model design elements, interdependencies between business and revenue models and caveats.

2.6 Business models within the optometry industry:

There have been recent developments within the healthcare sector. Such developments include the improvement of efficiency and effectiveness of the

system, while also reducing costs and improving productivity (Helfert, 2009). Eye care centres as not immune to these developments. Some have adapted by becoming innovative in their business models. Research on the business models within optometry is however limited. There are researched models such as that of the Saigon eye hospital in Vietnam which have been studied. This private hospital has moved from being a 12 bed hospital in 2004 to 340 beds within a six year period by adopting a model that focused on : leadership style, cause related marketing, a market driven approach, HR and cost reduction, innovation stimulators and brand building (Trong Tuan, 2012). The healthcare industry is evolving and managers are constantly finding ways of introducing new business models and care models that will be cost effective while not compromising quality, such as e-health which involves the electronic exchange of medical data collected, generated and analysed (Deluca & Enmark, 2000). A good business model is not only essential for successful businesses but also for new ventures (Magretta, 2002), optometry practices included. A proper, flexible business model is important for any business start-up (Trimi & Berbegal-Mirabent, 2012), which start-ups are common post optometry school graduation. In other countries such as Spain, there is evidence of the Spanish optometry sector trying different business models that involve establishing alliances for knowledge sharing, thus resulting in inter-organisational learning which is vital in the optic industry (Cegarra-Navarro, 2005). Other models that are emerging, as the industry is faced with the challenge of having more optometrists than ophthalmologists, are joint ventures that are now taking place between optometrists and ophthalmologists (Kim & Kim, 2011).

An entrance of corporate enterprises into the market can resulted in the introduction of new models of operations which can however result in conflict (Taylor, 2007). In South Africa, we have seen how business models initiated by franchises such as Torga, have resulted in legal debates with governing bodies (Joubert, 2009).

The crucial challenge that the optometric industry is however facing, is the provision of affordable spectacles while addressing issues of quality, supply, distribution, low cost and acceptance (Holden, Sulaiman, & Knox, 2000). Innovative business models for this industry will therefore have to address the above mentioned issues

in order for businesses to be sustainable and grow. After all, successful interventions within the health sector in developing countries are linked on models that address community needs (Bhandari, Dratler, Raube, & Thulasiraj, 2008).

2.6.1 *Research Question 1:*

As SMEs, what business challenges are independent private practice optometrists facing and how are they addressing them?

2.6.1 *Research Question 2:*

What business models are independent private optometrists using to maintain a competitive advantage and what could be the new possible business model for the industry?

2.7 Conclusion of Literature Review

In summary, the world of business is constantly changing. Both small and large businesses are now sharing the same competitive space due to the removal of barriers that were guarding this space, as a result of globalisation and internationalisation (Sawers, Pretorius, & Oerlemans, 2008). It is not only big businesses that are constantly looking for ways of constantly maintaining a competitive advantage but also small businesses: optometry practices included.

In this literature review, we have briefly highlighted challenges faced by small businesses and how they can utilise business models to maintain a competitive advantage in this ever changing business environment. Entrepreneurs now need not to only focus on product innovation, but also to focus on their business model designs (Trimi & Berbegal-Mirabent, 2012). High performing companies are emphasising more business model innovation than product and process innovation (Amit & Zott, 2010) . Problems will however arise, but these models needs to be flexible to adapt to environmental changes. The optometry industry may choose to remain stagnant and not innovate with their business model, however, as other

business models innovate, such as in the medical aid industry which works hand in hand with optometrists, they will be forced to either adapt or be out of business. Other changes that will force independent optometrists to innovate include the proposed national health insurance for South Africa whose impact is still to be known.

Business model innovation is important, but at the same time is difficult to achieve (Chesbrough, 2010), yet the study of business models is important for entrepreneurial ventures (Morris et al., 2005). Having business models can however give businesses a competitive advantage, thus resulting in better profits (Teece, 2010). SME's need to think differently and formalise their structures and systems for them to remain competitive (Terziovski, 2010).

The profession of optometry in South Africa is governed by boards such as the HPCSA and SAOA (Richter, 2007). Therefore, optometrists need to practice their profession within set scopes of practice. This may therefore hinder innovation, however, as long as business models are within this scope, success and growth of the industry is inevitable. Independent optometrists need to also make sure that their business models are tailored for the developing world in order for their models to be successful (Bhandari et al., 2008), while contributing towards the elimination of blindness with affordable products.

CHAPTER 3. RESEARCH METHODOLOGY

This section of the report describes the methodology that was followed in order to answer the research questions that were discussed in the previous chapter. A description of the processes that were followed to collect data, analyse and interpret the collected data is discussed. Issues of validity and reliability are also addressed in this chapter.

3.1 Research Design

The way a study is designed and conducted has an impact on the validity of the conclusions that can be drawn from the results (Brewer, Reis, & Judd, 2000). Design ensures that the evidence obtained answers the initial questions with less ambiguity. There are three ways in which research can be conducted ; qualitative, quantitative and mixed methods (Williams, 2011). Since the study aimed to answer research questions through description and understanding, a qualitative approach was more appropriate (Leedy & Ormrod, 2005) . Qualitative research relies on interviews, observations, document review and audio-visual materials as sources of data (Creswell, 2013). This study therefore used interviews to gather data.

There are five common qualitative research techniques; case studies, ethnography, phenomenological study, grounded theory and content analysis (Leedy & Ormrod, 2005). For this research, content analysis was used to assist the researcher to identify patterns, themes and biases in order to answer the research questions.

3.1.1 *Population*

Qualitative research uses non-probability sampling to select the population of study. This non-probability sample is selected in order to reflect particular characteristics of a group within the sampled population (Ritchie, Lewis, Nicholls, & Ormston, 2013). The population comprised independent private optometrists who were operating their practices within the Gauteng area. These optometrists were

registered with the Health Professions Council of South Africa as independent practitioners.

3.1.2 *Sample and sampling method*

There are many ways qualitative researcher can draw data. Some data can be collected from objects, text material, audio and visual records. A sample is contained from these selected entities and the process of selecting them is referred to as sampling (Leedy & Ormrod, 2005). This study used a criterion based on a snowballing sampling method. The snow balling method is one of the widely used sampling methods in qualitative research and it involves the researcher getting access to informants through previously interviewed informants (Noy, 2008). Through using this sampling method, independent practitioners would refer researcher to the next practitioner within their professional networks who could provide valuable information on the research topic. Since a qualitative sample is usually small (Ritchie et al., 2013), ten participants were selected and interviewed based on referrals.

Pre interviews arrangement

After selection of respondents, appointments were set up at the owners place of business and also at any mutually agreed upon convenient location.

Prior to the interview, written requests for permission to conduct the study was given to respondents and practice owners had to sign or have a verbal agreement prior to commencement of interview.

Interviews

Interviews are the mostly used methods in qualitative research, as they are able to provide an undiluted focus on the individual (Ritchie et al., 2013). Furthermore, interviews provide a substantial amount of information (Leedy & Ormrod, 2005). Semi-structured interviews were conducted with ten independent optometry practice owners who are in practice within the Gauteng area based on referrals.

Selecting individuals from an existing social network can be useful in gaining basic information (Devers & Frankel, 2000). Optometrists from the researcher's professional network who own independent practices were interviewed due to convenience purposes.

Table 2: Respondents

Description of respondent type, e.g. Business owners, Manager	Number to be sampled
Independent practice owners	10

3.2 Research methodology

The research method that has been selected is the qualitative research method. As previously mentioned in chapter 1, there is limited literature available in the management of optometry practices within the South African context. Since in this study, the aim was to understand how independent optometrists were operating their business, a qualitative method was ideal as it enabled the researcher to gain understanding and insight from the respondents (Firestone, 1987). A qualitative method allows the researcher to uncover more detail which will not be possible with a quantitative method (Williams, 2011). Studies that focus on entrepreneurship and SME's are often qualitative as this allows for a more detailed understanding of these entities (O'Donnell & Cummins, 1999).

Since an in-depth understanding of how the optometry industry operates especially on how it is able to maintain a competitive advantage using business models, a semi-structured questionnaire was an ideal choice for data collection and analysis (Williams, 2011). This questionnaire was developed using literature discussed in chapter 2.

As much as this is the ideal research method to use to answer the topic, qualitative data does have problems. This method tends to have a smaller sample size (Green & Thorogood, 2013). The qualitative data further relies on the subjective and verbal responses that respondents might give. In order to curb these problems, we discuss in a later section how we addressed these issues using data reliability and validity.

3.3 Procedure for data collection

In-depth semi-structured interviews were used to gather data as this yielded more information from the respondents (Leedy & Ormrod, 2005). Observation of practices, location, and design were made in order to assist the researcher with collaborating responses and personal observation of operating businesses.

3.4 The research instrument

The research instrument was a semi-structured questionnaire that was used during interviews This assisted the researcher to probe for answers that the respondents might have not answered in a closed questionnaire due to fear of exposing confidential information or lack of understanding of the questionnaire. The questioner was primarily based on Osterwalder and Pigneur (2009)'s 's business model canvas which focuses on how an entity selects the customer segments, what is their value proposition, how they maintain customer relationships, what are the businesses revenue streams, key resources, key activities, key partnerships and lastly, cost structure.

3.5 Data analysis and interpretation

There is no single and right way to analyse qualitative data (Leedy & Ormrod, 2005; Ritchie et al., 2013) but there are different approaches that are available (Lacey & Luff, 2001). After collecting all required information, frame work analysis was used to analyse and interpret data and gather themes from the data. Lacey and Luff (2001) define themes as similar issues and ideas that are generated from

participants' responses when brought together into a single category. This framework was also used by Muringani (2015) and has also been used in this study. This frame work involves five stages which were followed in this study; Familiarisation, Identifying a thematic framework, Indexing, Charting, Mapping and Interpretation (Lacey & Luff, 2001).

3.5.1 *Familiarisation*

This involved the reading of all transcriptions and listening to recordings to familiarise the researcher with content of responses gathered.

3.5.2 *Identifying a thematic framework*

A template was then created in order to code themes that were picked up after the familiarisation stage.

3.5.3 *Indexing*

Themes that emerged were then coded to identify similarities on the already created template.

3.5.4 *Charting*

Data was then put into chart so that it could be easily read. This data was tabulated chronologically and themes captured in a separate respondents' block.

3.5.5 *Mapping and Interpretation*

This involved searching for patterns, associations and concepts from the data and linking it with literature that was discussed in chapter 2 of the report.

