MANAGERIAL RESPONSES TO THE NEW MARKET: A CASE STUDY OF THE APPLIANCE INDUSTRY

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A dissertation submitted to the Faculty of Arts, University of the Witwatersrand, Johannesburg, in fulfilment of the requirements for the degree of Masters of Arts.

Johannesburg, 1995

ABSTRACT

This dissertation examines two socially significant effects of Eskom's Electricity For All programme: The new market that emerges once electricity becomes accessible, and managerial responses to this new market within the appliance industry. The research question asks how and why management in the appliance sector responds to the new market's demands. In answering this question, the new market is initially assessed. I have shown who constitutes this market and that these consumers prioritise top-of-the-range appliances. I have expanded on Pierre Bourdieu's concept of the *habitus* and used this to uncover these explanations of the new market. These findings have emerged through content analyses, in-depth interviews, a group workshop and participant observation methods.

The dissertation then examines how and why management respond in specific ways to these market demands. I have assessed, through the use of a case study, **why** and **how** Tek Corp. - the market leader in the appliance industry - responds strategically to the new market. I have examined management's response by addressing structures and responses within both the production and consumption phases of the circuit of capital. This dissertation has found that new types of competition are emerging within the appliance industry as a result of responses to the new market.

I have thus argued that by assessing both production and consumption and by using the concept of the *habitus*, holistic explanations about capitalist relations in the appliance industry emerge.

DECLARATION

I declare that this dissertation is my own, unaided work. It is submitted for the degree of Master of Arts in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

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(Name of Candidate)

27 day FEB, 1995.

ACKNOWLEDGEMENTS

A very special thanks to my supervisor, Avril Joffe, for her support and encouragement that sustained my interest and determination in this project and the explanations it yielded. I owe a great debt of thanks to Windsor Leroke for his insight, who acted as my "sounding board" and urged me to refine the conceptual explanations I have used in this dissertation. I am grateful to Terry Selikow for her support and confidence in me, and to the Sociology Department for their encouragement. Thank you to my family (especially Simone) who tolerated my pre-occupation with this topic and whose support and conviction in my ability helped me persevere in completing this dissertation. Special thanks to my friends, especially Mandy, for their support, encouragement and whose contributions towards our debates really helped to shape the nature of this dissertation. Thanks to Rene for proof-reading the final version and for your discerning approach to this dissertation. I also have to thank all those colleagues whose ear I bent in discussing the intricacies of my argument. Thank you to my colleagues at Eskom for their support and enthusiasm and for assisting me with the information that formed the foundations for this dissertation. Finally, this research would not have been possible without the input and interests shared by those people I interviewed, especially Laura Levetan and Hennie Du Toit at Tek Corp. and those members of the new market who participated in the Alex workshop. Your co-operation, assistance and explanations are greatly appreciated.

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CHAPTER 1. INTRODUCTION

1.1 Aims

The aim of this thesis is to discuss and explain the outcomes of Eskom's nation-wide effort to electrify African townships. This effort resulted in two major developments that are of sociological significance. The first is the creation of a new market. This new market has led to the emergence of new consumption patterns and new demands. Consumers in this new market are also differentiated by demographic and structural factors such as higher wages, increased disposable income and age. The development of this market occurred in the context of rising aspirations within sections of the urban African working people. This young, metropolitan, upwardly mobile African market was established as a group of potential consumers of electrical appliances, given their increasing disposable incomes and the right to now own a home. However, until now, not having access to electricity had restricted them from being an actual market for these electrical goods. The second outcome of Eskom's efforts concerns the character of management in the appliance industry. I have researched their response to new demands that were emanating from this new market, given that it now had access to the electricity grid. Previously, management had not responded to African township residents' demands for appliances. Now, due to the increased size and buying power of this market, and the industry's need to produce for new markets, manufacturers are beginning to respond differently to these consumers.

The research question that emerges from this aim is to assess how management in the appliance industry respond to demands from a new market. In response to the research question, this dissertation assesses the demands from consumers in the new market and explains why these have arisen. It then shows why and how Tek Corp. responds to these demands in specific ways. By drawing on these findings, this dissertation aims to contribute to the discourse on capitalist relations in South Africa.

The rest of this introduction covers a discussion on the historical context in which this dissertation is grounded, and the theoretical framework I use to interpret my findings. I then discuss the rationale for this dissertation and conclude the introduction with an outline of the various chapters that constitute it.

1. 2 Historical background

Eskom's Electricity For All programme locates this project in a particular historical and social context. The programme was conceived of by Eskom's chief executive, Dr Ian McRae in the late 1980s. The reasons for the Electricity For All programme varied. McRae's vision was to bring electricity to all South Africans for the purposes of development and peace (Enterprise, 1988). However, there were a number of other forces that also drove this vision forward: Firstly, the Nedcor Scenario[1] argued that electrification would contribute to economic upliftment and challenged Eskom to begin expanding its electrification network. Secondly, Eskom faced a surplus in its generating capacity[2]. Exporting power to other countries in the Southern African region (also part of McRae's vision) would be positive for development, but exporting would not be legitimate if the local population remained without electricity. Thirdly, electricity was being supplied to some townships by the Black Local Authorities. The illegitimacy of these bodies - due to their inability to supply adequate services to residents and the exorbitant prices they charged for these services-sparked a rent boycott[3]. Civic organisations called for Eskom to supply residents directly with

