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University of Witwatersrand, Wits Business School

A case for an online based business for African print material operated in Gauteng

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Executive Summary

The paper presents a business case to determine the commercial value and the viability of establishing and running an online store for the sale of African print material and other traditional accessories. Although the business case will be operated in the Gauteng Province in South Africa, its customers will not be limited to any geographical location and will thus include customers from all the provinces in South Africa including the Gauteng Province, and tourists visiting South Africa. The current market appears to be made up of informal sales points at disproportionately situated business areas in Gauteng; including “Kwa-Mai Mai”, the Fashion District, along Diagonal street in the Johannesburg CBD, and in other informal markets in major business districts such as Marabastad in Pretoria (EAU, 2012). These are the business hubs for African print material (Akinwumi, 2008). They are considered unsafe and congested, they do not respond well to consumer behavior and are managed informally rather than competitively, contrary to retail market approach expectations (Bénit-Gbaffou, 2014).

African print material has been used by Africans to serve different purposes, particularly African traditional events. This fabric has also found its way into mainstream fashion, were celebrities such as Beyoncé Knowles, Rihanna, Fergie and Kim Kardashian have also taken a liking to the fabric.

The emerging middle class in South Africa on the other hand has increased its spending on technological goods. The advent of social media and online shopping has also created opportunities for new entrepreneurial initiatives. This study thus presents a business case to determine the commercial value and the viability of establishing and running an online store for the sale of African print material and other traditional accessories.

The results of the study conducted as part of this business case found that the online business case for the sale of African print material does have a significant and sufficient market size. This was based on the willingness and capability of potential consumers. The study also found that most effective market entry strategy is a focused differentiation strategy where value for the consumer will be increased to justify a high selling price for the business case. This will be done while simultaneously keeping cost low and by forming alliances. The most effective value chain and organizational structure for the sourcing, production and distribution therefore is one of outsourcing the modular system of production while distributing through the use of a private courier respectively. Using the Capital Asset Pricing Model as a basis, the study also

calculated a positive Net Present Value over a three year horizon which was consistent with the entry strategy findings, demonstrating a financially viable business case.

Declaration

I, Dumisani Praise-God Sibiya, declare that this business case and accompanying study is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Dumisani Praise-God Sibiya

Signed in Parktown

On the _____ day of _____ 2019.

Dedication

I would firstly like to thank Jesus Christ our Lord, our God for the amazing strength, resilience and wisdom he has bestowed unto me. This is dedicated to my dear mother, Maureen Philisiwe Sibiya, for her continued and unwavering support in both the good times and in bad times, I love you dearly. This paper is also dedicated to my nephew, my sister, wife and father. To my big brother, Gebhard, my aunts and uncles and my entire extended family. Lastly but not least, to my beloved daughter and niece, Thandolwenkosi Nandi Sibiya and Siyamthanda Snakhokonke Sibiya respectively, may this paper be an inspiration to you!

I also wish to extend my gratitude to:

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1. Strategic context

In this chapter, the intention is to present the strategic context for a business case. Sections 1.1 presents the business need. Section 1.2 and 1.3 outlines the drivers of change and the business outcomes respectively. Section 1.4 outlines the business opportunity. Lastly section 1.5 summarizes the chapter.

1.1 Business need

This paper presents a business case to determine the commercial value and the viability of establishing and running an online store for the sale of African print material, related clothing and traditional accessories. Although the business case will be operated in the Gauteng Province in South Africa, its customers will not be limited to any geographical location and will include the customers from all provinces including the Gauteng Province in South Africa and tourists visiting South Africa.

1.2 Drivers of change

The current market for the African print material, related clothing and traditional accessories appears to be made up of informal sales points at disproportionately situated business areas in Gauteng; including “Kwa-Mai Mai”, the Fashion District, along Diagonal street in the Johannesburg CBD, and in other informal markets in major business districts, i.e. Marabastad in Pretoria (EAU, 2012). These are the business hubs for African print material (Akinwumi, 2008). They are considered unsafe and congested, they do not respond well to consumer behavior and are managed informally rather than competitively, contrary to retail market approach expectations (Bénit-Gbaffou, 2014). According to the 2017 South African crime statistics, Johannesburg Central reported the second highest level of crime in South Africa, with 13,044 reported crimes (SAPS, 2017).

Additionally, these business hubs are positioned to service the wholesale market rather than the individual consumer, because they normally sell their products in bulk and do not offer value for the ‘ordinary’ consumer market. The online business concept intends to determine whether introducing market-friendly practices is an effective response to consumer demand as a business strategy, and to formalize the sector into a commercially viable e-commerce store, through the use of technology.

In South Africa, as is the case for most emerging and developing economies, the textile and clothing sector in which the Isishweshwe, a term commonly used to refer to African print

material, falls is a major contributor to the country's economic growth (Truett, 2008). One instrument through which government has intervened to support this industry is the Clothing and Textile Competitive Programme which awards a grant to entities working towards the modernization of the manufacturing processes in this industry (FP&MSeta, 2015; Xiaoyang, 2014). To complement government intervention, bilateral trade agreements with neighboring countries within Southern African Development Community (SADC) encourage free trade within the region (Moodley, 2003). One of the most promising aspects of the future of trade in this sector is in finding its place in the National Development Plan (NDP) (Sewell, Mason, & Venter, 2014). Government intends on using the sector to stimulate jobs. Accordingly, Ramdass & Pretorius (2008) noted that government should support the modernization of production techniques, currently about 58% of manufacturers in this sector make use of the Cut, Make and Trim production system which is an old and outdated technique. Only a few leading players in the clothing and textile industry use modular techniques for production purposes (Ramdass & Pretorius, 2008). The advantages of an effective modular system are in total quality improvements, maintaining timely production and in performance improvements (Ramdass & Pretorius, 2008).

Another key consideration to factor in is revenue creation for the Trade and Retail sector. The key components for a growing sector are revenue generation, cost containment, profitability and value creation for investors (Govinden, 2013). Research shows that retail sales in this sector are expected to expand continuously from 2012-16 and this will be caused in particular by the continually emerging black middle class (PriceWaterhouseCoopers, 2012). The Profit Margin for the sector, for the period of March to June 2013 was under 10% (Govinden, 2013). In 2016, return on equity's (ROE's) was particularly strong for specialty retailers (retailers focused on product differentiation as opposed to price), at 51.6%, while grocery retailers averaged at 22.3%, and clothing retailers were at 41.1% (Mashego, 2017).This represents a growing sector, one that has increasing net profits and increased value for shareholders, thus creating a need to penetrate the existing market and unearth the commercial viability of this sector.

The advent of e-commerce has resulted in increased opportunities for entrepreneurs as this allows for reduced start-up costs while increasing the number of consumers that have access to the products and services being sold by the e-commerce store. In order for online stores to realize strategic success, it is important that they ensure timely and reliable service, maintain a strict distribution and delivery policy for products in order to gain trust from their customers (Ahn, Ryu, & Han, 2004). To this end, the postal system is constrained and is widely perceived to be inefficient and poorly run (PriceWaterhouseCoopers, 2012). Most e-retailers prefer to

use private courier services to deliver goods and services because of concerns around the reliability of the postal services, this is especially prevalent in deadline driven deliverables, which may translate into additional and significant operational costs (PriceWaterhouseCoopers, 2012).

1.3 Business Outcomes

The business case is intended to deliver commercial shareholder value. The primary objective of the study conducted as part of this business case is thus to determine the commercial value and viability of the business case. The study conducted as part of this business case therefore seeks to:

- Measure the size of the market for African print material and other traditional accessories,
- Establish the demand form this market for selling African print material and traditional accessories online,
- Establish the most effective value chain and organizational structure for the sourcing, production and distribution of the African print material and traditional accessories and finally
- To measure the potential value and viability of the business.

From the consumer perceptive, value is created by providing a one-stop, safe, secure, convenient shop offering superior quality African material, related clothing and traditional accessories. Through the use of the online store the consumer will no longer need to commute to the unsafe central business district to purchase African print material, related clothing and traditional accessories. Furthermore, the business case aims to reduce interactions between the tailor and the consumer by ensuring that made to measure clothing is made to accurate specifications and delivered to their doorstep, increasing consumer satisfaction through timely delivery of quality made to measure clothing, material and accessories.