3.6 Limitations of the study

- The study was cross sectional and was limited to ten independent practitioners and was therefore not representative of all independently operated optometry practices. The different age groups and environmental conditions could have had an impact in how the respondents viewed business.
- The age of the respondents and years in operation could have resulted in less experience thus impacting the findings.
- Using snowballing sampling method resulted in the study having respondents from within a particular race and this could have resulted in challenges only affecting that particular demographic being reported.
- The study of business models is a new subject with conflicting views and a lack of management literature for optometry businesses could have impacted on responses and findings.

3.7 Validity and reliability

Validity and reliability are the measure of what was supposed to be measures if it was measured accurately, meaningfully and if it was credible (Leddy and Ormond 2001). Validity and reliability are important in research as it demonstrates how consistent your data analysis was (Lacey & Luff, 2001).

3.7.1 *External validity*

External validity of a research is the extent to which the results of the study might apply beyond the research study or the extent to which the conclusion from the study can be generalised in other contexts (Leedy & Ormrod, 2013). This helps to demonstrate that used methods could be reproduced and were consistent (Lacey & Luff, 2001). To manage this, in this study, a representative sample of all business owners operating in different locations within the Gauteng area who were facing different business challenges were selected of both genders and different age

groups. Themes that emerged were therefore linked with literature to help test the conclusions that emerged.

3.7.2 *Internal validity*

Internal validity is the extent to which the research design and data collected assists the researcher to reach the most accurate conclusion about their proposed study (Leedy & Ormrod, 2013) . A pilot study was done with an optometrist to make sure that the questions were clear and would solicit the desired information. This also helped to identify confusing questions that the researcher might have needed to clarify after feedback from the respondent.

3.7.3 *Reliability*

Reliability is the level of consistency of how the measurement instrument gives certain, consistent results as long as what is being measured has not changed (Leedy & Ormrod, 2013). Since this was a qualitative study, reliability was maximised by standardising the research questions used from each respondent to another. Since the responses were subjective responses, most of the responses were subject to the researcher's interpretation. This was managed by making follow-up questions and also requesting permission to record responses for later analysis. Quotations from different respondents were also used during presentation and analysis of data.

CHAPTER 4. PRESENTATION OF DATA

4.1 INTRODUCTION

The previous chapter outlined the methods and techniques used for collecting and analysing data in exploring the main research issue: Business models as a source of competitive advantage within the private optometry sector. This chapter presents the findings from interviews with ten private practice practitioners who were operating their own businesses. It is organised as follows: the demographic profile of participants, followed by the presentation of data. The presentation and analysis of data follow a similar structure to that used by Muringani (2015).

4.2 DEMOGRAPHIC PROFILE OF PARTICIPANTS

A total of ten interviews were conducted, of which nine were face to face and one was conducted telephonically. The participants were ten independent optometrists who operated their own practices within the Gauteng area (Johannesburg and Pretoria CBD). These optometrists were involved in the day to day running of their practices and were regarded as the primary source of data and key informants.

4.2.1 *Ten Independent Optometrists*

A summary of all the interviewed independent optometrists' profiles are shown in **Table 3**. Due to the nature of the profession, these independent small business owners all possessed the required minimum educational qualification to practice as optometrists. Their businesses did differ in years of operation, size, business activities, product offering, location and most importantly, business models. All participates had a minimum of a Bachelor of technology in Optometry or Bachelor of Optometry with one having reported having a Bachelor of science degree, B optometry and a Master's in Business Administration, qualification. Inasmuch as the participants held the same qualifications at a minimum, they did operate their businesses differently due to their locations and chosen models. They however all

focused on the testing of eyes and the dispensing of spectacles at the minimum. The researcher followed a snowball sampling method. These also involved professional referrals by other respondents, thus the demographics ended up only representing black and Indian practitioners operating within different areas. However, both sexes were represented.

Table 3 : Demographics of respondents

No	Unique Code	Age of Practitioner/Business Owner	Gender	Years in Operation	Estimated Investment	No owned	Estimated Annual turn over	No of employees
1	OP1	32 yrs	Female	2yrs,5 months	R250 K	2	R700K	2
2	OP2	32 yrs	Female	1yr,6m onths	R1.5 M	1	R2.0M	3
3	OP3	40 yrs	Male	10 years	R60K	1	R1.0M	1
4	OP4	30 yrs	Male	1 year	R250 K	1	R1.4M	3
5	OP5	30 yrs	Female	10 months	Not sure	1	Not sure	1
6	OP6	34 yrs	Female	4 years	R150 K	1	R1.5M	1
7	OP7	41 yrs	Female	9 years	R200 K	1	R1.2M	3
8	OP8	30 yrs	Male	5 years	R100 K	1	R1.5M	2
9	OP9	30 Yrs	Female	1 week	R290 K	1	Not Avail	1
10	OP10	34 Yrs	Female	2 yrs	R120 K	1	R1.8M	1

Below is a graph that plots the respondents' age distribution. Inasmuch as their years in operation varied, the average age of these business owners was 33 yrs.

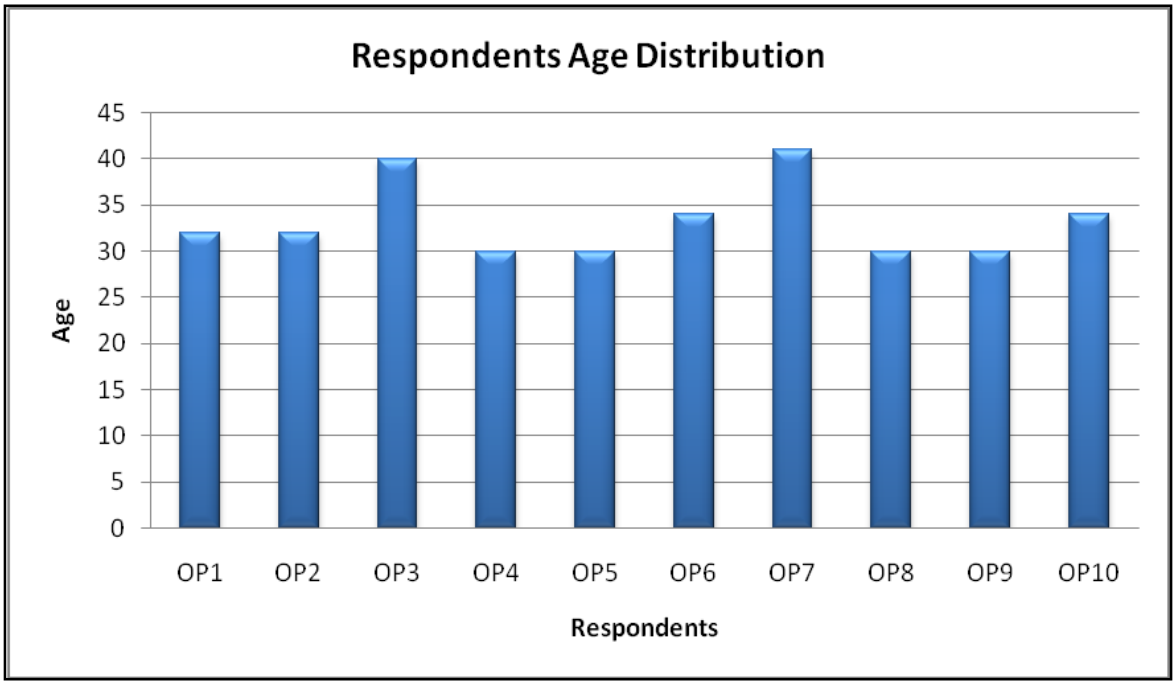

Figure 3: Respondents Age Distribution

4.3 PRESENTATION OF RESULTS

This section focuses on the presentation of the collected ten qualitative interviews. The data is presented chronologically and through using Oswald's business model canvas and themes that emerged while following the nine components of the canvas. As mentioned in the literature review, below are the nine components of the Osterwalder and Pigneur (2013)'s business model canvas.

- Key Business partners
- Key activities
- Key resources

- Value proposition
- Customer relationships
- Business channels
- Who are customers
- Cost structure and
- Revenue streams.

The presentation of the results used a narrative format, tables and also quotations from respondents. An introduction of the business canvas being explored was introduced followed by the overview of the results.

4.3.1 *Competition within the private optometry sector*

Prior to the introduction of questionnaires based Osterwalders and Pigneur (2013)'s business model canvas, the participants were asked to share their personal thoughts on competition within the private optometry industry. The question what aimed at understanding how business owners viewed the issue of competition with the increase in the number of optometrists who were opting for private practice and operating their own independent practices? The results of the interviews were presented in a chronological order as per Table 4.

Table 4: Competition within private optometry sector

Business Owner	Industry's competitiveness
OP1	High Competition
OP2	High Competition
OP3	High Competition
OP4	High Competition
OP5	High Competition
OP6	High Competition
OP7	High Competition/Board Market
OP8	High Competition
OP9	High Competition
OP10	High Competition

The participants reported that the industry was highly competitive with certain areas characterised by a lot of optometry practices within a short radius of each other. This had resulted in a few patients walking into independent practices thus making it difficult for practitioners to keep operating their small businesses. Some of the statements made by the participants were captured as per below:

> ***OP1****: The industry is competitive, and competition is good and bad. Good because it helps the practitioner to improve while also bad because it leads to practitioners being greedy.*

> ***OP4:*** *The industry is highly competitive. There are optometrists in every corner.*

It was reported that such increase in competition had resulted in some practitioners opting to do illegal things just to make a living.

> ***OP5****: Competition is so bad that some optometrists are doing illegal things just to keep patients.*

The participants reported that franchises had also contributed towards the increase in competition as they offered competitive prices, making it difficult for the

independent practitioner to survive. Franchises were reported to being big brands which clients were more drawn to and they offered discounts more than the stand alone practitioner. According to a few participants:

> ***OP2:*** *Franchises are offering competitive prices and medical aids offer discounts to patients who buy their spectacles from them..... franchises make it difficult for independent practitioners as they are able to buy stock cheaper unlike independent optometrists.*
>
> ***OP5****: Franchises do not live much hope for the independent practitioners.*

One participate did mention that as much as franchises were there, it was also up to the independent practitioner to do things differently;

> ***OP7****: Franchises are there, but what you do as a practitioner is important as the market is broad.*

Location was also an important factor when it came to competition. Location influenced the demographics, most importantly, race. Where one practice was located, only a few black people came to town, while mostly white and Indians frequented. This was important as one respondent mentioned that it was more difficult to open an independent practice as black optometrists in mall settings, thus the franchise model being a better option, due to branding. Location also influenced the type of clientele that walked into the business and their type of medical aid plans.