[1] The Nedcor Scenario proposed a number of options for the future of South Africa. The most positive scenario was a peaceful transition to a democratic government, with adequate social and economic development and community co-operation throughout this process.
[2] By the late 1980s several large power stations with enormous capacity to generate more electricity than South Africa needed at that time had been completed. Some of these stations are the largest of their kind in the world, and have the capacity to produce power many times more than their international counterparts.
[3] Rent accounts included the payment of services. These accounts were inconsistent with the amounts of energy used, (often indicating vast amounts of electricity consumption, even when this service had been discontinued) and were not regularly sent out. They represented an illegitimate, corrupt administration, and the boycott against paying these accounts began in the late 1980s.

electricity. Once this wa· agreed - through negotiations with municipalities[4] - the Electricity For All prog. ...e could be realised. Eskom started electrifying township homes on a significant scale in 1990. The programme aims to electrify 1,7 million homes throughout South Africa by 1999. To date, more than 800 000 domestic customers have received access to electricity (Eskom, 1993a).

Supplying consumers directly with electricity has resulted in significant developments. Many more township residents have electricity, and subsequently the market has expanded for products associated with this energy source. Selling electrical appliances has had to be encouraged as appliances consume electricity. The increased use of electricity would ensure a return on the investment Eskom has made in electrifying these homes. Thus, players - such as appliance manufacturers - who were previously not Eskom's partners, have now joined the arena created by the Electricity For All programme. New opportunities are therefore being created for appliance manufacturers, sales outlets and associated industries.

1.3 Theoretical framework

Capitalism should be understood within its specific social context. The social context within which capitalism is located varies historically and is shaped by socio-political changes. When the socio-political contexts undergo a transition, certain developments arise. At one level, different consumers emerge, given these social changes. At another level, different industries respond in different ways to the transitional changes to compete and survive. This argument contrasts with the conventional view that analyses capitalism only in terms of production. Many South African sociological analyses are typical of this approach. These analyses are concerned with the labour process (such as the works of Webster, 1985 and Kraak, 1987), however, such

[4]Eskom, according to the Electricity Act of 1922, may not supply electricity directly to consumers. If this is to occur, permission must be attained from the relevant municipality. The latter are usually reluctant to give up their right to supply electricity as most of their income is derived from electricity sales.

production-based accounts ignore the character of capitalism as a dual process of production and consumption. Capitalism must therefore be seen within its social contexts, in terms of who are the consumers and who are the producers.

The argument that I propose is that within the circuit of capitalism, there are two significant actors, namely, producers and consumers. In the case of this project, both of them are affected by Eskom's programme to electrify townships. Both find themselves involved in a social context that is the outcome of the electrification programme. What needs to be analysed, therefore, is the dual character of capitalism in terms of the activities of producers and consumers in the new market.

Linked to this question of the structural relation between producers and consumers is the more fundamental question of the relation between producers and consumers at the micro-level. What this means is that a complementary analysis is imperative. Explaining management's production policies requires an assessment of the market to which they intend selling. Their understanding of the market dictates why they produce certain product ranges. Assessing production for consumption in a specific market addresses the holistic view of capitalism. In explaining the structural relationship as well as the responses that emerge from this relationship, I will use Bourdieu's (1984) concept of the *habitus*.

The concept of *habitus* seeks to demonstrate symbiotic relationships in social relations. These relationships are constituted by modes of interdependence which, in this dissertation, refers to the interdependence between production and consumption. The *habitus* is a concept that transcends the boundaries of structure and agency, in that it is mainly concerned with actions that result from, or occur in response to specific structures. This means that the relationship between producers and consumers is not a one-sided, but rather an interdependent relationship shaped by the responses of both parties.

The concept of the *habitus* will be used as a theoretical construct to examine why producers and consumers interface in the ways that they do and why they have responded to one another in specific ways. Assessing the actions of individual agents and the structures in which they embed their actions and interfaces, indicates the context in which capitalism exists. The micro-level of analysis is thus linked to the macro-level concerns by applying the concept of the *habitus*.

1.4 Rationale

This section will highlight the rationale for addressing the results of the Electricity For All programme and the use of Tek Corp. as a case study. It will also explain why the dual nature of capitalism is examined and why the concept of the *habitus* is applied.

As mentioned above, the Electricity For All programme spawned a new market. Before the programme, township residents had already established themselves as viable consumers, but they did not have electricity. Their increased disposable income was the result of increased real wages and the increased employment levels of African workers in semi-skilled, skilled, professional and managerial positions (Crankshaw, 1989). These consumers were thus a potential market, and only became an actual market for the appliance industry after they had access to electricity. This highlights two interesting areas for investigation. The first is that social development has a significant impact on the creation of new markets. The second is that social developments such as the Electricity For All programme should be investigated to ascertain what these changes imply for capitalist relations, and wh[illegible]r they necessitate changes in the relations between producers and consumers.