1.4 The Business Opportunity

For a long time, African print material has been used by Africans to serve different purposes. It is so highly appreciated that it has been used as a form of currency in some West African countries (Willard, 2005). African print material has become synonymous with African tradition, culture, and expression (Willard, 2005). The importance of fabric on the continent stands in the expression of thoughts, ideas, and cultures (Oyedele, 2013). It is no surprise therefore that a cultural evolution has led to increased uses of the African Print Material, including uses

associated with traditional and cultural events. These events symbolize the different life stages of an individual in African culture (Beckwith & Fisher, 2000; Goldberg, 2011).

These events play a huge role in the life of an African and come at a considerable cost. Expenses arise from social gift-giving and ceremonial life (Bryceson, 2002). Umemulo is one example of these traditional events. It is a cultural ceremony that is meant to introduce the 'coming of age of a young girl' from youth into womanhood (Kubeka-Ngobese, 2004). For the event, she is dressed in African print material. Lobola negotiations, Umabo and Umembezo are other traditional events that are held as part of the wedding ceremony. During these events, the participants are also dressed in African print material. In fact, any event characterized as a cultural or traditional one, is accompanied by the presence of African print material, e.g. this includes mass events like the Annual Zulu Reed Dance and initiation ceremonies. These events do not only happen within the Zulu nation but also spreads across other South African ethnic groups including Sepedi people, Venda, Sesotho, Setswana, and Xhosa (Afolayan, 2004).

As African self-expression and identity gains a new footing, African print material has found its way into mainstream fashion (BBC, 2014). From bold multicolored prints to rich textures, Africa is increasingly asserting its place in fashion ("Kisua takes african fashion global," 2013).The fabric is featured in contemporary designs that are being used ever more often in everyday life. Celebrities such as Beyoncé Knowles, Rihanna, Fergie and Kim Kardashian have also taken a liking to the fabric (Africa, 2014). Whether it is Fancy, Java or Real Wax, or an imitation, African printed fabrics have become part and parcel of African lifestyle, as they express their beliefs, convey a symbolic meaning, or bring people together. Presently, people from different continents are beginning to embrace and use these fabrics (Chichi, Howard, & Baines, 2016).

Africans are learning from each other through social interactions on the issue of the preservation of an African identity and our heritage. Over time the African print material has been reduced in significance, to use in traditional events exclusively, it now appears that new innovative ways are being sought to bring out traditional values into the present. In addition, there isn't enough evidence to suggest that the current demand qualifies for a business case that justifies the development of an online store for the sale of African material. It is not clear whether this is a bankable business concept and as such the study conducted as part of this business case seeks to perform a quantitative analysis to determine if this holds true. Through this business case, investors will be able to assess the economic value and viability of the business case.

1.5 Chapter Summary

This chapter introduced the business case for selling African print material online. The chapter also established that there are current uses for the African print material although the market appears unstructured.

2. Literature Review

This chapter presents the literature review describing the African Print Material industry in particular in order to assess the potential commercial value and the viability of starting an online (e-commerce) store for the sale of African Print Material. Section 2.1 presents the product analysis, Section 2.2 presents the situational analysis, using the PESTEL framework; Section 2.3 presents the competitor analysis, using the Porters Five Forces framework. Section 2.4 presents the current trends in consumer behavior towards online stores, Section 2.5 presents the existing strategies considered by the clothing, retail and online industries, Section 2.6 presents an economic assessment of these industries, and finally, Section 2.7 presents the chapter summary.

2.1 Product Analysis

The main products under consideration in this business case are the African Print Material (Isishweshwe), and African traditional accessories. These products are meant to be sold online via an e-commerce platform. The Isishweshwe is made of a textile fabric which comes in two forms (Konyana, 2017). The two are in the form of a costly wax fabric and a cheaper version, which is commonly known as “Fancy” or “Roller Prints” (Konyana, 2017).

The Fancy print fabrics are printed only on one side of the, unlike the wax fabric that is printed on both sides (JurkowItsch & Sarlay, 2010; Nielsen, 1974). The Fancy textile print is a high-volume print produced in half the time for a fraction of the cost (Castonguay, 2009). In Africa, where the costly wax print is still produced, wax-resist dyeing was originally practiced by the Yoruba tribe in Nigeria, Soninke and Wolof in Senegal (JurkowItsch & Sarlay, 2010). The cheaper Fancy print is imported from Asia and resembles the classic wax designs (www.taipeitimes.com, 2009). According to Castonguay (2009), these are often smuggled textiles. The printed fabric behaves differently to the wax fabric when it is washed (JurkowItsch & Sarlay, 2010). The Fancy print uses chemical dye as opposed to natural dyes (JurkowItsch & Sarlay, 2010). Brand names for the fabrics include Abada, Real English wax, Veritable Java Print, Guaranteed Dutch Java Hollandis, Uniwax, Ukpo, Chitenge (Akinwumi, 2008). Both

types of fabrics bear these brand names, these names are given to fabrics by existing suppliers in the market and are used as a market differentiation instrument (Akinwumi, 2008).

African Print Material is a complete fine cotton fabric tightly woven in a plain weave before different motifs and patterns are printed on it (Textiles, 2015). They are printed through differing dyeing techniques using dyes that dry quickly for ease of use (Oyedele, 2013). African print is typically a material of good quality. It is smooth when touched and is well ventilated (Oyedele, 2013). It also is an exceptional absorber of moisture and it dries fast (Oyedele, 2013). This makes it ideal for the climate in Africa because of cooling effect that it has (Oyedele, 2013).

2.1.1. Taking care of African Print Material

Care of African Print Material is best achieved by adding table salt in the wash to the second and to the last rinse using plain water for the last rinse (Oyedele, 2013). This helps to fix the colour (Oyedele, 2013). In order to revive the color of the African print, an acidic rinse should be applied by adding a table spoon full of vinegar to one quart of water in the final rinse (Oyedele, 2013). The African Print Material can be hand-wash or machine-washed in a cool soap solution with no detergent (Oyedele, 2013). It has little luster and poor elasticity according to Oyedele (2013) due to being a printed cotton material. Its colour bleeds out when drenched in water. This is when it is of a substandard quality (Oyedele, 2013). The fabric stands out well when congealed by placing it in cool starch solution and eliminating maximum moisture. The fabric needs to be dried in a cool and dry place (Oyedele, 2013). Additionally this cool and dry place needs to be void of sunlight or excessive heat (Oyedele, 2013). African Print Material should only be ironed when moist and should be ironed on the opposite side of the print with a warm iron (Oyedele, 2013). For a better product offering, the business case will seek to find solutions for consumers to address this problem.

2.2 Situational Analysis

2.2.1. Political and Policy Commitments

In South Africa, as is the case for most emerging and developing economies, the textile and clothing industry in which the African Print Material belongs, is a major contributor to economic growth (Truett, 2008). As a result, the textile and clothing sector has and continues to receive significant government and political support as it is believed to be labor intensive and can be an effective instrument to decrease unemployment (Truett, 2008). One instrument through which government has intervened to support this industry is through the Clothing and Textile Competitive Programme which awards grants towards modernization of manufacturing

processes (Fibre Processing and Manufacturing Seta, 2014; Xiaoyang, 2014). Another vehicle government uses to provide its support is the Clothing and Textile Competitiveness Improvement Programme. In this programme, the state provides a 60% subsidy towards the training of technicians in the form of a grant, and 40% is funded by factories (Xiaoyang, 2014). Government also provides preferential loans to clothing, textile and leather companies in order to support the industry and protect jobs created by this industry (Xiaoyang, 2014).

Complementing the above government interventions are bilateral trade agreements with neighboring countries within SADC which encourages free trade within the region (Moodley, 2003). The nature of free trade across borders is in the form of duty-free or at negotiated tariff rates applicable to the 'Most Favored Nations' (MFNs) (Moodley, 2003). The US Africa Growth and Opportunity Act (AGOA) is another instrument that has helped South Africa to get into free trade arrangements which are intended to help improve South Africa's competitiveness within this sector (Moodley, 2003). These policy instruments are tools which enable the South African Clothing and Textile manufacturing industry to compete across the globe, including awarding grants intended to give the industry a competitive edge (Moodley, 2003).