This increase in the number of optometrists was mentioned to be due to the fact that optometrists decided to open their own businesses with the hope that they would be making a better living. Current salary offerings were considered low and hence independent private practice being the best option.

4.3.2 *How is your business maintaining a competitive advantage?*

Bearing in mind their thoughts on competition and how it was affecting their businesses, it was therefore essential to find out how the respondents were maintaining a competitive advantage. The following responses emerged:

OP1: *I own two practices in different locations. In one location there is high competition, however, I am offering a unique service to clients such as offering tea/coffee or water while they wait. In the second practice, location is my advantage as I am the only optometrist in a medical centre building.*

OP2: *I accommodate my patients. We make sure that we fit our product within the patient's medical aid price so that they do not pay an excess. Franchises are our biggest competition but we are trying to also match their prices.*

OP3: *We use marketing. We have a website and we also do a lot of patient recalls. We also rely on word of mouth and we are constantly training our staff on customer service. We also minimise our prices to compete.*

OP4: *The way our product is structured. We have a lot of package deals, and our eye test is cheap. We compete with price. We also do a lot of explaining to our patients and we try not to oversell. Our service helps with building relationships with our clients.*

OP5: *We are trying everything, from decreasing our eye test fee, to giving advice and having that personal touch. It is difficult for independent practitioners to offer prices that franchises are offering so service is used as a differentiator.*

OP6: *We focus on corporate wellness days and we have a good relationship with our corporate clients. Corporate has more clients. We are currently moving to become a low vision practice after the change of legislation.*

OP7: *We stock up branded frames since our market likes designer eye wear and we have an onsite laboratory to increase on turnaround time. We are also contact lenses practices.*

OP8: *We are one of the few black optometrists in the area and this works at our advantage. We also offer good service and have an onsite laboratory to increase turnaround time.*

OP9: *We are currently not doing much as yet as starting this business was a huge risk, but we are putting up specials and hoping to get feedback from other colleagues.*

OP10: *We are located in a medical centre and that works for us as we get referrals from the other medical professionals. While a client waits to be seen by a different medical practitioner, they might decide to have an eye test.*

From the above responses, it was picked up that practitioners had no overall summary of their strategic plan in place on how they were maintaining a competitive advantage. While some had a basic idea, some were basically doing everything they could just to get clients into their doors without a proper plan in place. Osterwalder and Pigneur (2013)'s nine business canvas was then introduced to break down the research question and help identify independent practitioners business models that perhaps they were utilising in maintaining a competitive advantage in an already reported saturated industry.

4.3.3 *Business key partners*

Inasmuch as the nature of the respondents' businesses were similar, business owners had different partners and they considered some partners more significant than others in the operating of their businesses. This was because certain practitioners placed emphasis on those partners who they considered important for the survival of their entities. Their responses were summarized in table 5;

Table 5: Key partners

Business Owner	Key Partners				
	Laboratories	Frame Suppliers	Clients	Contact Lens Lab	Colleagues (Other Optometrists/GP's)
OP1	✕	✕			
OP2	✕	✕			✕
OP3	✕	✕			
OP4	✕	✕			
OP5	✕	✕			
OP6	✕	✕			✕
OP7	✕	✕		✕	
OP8	✕		✕		
OP9	✕	✕			
OP10	✕	✕			✕

The respondents mentioned that lens fitting laboratories and frame suppliers were their biggest and most important business partners. This was mainly because lenses and frames were their biggest sales drivers due to the nature of the business. On choosing these laboratories, price was mentioned as a major influencer. This was also true for frame suppliers as this allowed business owners to be able to sell them at reduced prices in order to maintain a competitive advantage or have a significant mark-up price. The participants expressed this by saying:

> ***OP3:*** *My partners are lens laboratories and frame suppliers that are price reasonable so that I am able to sell spectacles cheaper.*

> ***OP4****: I use a laboratory in Durban because they offer affordable prices, than previous laboratory. They also have budget frames which I use for my budget range.*

***OP5**: I use different laboratories and this is influenced by price so that I can give a better price out.... I also use frame suppliers who give free frames specials.*

***OP10**: I use laboratories and frame suppliers that give competitive prices.*

One respondent mentioned that laboratories and suppliers who gave stock on consignment were also important partners. Some partners even went to the extent of charging prices that were location based making it easier for business owners to decrease their prices further.

Small laboratories who had a better turnaround time as they do not have many orders were also ideal partners as this allowed owners to receive their orders quicker and resulting in increased client satisfaction. This was expressed in;

***OP1:** However, smaller laboratories are used with better turnaround time unlike bigger laboratories.*

Since most of the respondents were independent practitioners who operated one business, having a key partner that was able to supply in small quantities was also important.

***OP1**: since bigger suppliers sent a minimum order quantity, I prefer buying from frame suppliers who are able to sell/ supply in small quantities. I can go there with my patient and help choose a frame that he wants and pay for that particular frame.*

For one to also access cheaper prices from key partners, joining a buying group assisted and business owners were able to get cheaper prices as such groups negotiated better prices for independent practitioners who were not operating within the franchise model.

As a majority of the practitioners were selling more or less the same product, they all focused on the same suppliers with one or few, trying different suppliers. These

suppliers were well known in the industry for selling the most famous brands in eye wear.

Two practitioners mentioned key partners that were not previously mentioned by other respondents. These key partners were contact lenses laboratories and suppliers of low vision devices. This was due to the fact that these business owners had found their own niche market within the industry and were focusing on specialists' clinics that required the use of these suppliers for the supply of hard contact lenses and low vision devices. These respondents found these partners important for the survival of their businesses.

One respondent mentioned that their clients were also key partners in the business.

Optometrists who did not practice a speciality clinic such as low vision and contact lenses were also identified by some respondents as key partners. This is because; these optometrists were able to refer their patients to the businesses that offer these services.

> ***OP6:*** *All optometrists will be my key partners as they do not offer low vision services and they are always looking to refer their patients*.

For business located within a medical centre, other practitioners in the same building were key partners as they did cross referrals.

4.3.4 *Business key activities*

This section presents results of the interviews on key business activities that took place within the business in order for their business model to work. This question was asked to help identify key activities that optometrists had identified to be crucial in their day to day business operations. These key activities were also perceived as income generating and allowed optometrists to keep their doors open.

Table 6 : Key activities

Business Owner	Key Activities				
	Eye test	Selling of frames	Service	Selling of add on's	Other
OP1	✕	✕		✕	
OP2	✕				
OP3		✕	✕		
OP4	✕	✕			Experience
OP5	✕	✕			Free repairs Giving advice
OP6	✕	✕			Low Vision consultation
OP7	✕	✕		✕	Contact Lenses, Payment plans
OP8	✕	✕			Contact lenses
OP9	✕	✕			
OP10	✕	✕			✕

The primary activities mentioned by the respondents were the eye test and the selling of frames. This was perhaps due to the nature of their businesses as it was a health related business with a focus on the improvement of poor vision and legislation governed their operation. The below statements reinforced this statement:

> ***OP1**: Everyone pays for an eye test. An eye test is important is done with the hope that a spectacle sale will be made.*
>
> ***OP2:** An eye test gets the patients through the door.*
>
> ***OP3:** There is not much unique about the service, but clients commend me for the different way I am doing my eye test.*

The issue of service was also reported by the respondents as they felt that it fell within their key activities. One respondent reported that in their businesses they were also investing in training their staff when it came to service as they believed that it was crucial in encouraging previous clients to return, thus helping them in making more revenue.

4.3.5 *Key resources*

This section presents results from participants when probed about key resources that were being used in their businesses in order for the particular model that they were using to continue giving them a competitive advantage.

A summary of the results from the interviews of business owners are presented in Table 7.

Table 7: Key resources

Business Owner	Key resources
OP1	Frames and Add on's
OP2	Capital and Human Resource
OP3	Equipment
OP4	Knowledge, experience and equipment
OP5	Frames and Equipment
OP6	Equipment and Low vision devices
OP7	Frames and Equipment
OP8	Equipment and Financial Resources
OP9	Capital
OP10	Human resource

Inasmuch as the industry operated within the same scope, the respondents individually placed importance on different things in which they believed were key resources. However, frames were mentioned more frequently as the major key resources for their businesses. This was reflected by the following statements;

***OP1**: My key resources are frames and add on's such as cases and solution.*

***OP2**: Key resources are the capital that is needed to buy frames as we sell more frames.*

***OP5**: Key resources are our latest frames to help keep up with fashion.*

***OP7**: Frames are our key resources.*

With the exchange rate influencing the price of buying stock, one respondent mentioned that capital was also a key resource as this enabled the business to purchase stock (frames in bulk) at a discounted rate.

***OP2:** Key resources are the capital to buy frames....*

The participants further reported that available equipment was a key resource. Equipment was important as it was used in the testing process which in turn resulted in their clients opting to buy spectacles post the test. It was mentioned that clients identified with the latest testing equipment and usually make comments if they saw that a respondent had unique equipment that their previous optometrist had not used in their previous test.

***OP7**: Equipment is our key resource as patients identify with the best equipment and they usually make comments during the test.*

***OP3**: Good equipment is our key resource, and we make sure that we keep it on good condition. This enables us to even recall some patients to tell them if we have a new equipment to introduce a different way of testing their eyes.*

One respondent had mentioned that they were in the process of changing their business model from one to another, a complete overhaul of equipment was in the pipeline in order to meet the needs of the new model that was about to be piloted.