I have analysed the consumption of appliances in an urban context for three reasons. The first is that the Electricity For All programme has predominated in urban regions (given the large cost of electrifying rural dwellings). Secondly, urban dwellings that have been recently electrified are easier to gain access to for interviews and assessments. Thirdly, appliance manufacturers are targeting the urban market rather than a rural or peri-urban market, hence the importance of addressing the urban market, when examining the relationships between producers and consumers.

It is also important to assess the market created by the Electricity For All programme. The reasons for this assessment are not only to understand what new demands arise under conditions of social change, but to examine why these new demands occur and how they are expressed within the arena of capitalist relations. The ways in which management responds to demands have implications for arguments addressing the extent of consumers' independence and the ways in which demands are manipulated.

Researching management's responses to the new market's demands will offer a number of contributions towards understanding capitalist relations. Firstly, these findings will illustrate the degree of consumers' independence when deciding what products to buy. These findings will substantiate my argument that demand cannot be manipulated entirely. Secondly, these findings will show what a new response to the demands from members of the new market means for competitive relations in the appliance industry. I argue that these relations are dynamic and change according to the ways in which management responds to the demands emerging from new market consumers.

I have addressed management's responses within the appliance industry as this sector is directly affected by the Electricity For All programme, and is the first economic sector to respond to this new market. The appliance industry has been faced with crises of over-production and under-consumption. Now, with the rise of a huge, previously untapped market which demands electrical appliances, a new opportunity has arisen for this industry. Examining how management in the appliance industry responds to consumers in this new market (given the crises within its sector), will hopefully shed some light on how the industry intends to secure its position as a viable local player, given that there has been an increase in imported products and that the white market is now saturated.

Management's responses to demands from members of the new market will be analysed through a case study. Tek Corp. has been chosen as the case study. This company manufactures electrical components and white goods (that is, large appliances such as stoves and refrigerators) under the brand names of Defy and Ocean. Tek Corp. has been chosen as a case study for two reasons. First, it is a dominant player in the consumer durable market - Defy stoves monopolise a third of the market (including imported products); while Ocean fridges also dominate by a large percentage (Levetan interview, 1991)[5]. Second, strategists in this company play a central role in the Domestic Appliances manufacturers of South Africa (DAMSA), which is the managerial forum representing most manufactures in this industry. It is primarily a lobby group, that ensures the protection of the local appliance industry, and acts as a marketing pool in which members share production and sales figures on a monthly basis. Tek Corp. representatives also sit at the National Electrification Forum (NELF), and contribute to the End-use of Energy working group. Tek Corp. represents appliance manufactures at this forum, which further contributes to its greater awareness of the environment determining the nature of the industry. Being aware of the environment in which it performs, implies that analyses of the social context in which the company operates will be possible. Because I wish to illustrate how a company responds to the social environment in which it is embedded, Tek Corp., being aware of this environment, is useful as a case study.

The sociological literature on consumption is sketchy and outdated. This dissertation intends highlighting some of the arguments that explain consumption amongst the members of the new market, and thereby aims to contribute to this area of discourse in a South African context. A paucity also exists in the literature on managerial

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[5] I have attempted to distinguish between references that refer to interviewees and sources by placing 'interview' after the interviewee's name.

responses to changing markets. By addressing how Tek Corp. responds to the new market, and explaining why this has occurred, will hopefully contribute to understandings of capitalism and managerial behaviour in specific social contexts. Existing sociological explanations on managerial behaviour do not address how producers and consumers in South Africa interact. By applying the concept of the *habitus*, not only embeds economic behaviour in a social context (Swedberg *et al*, 1992), but it explains how agents interact in specific structures, how structures shape the individual agents and how these agents, who are active, re-shape the structures according to their responses. This theoretical explanation will also indicate how dynamic capitalist interactions are, and how both producers and consumers are central in analyses of capitalism.

Why the question of the dual character of capitalism? Capitalism is a set of processes concerned with producing goods for consumption. Both areas of this process must be explained to understand why certain goods are produced for specific markets. Consumers and producers must thus be understood if the nature of capitalism is to be explained. These players intrinsically rely on one another for their *raison d'être*, and both must therefore be assessed to understand the character of capitalism within the context of a specific economy, industry or sector.

The reasons for addressing the research question are thus threefold: Firstly, to explain the effects of the Electricity For All programme, and the implications this has for consumption and production in the appliance industry. Secondly, to expand on current analyses of the character of capitalism in South Africa and to indicate how it is embedded in social contexts. Thirdly, to add to the body of sociological literature about the nature of social transformation in South Africa.

1.5 Chapter outline

The chapters that follow revolve around the two major areas affected by the Electricity For All project. These are the creation and character of the new market and the responses of management to this market. Chapter 2 deals with the methods used to research these areas. The methods used are both quantitative and qualitative. They include in-depth interviews, content analysis, workshops and non-participative observation. In the third chapter, I examine the relevant literature. This review addresses discussions on consumption, managerial behaviour, the appliance industry and the rise of the new competition. Chapter 4 explores the character of the new market. It examines the new market according to its demographics and consumption patterns, and attempts to explain why these patterns have arisen. The fifth chapter provides a discussion of management's responses to the new market. It also examines how a strategy is formulated, and the influencing forces that shape this response. Chapter 6 explores how and why management's strategic response is possible by assessing its internal *habitus*. The effects of this response on the external *habitus* are also analysed. The rise of a new competition and the new partnerships that have emerged (resulting from the Electricity For All programme and Tek Corp.'s response to the new market) show how relations in the external *habitus* have changed. The dissertation concludes by arguing that the new market has had a significant impact on management, management is responding to the new market's demands and a new type of competition is emerging.