A promising component of the future of this industry is how it has also found a place in the National Development Plan (NDP) (Sewell et al., 2014). The South African government has made a long-term commitment to continue its support for this industry and ensure strengthened partnerships with role players (Sewell et al., 2014). Government is committed to supporting local producers and manufacturers in the industry and on improving trade within the SADC and other African regions (Sewell et al., 2014). The SA government has bolstered its efforts in encouraging the use of technology and online markets to build ease of access to international markets for export-led trade relations, especially in the US and the UK (Sewell et al., 2014). This huge contribution ensures certainty in its policies for support in this sector and assures investors and producers of a stable business environment.

2.2.2. The Role of the Clothing and Textile Industry on Employment and Economic Growth

The South African Wholesale and Retail Sector is the fourth largest contributor to the country's GDP (Sewell et al., 2014). Despite the introduction of the above mentioned policies, the South African Clothing and Textile industry employs about 80 000 employees as of 2013 and has experienced a reduction in employment due to the 2008 financial crisis (Matsoma & Ambe, 2017). The South African industry, with Cape Town and Johannesburg as market makers, keeps the industry relevant to South Africans and other African consumer markets (Matsoma & Ambe, 2017). This industry's dynamism is achieved by taking stock of African clothing

designs from all over the continent, keeping up with products that appeal to people from all walks of life within the continent and abroad. According to Ambe & Matsoma (2017), to alleviate economic pressure, South Africa has positioned itself as the central hub of Africa's fashion industry including a growing African print sub-industry and this strategy is expected to deliver results very soon.

South Africa is amongst the top five countries in the Sub Saharan Africa (SSA) with regards to global share of production of clothing and textiles (Morris & Barnes, 2014). According to Barnes and Morris (2014), this sector accounts for US$ 375 billion in exports with Asia (led by China) recognized as the dominant role player. For most developing economies, this sector plays a huge role in job creation; Lesotho's industry contributes 80% of its labour (Morris & Barnes, 2014). In Honduras, this sector contributes 79% of its labour, and Cambodia experiences about 30% of its labour according to their respective county's national employment statistics (Morris & Barnes, 2014). With so much labour market influence, the apparel industry (including the production of African Print Material) has a significant muscle to affect long lasting government support when it comes to trade deals and grants to support the manufacturing processes.

In SSA, South Africa has become the alternative regional market for apparel production with exports jumping from US$42 million in 2005 to US$90 million in 2011. 15% of the total of South African exports are exported to Lesotho, and 49% to Swaziland, making these countries key South African partners (Morris & Barnes, 2014). This alone makes the African print material production in South Africa a lucrative business and serves as an example to other African markets looking to South Africa for apparel wear.

The South African apparel industry has lost over 100 600 jobs between 2002 and 2010. It mostly employs women, especially those coming from poor backgrounds (Ramdass & Pretorius, 2008). These employees receive weekly wages (Ramdass & Pretorius, 2008). However, given the industry's influence on labour statistics, it attracts significant participation of trade unions, making unionists major trade partners for producers and/or manufacturing companies (Ramdass & Pretorius, 2008). The SA Government realizes the role of the trade unions and prioritizes their needs through commitments to ensure that unionists work hand in hand with producers to create a stable business environment (Ramdass & Pretorius, 2008).

2.2.3. Current production techniques in the clothing and textile sector

Ramdass & Pretorius (2008) noted that about 58% of manufacturers in this sector make use of the Cut, Make and Trim production system. Under this system, production processes are

not separated and no formal procedure is followed. Furthermore, these producers are sole proprietors thus making this a predominantly informal industry. Only a few role players in the clothing industry use modular techniques (Ramdass & Pretorius, 2008). This strategy compartmentalizes production activities from the input stage to the output stage. An input stage is for separating and sorting input material, an intermediary stage for readying the production of input material, and an output stage for packaging and dispatch. Culture and attitude are very important for effective team work. The advantages of an effective modular system are the total quality improvement, maintaining a just in time production environment, and performance improvements (Ramdass & Pretorius, 2008).

Consumers are mostly interested in the quality and look of the cloth and the way it reflects the consumers taste and social status (Masseme, 2016). Some manufacturers of African Print Material have unique approaches to their production processes, and therefore hold intellectual property rights for the designs of their material (Masseme, 2016). This industry is characterized by customers who place high frequency production orders putting manufacturers under immense pressure to meet delivery deadlines. An online stores' presence is yet to be felt especially in the African print sub-industry, which is currently managed using an authoritarian leadership style (Ramdass & Pretorius, 2008). The support of technological innovation by the government places online entrants at an advantage as this will attract low-cost base entrants, and yet potentially generate revenues of massive upsides, due to government's trade support programmes (Ramdass & Pretorius, 2008; Xiaoyang, 2014).

A new driver of sales being explored by commercial retailers are online e-commerce sales platforms (PriceWaterhouseCoopers, 2012; Traver, 2007). This sales channel has a significant following for the youth, middle class, and tourists (Teng, 2013). The clothing industry, particularly the African Print Material industry has not explored this selling channel effectively due to the current informal operational arrangements and traditional leadership styles, which aren't open to modern trends. The introduction of an online store as a sales channel for African Print Material will not only help improve online sales but it will also build on the relationship between producers and end users of the African Print Material.

2.3. The Competitive Nature of this Sector

Despite South Africa's labor reduction threats in the early 2000's the country's Clothing and Textile industry remains competitive (Nattrass & Seekings, 2010; Seekings, 2014). While the general commercial clothing sector faced severe threats from China's growing clothing production industry, the African Print Material industry, which is traditionally led by South

Africa, remains domestically and internationally competitive (Nattrass & Seekings, 2010; Seekings, 2014). Investors tend to look into the general trends in the clothing industry, however it is important to note that the African print clothing should be afforded unique focus and treatment given its unique and steady growth within the African markets, especially upon the African Print Material's urban transformation (Abraham, 2013).

According to Xiaoyang (2014), South Africa is considered Africa's biggest player in the apparel industry with over 2000 manufacturers. Thus, the influence of its producers becomes very insignificant in the highly competitive industry. South Africa's producers compete based on price given the competitive nature of the sector (Xiaoyang, 2014). The consumer base, on the other hand is also significant cutting across the African continent and international markets, which reduces the bargaining power of local consumers (Xiaoyang, 2014). Raw material supply is a bottleneck for textile mills, which means local textile mills have to compete with foreign buyers for cotton (Xiaoyang, 2014). This means cotton suppliers exercise their bargaining power when trading with producers within the clothing industry (Xiaoyang, 2014). However, South Africa's fabrics are generally easily accessible, thus making easier for producers to obtain fabrics at cheaper prices.

2.4. Trends in Consumer Behaviour towards Online Stores

The emerging middle class in South Africa, affectionately known as "Black Diamonds" relish shopping and have developed a sense of taste for luxury cars, ostentatious and expensive clothes, large houses and tend to take their children to private schools (Kruger & Saayman, 2014). This picture is different from the past, when this group spent more of their income on clothing and food, and less on high technology goods (Goldberg, 2011; Moodley, 2007). These changes are being influenced by, but not exclusively by, increased income, mobility and information (Goldberg, 2011; Kruger & Saayman, 2014).

Most e-commerce related research sees that the rational process of consumer decision-making as a rational process, is indeed rational and is informed by the cognitive level problem solving and also information processing skills (Lee & Lin, 2005; Verhagen & van Dolen, 2011). Research has demonstrated that an electronic style of communication, the effortlessness use of websites, and delight leads to positive behavior in buying (Verhagen & van Dolen, 2011). Additionally, positive buying behaviour is informed by time saving, competitive prices offered by web shops, safe delivery, regular offers, cash on delivery options, and the advantage of being able to buy at any time (Monsuwé, Dellaert, & De Ruyter, 2004). Lowered trust-worthiness, warranty, the requirement of pay cards, the delay in the delivery and the risk of hacking of personal and financial information are the main problems encountered by

consumers when shopping online (Monsuwé et al., 2004; Traver, 2007). Hans van der Heijden (2004) and Ottaway (2004) state that another significant factor is colour. Colours on e-commerce site that do not accurately represent the true color of the actual product sold leads to loss of customers. Since the typical online shopper is also computer literate, both the fun in shopping and the perceived usefulness of the site strongly predict their intention to return to the store for more business (Koufaris, 2002).