***OP6:** as we are currently changing our business to a low vision practice, we need an overhaul of our equipment. We need to get Low vision aids, visual testers etc.*

Some respondents mentioned human resources as another key resource. Some businesses focused on service delivery, staff's friendliness and efficiency was important. Since the industry was highly competitive, staff had to provide the best service to clients, so that clients could return to support business once again when their spectacles were due to be changed. According to one informant;

> ***OP2:*** *Staff friendliness is key for service purposes and doing medical aid claims the right way so that he business has a good cash flow.*

Furthermore, human resource was mentioned to be important in referring patients for eye tests. Since one respondent practiced in a medical centre setting where human resource was shared amongst other practitioners in the centre such as general practitioner, dentist etc., the receptionists were usually the ones to encourage patients to also do an eye test while waiting for other services. By doing this, they are therefore incentivised by the respondent;

> ***OP10****: since we share reception staff in the centre, we incentivise staff for referring patients for an eye test while they wait to be assisted by the other practitioners in the centre.*

4.3.6 *Business value proposition*

The participants were asked to report on their businesses value proposition. As this questioned was found to be confusing to some respondents, it was often rephrased as ‘’what value proposition were they selling to their clients’’? The results are presented in the following table:

Table 8: Value proposition

Business Owner	Value Proposition
OP1	Price and Guarantee
OP2	Practitioner/patient relationships and freebies
OP3	Specials, free sunglasses and add on's
OP4	Good experience and clinical advice
OP5	Service
OP6	Price
OP7	Quality
OP8	Comprehensiveness, affordability and style
OP9	Price, location and service
OP10	Better Turnaround times, honesty, relationships and service

Key respondents individually reported different value propositions for their independent businesses. This was captured from the below responses:

> ***OP1****: Our value proposition is price. Our prices are fairly competitive and there is no overcharging. We also offer guarantees to our clients in case problems arises. For instance, if a patient is struggling with a multifocal lens, we offer another type of a lens such as a bifocal to help with reading.*
>
> ***OP2****: We have open relationships with our clients to help sort out issues that may arise. We also replace frames. We also give a lot of free stuff such as cleaning sprays and gifts if expensive pair of spectacles is bought. We do free fixes on frame alignments, nose pads. Our policy is if a laboratory doesn't charge us, we also do not charge our clients.*
>
> ***OP3****: We run a lot of promotions and we offer free sunglasses to appreciate client support. We also offer add on's.*

OP4: *Our value proposition is good experience at the shop. We make sure that proper explanation is given to the client.*

OP5*: We are currently building our practice; service is the main focus. We also want to make sure that the practice is visually appealing as people buy with their eyes.*

OP6*: Price will be our value proposition as low vision devices are mostly expensive. Most patients are young and they need electronic devices, but they are expensive.*

OP7: *Our value proposition is quality. We cater for all our patients' occupational needs. We also focus on quality. We also have a sell and not tell policy.*

OP8*: Our value proposition is we offer 'comprehensive, affordable and a stylish product.*

OP9: *We are offering cheaper prices and we are the people optometrist. We also further located in an area where people need the service, so we are service based.*

OP10: *A better turnaround time where patients are able to get their glasses quicker and this was done through negotiating with laboratories. The way we do our eye test is also different from other optometrists. We further interact with our customers and make them comfortable. I become a psychologist of some sort even though I am not trained as I find a lot of patients telling me stuff. We also focus on honest selling when selling add on's and also good service.*

4.3.7 *How business maintains customer relationships*

This section presents results from interviews relating to how respondents were maintaining customer relationships. A majority of the respondents relied on short message service (sms), in maintaining customer relationships. Other mentioned that established personal relationships were also important. The responses are shown in Table 9;

Table 9: Customer relationships

Business Owner	Maintaining customer relationships
OP1	SMS, and personal contact/relationships
OP2	SMS, follow-up calls
OP3	Calls
OP4	SMS and personal contact/relationships
OP5	SMS and follow-up calls
OP6	Follow-up calls, social media and follow-up calls
OP7	Not much being done
OP8	SMS
OP9	Community meetings, Community website
OP10	SMS

***OP1**: We send sms's after seven days to check if everything is alright. I also see my patients every day and I make sure I acknowledge them. Personal relationships are also important.*

***OP2**: We send sms's on their birthdays. We also do follow-up calls. I also have one on one conversations during dispensing to try and find out if they are happy with the frames etc.*

***OP3**: We keep in touch with customers by calling them about our new products. We also invite them to try different ways of doing an eye test at no cost. We also innovate to try and keep customers up to date.*

***OP4**: We send sms's. We also make calls a week after they collect their glasses. Some even come to greet when passing the shop. We have personal relationships with them.*

***OP5**: We make phone calls every two years. We also send special sms's on their birthdays. We will be implementing follow-up calls soon.*

***OP6:** I am a hands-on optometrist. We make calls to our clients, continuous follow-ups and keep them updated on specials. We also post articles on social media on good eye health and a website is coming soon.*

***OP7:** There is currently not much being done. We are behind with recalls. We rely on referrals especially family referrals*

***OP8**: We mostly keep in touch we out clients during the festive season. Our patients also get sms's in January. We are however not in constant communication.*

***OP9:** I attend most community meetings and we also communicate on the community website. We further run specials.*

***OP10:** We send sms's after a year and this is manually done.*

It is important to note that since most practices were operating using specific software, these SMEs were sometimes automatically sent by the system while for those practices that did not have such software then it was manually done or not done at all.

4.3.8 *Current business channels*

Respondents were also on what their business channels were. These channels were how they were communicating with their clients and reaching those segments they had identified. Table 10 is a summary of the responses;

Table 10: Business channels

Business Owner	Business channels
OP1	Community paper
OP2	Word of mouth
OP3	Website and phone calls
OP4	SMS ,pamphlets, website
OP5	Social media, SMS, adverts, word of mouth and posters
OP6	SMS, Email and monthly newsletter.
OP7	Website, social media, word of mouth
OP8	Newspaper adverts
OP9	Community website, community meetings
OP10	Website

***OP1**: We mostly use the community paper and also the innercity gazette.*

***OP2:** We have noticed that marketing does not work. We also tried 5000 pamphlets and also that didn't work. We had few responses from having coupons in a booklet. We also have a social media page, but we have realised that word of mouth is the best. We also get family referrals.*

***OP3**: We make calls to our patients and we also have a website.*

***OP4**: We use sms's and we also hand out pamphlets. Website is coming soon.*

OP5: *We are currently using facebook and we also send sms's to existing clients. We have adverts on the local newspaper. Word of mouth also works and the putting up of posters on our windows.*

OP6: *We send sms's and emails. Once changed, we will also be having a monthly low vision new letter.*

OP7*: We have a website but we do not post much on contact lenses. We also use social media. Word of mouth works for us and some optometrists refer to us.*

OP8*: We place newspaper adverts; however, this has not been done in a while. There is no impact that is seen though and we only do it for special promotions.*

OP9: *We use the community website and also attend community meetings. We also have specials.*

OP10*: We use a medical website. There is no marketing currently being done but we have a good relationship with ophthalmologists in the area who refer back to us.*

4.3.9 *Current customers and how they were selected*

Every business needed to know their customer base. This section presents results from participants after they were asked about who their customers were and how they had decided on them:

Table 11: Customers

Business Owner	Current customers and how they are selected
OP1	First practice: Middle upper class as it is influenced by location Second practice: Low end market. Foreigners and traders. Also influenced by location.
OP2	Not sure who are current customers, but mainly African from township.
OP3	Middle class. More township and CBD dwellers.
OP4	No particular segment.
OP5	Middle to high end and sometimes low end.
OP6	Low vision patients
OP7	Anyone. Broad customer base. Location influenced.
OP8	Middle class
OP9	Still Not sure
OP10	Middle to low class

While most respondents had an idea who their customers were, it was found that their chosen locations had been their major influencer. Depending on where a practice was located, clients located within that particular area would therefore be their clients. This was confirmed by such statements:

> ***OP1****: in our first practice, our clients are the middle upper class. This is influenced by the buildings in the area which houses a lot of corporate offices. I did not decide on this, but was based on available location. There is also a lot of foot traffic.*

***OP2**: Our clients are black African clients as we are close to the taxi rank. They are mostly from the nearby township and this was also influenced by the location.*

***OP8**: Our clients are middle class. They are mostly teachers and nurses. We are located in an industrialised area with basic services. We also see the elderly. Our location determined our customers.*

OP10: Our clients are middle to low clients with budget medical aid plans. This is also influenced by the location.

There were respondents who were not sure who their customers were, however they were servicing all segments;

***OP4**: We do not have a particular segment. Everyone is welcomed. We see high end, middle and also low end clients.*

***OP7:** Anyone is our customer. Whoever walks inside our store. We have a broad based customer segment*

***OP8**: Still not sure, but we are targeting people within the area. It is a residential area with lots of families.*

One respondent had identified a unique segment that the business was going to service. This was confirmed by the statement below:

***OP6**: Our clients are going to be low vision patients. Patients that could not be helped with glasses and this were motivated by my passion for helping people.*

4.3.10 *Business cost structure*

Based on the respondents' way of doing business, the question of cost structure was introduced. This was more focused on understanding the costs that independent practitioners were incurring by operating their business model.

Table 12: Cost structure

Business Owner	Cost structure
OP1	Rent, stock, lab
OP2	Rent is biggest cost
OP3	Suppliers (stock), rent, telephone, marketing.
OP4	Frames(stock), Lab costs
OP5	Marketing and advertising
OP6	Equipment , devices
OP7	Equipment, Rent
OP8	Rental, stock and lab costs
OP9	Frames(stock), salaries
OP10	Lab costs.

A majority of them reported that suppliers for stock (frames), laboratories and rent where their biggest cost structures. According to the participants;

***OP2**: Rent is our biggest expense.*

***OP3:** Suppliers of frames are our biggest cost. The telephone, marketing and also rental space are also our biggest costs.*

***OP4**: Frames are out biggest cost and laboratory costs. We are catering for all markets so we need a variety of frames.*

***OP8:** Rental space, spectacle suppliers and laboratories are our biggest costs.*

***OP9:** Stock as in frames is currently our biggest costs and salaries.*

OP10: *I would say laboratory fees.*

For those respondents who were still trying to establish themselves and get their name out there, the biggest cost was marketing;

OP5: *Marketing and advertising as we are trying to get our name out there.*

Two respondents who were focusing on a clinical model reported that equipment was their biggest cost:

OP6: *Our biggest cost is equipment. We are currently communicating with low vision devices suppliers to negotiate for them to lower prices so that we can be able to charge our customers less.*

OP7: *Equipment is our biggest cost. Contact lenses fitting sets costs money and they are expensive. We also had to buy this corneal topographer /camera.*

4.3.11 *Current revenue streams*

Regarding revenue streams a majority of participates mentioned that the selling of frames and lenses were their revenue streams as shown in the following table:

Table 13: Revenue Streams

Business Owner	Revenue Streams					
	Eye test	Frames/Spectacles	Contact Lenses	Add on's	Medical Aid	Other
OP1		✕	✕	✕		
OP2		✕			✕	
OP3	✕	✕	✕			
OP4		✕	✕			
OP5		✕		✕		
OP6						✕
OP7		✕		✕		
OP8		✕			✕	
OP9	✕	✕				
OP10	✕	✕		✕		

One participant however had changed the business model and was hoping that as much as she will be selling spectacles in her new model, most of her revenue streams would be the selling of low vision devices.