CHAPTER 2. METHOD

This dissertation addresses two sociologically relevant results of the Electricity For All programme: The rise and character of the new market; and management's subsequent response to the new market. The aim of this chapter is to illustrate how I gathered data to enable me to address and understand these issues. It is divided into three sections. First, the research design; second, the methods and techniques used; and third, problems and limitations encountered with the data and methods.

2.1 Research design

The research design is the way in which the research is carried out to attain results in order to answer the research question (Kish, 1970). The research design is dictated by the units of analysis (Babbie, 1973). These units of analysis are the issues that determine what is to be researched. The questions I asked for this study emerged from my initial intention to address the appliance industry. I was interested in the relationship between managers and workers and wanted to assess the effects that changes in the organisation of work had on these players in the appliance industry[6]. Assessing how change has impacted on this industry, required an approach that extended beyond changes at the factory floor. This led me to investigate the structure of the appliance industry, why it was changing and what this meant for its players who are also consumers as well as producers of these goods.

A connection was therefore established between Eskom and its Electricity For All programme and the appliance industry. One of the questions that arose concerned the meaning of this relationship. Other similar questions became unavoidable: what were the implications for management? Did they have to change in any fundamental way?

[6] The appliance industry became interesting as it had been used as an example of an industry affected by apartheid's economic policies (Gelb, 1991 and Black, 1991). It was also cited as an industry that was forced to undergo change on an international level, given the need to overcome market saturation in 'advanced' economies (Piore and Sable, 1984) and competitive forces that could produce these products cheaply and more efficiently.

Did this mean that they had to transform the production process (given international pressure to compete and become more efficient), and sales strategies? What about their relationship to their markets? What was happening in these markets? Were these markets changing as a result of the Electricity For All programme? How did these markets, in turn, respond to management's efforts and did the market's response necessitate further changes from management?

The area of consumption became more appealing to research not only because it had an impact on players beyond the factory itself, but also because sociologists in South Africa had not really addressed this issue. It also had important implications for understanding management in contexts of change. I had to ask further: did management re-think strategies to sell products to new and specific markets and was this important for their success? Did management shape consumption, in the same way that they controlled the production processes, or did consumers shape consumption and demands?

Two players, consumers within the new market and management in the appliance sector, had to be researched to address not only the effects of the Electricity For All programme, but to answer the questions emerging on consumption. The elements used to understand the new market were: access to electricity, income levels, demographic traits (such as age, gender and urban residence) and appliance ownership. I chose these units of analysis to establish who constituted the new market, and how electricity contributed to its emergence. Appliance ownership was key to this investigation as it illustrated the effects of electrification and assisted in testing the extent of the new market for the appliance manufacturers. Appliance ownership was also used in indicating the changing nature of the new market.

The units of analysis for management were corporate structure, corporate culture and strategy within the context of social changes. These areas were chosen as the literature on organisations indicates that these are some of the primary determinants of managerial behaviour[7]. Assessing socio-political variables is also important in understanding managerial decision making[8]. These issues will illustrate how and why management respond as they do to the new market.

2.2 Methods and techniques used

Researching the Electricity For All programme

In addressing the questions about social change and how this affected management and its markets, I had to address the trigger for this change, the Electricity For All programme. Once I had acquired access to Eskom's information sources on the Electricity For All programme, I was able to do a content analysis on the data I collected. Annual reports and pamphlets on Eskom's efforts formed the basis of this content analysis. The result of this activity was the acquisition of factual information on the electrification programme. In addition to this method, I conducted in-depth interviews with research managers within Eskom structures, who were investigating the impact of electrification on newly electrified communities. Contact with these researchers was made through formal networks[9]. A total of ten interviews were done on a one-to-one basis with these research managers.

I prepared the questions for the research managers based on my findings from the content analysis and on information gathered during previous interviews. The questions were open ended as I wanted the individual to discuss and elaborate on issues highlighted in the content analysis I had done on Eskom's reports. The questionnaires were semi-structured, that is, they were prepared before the interview, but allowed for additional, unprepared questions, based on the interviewees' responses. The nature of these questionnaires encourages elaboration and explanation of the findings that I uncovered (Bell, 1987; Grebenik *et al*, 1970).

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[7] See the works of Etzioni (1966); Hamilton *et al* (1988); and Pfiffner *et al* (1960).
[8] The works of Best (1990), Schumpeter (1987) and Etzioni (1966) propose that socio-political forces determine managerial behaviour. I address their works in the literature review in chapter 3.
[9] Permission was attained through a letter requesting access from the Head of the Department of Sociology.

Burgess (1984) argues that interviews should be tape recorded to ensure an accurate account of the interview. I did this with the interviewee's permission.

The interviews took between half an hour to two hours. Because they were conducted during working hours I often had to return more than once to complete an interview schedule. Such follow-up interviews were useful as interviewees frequently did not have time to explain and elaborate on the issues under discussion, given the limited amount of time available for the interviews, and the large number of issues that had to be discussed. These follow-up interviews also assisted in clarifying issues that had been discussed previously.