There is also an irrational process that prevails online (Verhagen & van Dolen, 2011). Impulsive purchase orders occur in 40% of all online expenditures (Verhagen & van Dolen, 2011). Functional convenience beliefs (i.e. about the online store's attractiveness level and the easiness of use and delight, enjoyment, and website communication style) translate into impulsive online purchases (Verhagen & van Dolen, 2011). Emotions dominate the impulse purchasing process (Verhagen & van Dolen, 2011). Cross-channel consumers typically spend more (PriceWaterhouseCoopers, 2012).

2.5. Existing Strategies

There are many strategies that organizations can use to avert industry risks and shortcomings, and in so doing protect the organization's ability to profit and deliver on their customer excellence (PriceWaterhouseCoopers, 2012).

One of the strategies retailers could adopt is to use a cost-based pricing strategy which recognizes heightened industry competition and thus maintain lower product prices (Euromonitor, 2015). Companies using this strategy tend to focus on improving efficiencies operationally and improving the way the market is accessed, particularly the marketing channels (PriceWaterhouseCoopers, 2012). One such technique that allows for improved efficiencies is the Just-in-Time system, which helps companies to procure stock on demand (Motiwalla & Khan, 2003; Steinfield & Whitten, 1999). Currently, most of the companies in the retail and textile sector make use of this strategy (Motiwalla & Khan, 2003; Steinfield & Whitten, 1999). African Print Material sold via traditional methods in informal settings also attract this kind of pricing.

An alternative is the value-based pricing strategy which is based on product differentiation (Shin, 2001). Companies which adopt this strategy are innovative and target niche product offerings, which also counteracts the threat of product substitutes, new entrants into the market, and competition among existing firms (Shin, 2001). By creating products that meet the needs of consumers in these niche markets, companies can command higher prices (Shin, 2001; Zott, Amit, & Donlevy, 2000). In addition, these companies would focus on being

customer centric which helps to align all efforts towards responding to the needs of customers (Shin, 2001). This client orientation has a positive effect on business performance in both the short and the long run (Kumar, Jones, Venkatesan, & Leone, 2011). The advantage in business performance from having a customer-centric organization is greater the earlier the adoption of this industry approach (Kumar et al., 2011). It's recommended, with the introduction of online platforms for the sale of African Print Material, that companies seize the opportunity and differentiate themselves from their competitors in terms of quality, safety and provide clients with an urban feel at the point of sale.

Companies should also explore product line expansion such as introducing other African accessories in an online store. This can also be a good strategy especially for a firm that wants to provide end to end solutions for its customers (Shin, 2001). According to Porter (1987), expanding your product offering into related product lines may result in skills transfer or sharing of activities, such as promotion and distribution, which may lead to a competitive advantage over a stagnant strategy (Porter, 2008; Shin, 2001).

For online stores to realize their success, it is important that organizations ensure a timely and reliable service, and maintain a strict distribution and delivery policy for products in order to gain the trust of its consumers (Ahn et al., 2004). Customers fulfillment with regards to their online shopping experience is seen as having delivered on accessibility and convenience, that their needs have been met and that they bought a unique product and lived a unique shopping experience (Osterwalder & Pigneur, 2010). In terms of actual delivery by courier services, customers are increasingly placing pressure on retailers to improve the speed of delivery (Wallace & Smith, 2017). The postal system is constrained and is widely perceived to be inefficient and poorly run (PriceWaterhouseCoopers, 2012). Most e-retailers prefer to use private courier services to deliver goods and services because of concerns around the reliability of the postal services, this is especially prevalent in deadline driven deliverables (PriceWaterhouseCoopers, 2012).

The introduction of online stores in the African Print Material sub-industry is expected to disrupt the market for the clothing and textile industry (PriceWaterhouseCoopers, 2012). The ability to complete business processes electronically is a particularly attractive feature in the new economy where production cycles are short and efficient (Motiwalla & Khan, 2003). As competition rises, companies are obliged to find solutions in making their supply chains more efficient and advance their technologies in order to reduce the cost of doing business and enhance the customer experience (PriceWaterhouseCoopers, 2012).

2.5.1. Marketing Strategies

Marketing frameworks are applied to create marketing strategies, in e-commerce these frameworks are the SOSTAC, PRACE, and VMOST (Chaffey & Bosomworth, 2015; Olson, 2016; Reed, 2014). On the Internet, consumers can easily collect information about products or services without traveling to stores to inspect products and compare prices (Shin, 2001). An alternative to this is when companies make consumer product comparisons more difficult to do by differentiating their products (Shin, 2001). One possible competitive strategy is product bundling (Shin, 2001). A product (or service) bundling strategy counteracts the threat of product substitutes and rivalry among existing firms (Shin, 2001). Product bundling is a technique that prevents the customer from comparing individual items and it also encourages and promotes the benefits of an entire package, (Shin, 2001). Because consumers are becoming more proficient on using the internet, their power will increase and they will only buy products that match their needs and wants precisely (Kshetri, 2007). Bundling can also be thought of as discriminatory pricing strategy since it reduces the heterogeneity of choice customers face, and thus their willingness to pay for individual items (Shin, 2001). In bundling, a single price is applied to a bundle. If consumers' demands remain heterogeneous even after bundling, then a mixed bundling strategy, which charges different prices for different bundles, can be applied (Shin, 2001). In relatively small markets of developing countries, firms can add value by bundling together various products and services (Kshetri, 2007).

With regard to pricing, online retailers can employ a discriminatory pricing strategy that makes it difficult for buyers to compare the prices of alternative product offerings (Shin, 2001). Sinha (2000) suggests two approaches for price discrimination: the first being a price lining strategy and the other being a smart pricing strategy. Price lining relates to the practice of offering the same products or services at various price levels to meet diverse customers' needs (Shin, 2001). Smart pricing on the other hand refers to the practice of charging different prices from market to market, depending on the unique market conditions and differences in how customers value the same product differently (Shin, 2001). Notwithstanding the intensive price competition, however, better value products and services will ultimately raise switching costs for the customers while still commanding higher margins (Shin, 2001). Price skimming strategy is crucial as a brand positioning technique in the niche category (Akbar, Omar, Wadood, & Yusoff, 2017).

The popularity of television commercials as a means to advertise goods sold is declining (Shin, 2001) . Another technique, associated with the traditional marketing for the mass audience, of using trade discounts and allowances is not as effective as they were in the past (Shin, 2001). This is due to the Internet according to Shin (2001). For example, in cases where the rival's

product differ very little in terms of price and quality and where products can be compared easily against each other, these traditional means of media use is declining because customers can now easily acquire corroborative or contracting information on the internet (Shin, 2001). A tactic often used to create a direct connection with the customer by entering into a dialogue with the customer about the products, this is called dialogue-based marketing or one-to-one marketing) (Shin, 2001). The advantages of this personalized is the greatest when the product has detailed features or if the product is marketed as a state of the art product (Shin, 2001). The Internet is best deployed when it employs this type of marketing that is based on direct, personalized relationships with customers (Shin, 2001). Shin (2001) refers to this as relationship marketing. Organisations thus need to formulate customer-centric strategies of promoting goods and services that respond to this increased customer power (Shin, 2001). Brand management will be successful only when it is associated with beliefs and experiences such as feelings, associations, and memories (Shin, 2001). Another promotion strategy for gaining competitive advantage is revenue-sharing marketing strategy (Hoffman & Novak, 2000; Shin, 2001).

Another method that companies can use to differentiate their products and services is a faster and a more efficient method of delivery of their products to their customers (Shin, 2001). This is corroborated by a PricewaterhouseCoopers report (2012) that stated that most retailers rely on private courier services for deliveries, especially those that are time-sensitive and this ultimately adds significant costs for the retailor that needs to be passed onto the consumer (PriceWaterhouseCoopers, 2012). Contracts with third-party courier companies that provide fast, efficient delivery because they have in-depth and superior expertise and can take advantage of economies of scale in distribution are thus preferable (Shin, 2001). Another alternative to this approach is to integrate the online store with a conventional bricks-and-mortar businesses, this is known as the bricks-and-mortar strategy (Shin, 2001). Additionally, these businesses need a fully automated back office (i.e. the distribution warehouses etc.) to meet the expectations and demand from consumers (Shin, 2001). Mass marketing techniques is one of the reasons why many online companies do not realize profits (Shin, 2001).