> ***OP6***: *I am hoping that my biggest revenue will come from the selling of low vision devices.*

Some informants further mentioned that contact lenses were giving revenue but not as much as spectacles.

> ***OP1:*** *Every patient is seen as revenue. We sell both spectacles and frames but we make a higher profit on spectacles. We also sell add on.*

***OP2**: The frames give us much revenue as we buy them cheaper and therefore increase the mark-up.*

***OP3**: The selling of frames –spectacles give us revenues and also contact lenses.*

***OP4**: Our revenue comes from both spectacles and contact lenses.*

One participant who was also following a clinical model mentioned that most of her revenues were from branded frames:

***OP7**: Our revenues definitely come from branded frames. We also sell add on's. We always inform the patient and then let the patient decide.*

Since the eye test was the starting point, it was also reported as a source of revenue;

***OP2**: The eye test does not pay much but costs us nothing.*

4.3.12 *Current external threats and how business is addressing them*

This section presents results from participants' responses when asked about current external threats faced by their businesses and how they were addressing them. Their responses are summarised in Table 14;

Table 14: Industry threats

Business Owner	External threats	How they are addressed
OP1	New Practices within same location	Stocking more branded frames. Better service and prices Free Add on's
OP2	Exchange rates leading to suppliers increasing their prices Medical aids not paying more	Buying stock in bulk for better pricing
OP3	Competition from other practitioner/businesses	More payment plans/options eg Edcon cards, accepts all medicals etc
OP4	Exchange rate	Competitive pricing
OP5	Other Practices within same location	Getting information on what competitors are doing and staying ahead.
OP6	Other practices within same location, Medical aids Lack of loyalty from patients Non-paying clients	
OP7	Medical aids, Exchange rate	
OP8	Changing location dynamics Legislation	
OP9	Existing client/practitioner relationships	

OP10	Medical aids	

The increase in the number of other similar businesses within the same location posed a threat to already existing businesses. This was confirmed by respondents using the following statements;

> ***OP1****: New practices in the same location are a threat. There is one next to ours and they keep more branded frames.*
>
> ***OP3****: Competition around is a threat for our business. There are optometrists in every corner.*
>
> ***OP5:*** *Other practices within the same location are a threat.*
>
> ***OP6****: The increased number of optometrists in the area is a threat.*
>
> ***OP9:*** *New optometrists in the area are a threat.*

When respondents were asked as to how they were addressing the increase in the number of optometrists in the same location;

> ***OP1****: I am holding on to better service and price. I also give free add on for those patients who refer other patients to us.*
>
> ***OP5****: We try to keep ahead by knowing what other practices are doing and being on the same page ahead.*
>
> ***OP3:*** *We have made is easier for patients to pay and access our services. We accept Edcon cards, medical aids have a speed point and also we advertise.*

Other threats mentioned by respondents were linked to volatile exchange rates. Since most suppliers import their products, a volatile exchange rate, led to an increase in prices thus making it expensive for business owners to acquire stock;

***OP2**: The exchange rate is a threat. Since everything is imported, suppliers usually increase their prices. However, I have bought stock in bulk before price increase so that I can get stock cheaper.*

***OP4**: The exchange rate is a problem. With the high cost of living, people are spending less.*

***OP7**: The exchange rate. Everything is increasing.*

Medical aid companies were also mentioned by respondents as major threats.

OP2: *Medical aid companies are not paying more for spectacles in proportion to the price increase*.

OP6: *Medical aids are only paying for basic glasses while patients need more than basic glasses. Some need coatings such as anti-reflex coatings which medical aids may not pay for*.

OP7: *Medical aids have these PPN packages and are setting limits, however, we offer other payment options and we do tell our clients that a medical aid is an aid and not a credit card.*

OP10: *Most patients are on budget options on their medical aids and premiums are not increasing significantly while the cost of proving the service is constantly increasing.*

One respondent also mentioned changing area dynamics where location has changed with new foreign shops opening in current location thus causing clients to avoid the store.

Also new legislation that governed the practice of optometry was seen as a threat.

4.3.13 *Changes in business model and reasons*

As this research report is focusing on business models within the private optometry sector, respondents were asked if in the previous years they had changed their business model. The results of the responses are presented in Table 15:

Table 15: Change in business model

Business Owner	Changed Business Model	
	Yes	No
OP1		✕
OP2	✕	
OP3	✕	
OP4		✕
OP5		✕
OP6	✕	
OP7	✕	
OP8		✕
OP9		✕
OP10	✕	

While some businesses have remained operating with the same model since inception, there are business owners who have opted to change their operating model in order to maintain a competitive advantage. Some of the changes are however minimal, in such cases as when a practitioner has moved from an appointment only model to a walk in model.

> ***OP1**: Our previous model was based on an appointment basis, but we have however changed into a walk in bases in order to help assist clients efficiently.*

> ***OP6:** I am currently changing my practice from being a corporate model to a Low vision focused model.*

OP10: *In my previous model I was an independent practitioner with no particular model. I have recently joined a medical centre and I am using their model.*

While some optometrists had not changed their model, competition was forcing them to think of doing things differently. The statement below reflects this;

OP1: *Due to competition, I am thinking of doing things differently but it should be within the scope of ethics.*

While one respondent was not sure if the current model was working or not, another respondent, who had just started their business had opted for a different model because of personal experience with medical aids. Having been in a situation where medical aids do not cover for all procedures, and seeing patients having to top up with cash made the business owner set up a model that will focus on providing a community based, low price model. This is reflected in the following statement:

OP9*: My personal experience made me to decide to change the model that other optometrists are using. I don't want my patients to top up on their medical aids, and on top of that, they should have an option on the type of frames they want*.

4.3.14 *Comments*

Respondents were then given the opportunity to mention any other comments they had especially when it came to the optometry profession and the operating of their businesses. Below is a summary of their comments;

Business of optometry:

OP1*: Operating an independent practice is not as easy as it seems. Sometimes you wish you had buffer money to be able to pay for rent, salaries*

when business is not doing well. I am already thinking of venturing into other businesses.

***OP3**: The business of optometry is threatened by competition. Deregulation of the industry is leading to big corporate entering the industry.*

***OP4**: People are opening their own practices but are not making money. Optometrists should not just sell spectacles, but give primary eye care, treat chief complain, instead of selling glasses to make more money. The scope of optometry is increasing so there is hope. A majority of people who need the help are however situated in the rural areas.*

***OP5**: Optometry needs to be taken seriously as a profession. It is currently too retail based and it is now all about the selling of designer frames.*

***OP6:** the business of optometry is no. Franchise model is shutting independent optometrists out, as their model is more about selling volume. You are making money, but losing touch with patients. Optometrists should further stick together than be in competition.*

***OP8:** The scope of optometry is limited. The profession is not receiving the same recognition as other professions. The profession does not have a people who speak on its behalf. Unacceptable wages are resulting in people opening their own practices thus resulting in congestion. We need government's intervention in helping to improve optometrists' conditions.*

***OP9:** Previously, I did not follow the business of optometry as I was not interested. I am currently learning, but I have noticed that it is not an easy market to operate in especially if you are an independent practitioner. There is a lack of support from suppliers and it seems race is also an issue.*

***OP10**: For black optometrists it is hard to operate in Johannesburg. It is better if you use the franchise model. I am already considering trying other areas outside Gauteng.*

Medical Aids:

***OP1**: The business of optometry is also not what it used to be as medical aid rates are becoming lower every year. ‘’We are cheated by medical aids to a certain extent’’. Their price increases are also not in line with the currency volatility.*

***OP3**: Medical aids are threatening the medical industry.*

***OP7:** Current medical aids payments are low. Optometrists need to stand up and challenge the fees. We need to justify our fees and not let medical aids dictate to professionals.*

***OP10**: Medical aids are changing premiums and optometrists have to deal with explain changes to patients and this is when fraud kicks in.*

Training:

***OP1**: Current training focuses on helping students to become the best clinician, but there is a lack of training or information on how to operate a practice.*

***OP2**: There is not much information from university about the running of practices. They should have taught us more at university on how to run a business. When I started, I did not know about accounting. All I knew was to test eyes but not how to run a business. I had to learn on the job.*

***OP4:** There is a lack of training from university in the operation of a practice.*

***OP5**: There is a need for community service post qualifying as optometrists for gaining of experience. The current training gives information but not the experience. It is better to work for someone first before opening your own practice.*

4.4 Summary

This chapter provided valuable information about business models that independent optometrists were using to maintain a competitive advantage within their sector. The findings which were presented in detail in this study are summarised in the following paragraphs. Based on the responses, a summary of three major themes emerged. These were themes on competition within the industry itself, challenges that the industry and independent optometrists were facing and lastly, models that independent optometrists were using in order to maintain a competitive advantage.

Competition

The participants reported that due to unfavourable salaries, many optometrists had opted to go the private practice route, opening their own practices with the hope that it would have more financial gains. Participants had opted to operate independently. This decision had resulted in the industry being saturated, with practices being found on every corner, thus causing a significant increase in competition. It was also reported that clients were not loyal to a particular practitioner as they were price sensitive resulting in practitioners' /business owners always searching for new ways to lower their prices in order for them to retain customers. Such an increase in competition had resulted in some practitioners resorting to fraud (none of the respondents mentioned that they were directly involved in fraudulent practices) in order to keep running their businesses while other optometrists were already looking at other business avenues. For a few respondents, unique models were being used in order to maintain a competitive advantage and for them, inasmuch as the industry was facing challenges, their businesses were continuing to thrive. These practitioners had found a niche market that they were servicing and their businesses seemed to be more successful than those businesses that serviced an undefined market.

Challenges

Besides increased competition from the saturation of independent practitioners, the franchise model was reported to be a huge challenge for independent optometrists. The franchise model offered better branding. Due to the franchisee in this model being able to buy from suppliers at better negotiated prices, this enables them to sell the product at a cheaper price thus being more at an advantage than independent practitioners. Franchises were also reported to be located at better locations, such as mall's, which helped to attract better paying clients with better medical aid plans, unlike independent practitioners who sometimes found themselves situated in poor locations and attracting clients with budget plans. Attracting such a clientele therefore forced practitioners to create package deals that can fit within that market's medical aid plan thus they struggled to break even. One respondent had mentioned that it was almost impossible for an independent black practitioner to venture into a mall location as branding was an issue, therefore the franchise model would be a better option. However, in current locations, rental costs still posed a challenge for practitioners leading to some business owners opting to locum in order to make more money to cover their overheads.