This follow-up technique grew into a method that I developed for all other interviews. Reflexive methods involve clarifying results and deductions using the follow-up technique. Basing follow up questions on previous issues, I could clarify and confirm results.

In highlighting the problems with unstructured or semi-structured interviews, Burgess points out that the question's wording may be loaded to ensue biased or expected answers. Reflexive methods assist in addressing some of these problems as answers are taken back to respondents and results are discussed for verification and further explanation. This technique therefore also meets the requirement outlined by Grebenik *et al* who suggest the use of "external checks" to verify data (Grebenik *et al*, 1970, 197).

Sayer (1984) emphasises the difference between knowledge and practice in social research. "(K)nowledge - whether true or false - never develops in a vacuum but is always embedded in social practices and we can more fully understand the former if we know the latter" (Sayer, 1984, 45). The context in which the interviewee has made his/her statement (which I have taken as knowledge) can be understood in two ways.

The first is by clarifying the statement with the interviewee. The second is by clarifying this statement with other parties who interact with the interviewee. The latter approach is important as it elaborates on the nature of the social relations determining the interviewee's practices. Reflexive methods (both reflecting with the interviewee and other players) thus assist in contextualising the social realm in which the knowledge is based. This approach deviates from most of the literature on methods which propose that the analysis of the interviewee's responses is solely determined by the researcher (Babbie, 1973 and Bell, 1987).

Eskom's perspectives on the results of the Electricity For All programme were not sufficient to develop answers to the above questions. Part of the reflexive methodological approach was to verify answers with other parties who were also involved in or affected by the Electricity For All programme. Questions similar to those put to Eskom staff were also put to other parties such as retailers, members of the new market and appliance manufactures, to attain a qualitative understanding of the changes triggered by Eskom's programme.

Retailers

Retailers were targeted to ascertain whether the new market's consumers were purchasing electrical appliances, whether Eskom's views on these players' appliance consumption were valid and what the appliance industry was doing in response to the rise of the new market.

I interviewed four retailer holding companies[10], which I sampled through two methods: by observing which stores advertised their goods specifically to the new market (through various mediums) and through snowball techniques. The latter technique involved referrals from an interviewee to other potential interviewees who could assist me, given the nature of the questions asked. The two stores I contacted using the first method, referred me to two other companies who were also dominant in targeting consumers in the new market. I interviewed the Marketing or Sales

[10] These four chains represent a large proportion of the retail trade.

managers at head office. Since all requested anonymity due to the nature of competition within the sector, the retail stores are referred to as A, B, C and D. The first two target the wealthier consumers in the new market, while the other two cater for the market's poorer consumers.

Retailers are the link between manufacturers and the new market and were thus a good place to start collecting data on the new market and manufacturers' responses to demands. Semi-structured, in-depth questions characterised the nature of the interview. These interviews clarified misunderstandings and unexplained issues about the new market and the appliance industry[11]. They aimed to address the relationship between manufacturers and retailers, and assess the explanations offered thus far of the new market. These interviews acted as a pilot study, preparing me for issues that I intended addressing with manufacturers, and pointed to sensitive areas in the appliance industry. I also learned that the new market's consumers were displaying certain distinctive purchasing patterns, but why this occurred needed to be investigated.

The new market

The new market was researched using four methodologies. Firstly, content analysis was done on primary and secondary research reports from various marketing companies. The most comprehensive report on the new market was the Sociomonitor[12], which included variables explaining demographic traits of the new market and what products these consumers prioritise. The explanations given for these quantitative findings were based on social values deduced during the survey. Management uses the All Media Product Survey (AMPS), another market research report, as a benchmark to track the new market's members' consumption and appliance priorities (Van Gas interview, 1992; Du Toit interview, 1993). AMPS is a

[11] Retailers A and B directed me to two different market research studies about the new market. Content analysis was thus another method used with this group of interviewees. These studies assisted me in refining questions for C and D.

[12] This is a national study done annually by Market Research Africa.

highly respected source of information[13] and is used in conjunction with other reports when understanding the new market (Retailer A interview, 1992). Specialised reports such as The Critical Mass (produced by MRA, 1991a) that address the new market and its access to media and consumption were also analysed.

These reports were attained from a variety of sources: Eskom, appliance manufacturers, research houses and marketing agents directed me to sources and gave me access to the reports they used in their efforts to understand the new market. These documents also assisted in identifying the areas that needed further explanation and detailed research results. Babbie cautions that although the use of research reports is useful in attaining data specific to one's area of study, the researcher is not usually in a position to determine which source represents the best analysis of the variable under study (Babbie, 1973, 35). I have attempted to overcome this by consulting as many research reports on the new market as possible from a variety of sources.

The data attained from content analysis on the new market was useful, but due to its primarily quantitative nature and its generalised approach, I had to acquire detailed input through qualitative research. The other three methods used to assess the new market (discussed below) explain how this detailed data was collected.

The second method used was in-depth interviews. These were held with marketing agents who specialised in the new market specifically, researchers who addressed the new market and with members of the new market.