2.6. An Economic Assessment of the Clothing Industry

The key components of a growing sector include revenue generation, cost containment, profitability and value creation for investors. In terms of total retail sales, research shows that sales in this sector are expected to continue to expand steadily from 2012-16, driven in particular by the continued emergence of a black middle class (PriceWaterhouseCoopers, 2012). Although overall growth will be moderate, sales growth will be strong at both the low-end and high-end, reflecting South Africa's income spread (PriceWaterhouseCoopers, 2012).

Sales by value will grow by an average of 7.85% in nominal terms from 2012-2016 (PriceWaterhouseCoopers, 2012). Margins in the retailing sector are under severe pressure currently (PriceWaterhouseCoopers, 2012). Pick and Pay notes that their online sales channel is an important part of their business, and recognizes that it's however still a small and slightly profitable division of their business (PriceWaterhouseCoopers, 2012). Woolworths has also acknowledged that online sales have increased by at least 20% annually and this is both in terms of volume and in value (PriceWaterhouseCoopers, 2012). Companies with electronic business (EB) initiatives experienced improved performance in the post-EB era (Motiwalla & Khan, 2003).

The Profit Margin for the trade industry for the period of March to June 2013 was under 10% (Govinden, 2013). Small firms averaged a 7% profit margin during the same period (Govinden, 2013). In March 2016 the Profit Margin ratio had decreased to 3% (Govinden, 2013). Turnover to Fixed assets amounted to 3.48, net profit before tax on turnover 0.04 and Net profit before tax on fixed assets amounted to 0.13 (Govinden, 2013). Turnover on closing inventories amounted to 2.33 (Govinden, 2013). Operating margins for department, discount and specialty stores typically run 6% to 10% (Rigby, 2014). Amazon, whose results are similar to those of other e-commerce companies and divisions, has averaged only 1.3% in operating margins over the past three years (Rigby, 2014). In 2016, return on equity's (ROE's) was particularly strong for specialty retailers, at 51.6%, while grocery retailers averaged 22.3% and clothing ROE's were 41.1% (Mashego, 2017).

Whilst the Net Present Value (NPV) appears to be the most widely used measure to calculate the value of a business, no literature exists on what the appropriate NPV is for a similar business. The NPV is critical in assessing the economic viability and represents the difference between the present value of cash inflows and the present value of cash outflows over a period of time (Govinden, 2013).

2.7 Chapter summary

The literature indicates that the product has appeal and value, that a market exists with significant purchasing power, and that the trends in the environment are positive. The literature also supports the notion that the online retail industry is profitable and has a positive return on equity.

3. Research Methodology

3.1 Introduction

This chapter will seek to respond and describe the approach used to address the key considerations outlined under business outcomes in chapter 1 by testing the feasibility of the business case. This chapter is thus structured as follows. Section 2 presents the data and data sources, section 3 will address the research design and methodology and lastly section 4 will summarize the chapter.

3.2 Data and Data sources

This research paper will investigate the commercial viability of the case by using data from the primary and secondary sources. Primary data is data collected from the source of the information for the first time (Cooper, Schindler, & Sun, 2011). It is very useful because it provides first hand and credible insights while secondary data is information that is readily available because it has been collected or produced by others already (Miles, Huberman, & Saldana, 1994). The reason for this approach is because this commercial viability needs to be tested by testing the hypothesis formulated and this cannot be achieved by using only one data source. In other words, primary data is used because there is insufficient applicable secondary data available to address the commercial viability of the case, in its entirety, and that is why the use of primary data becomes applicable. The same is true for secondary data, where secondary data is used because the primary data that will be collected using the questionnaire will also be insufficient to test the commercial viability, if it is not used in conjunction with the primary data. It can then be said that the use of both sources of data will establish if the case is commercially viable or not, in its entirety.

Qualitative data is data that cannot be measured, it is information that relates to qualities and is descriptive in nature and is used mainly to understand reasons, motivations and opinions (DeFranzo, 2011). Quantitative data on the other hand is data that can be measured and can be represented by numbers (Surbhi, 2016). Because the business case intends to confirm the commercial viability hypothèses, and because any business's success is measured using quantitative values through the analysis of profits and losses, quantitative data will thus be the most appropriate. For the purposes of this study therefore only quantitative data will be used.

Primary data, on the other hand, will be collected using a survey questionnaire that will be distributed using the below mentioned approaches:

- Wits.eu.qualtrics.com

- Circulated to collegues electronically
- Circulated to WBS students electronically
- Circulated to industry participants manually and electronically

3.3 Research Design, methodology and hypothesis

The environmental analysis identified a positive trend for the African print material usage and popularity. From this literature, it is clear that there is a sizeable market for these goods and services and this will be the first hypothesis

The literature revealed the many uses for the African Print Material in African culture across the African continent. A second hypothesis that can thus be formulated is that there is significant demand from this sizeable market.

Current competitors, which currently supply the current market suppliers are small family owned, unstructured and informalised imply an opportunity to expand using economies of scale, formalize, structure the business case. This implies that the business case can use sound business judgement, technology and academic models and innovation to create competitive advantage. This business case will thus seek to deploy innovative business models and technology to create a sustainable competitive advantage. An appropriate business model exists and this is the third hypothesis.

A case is made in this business case that there is indeed financial viability albeit not sustainable nor substantial. This is based on the fact a majority of the current participants are small, informal and family run. A proposition made in this business case is that there is financial viability, this thesis thus seeks to determine whether this viability is still sustainable should the business case deploy innovate and sound business acumen, technology and academic models in an attempt to formalize this business sector. The last hypothesis is the positive financial viability of the business case.

The research will thus focus on establishing the commercial viability of the business case by testing the four hypothesis namely:

- The size of the market
- The demand of this market segmentation
- The preferred organisational and value chain structure
- The Financial viability

The sample size for the primary data collection will be 78 for consumers while industry data will be collected from 12 industry participants (manufacturers). A questionnaire will be used to collect this data and will be divided into two sections, the first for the customers and the second will be targeted at industry participants. These samples will test the first three objectives described above. SPSS statistical analysis software will be used to statistically analyse the data.

The questionnaire used for this study was establishing the commercial viability of an online store selling African print material is assessed as valid (face validity) because each individual question included in the questionnaire was addressing any four of the hypothesis formulated. All of these hypothesis we in turn informed by the commercial viability of an online store selling the African material clothing and traditional accessories. The findings are also in line with literature.

Additionally, the technique of triangulation was deployed where the same question was asked from multiple perspectives. This resulted in a good internal consistency where most respondents answered the same for each question.

To test the financial viability of the business case, a balance sheet, income statement and cash flow statement will be constructed based on the insights gained using the above explained secondary and primary data. These will be interpreted using ratios and these will be compared to industry standards. In addition the below discounted cash flow formula will be used to establish the value of the business.

$$NPV = -C_0 + \sum_{t=1}^{T} \frac{CF_t(1-\tau)}{(1+\bar{r})^t} \qquad \text{Where} \qquad C_0 = \sum_{t=1}^{T} \frac{CF_t(1-\tau)}{(1+IRR)^t}$$

For the NPV formula:

- Co is the Initial Investment
- CFt is the expected pre-tax flow in year t
- T is the tax rate
- R is the WACC or weighted average cost of capital
- T is the duration of the project

3.5 Limitations of the study

The expenditure projections used in the financial viability calculation are subjective and would vary based on geographical location. Additionally, numerous other assumptions where made when testing the financial viability of this business case.

The projections used are also subject to inflationary changes. An inflationary increase will escalate costs proportionately, reducing the projected profit margins and the Net present value and the internal rate of return. This will in turn reduce the desirability and viability of the business case.

3.4 Chapter Summary

This chapter began by providing an overview of the data and data sources, documenting the type of data that was used as well as where it was sourced. The chapter continued to discuss the research design. The next chapter presents the research findings.

4. Analysis and recommendations

4.1 Introduction

The purpose of this chapter is to present the results, analysis and recommendations of the research. This chapter is thus structured as follows: Section 2 presents demand side factors while section 3 presents supply side factors; and section 4 finally presents the commercial viability of starting an online store for African print material.