Medical aids

It was reported that most revenue were derived from medical aid patients. However medical aid companies were a major challenge to optometry businesses as they were setting premiums for clients when it came to optometric services. These premiums were further not rising with the rising costs of providing the service. Medical aids were also paying for basic glasses while practitioners felt that some clients needed more than just a basic pair of glasses as coating such as anti-reflex coatings were needed for clients' benefit. Current professional boards were also blamed for not defending practitioners and justifying the fees that were being charged. Some medical aids were also encouraging the use of certain franchises by their clients as they offered discounts. This posed a huge challenge as it meant more clients opting to use practitioners in the franchise model. This challenge was

addressed through lowering the price of the product and matching with the franchise competitor.

Exchange rates

The fluctuation in currency was also a major challenge for independent practitioners. Since most of the stock (frames and lenses) was imported from places like China, a volatile exchange rate had a negative impact on the cost of providing the service. Suppliers were constantly increasing prices while medical aid premiums remained the same.

Business models

When it came to business models which were the foundation of the study, four significant models were identified that were being used by independent optometrists. Out of the four, one had been challenged by the change in legislation by governing bodies resulting in the respondent changing the model was again. These models were;

The clinical practice model: In this model, the practitioner was more skill based and had identified a niche market to service. Other practitioners were also clients as they referred clients to this practice. Such model required that a practitioner be competent in specialist clinics such as contact lenses, low vision, and binocular vision, paediatrics, etc. and be known as a specialist in this area in order to attract clients and referrals.

The corporate practice model: This model could be linked to the mobile practice model. This practitioner focused more on corporate entities and did most business with corporate clients. The focus was assisting in corporate wellness days and performing eye tests in those locations. Practitioners' premises were more used as an office post corporate work. However, practitioners using this model had to change as legislation made it illegal for optometrists to do eye tests in work places outside a practitioners registered place of work.

The retail practice model: This was the widely reported model with practitioners opting to use this model. This model relied on the selling more of spectacles and add on's to clients. For a practitioner to maintain a competitive advantage, price, service and location was important. This model competed with the franchise model. Practitioners decrease their prices from the eye test, to their spectacles by having package deals. They believed that by offering a unique service such as better turnaround time, other payment options, made them more competitive in this model. Their location was also important as it influenced the type of clients that walked in. Some practitioners were located in medical practices and relied on seeing patients who were visiting other medical practitioners and who had opted to also do an eye test.

The undifferentiated practice model:

Practitioners who reported that they did not follow any model and felt that their businesses were not unique in any way fell within this type of a model. These businesses were either still new and were still trying to find ground and had no defined market or unique product offering. However, such practitioners were aware they needed to differentiate themselves from other practitioners but had not yet decided how they would do that.

CHAPTER 5. ANALYSIS AND INTERPRETATION OF RESULTS

5.1 Introduction

This chapter discusses the results presented in Chapter 4. The discussion is based on the areas covered by the interviews, focusing on the themes that arose from the different responses and further using Osterwalder and Pigneur (2013)'s business canvas to find themes that link business models that independent private optometrists were found to be using in order to maintain a competitive advantage.

5.2 Optometry and SME's

The optometric profession is known to be a clinical based profession with a focus on the provision of eye care. In recent years, the profession has been impacted by legislation and changing environmental dynamics that have influenced how the profession functions. As the literature argues, pre 1994, optometrists were not employed in government hospitals, resulting in its poor distribution (Sacharowitz, 2005), this has also influenced the preference of optometrists going into private practice resulting in a saturation of practices in urban areas (Mashige & Naidoo, 2010). From this study all interviews conducted with independent private practice owners were located in already saturated locations and most of the challenges they reported were linked to increase in competition. Khalique et al. (2011), argues that SME's can be diverse in nature and can be of any type of business activities. This is evident for this profession, as it is clinical in nature, but due to its history has somehow followed business trends, with a majority of businesses located in urban areas and close to shopping centres. These independent practice owners fall within Carson (1990)'s characteristics of small firms which include:

1. An independent management system (managers are also owners)
2. Ownership is by an individual or a small group
3. They have local operations, with staff living within same area

4. And have a relative small size when compared to bigger businesses.

All interviewed business owners fulfilled roles of being managers and decision makers within their businesses. Their operations were small, with a majority owning one practice on average and employing at least two people. This further confirmed the results of the study focusing on South Africa, where it was estimated that small medium enterprises had created close to 80% of new jobs and employed 70% of the population (Cant, 2012). Inasmuch as these businesses employed a few people, they were contributing to the economy by providing employment to the ever growing labour force, as argued by Kongolo (2010) in literature. Using Mahembe (2011), adapted from Falkena et al. (2002)'s table of classifying SME'S in South Africa, these businesses were making an average annual turnover of approximately R1.4M and were making enough to be classified as small businesses, but at the same time employed few people to also qualify as micro. This is also evidence of the inconsistencies that are there when it comes to the definition of SME's by literature. The development of such SME's is therefore key in government's economic development (Dti, 2008). The results of this study are therefore not only relevant to the business owners and academics, but also government at large.

5.2.1 *Challenges faced by the independent private optometric industry;*

Similar to other business, the optometric profession also faces challenges that are business related. Such challenges include slow or no growth and challenges resulting from the constantly changing environment (Wattanapruttipaisan, 2002). Furthermore, SME's are facing challenges of increased competition, exacerbated by globalisation and constant innovation from competitors (Smit & Watkins, 2012).

The results of the study show that independent private practice owners are also experiencing a majority of the challenges that authors such as Hashi and Krasniqi (2011) and Abor and Quartey (2010) highlight when studying SME's in emerging economies. Respondents report that competition has increased with fellow practitioners establishing practices in close proximity to each other. This has not

only forced business owners to innovate, but also try to match prices, as most customers are price sensitive. With corporate practices having entered the market, this has posed further challenges for these small practice owners. Corporate practices, which are referred to as franchises in the South African context, are independent private practice owners' biggest competition. This is because they have better resources, are well known brands and located in areas which are often frequented by customers, such as malls. While independent practitioners offer the same skill set, these corporate practices are offering better prices to the target market as they are able to negotiate for better buying prices from suppliers, unlike the independent practices. Secondly, due to high rental costs, independent practices are forced to operate in more affordable locations, thus ending up attracting a different clientele.

Some of these challenges faced by SME's are internal, whilst others are external (Lu & Beamish, 2001). It is important to note that the challenges faced by the studied businesses seem to be significant as these businesses are also governed by ethics.

Internal threats

Internal factors, which are within a firm's control and can be managed internally include; finances, human resources and operations (Olawale & Garwe, 2010). Poor planning, a lack of financial planning and poor management are some of the internal threats that result in SME's failing (Bowen et al., 2009). This study confirms some of the challenges that Hashi and Krasniqi (2011) claim SME's face. While most business owners used their own capital to invest in their start-ups, there seems to be challenges of continuous cash flow which one respondent labelled as ''buffer money'' to keep doors open. This is more evident in the new businesses that have just been established, which forces business owners to sometimes take up other work to generate extra income. The research further reveals that most business owners use their own start-up capital to invest in these businesses while others get a family member lending them capital.

Another internal issue that is evident is poor management, resulting from a lack of knowledge on how to operate a unique business, such as these practices. This is supported by literature as one of the challenges that SME's face, the lack of managerial skills, finance, equipment and latest technology (Abor & Quartey, 2010). Respondents mentioned that inasmuch as they have the clinical training to perform the eye tests, business knowledge seems to be a challenge as current university training does not pay much attention to the subject of practice management. Some business owners have however identified this as an inhibiting challenge for their businesses and are seeking further training. One respondent indicated that they have acquired a Master's in Business Management, while another was working on a Bachelor of Commerce degree. Other respondents are learning on the job through trial and error. This poses a threat as small firms often face resource constraints and the owner is the sole decision maker (Durst & Runar Edvardsson, 2012), and in these businesses they also have to perform the clinical work. During the study, it was also evident that the business owner fulfils other roles, depending on the needs. These roles could involve doing administration, such as medical aid claims, preparing invoices, answering the telephone, due to human resource constraints.

External threats

The external environment has various factors that can either enable SME growth or inhibit their growth (Hashi & Krasniqi, 2011). Man et al. (2002) mention that this is further influenced by a lack of market power and the ever changing nature of emerging markets, making SME's more susceptible to the external environmental challenges than large firms. These factors are often non-financial, however have a huge impact on the firm as they can determine success or failure of that particular small medium enterprises (Abor & Quartey, 2010); external threats may include factors such as; economic, social, political and also legislation factors (Knight, 2000). The optometric industry is also not immune to these factors, as seen from the results of the study.

Legislation

The optometric industry is constantly faced with legislation changes that govern the scope of practice. The study highlights how some optometry business owners have had to change their business models in response to changes in legislation. These legislations have recently been enforced by professional bodies that govern the profession. With the introduction of the therapeutics course (Jeewa, 2014) for optometry, it is anticipated that this will result in a change on how optometrists operate their private practices. Deregulation was also found to have a negative impact in the industry, as it has resulted in large corporate entities entering the market and creating an uneven battle field.

Exchange rates

Due to globalisation, the world has become a global village with integrated markets and frequent economic volatility (Baffour Awuah & Amal, 2011). A global economy has emerged where the balance between a customer and supplier has been changed (Teece, 2010).

The research highlights how inasmuch as these entities do not export their products, they rely more on imported frames and lenses in order for their businesses to operate. These products are often supplied by South African companies who import them from places such as China. A volatile exchange rate results in constant price increases for these businesses, in turn increasing their cost of sales. This has forced a majority of business owners to constantly be on the lookout for new suppliers who are charging lower prices, offering discounts and supportive of their businesses' different growth stages. Suppliers who offer better payment terms and free stock are important for these independent private business owners. The research revealed that one business owner had settled for a supplier who was even offering stock on consignment. Some suppliers were also accused of being less supportive to certain business owners due to race issues; however, this was not within the scope of this research.

- **Competition**

The results from the interviews reveal that an increase in competition has resulted in practitioners practising in the same location and forced to compete for the same customer base. Inasmuch as no practitioner had admitted on record that they were resorting to fraud, it was mentioned by one respondent that such competition had forced practitioners to resort to such practices in order for them to survive. One practitioner is even taking other jobs just to help make enough to break even. The challenges faced by these businesses are not unique, as any other business faces such challenges, especially in a low barrier to entry industry such as this one where an optometry qualification is the major prerequisite.