<u>Specialists on the new market</u>
Retailers referred me to an advertising agency that specialised in addressing the new market. Happy Ntshingela, a director at The Heardbouys, was available to discuss how the new market was being targeted. Using semi-structured, open ended

[13] Retailers refer to AMPS, as does Eskom, manufacturers at Tek Corp. and independent researchers (papers presented at the HSRC conference on social change in 1993, as well as at the Eskom Research Forum, 1994, referred extensively to AMPS data).

questions, the new market's buying characteristics and preferences were discussed. Ntshingela also explained strategies targeting consumers in the new market and encouraging them to purchase certain products.

Researchers at Market Research Africa - who compile the Sociomonitor - are considered specialists on the new market by strategists within the appliance industry. These strategists encouraged me to interview some of these researchers. Snowball techniques, once again, assured me access to these researchers. Their understanding of the market and the suggestions they made to strategists in the appliance industry about how to respond to this market, necessitated their input in answering my research question.

I interviewed Brian Culross, the supervising analyst at Market Research Africa dealing with the Sociomonitor, about the quantitative findings in this report. We also discussed the importance of market research, management's strategies and the environment in which this industry functions. The discussion drew on interviews I had already held with retailers, strategists in the appliance industry and Happy Ntshingela. These researchers are another link between management and the new market. Culross offered insights into both management and the new market and commented on and confirmed some of the deductions I was beginning to make.

I also interviewed Steven Japp from the National Stokvels Association of South Africa. Japp is a specialist in assessing the new market, its financial priorities and how its members gain access to alternative funds for their consumption. I asked open-ended questions and encouraged detailed explanations through semi-structured questionnaires. Most of the gaps that the literature and other specialists could not answer were included in this questionnaire.

The input on the market, albeit useful, was still secondary in nature. In addressing the players in the new market directly, I had to reach the market's participants. In preparing to interview members of the new market, I intended discussing my findings with them, and filling in the gaps that still existed from the interviews I had administered thus far.

Researching the new market

The third method used was a group workshop with members of the new market. A workshop was organised through the Alexandra civic organisation. Alexandra (referred to as Alex from here on) was chosen as a case study from which I could interview members of the new market for two reasons. The first was that Alex has members of both the marginal market (that is, the richer echelons of the African urban market that had electricity before the Electricity For All programme) and the new market. Assessing the issues that made the new market "new" would be possible through comparative questions in this sample. The second reason was that Alex is typical of those townships that are being electrified through the Electricity For All programme (NELF Database, 1994) [14]. The workshop, held in the evening so that most working people could attend, was aimed at women and men who were heads of the household[15]. The discussion was guided by a semi-structured questionnaire, and revolved around broad topics such as appliance ownership, how and why these appliances were purchased, and whether anything was different from previous purchasing criteria or priorities. I also asked what it meant to have branded products and how the use of electric appliances had changed their lifestyles.

One drawback was that many women and men were not able to participate in the workshop as they had to attend to chores or go to work. As a result, the group was relatively small (about ten people), but the data I gathered from the session provided

[14] The NELF (the National Electrification Forum) Database shows that Alex is similar to most townships being electrified *vis-à-vis* urban housing types, household income and the average amount of people in the house.

[15] All the surveys used in the content analysis interview the head of the household. However, who these people are, and what their responsibilities are, are not documented. Standardisation on who is being interviewed as the head of the household is thus uncertain. When I asked the civic to invite heads of households this meant people who own the house, make the decisions in the house and pay the household bills. Inviting the head of household to the workshop was necessary as the quantitative data had specified this variable, and if I was to expand on this, I had to standardise variables as much as possible.

a significant insight into the ways some members of the new market acquired appliances, and why certain appliances were prioritised.

The atmosphere in the workshop was informal and people seemed prepared to talk openly. It was not tape recorded because of the formal implications this has[16]. Instead, I took detailed notes.

LaPierre (1970) talks about the difference between actual and perceptual responses, and that stated "facts" should be followed up in reality (LaPierre, 1970, 100). The workshop yielded interesting results and explanations about the new market and their appliance ownership. The information gathered from these explanations should thus, according to LaPierre, be refined by following the respondents into their homes, to assess the significance of appliances in the home. This was possible with participant observation methods, the fourth method used.

Schatzman and Strauss (1973) argue that there are various degrees of participant observation. The process of limited interaction involves the researcher intervening in the "flow of interactions (only to seek) clarification and the meaning of ongoing events" (Schatzman and Strauss, 1973, 60).

The limited interaction technique was applied in two settings. The first was during the workshop, when I observed participants' reactions to the discussion on appliances. I obtained clarification on the meanings of these reactions during the workshop and the second setting that took place in some of these respondents' homes. I was granted access to five homes where I followed up on various statements and themes raised during the workshop. In my observations in these homes I took note of the types of appliances, the ways in which interviewees spoke about their appliances and the

[16] Payment issues were discussed in the workshop. If people used monies attained through less formal channels to buy appliances, I did not want them to feel uncomfortable expressing this. A tape recorder would have limited some of the rich data I recorded on his issue.

importance of brand, quality and accessibility[17]. The last three variables were tested because of the findings that emerged from the workshop and interviews I had already held. These consumers were interviewed because I needed to verify data from the above-mentioned secondary sources.