4.2 Demand Side Factors

4.2.1. Consumer Demographics

Indicator Variable	Category	Survey Results
Gender	Males	69%
	Females	31%
Age	18 – 24	5%
	25 – 29	15%
	30 – 39	58%
	40 – 49	15%
	50 – 59	5%
	60+	1%
Nationality	South Africa	92%
	SADC Countries	5%
	West Africa	1%
	East Africa	1%

The results of this business case are based on 78 respondents surveyed and currently residing in South Africa. The respondents are composed of both males and females of which males were 69% of the sample size (54) and females constituted 30% of the sample size (24). A majority of the respondents were between the age group of 30 and 39 followed by 25 and 29 and 40 to 49 respectively. Senior citizen were the least at 1% but young adults made up just about 5% of the study. The survey also considered that national backgrounds have a bearing on the choice of African material that consumers could purchase. As a result, what was evident in the sample size is that a majority of respondents are South African making up 92% (72) of

the sample size and SADC Countries constituting 5% (4). Countries with the least representation included West African countries and East African countries constituting 1% each.

Indicator Variable	Category	Survey Results
Race	African	92%
	White	4%
	Coloured	3%
	Other	1%
The Area of Residence	Suburb	72%
	Township	17%
	Central Business District	4%
	Rural	8%
Marital Status	Single	50%
	Married	37%
	Divorced	3%
	Widowed	4%
	Cohabiting	6%

The results show that most of the respondents were African at 92% and the minority groups including whites, colored and other had the least scores at 4%, 3% and 1% respectively. Favorable to this business case is that about 72% of the respondents reside in suburban areas of thus making transport logistics for goods easy to distribute since Gauging suburbs have good road infrastructure and will be easy on risk insurance when considering theft. Only about 17% of respondents reside in townships with central business district and rural areas making up the least contribution of 4% and 8% respectively. Another interesting finding indicating a level of strength for the business case is that over 60% of these respondents are not married thus indicating likelihood to purchase traditional attires and accessories for their own African weddings, events or day to day wear. Respondents that are single are 50% of the study group, followed by married respondents at 37%, then divorced at 3%, widowed at 4% and cohabiting at 6%.

4.2.2. Consumer Spending Analysis

Indicator Variable	Category	Survey Results
Monthly Income	<2000	3%
	R2001 - R4000	4%
	R6001 - R10,000	3%
	R10,001 - R20,000	18%
	R20,001 - R30,000	21%
	R30,001 - R40,000	12%
	R40,001 - R50,000	17%
	R50,001+	18%
Ability to Buy African Print Material Currently	Yes	59%
	No	41%
Preference for Online Purchases of African Print Material and Traditional Accessories	Yes	83%
	No	17%

According to the table above, a majority of respondents earn income sufficient to afford African print material. About 18% earn income between R10,001 and R20,000, 18% earn income over R50,001 and about 33% earning income between R20,001 and R40,000, and 17% earn income between R40,001 and R50,000. Of these respondents only 59% demonstrated that they do purchase African Print material. Given the opportunity to utilize the online store to purchase African Print material in future, 83% of the respondents showed willingness to purchase African Print material. This means that an overwhelming majority of the respondents have the resources, capability and skills to make purchases online. This is positive finding for the business case.

Indicator Variable	Category	Survey Results
Extra-Mural Activities	Travelling	25%
	Live Concerts	6%
	Church	18%
	Shopping	9%
	Other (Sports, music, gaming, home activities)	42%

Indicator Variable	Category	Survey Results
Composition of African Print Material bought Per Annum	0 - 1 Item	39%
	2 Items	14%
	3 Items	20%
	4 items	8%
	5 Items	9%
	Greater than 6	10%

In support of their income, the respondents are quiet active people spending their money through traveling and related activities (25%), attending live concerts (6%), playing an active role at church (18%), shopping (9%) and other activities including sports, gaming, and home activities (42%). These individuals do purchase African Print Material or traditional accessories annually and most of them spend about 3 items per annum. Currently, with a limitation of African print material being available in urban areas and or shopping platforms, it would be interesting to see to what extent the respondents would be willing to purchase more African print material or traditional accessories per annum.

Indicator Variable	Category	Survey Results
Rand Spend on African Print Material/Accessories	R0	23%
	R1- R300	17%
	R301 - R900	20%
	R901 - R 1200	27%
	R1201 - R6000	12%
Proportion of African Print Material/Accessories in Wardrobe	Less than 20%	64%
	Between 20.1% - 40%	14%

Through this study's results, the survey respondents have demonstrated ability to purchase African Print Material and/or traditional accessories. One might think the survey respondents do not have any interest in such clothing material or accessories given that they live in urban areas and as such have lost connection with their African ingenuity. However, based on spending patterns, it is clear that this is not the case as most of the respondents currently spend a significant amount on African Print Material and/or traditional accessories. The results in the table above show that about 20% of the respondents spend between R301 and R900

while about 27% spend between R901 and R1200, yet only about 12% spend beyond R1201. Supporting this narrative is that 64% of survey respondents have up to 20% of wardrobe clothing being African Print Material and traditional accessories, while 14% of respondents suggested that the share of African Print Material and traditional accessories in their wardrobe is between 20.1% and 40%.

4.3 Supply Side Factors

4.3.1 Product Considerations and Consumer Communication Preferences

Indicator Variable	Category	Survey Results
Factors Influencing Consumer Purchase Decisions	Convenience	19%
	Price	13%
	Quality	53%
	Delivery time	1%
	Security and privacy	8%
Choice of Marketing Media	Mass Marketing (TV, Radio, etc.)	33%
	One-on-one Marketing (Telesales)	4%
	Social Media	61%
	Marketing on Unrelated Websites	3%

Based on the table above, consumers appear to share strong views about variables driving their purchase decisions online. Key to these decision factors are convenience, price, quality, security and privacy as well as delivery time. The Table above further demonstrates that quality and convenience are the top 2 factors that are considered when purchasing African print material online. Surprisingly delivery time was the least important factor. Even though price was not the most significant factor, it is however particularly important to the respondents. The Table highlights that social media followed by mass marketing media were the top media that these respondents are aware and exposed.

Indicator Variable	Category	Survey Results
Preference for Special Offers	Additional Products	37%
	Discounts and Trade Allowances	33%

Indicator Variable	Category	Survey Results
	Other traditional products bundled with African Print Material	27%
	Other value add features and more stylish and fashionable designs	3%
Distribution Preferences	Delivery to Preferred Address	76%
	Collection from a nearest store or partner service provider	24%

The survey respondents have come forward that they do like special offers as an online purchase reward gesture. These respondents have made mention that additional products to care for their African Print Material is a greatest reward (37%) while discounts and trade allowances also go a long way to keep them happy (33%). Linked to being a modern consumer, these respondents prefer special offers coming in the form of product bundles and these product packages must be stylish and come in fashionable designs. In line with the behavior of online consumers, the results show that an overwhelming majority (76%) prefer to have their products to be delivered onto their preferred delivery address while only 24% prefer to collect their online purchase orders from the nearest store or partner service provider. A majority of the customers falling in the 24% brackets are those coming from remote areas with inability to trace location. Based on these results, the indication is that a brick and mortar model would be least desirable and that consumers prefer that the African print material, related clothing and traditional accessories be delivered to their door. These above factors thus demonstrate the need for a niche focused differentiation strategy to be executed.

4.3.2 Pricing and Preferred Production Systems

Indicator Variable	Category	Survey Results
Price for African Print Dresses/Pants	R201 - R400	8%
	R401 - R800	33%
	R801 – 1000	8%
	R1001 - R2000	25%
	R2001+	25%
Price for African Print Shirts	R1 - R100	8%

Indicator Variable	Category	Survey Results
	R101 -R400	17%
	R401 – 800	42%
	R801+	33%

The survey did not only focus on consumers but also took into account the views of product manufacturers. The sample size for manufacturers of African Print Materials was 12 and all of these were distributed across the Gauteng Province of South Africa. This is because the business case will be operated from this province. The manufacturers surveyed produces a variety of African Print Material but the core being dresses, pants and shirts. For African print dresses and pants these manufacturers sell most of their stock at a price range between R401 and R800. There is also an equal distribution of manufacturers selling their stock at between R1001 and R2000 and greater than R2000, each category holding about 25% of manufacturers. African shirts predominantly sell at a price range of R401 and R800 and a sizable proportion of manufacturers selling at prices greater than 33%. Only about 17% offer an affordable price range of R101 and R400, thus catering for mass market consumers.