While some businesses might have entrepreneurial characteristics, these studied entities, seem to be struggling to find their feet with some business owners being satisfied with doing the same thing all over again and earning for themselves a reasonable income and employing a handful of employers which by using Badenhorst-Weiss et al. (2010)'s argument, these business owners are stuck in the "self-employed" phase. Self-employed or entrepreneurs, these business owners are continuing to contribute towards the economy through job creation and most importantly, the elimination of avoidable blindness.

Marketing

In a study by Cant (2012), a correlation between a lack of marketing skills and SME failure was found and respondents mentioned that they were aware of these shortcomings. This research further confirms this, as most business owners report not doing much marketing for their businesses. While some are advertising on social media and newspapers, a majority of the practitioners are relying on word of mouth. This could be attributed to the legislation that governs the advertising of health care related businesses and also the lack of a budget. Furthermore a lack of budget, as most SME's are often faced with capital constraints (Abor & Quartey, 2010), is also having an impact and forcing business owners to use cheaper advertising options. Most the capital that is invested in these businesses originates from the owners, thus limiting their businesses growth in the long run, as argued by

Hashi and Krasniqi (2011). Some respondents believe that their current marketing strategies are not working as these are not bringing in any clients. Literature further confirms that this lack of marketing is influenced by the lack of cash resources, marketing expertise, the business size and a lack of identifying and addressing customer problems (O'Dwyer, Gilmore, & Carson, 2009).

5.3 Business models

Globalisation has also had a positive impact for businesses as it has also encouraged innovation within businesses (Man et al., 2002). This has resulted in the emergence of business models with the influence of the knowledge economy (Teece, 2010). In a knowledge based economy, intellectual capital is one of the key resources that is key for a firm to maintain a competitive advantage as it continues to replace physical assets (Khalique et al., 2011). In literature, Valkokari and Helander (2007) further argue that knowledge based activities are crucial in today's economy.

Business models are a new concept with academics constantly trying to explain and identify them. However, the concept of business models is still poorly understood within research (Osterwalder, Pigneur, & Tucci, 2005; Lambert, 2008). With not much focus placed on the management of optometry businesses, the study of business models within this industry is neglected. This is influenced by the lack of focus of the current university curriculum on the management of practices but with the primary focus on the clinical training of the profession. This was evident as most respondents confirmed that their training did not equip them on practice management content and this is also supported by (Richter, 2007)'s work. This lack of marketing could also be influenced by the lack of resources and the legislation that govern the advertising within health care.

As in all businesses, independent private practitioners are learning from their mistakes through trial and error and finding models that they believe work for them and are able to maintain a competitive advantage while other models are not properly defined and are most likely to cause practitioners to fail.

The interviews revealed three business models that seemed to exist within the interviewed respondents and these models are labelled by the researcher as per below;

5.3.1 *The retail optometrist model*

In a study previously done by Mashige and Naidoo (2010) studying optometric practices and practitioners in KwaZulu Natal, 89% of respondents had 41% and above of their total revenue from spectacle lens sales and 11% had 41% and above from contact lens sales. This emphasises the importance of these products in the operation of these businesses, they are the highest income generators. After all, Mashige and Naidoo (2010) mention that the prescription of devices is the primary role for all optometric professionals.

This model places importance on price, service and location to compete. One could argue that this model places emphasis on cost leadership to maintain a competitive advantage. Dess et al. (2014) argues in literature that such a firm focuses on creating a low cost positioning and as they progress, they are able to cut production costs thus being able to charge less for their product.

This model is almost mimicking the franchise model, however, it is impacted by poor branding as an independent practitioner may not have the resources to advertise lower prices as franchisees do, to attract more customers. Since a majority of SME's that are retail based, are found in urban areas (Abor & Quartey, 2010) most of practices using this model are located in busy centres, often with foot traffic.

Service

Literature confirms this by mentioning that in the retail based model (RBM) in today's ever changing world, the focus is on; (1) the format that will be followed, the important activities that will be taking place during the retail activity, (2) activities that encourage the customers' experience and (3) the management of the important people who look after the experience and their motivating incentives (Sorescu,

Frambach, Singh, Rangaswamy, & Bridges, 2011). This has been evident with the emphasis respondents place on service and improving customer experience to encourage them to return or even refer other potential clients. While some respondents opt for less costly strategies such as the offering of tea/coffee during waiting hours, other go to the extent of training their staff and offering incentives for good service rendered.

Price

The price model is more vulnerable to external threats which often cause SME's to have a high failure rate (Olawale & Garwe, 2010). Literature argues that such factors may be beyond the firm's control and may include economic, social, political and also legislative factors. This is true for these practitioners who compete on price, economic changes that impact on the exchange rate has a huge impact on their businesses as they rely more on selling devices that are often supplied by wholesalers who import them. The results show that price is used as a value proposition for most of the business owners using this model. Practitioners therefore resort to buying stock in bulk to gain discounts, use cheaper laboratories, while other practitioners join buying groups so that they can get their material cheaper and are able to make a considerable amount of profit. This strategy is also used by other practitioners operating within other models, but is more evident within the retail based model.

Sorescu et al. (2011), further argue that the retail model has two characteristics;

- It sells products manufactured by others thus causing its focus on product assortment unlikely to lead to a sustainable competitive advantage as the same product may be available elsewhere. This has been evident from the study with respondents mentioning that the type of spectacle frames they have in stock are available at their competitor's shop since most of them buy from the same suppliers. Sorescu et al. (2011) suggests that, for this model to succeed, the focus should be not on what the retailer sells but rather on how they sell it. This is confirmed by the focus on service by some of the respondents from the study as they try to differentiate themselves from a

competitor who might have the same product. The most innovation that practitioners have also focused on, based on their responses, is the way the eye test is performed with some introducing the latest equipment and performing different ways of testing to the satisfaction of a new client who might have not been tested this way previously.

- The second characteristic that Sorescu et al. (2011) mention for this model is that retailers will interact with customers to foster relationships. This is argued to increase customer satisfaction. The results show that most business owners following this model, label themselves as hands on practitioners who create relationships with their customers and will be mostly involved throughout the buying process, including the dispensing of the frames post the consultation room.

The retail based model has the potential to generate revenue, but is however easy to replicate by a competitor therefore making its competitive advantage not sustainable in the long term (Sorescu et al., 2011). One of the major external challenges that this model is facing is the issue of medical aid premium. With a majority of clients being serviced within urban areas on medical aid options, medical aids are setting payment premiums for services rendered by these independent practitioners. Furthermore, due to the impact of globalisation, some businesses struggle to move from a particular model and have less competitiveness (Lee et al., 2012).

Some practitioners operating within this model find themselves not only competing with other practitioners in the same model, but also with franchisees. As franchises are bigger and have a more defined model that already has been proven to work, independent practitioners are at risk of trying to compete with a well-tested model while they do not possess the resources that these franchises have. Furthermore, some medical aids have partners with big franchises to offer discounts for their clients. This puts more strain on the independent optometrists as they are often forced to lower their prices in order to stay competitive.

This model may at times be unethical, going against good practice in the health care industry. With the focus more on selling volumes, the research reveals that business owners who do not consider ethics important fall into the trap of over selling or prescribing spectacles when it is unnecessary so that a sale can be made. This retail based approach model therefore contributes negatively to the perception of the profession by other medical professionals.

5.3.2 *The clinical optometrist model*

This model has a form of differentiation. As literature has previously discussed, companies operating within this form of model differentiate themselves through their product or services (Chesbrough, 2007). Sosna, Trevinyo-Rodríguez, and Velamuri (2010) argue that businesses might design business models that are often strongly influenced by the founder's prior education and experience. This model further follows what Dess et al. (2014) argue is a form of differentiation where a business will offer products or services that are different from what the market is offering and price is not considered to be important as customers are willing to pay a premium as long as they perceive the product to be unique. Suppliers also have less power as it becomes a privilege to supply such a brand.

The study therefore reveals practitioners who have set themselves apart from others by using skills obtained in their clinical training and also previous work experience in their businesses. These practitioners have decided to become specialists in a particular clinical skill, such as contact lenses and low vision, in order to gain a competitive advantage. While a passion for this mode of practice is important, this has not only brought about renewed interest in their professional expertise, but it enables them to service a market that most businesses are ignoring. Inasmuch as the selling of spectacles is still part of their businesses, the focus is more on becoming a clinical expert in that chosen field. Other practitioners who are not practising these clinical skills often refer clients to these independent practice owners. This fostering of relationships and co-operating with other firms can assist a firm in gaining new competencies, conserve resources, share risks and moving into new markets (Van Laere & Heene, 2003). This model seems to be following

the characteristics of a knowledge economy where intellectual capital is used to maintain a competitive advantage rather than physical assets, as argued by Khalique et al. (2011).

An interesting aspect of this type of model is that practitioners have the opportunity to sell more pairs of spectacles, as a practitioner might decide that a client needs other optical devices such as hard contact lenses or hand held magnifiers that the retail optometrists might not have available. As Lubit (2001) argues that competitive advantage is increasingly being found in the skill set of the knowing how, rather than access to different resources and markets, business owners operating in this model are more skill based and are therefore able to maintain a competitive advantage.

In order to survive in a competitive environment, many SME's go through cost cutting measures and decide to concentrate on core competencies (Van Laere & Heene, 2003).

Equipment is crucial to this model, with practitioners investing in equipment that is relevant to clinical expertise and the business model being used. This was evident in that the business owner who was focusing more on the contact lenses clinical model, having machinery such as topographers, different lens fitting sets enabled her to perform her expertise while the low vision practitioner was still negotiating with suppliers who are going to supply equipment at affordable prices. This is important as other business owners who were following a different model, did not report having such specialised equipment as their key resources.

5.3.3 *The corporate /mobile optometrist model*

The sustainability of any business model is often unclear as it is influenced by market changes, such as new innovations, competition and changes in regulation (Sosna et al., 2010). This is evident in the impact a change in legislation rendering the mobile/corporate optometrist's model obsolete. This therefore confirms what literature argues, that models will have to change from time to time so that business

owners continue to reap value from their businesses. The environment is constantly changing and so the businesses operating within this environment need to adapt.