Going into the homes of respondents offered me an opportunity to clarify the results and findings I had obtained through the other methods already used. The clarification process was a participative discussion in which I spoke about what I was deducing from the workshop and what was being demonstrated to me in the home. The recipients verified and elaborated on my input in these discussions[18].

The workshop and participant observation methods gave me a glimpse into the real-life world of the new market, personifying the national statistics I had collected through secondary sources. Using a case study is not intended to imply that the views of the Alex recipients are those of all national recipients. Rather, it assists the researcher in understanding how typical (recall that Alex is typical of those townships being electrified through the Electricity For All programme) new market players behave and respond given their access to the electricity grid.

Appliance manufacturers

A critical area to research was the appliance manufacturers. Research on the new market showed that appliances were used to indicate changes in the social position and upward social mobility of members of the new market. Furthermore it became evident that the appliance industry needed a new market, given crises of over production and under consumption.

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[17] Accessibility refers to accessing the product financially. The ease of acquiring the product was assessed. I waited for respondents to indicate how they purchased the appliance. Many showed me the hire purchase receipts, indicating the importance of easy payment schemes used to acquire appliances.

[18] In my discussion on the new market, I do not refer to these interviews as direct sources of information. Instead, I refer to the Alex workshop in considerable detail, and it should be assumed that input from these home-visits is incorporated in this source. The reason for this is that these visits clarified my findings from the workshop and highlighted what was already covered in the workshop. These visits were useful as they sharpened my understanding of what was important and what should be emphasised as key findings from the workshop.

A new market was created by the Electricity For All programme. Assessing whether this industry responded to the new market and developed products for it would be important in establishing how management responds to structural changes. The relationship between appliance manufactures and the new market is thus far more complex than that of producer and consumer. What is the former doing in response to the latter's demands? What has this response (if any) meant for the company, and what other social changes have resulted given the industry's response to the new market? These are some of the questions that determined the nature of the methods used to research the appliance industry.

It was difficult to gain access to the appliance industry. The competitive nature of the sector and the inadequate responses of two respondents in the industry, who were referred by retailers, indicated that a case study would be the best option for gathering detailed data on this sector.

Case studies are useful because they describe and explain one of the components of a given social situation. The single, idiosyncratic case chosen, will hopefully yield insights applicable beyond this single case study (Babbie, 1973, 37). I chose Tek Corp. as my case study as it was representative of many of the larger manufacturers in the appliance industry and its technologies and production processes were similar to its competitors (Tomlinson interview, 1992). Its concerns with the new market as well as some of its strategies in responding to the market were also representative of the industry[19] (Retailer B interview, 1992; Retailer D interview, 1992).

In addition, Tek Corp. was also used as a case study of the appliance industry because it was a market leader and its brands were demand by members of the new market

[19] Although Tek Corp. is representative of the appliance industry, this dissertation focuses on Tek Corp.'s actions and responses and does not make claims about the industry as a whole, even though generic responses can be inferred. This departs from the literature on case studies that propose a case study to deduce issues about the greater population it represents (Babbie, 1973 and Campbell, 1970).

(MRA, Sociomonitor, 1991). By assessing its responses to these market demands it would therefore be possible to address management's responses to the demands arising from consumers in the new market.

The sampling techniques used to choose a case study were thus typical of non-probability sampling. I determined the potential case studies selectively according to their involvement with the new market and/or position in the appliance industry. By using snowball techniques, I was able to target representatives who could assist in answering my research question. The more interviewees referred me to specific cases, the more representative these became for me. Tek Corp. strategists, who are also on the executive of DAMSA, were referred to me regularly through these techniques. Once sampling was completed, I could begin targeted interviews within the company.

Access to Tek Corp. was gained formally, after I explained what I intended to investigate and once the strategic team agreed to be my case study.

I used two methods to research Tek Corp. The first was content analysis. Tek Corp. strategists allowed me access to their library where in-house reports on the appliance sector and market research results on the new market were housed. A content analysis on data that shaped management's understanding of the new market and on the industry itself was carried out. This data helped shape the nature of the questions I constructed for the in-depth, semi-structured interviews I held.

The data from content analysis assisted in elaborating how Tek Corp. responds to the new market. I analysed the company's internal publications to assess and verify those issues discussed in the interviews. The way the company portrayed itself to the market indicated corporate culture traits that I would not have understood as clearly, had this method not been used[20]. Internal publications are often ignored when analysing a

[20] Tek Corp.'s publications portray the company as a non-racial, hi-tech, service-orientated company.

company, but by focusing on this area, I learned some valuable facts about Tek Corp. and how it intended to respond to the new market.

The second method I used to research Tek Corp. was in-depth interviews. Tek Corp. strategists were targeted as the first people to interview. Parallel sampling techniques were used to identify other potential interviewees in Tek Corp. This technique involves identifying those who are familiar with the issues being researched. This was made possible through snowball techniques whereby I was referred to the relevant people within the company.