Indicator Variable	Category	Survey Results
Preferred Production System	Cut, Mend and Trim	75%
	Modular production	25%
Preferred input Supplier Locations	China	8%
	Gauteng	75%
	African Countries	8%
	Other	8%
Staff Compliment	0 - 2 employees	33%
	2- 4 employees	8%
	4 - 6 employees	25%
	6 - 10 employees	8%
	10 - 15 employees	17%
	15+ employees	8%

The manufacturers' survey showed interesting results in terms of their organisational set up. A majority of these manufactures preferred to use a cut, mend and trim production system

(75%) over a modular system (25%). As inputs, these manufacturers rely on Gauteng based input suppliers (75%) with China and other African Countries each holding 8% share of the input supply market. Other regions also hold a mere 8% of the peace of the pie, thus making them least contributors. Interesting in these results is that literature revealed China as the main driver of the input supply market but these results are showing a shift in the market, thus making production costs much more competitive. This is expected to have a positive impact on industry profitability. Most of the manufacturers surveyed operate on lean structure with some manufacturers being a two-man show (33%) and others having a staff compliment of up to 6 employees (25%). A notable portion of manufacturers play a role in employment creation having a staff compliment between 10 and 15 employees. These low employee statistics could also indicate that these manufacturers are owner managed establishments which is a reflection of the South African textile sector.

4.4 Commercial Viability Assessment

4.4.1 Presentation of Revenue Sources

Item Description	**Year 1**	**Year 2**	**Year 3**
Revenue from Dresses	880,000.00	968,000.00	1,064,800.00
Revenue from Shirts	352,000.00	387,200.00	425,920.00
Revenue from Traditional Accessories	-	-	-
Grand Total	**1,232,000.00**	**1,355,200.00**	**1,490,720.00**

The financial projections are informed by the outcomes of the survey results for both consumers and manufacturers. The projections are for a period of three years to take into account that the online store market tends to grow in a fast growing pace and it is difficult to foretell long-range outcomes. In addition, the software used have a lifespan of three years and new software will be re-purchased at the beginning of year four.

When computing the revenue projections, the business case considered a conservative approach and thus took into account the cash sale of dresses and shirts with traditional accessories excluded. This was because selling traditional material is the core of the online store. The survey results are based on existing stores that sell traditional material, which predominantly are informal given the nature of this industry in South Africa. Since online shops selling traditional material do not yet exist in the South African market, the business case could not obtain the views of comparable shops. As such, given that this online shop will be the first of its kind, more so providing value, improved shopping experience, reliability and a secure

online shopping environment, the manufacturers surveyed are used as a base. Similarly, the sales from dresses are based on a rate of R2000 as inspired by section 4.2 above while African Print shirts on the other hand will go for a price of R800. Based on the survey results, the estimated unit sales per year, growing at a rate of 10% annually is 880 per gender in the first year. Combined sales from males and females thus amount to R1, 232,000 in year 1 with year two and year three earning R1, 355,200 and R1, 490,720 respectively.

4.4.2 Presentation of Expenditure Sources

Item Description	**Year 1**	**Year 2**	**Year 3**
Material Costs- Shirt	40,000.00	44,000.00	48,400.00
Material Costs- Dress/Pants	48,000.00	52,800.00	58,080.00
Tailoring Costs- Shirt	66,000.00	72,600.00	79,860.00
Tailoring Costs- Dress/Pants	132,000.00	145,200.00	159,720.00
Labels	44,000.00	48,400.00	53,240.00
Delivery cost	33,000.00	36,300.00	39,930.00
Packaging costs	44,000.00	48,400.00	53,240.00
Embroidery costs	44,000.00	48,400.00	53,240.00
Cost of Sales	**451,000.00**	**496,100.00**	**545,710.00**

This online store is supported by its own warehouse and has outsourced the production systems wherein all traditional material is manufactured including shirts, dresses and pants. As such, material costs for each of these items along with tailoring costs, labels, delivery costs, packaging and embroidery makes up the Cost of Sales. Material costs includes the actual fabric used to make the traditional attires and these are sourced locally (Gauteng) since 75% of the manufacturers highlighted they source material in Gauteng. For the same revenues generated in section 4.1 year one cost of sales are R451,000 with year two and year three consisting of R496,100 and R545,710 respectively.

The results for the cost of sales show that a significant amount of production costs resides with tailoring costs, followed by the material costs and labelling costs. Delivery costs are low given that delivery is provided at a fixed rate to the business case. The reason for high material costs is because material costs R200 for 5.5 meters which can be used to make a dress/pants and a shirt. Tailoring costs R150 per shirt and R300 for a dress and/or pants, and labelling on the other hand costs R100. The delivery costs for a ready product sold through the online shop is set at R150.

Item Description	**Year 1**	**Year 2**	**Year 3**
Fuel costs	28,600.00	31,460.00	34,606.00

Hosting Costs and support costs	100.00	100.00	100.00
Quality Control Costs	66,000.00	72,600.00	79,860.00
Total Operating Expenditures	**94,700.00**	**104,160.00**	**114,566.00**

To ensure smooth operations, the financial projections have also considered fuel costs, that will be incurred for staff travelling while on duty as well as server infrastructure hosting and support costs. The business case also considered that there will be a reserve kept for quality control purposes.

4.4.3 Presentation of Free Cash Flows and Net Present Value

Item Description	**Year 0**	**Year 1**	**Year 2**	**Year 3**
Free Cash Flows	(19,500.00)	686,300.00	754,940.00	830,444.00
Terminal Value				5,368,567.37
Net Free Cash flows	(19,500.00)	686,300.00	754,940.00	6,199,011.37
Net Present Value	3,480,163.87			

The Net Present Value is calculated using the free cash flows resulting from the net income between revenue, cost of sales and operating expenditure. The business case considered a business operating on cash basis and boosted by initial capital outlays to the tune of R19, 500. The business also considered a conservative approach and based the terminal value on a stable growth rate of 5% from year four despite the fact that technology firms tend to grow in a fast pace in initial years. The discount rate used to discount the cash flows are based on the Capital Asset Pricing Model. The inputs to this model was the risk free rate linked to the current treasury bills of the South African government (7.12%), a market rate of 23.33% linked to the All-Share Index and a Beta of 0.82 linked to a consumer goods firm.

Based on the results on the table above, the NPV of 3,480,163.87 is a positive indication of the commercial viability of the online store. This NPV shows that the business is fit to be profitable and provides returns for the investors.

4.5 Proposed Marketing Strategy

The following marketing mix will be used by the business.

A niche pricing strategy will be implemented to target the high end consumer, indicating that the price will be set at a price above industry norms. An African print material dress will cost R2000 while an African print Shirt will cost R800. African traditional accessories will be sold at a mark-up of 50%, whist ensuring that there are available products at all price levels.

Products include quality African print clothing, tailor made to the customer's individual needs. Complementary products include African accessories. The African print material will be custom made using a modular system of production to ensure superior quality.

The products will be sold on the online store only. This is to target online shoppers not bound by any geographical location. Additional places where the products will be sold will be on the business' social media pages.

The business will promote its good and services on social media. Social media accounts will be opened for the business free of charge and regular posts will be made of African Print material and traditional accessories. This type of advertising is effective while it is free to use which is positive for the business. Posts will also be made of African heritage, African pride and African fashion in general.

4.6 Proposed Stakeholder Architecture

The key internal stakeholders include the African Print material retailors, the accessories retailors, the tailors, the courier company, the packaging material supplier, the graphic designer, and the photographer. All these stakeholder will be discussed below.

The initial capital outlay will cover the cost of commissioning the online store website from a graphic designer. This includes the development of the website, the customer interface that has social media integration. This website will include search engine optimization, multiple themes, and automated generation of financial reports and will be mobile phone ready. This website will allow for unlimited number of products to be loaded with a point of sale channel. This outlay also includes photography costs.

African Print material and traditional accessories retailors will be contracted with. The related products needed for the photos will be rented from the retailors while the actual inventory will be bought as and when an order is placed, thereby keeping low inventories.

Experienced tailors will be sourced from already existing high quality brick and mortar establishments. At least 3 tailors will be needed, one will be needed to cut, another to trim and the last to mend. Another tailor will be needed to quality control the product, ensuring that the product produced are in line with customer specifications.

A courier company will be sourced from the internet. A selection will be made based on their reliability and speed while price will be a secondary criteria.

Packaging material will be sourced from the packaging retailor and this will be branded by the graphic designer.

Lastly the photographer will be responsible for all photos and promotional material, this photographer will be sourced from the photography associations or fashion photography school.