However, it is important to discuss the corporate/mobile clinic model as it does exist and one might find some practitioners still operating within it. The research confirms this as one business owner still has contracts with corporate clients and they still require the services that practitioner is rendering. The research found that this model was similar to the retail model, but the focus was not much on price, but volume and convenience. This model requires the business owner to be able to visit corporate entities and perform screening/ eye test. The practitioner is taking the service to where the people are and is affording the opportunity for a majority of people to get their eyes tested, who would normally not visit a normal operating optometrist. Since most of these clients are on medical aid, the study revealed that their businesses' primary location was not generating income as the corporate clients were providing more revenue.

Changes in legislation have however impacted this model, forcing business owners to explore other models. This is further confirmed by literature where it is argued that as the market environment changes, business models may not be sustainable in the long run thus resulting in less profits which forces business owners to innovate their models for them to remain competitive (Sosna et al., 2010). According to the South African Optometric Association, this model is being discouraged because it has been found that some mobile clinics contravene ethical rules, such as clinical negligence, inadequate level of care, insufficient equipment, canvassing and touting and not providing means of aftercare (SAOA, 2014).

5.3.4 *The Undifferentiated business model*

This model is mentioned in the literature review and is discussed by Chesbrough (2007). Entities that fall within this model are mentioned not to have a process in place to manage them. These businesses use price and availability to entice customers and are often not different from their competitors as they do not offer anything unique.

Such a model can be argued that it follows what Porter (2008) and Dess et al. (2014) refer to as a focus type of creating a competitive advantage. This they claim is when a firm finds a niche and focuses on a limited product line and certain target market and can use both cost leadership and differentiation to attain market share.

This model is also evident amongst the studied responses as some mention that their businesses are not in any way unique to their competitor. Newly established entities where optometrists only have clinical expertise fall within this model. Their business model will therefore go through what Sosna et al. (2010) refers to as a business model innovation through trial and error.

As a business owner gets more experience in the running of their business, it is expected that they may decide to revaluate how they operate their businesses and decide to explore any of the above discussed models or any other models that might not have been used by these respondents or concluded from this study.

5.4 Summary

Innovation within small firms has been found to be high in firms that are able to understand and match their external environment, organisational goals and individual passions or goals (O'Dwyer et al., 2009). Some of these unique businesses are being operated by clinically qualified individuals who sometimes lack the business knowledge to find a niche market to operate in, hence always finding themselves trying all they can so that they can maintain a competitive advantage. Some business owners have managed to match the environment they are operating within, their organisational goals and capabilities with their passion for a particular skill set. They have managed not to ignore other parts of their skill which also gives them a substantial income, they have been able to use a model that is more sustainable and relevant for a knowledge economy. Businesses that are still battling to find ground and innovate must succumb to competition pressure and practitioners might be forced close shop and look for other opportunities, while the need to their services still exists. Innovative business models have managed to afford convenience and affordability in many industries while the health care

industry is often faced with regulatory barriers which have made the industry still inaccessible with high costs even though they are made in good faith (Hwang & Christensen, 2008). However, with the healthcare system continuously being inaccessible and unaffordable, none of these business models are bridging the gap to address the main issues. As changes are implemented by the Department of Health in South Africa, such as the introduction of the NHI, many of the existing models might be obsolete in the long run if business owners are not becoming innovative in their business models in order to address health care needs.

CHAPTER 6. CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This study explored challenges that independent private practice optometrists are facing in operating their businesses and how business models are being used as a source of competitive advantage. This was an attempt to investigate how in a highly competitive, legislated and global environment, independent optometrists were maintaining a competitive advantage. The purpose of this chapter is therefore to highlight a summary of the key findings and conclusions that were reached, based on the studied literature and conducted interviews.

6.1.1 *The main research issue*

This study explored the following main research issue;

What business models are used as a source of competitive advantage within the private optometry sector?

6.1.2 *Research issues*

In exploring the main research issue, the following sub- issues were addressed:

1. What challenges are independent optometrists in the private sector experiencing?
2. How are they addressing these challenges?
3. What business models are being used to maintain a competitive advantage?
4. Was there a defined process that was being used to get to these models?

As discussed in Chapter 3, to gather data, semi-structured interviews were conducted with 10 independent practice owners who were operating within the private sector.

The next subsection summarises the key findings of the study, while also highlighting some of the recommendations and conclusion, supported by literature.

6.2 MAJOR FINDINGS

The findings from this study confirmed that independent practice owners were facing similar challenges to those faced by SME's within other industries that have previously been studied. What was unique about these businesses is that owners had a particular skill that they possessed since they all have an entry level qualification to practice, therefore giving all of them an equal advantage. However, a lack of business knowledge, resources, changing legislation, globalisation, was impacting the growth and functioning of their businesses. The study also revealed how poor salaries often forced graduates to venture into opening their own businesses hoping to make a better living, while without proper experience and knowledge, these new businesses struggled to break even, resulting in a number of these businesses having to close shop. Medical aids have also constantly posed a challenge for these businesses as the premiums paid to practitioners were reported not to have increased significantly. Medical aids were also reported to have been encouraging customers to visit other bigger corporate entities to gain discounts. This therefore resulted in business owners trying to compete by lowering their prices to match those of bigger corporate entities located within the same areas of business.

The location of a business influences the type of clients that walk into that business. Practitioners operating within areas close to taxi ranks and train stations usually attracted clients with medical aid options that did not pay much for the services being rendered. Business owners who have decided to open shop within medical centres were relying on referrals from other practitioners with whom they worked and therefore good working relationships were crucial.

A volatile exchange rate which has impacted on the cost of sales was constantly forcing business owners to be buying from suppliers who offer better payment terms and extra services, just to try and cut down on cost.

Training offered by universities for the optometry profession, was also reported to be adequate for the clinical side of the business, but fell short on providing skills that graduates needed to be able to operate their own businesses in case they decided to venture into private practice based on the current offering of the job market.

The study further revealed that in as much as business models exist within these businesses, some of them were not well defined and coherent. This forced business owners to follow a trial and error way of getting into a model that would end up giving them enough income to survive that period of time until they faced new environmental challenges that would force them to innovate.

The study further revealed that a majority of the studied businesses were not innovative in their models as they followed the retail based model which also competes with the franchise model. This model focused on price, location and service. However, this model was the easiest to replicate and practitioners faced a considerate amount of competition and constantly needed to attract new clients by either lowering their prices or giving free ad on's as a majority of the clients were price sensitive.

In this study, it was also found that due to changes in legislation, one model had become obsolete for a practitioner who had been following it. However, it had provided a competitive advantage earlier and, due to legislative changes, a new model needed to be used.

The one model that the study revealed that seemed to be helping practitioners to maintain a competitive advantage was the clinical model. The model merged the retail skills and the clinical skills and thus was able to offer a product that was not offered by other practitioners. Practitioners who were seen as competitors by other business owners, were operating within other models, were actually key partners for this model as it also worked on referrals. This model capitalised on the specialist skill set that all practitioners have been trained on, but some choose not to explore due to many reasons such as unique equipment being required to perform or even skill competency.

6.3 RECOMMENDATIONS

The findings discussed above have implications for both independent private practice owners, academic institutions, government and other stakeholders interested in the development of small medium enterprises in the eye care industry.

6.3.1 *Recommendations for optometrists*

Optometrists wishing to venture into private practice or are in private practice need to;

- **Perform a visibility study on the area in which they want to be located.** This will enable them to understand the type of clientele they will be servicing thus being able to create a business model that will be suitable for that market
- **Innovate and create business models that are based on their addressing the health care needs, unique and also in line with their passions.** This will help them have a competitive advantage in the long term while also addressing societal needs.
- **Business owners need to seek training on the running of their businesses if they want to be continuously ahead of their competitors.** Inasmuch as practice owners are clinically trained, they also need to understand that their chosen path requires them to understand how businesses operate and how environmental changes can have an impact on their businesses and being able to address such changes.
- **Partnerships with other practitioners.** Independent practitioners are currently fragmented. Seeing other practitioners as partners and not as competition can assist business owners in fostering relationships for sharing of information and forming buying groups to negotiate better prices with suppliers in trying to cut down costs of getting stock.

6.3.2 *Recommendations to academic institutions*

- **Business management training**: the re-evaluation of the current training program offered to optometry students to give more information and experience on the running of practices/businesses post University.

6.3.1 *Recommendations to government and other stakeholder*

- **The evaluation of regulation** to make sure that such regulation does not impact business owners negatively and there is a balance between protecting the patients and also business owners and these businesses are crucial for economic growth.
- **The creation of an even battle field by other stakeholders** such as medical aids, and not favouring certain models for their benefit but for the benefit of the client.

6.4 Limitations and further research

This section looks at the limitations of this study and areas of future research.

6.4.1 *Limitations of the study*

Limitations of the study are highlighted and indicated as per below:

- The study was cross sectional and was limited to ten independent practitioners and was therefore not representative of all independently operated optometry practices.
- The age of the respondents and years in operation could have resulted in less experience, thus impacting the findings.
- Using snowballing sampling method resulted in the study having respondents from within a particular race and this could have resulted in challenges only affecting that particular demographic being reported.
- The study of business models is a new subject with conflicting views and a lack of management literature for optometry businesses could have impacted responses and findings.

6.4.2 *Further research*

Future studies on business models as a source of competitive advantage with the private optometry sector could consider;

- A larger cross sectional study that will be a representative sample to allow a better generalisation of the findings.
- Comparisons on the impact on a practitioner's business post a business qualification.
- Looking at other provinces to see if independent optometrists may be using different models to maintain a competitive advantage as the environment might be different.

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APPENDIX A

Interview Schedule for business owners:

Demographics

1. Name : _____
2. Practice name: _____
3. Location: _____
4. Gender: _____
5. Age: _____
6. Education Level: _____
7. Occupation: _____
8. Position: _____
9. Classification of location of business: _____
10. How many years in operation? _____
11. How many practices do you own? _____
12. Estimated investment: _____

13. Number of full-time employees: _____

14. Annual turnover: _____

Business Model Canvas

15. Competition within the optometry industry: Personal Thoughts:

16. How is your business maintaining a competitive advantage?

17. Who are your key partners?

18. What are your key activities?

19. What are your key resources?

20. What is your value proposition?

21. How do you maintain customer relationships?

22. What are your business channels?

23. Who are your customers and how did you decide on them?

24. What is your cost structure?

25. What are your revenue streams?

26. What are external threats faced by your business and how are you addressing these threats?

27. Have you had to change your business model and why?

28. Other comments?

29. Summary of Key issues observed?