4.7 Proposed Governance Model

The business will contract with, thereby outsourcing key processes in the value chain to experts, i.e. two professional tailors to manufacture the African print material products and quality control respectively, a graphic designer and finally a professional courier company. This is to access vital skills that the business does not possess. All other processes will be automated. The costs associated with these outsourcing arrangements will be variable, thus keeping input costs minimal.

The business will be owner managed and as a result, the operations in which value is created will be handled by the owner. Operations performed by the owner will thus include the purchasing of inventory, the transportation for sourcing overhead and operational expenditures, the packaging and finally the after sales services operations.

Inventory will be purchased as and when an order is made on the online store. This will be transported to the cutter tailor. Once this has been done, the material will be further transported to the mender. Once this has been completed, it will be taken to the quality control tailor who will confirm all the measurements before it is packaged and couriered to the customer.

4.8 Proposed Risk Management Approach

Key risks identified for this business case include market risk, competitive risk, financial risk and business risk. These risks will be managed and mitigated in the following key areas in the manner described below

Market risk is the risk associated with the demand for the products and services associated with the business case. This includes implementing a pricing strategy that is appropriate for the market. To mitigate against this risk, the business will stock items including accessories for all price ranges. Additionally, the business will implement pricing strategies including product bundling to ensure that the value the business creates is aligned to the price.

Technological advancements have created a new fast paced business environment where business competitive advantages become obsolete quicker. These are particularly significant in this business case because this business is driven by technology through the use of a website and other related software. Competitive risk is thus material. This risk includes those risks that could potentially reduce the profits and the market share for the business. This risk can be mitigated by ensuring that the business continuously innovates and deploys data analytical software optimally to gain insights into consumers that will ultimately create competitive advantages.

Financial risks are pertinent risks for this business case. To mitigate against this risk all products needed for the online store for advertising, will be procured based on consignment agreements while the just in time production system will be used to produce. Additionally, contracts will be concluded with suppliers to increase the payment days to these suppliers to 60 days.

Lastly, to mitigate against business and operational risks, well experienced partners will be sought. Business processes will be articulated and these partners will be expected to comply with processes, turnaround times and quality measures over time.

4.9 Recommendations

The most significant results of this paper came from the financial analysis that demonstrated a positive net present value, over a 3 year horizon. The online (ecommerce) store for the sale of African print material and traditional accessories is thus financially viable. The findings of this business case however (and contrary to literature) indicated that government support and grants are inaccessible. This is found to be a challenge particularly in the textile industry. A key recommendation would thus be to engage alternative forms of capital funding from resources such as incubation hubs and to also engage government and private sector to develop alternative funding mechanisms for this sector.

From the data collection and subsequent analysis conducted, there appears to be a significant market size and demand for the market for African print material and traditional accessories. This implies that a significant amount of the targeted group will indeed buy the products and services proposed by the business case. This targeted group and market segment considers factors such as quality and convenience as key factors to consider when purchasing African print material, clothing and traditional accessories online. Additional factors that are important to this market segment is the after sales products to care for the African print material. Seasonal factors was also a significant factor that influences purchase decision with most

sales of African print material occurring in summer. This market segment however is under severe economic pressure due to the technical economic recession that South Africa is experiencing. A key recommendation would be to thus create more value for this market sector through mixed product bundling strategy or price lining strategies and regular offers.

The study found that the most manufacturers use the cut, mend and trim production system while the literature reviewed highlighted that the most effective organizational structure for an online store for the sale of African print material and traditional accessories is the modular system. This is to mitigate against quality issues that consumers find important. A key recommendation emanating from these results is for the business to continuously engage its professional tailoring partners and an attempt to influence them to implement the modular system within their own factories. This will be in the partners' interests as the business will potentially increase their sales through the increased access to new and existing markets. This will also reduce the cost of fuel and cost of the tailoring service for the business case.

Lastly, this study found that African print material and traditional accessories are generally manufactured and sourced locally. The current textile industry as a whole however has been undermined by the cheap imports from China. Additionally, the literature highlighted the fast fashion trend, which requires fast turnaround times. From a policy perspective therefore South Africa should take advantage of these trends. This includes introducing protectionist measures such as imposing tariffs on Chinese textile imports. This can be done while simultaneously providing subsidies to local textile companies and companies within the value chain, such as cotton importers. This would revive the industry and increase their competitiveness. This could ultimately reduce costs associated with textiles.

4.10 Action Roadmap

The action roadmap provides an action plan that is intended to create value for the consumer in a manner that is simple to implement. Additionally, it is informed by the simple model that encompasses low running costs and inventory costs. This in turn is informed by the financial viability analysis and the risk management approach proposed. This roadmap is also informed by other results of study, namely those detailed that will be detailed as follows.

Several features for online stores where identified in the literature, particularly one of functional convenience beliefs (i.e. about the online store's attractiveness level and the easiness of use and delight, enjoyment, and website communication style) translate into impulsive online purchases This was noted by authors Verhagen & van Dolen (2011). The study also indicated that convenience was a significant factor (i.e. 19%) influencing consumer purchase decisions.

All these factors thus informed the first milestone of developing software that complies with all these beliefs of convenience.

Additionally, the quality of the products and services offered on online stores was identified as a key value feature for online stores influencing consumer purchase decisions. This finding informed the second milestone of sourcing appropriate suppliers who produce the appropriate quality products or those who have quality control processes within their environment.

Lastly, the study found that meeting the consumers' expectations was key in online shopping, where online stores need to ensure that the goods and services advertised are exactly the same goods and services that are delivered to the consumer, in terms of quality and colour. This was in terms of the factor influencing consumer decision to purchase goods online. Matching what is sold with the products and services advertised on the online store will be critical. This is what informs the fourth milestone.

#	**Milestone**	**Time Lime**
1	Commission Software development	31 December 2018
2	Finalize contracts and Service levels with suppliers	31 March 2019
3	Testing, piloting of online store website	1 May 2019
4	Branding, photo shoot and updating of store	1 July 2019
5	Upgrading and debugging	1 August 2019
6	Online store launch	24 September 2019

4.11 Recommendations for future research

This study analysed information based on the hypothesis formulated. Two of these addressed the macro environmental trends and resulting needs while the last two placed more emphasis on a business's internal resources and capabilities, those that need to respond to these external forces and trends, in their attempt meet a need by creating value. As a result, this paper might not provide sufficient detail in either the external macro environment nor the internal resources and capabilities needed by a business case of this nature due to time constraints. Future research could thus focus solely on the analysis of macro environment in

which a business of this nature operates in. Future research could also thus focus solely on the resources and capabilities needed by a business case of this nature in more detail to truly understand the different resources and capabilities and combinations thereof that would be most suitable.

4.12 Consideration of unintended consequences

The business case can undermine the South African economy by contributing to the trade deficit, particularly in instances where certain inventory goods for the business case are sourced from China as 8% of the respondents identified China as their preferred source. The literature reviewed, particularly that of Barnes and Morris (2014) also noted that China is a dominant player in producing clothing and textiles.

The business case aims to adopt a very lean business model that will leverage technology significantly. The business case will thus keep a minimal labour force. Should it be sustainable and profitable when it is implemented competitors could imitate the business model. This could consequently introduce a trend within the sector that does not contribute significantly to resolving the wicked problem of unemployment within the South African economy

4.13 Chapter Summary

This chapter sought to understand whether there is commercial viability in establishing the online store for traditional material. In the beginning, the chapter assessed the survey results for consumers, thus showing that the consumers do have a strong appreciation for the online store as this will allow them to move away from the unpleasant shopping experience in informal outlets that sell traditional material. The consumers highlighted the factors that drive their buying behavior in online stores including convenience, pleasant shopping experience and security among other things. What came clear is that consumers reside in urban areas which allows for easy distribution of their goods and this possibly could come easy on insurance relative to high risk areas. Manufacturers of traditional material were also surveyed and they were very clear on their preferences for selling, and how they set up their manufacturing plants. Manufacturers also disclosed their staff compliment which is helpful to gain an understanding of the resources needed for this type of industry.

Over and above analyzing both consumer related factors and factors linked to manufacturers, the business case went further to analyse the commercial viability of the online store. The results show that the online store has a positive NPV of R3, 480,163.87 which is a favorable outcome for investors as it demonstrates that the business is profitable.

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