I conducted nine in-depth interviews with strategists at head office and five interviews with managers at the plant. The aim of these interviews was to understand the corporate structure, corporate culture, strategic processes within the company and how the company responded to the new market. Respondents at the plant were decision-makers for various areas of the production process. The plant managers were identified by strategists at head office as potential interviewees. This part of the Tek Corp. sample was selectively chosen by head office and this could have skewed results. However, the interviews with the plant managers highlighted issues on structure and corporate culture that were not mentioned by the staff at head office. Thus, because results were not those expected or similar to those attained from head office, the possibility of this being a biasedly selected group was unlikely.

The literature has significant gaps in explanations of the new market and management's responses. Primary research was thus required to assess the units of analysis outlined above and 6 methods were used: Content analysis from a variety of different sources, thirty-six in-depth interviews, a pilot study within the retail sector, a workshop in Alex, participant observation and reflexive methodologies. Although I attempted to be scientific in my methodological approach, several limitations arose.

2.3 Limitations encountered with the research

The first limitation was the amount of information available for content analysis. A paucity of academic literature and research reports (some of which were dated) limited my initial understanding of the basic issues pertaining to this study.

Management in Tek Corp. and at the retailers interviewed were initially suspicious. Due to the competitive nature of these industries, this response is not surprising. Although I built up trust, especially with management at Tek Corp., it is still doubtful that the 'trump-card' strategies were divulged. Nevertheless, key features of how management is responding to the new market and how the new market is encouraged to buy certain products were attained.

The use of a case study is a limitation. Although this case study is representative of the sector, its strategies responding to the new market are unique (hence its market leadership position). Tek Corp.'s responses to the new market are thus not necessarily representative of all manufacturers, but they are representative of a successful appliance company[21].

The majority of the interviews were conducted in 1992 with Tek Corp. strategists and plant managers, but findings were only written up in 1993 and 1994. This has not been problematic as I have maintained contact with Tek Corp. in doing follow up interviews, and have noted that strategies have not altered dramatically, nor have product ranges intended for the new market, since input was attained[22].

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[21] The other successful companies in this sector are Barlow Rand Appliances (producing Kelvinator brands) and KIC to a lesser degree. These companies respond differently, but have similar approaches in their strategies (such as increasingly targeting retailers rather than other types of furniture stores). Tek Corp. is representative on this level.

[22] It should be noted that the proposals for the Defy 510 range, discussed in 1992 were realised in the product range that was marketed in 1994. An affordable product with relatively high-specifications was developed and later produced according to the proposals outlined in the interviews with managers at the appliance plant in 1992.

Ethical concerns were raised in the case of retailers. Important data supplied was to be kept confidential. This was honoured, even though this input would have contributed significantly to these findings. I did attain "usable" information on similar topics from another source. I discussed using the alternative source's data with the retailers who agreed that some of the input could be used. The areas I was not permitted to divulge have remained confidential and do not appear in this dissertation.

While applying the reflexive methods with members of the new market, I could not mention the appliance manufacturer I had chosen as a case study. Appliance manufactures, in general had to be used. Similarly, retailers had to be addressed as a generic group when asking the new market and other players about how their strategies impacted on consumption and were impacted by changes. Although it would have been interesting to assess what players thought of Tek Corp., and the specific retailers interviewed, this would not have been ethical, given the codes of confidentiality.

When interacting with the new market, two problems arose. The first was that the sample for the workshop was selected from those residents who were active within, or had dealings with the civic at the time. Those who were not active, did not have an equal chance of being part of the sample. The second limitation was language. Discussions were held in English, which was not the recipients' first or even second language. I relied on the civic organisers to translate some issues during the workshop, and the data attained depends on their translations to some degree.

The methods used were initially dictated by the units of analysis that had to be researched. When secondary data on these variables was unavailable, primary research was conducted.

A literature review follows, from which the units of analysis were attained, and the primary research results expand on these arguments in chapters 4, 5 and 6. The qualitative explanations from the new market and Tek Corp., as well as those players that ensure the profitable links between the new market and the appliance industry also contributed in explaining the relationship between these two parties intrinsically affected by the Electricity For All programme.

CHAPTER 3. LITERATURE REVIEW

This dissertation focuses on consumption within the new market and managerial responses to new demands emerging from this market. It is insufficient to explain managerial responses as a company meeting demands, as is proposed by classical economics. Often, demand is not met, and a variety of other forces (e.g. competition) combine to shape managerial responses. The key question then for this chapter is why does management respond in specific ways to new market forces (which include new market demands, competition and market uncertainties). I will argue that an adequate explanation addresses these market forces as reasons for managerial behaviour, but also addresses the company's internal relations (determined by its structure and culture) as reasons for its response. This explanation will also have to embed these relations (both within the company and external to it) in a social and historical context to explain why management behaves in specific ways.

I have not found any literature that assesses how management responds to new market demands, within the appliance industry, during times of social transition. As a result, I have had to assess what literature is available so that I could develop an understanding of managerial behaviour that would explain how and why Tek Corp. respond in specific ways to demands from the new market's consumers. The literature on explaining consumption, the new market, managerial behaviour, the new competition and the appliance industry in South Africa is assessed in this chapter. I argue that it is inadequate to use only one of the many theories to approach my research question. A holistic approach is proposed and the concept of the *habitus* is highlighted as a way of overcoming the choice between a structuralist or agent-specific argument.

3.1 Consumption

The crux of the debate on consumption is to explain why people buy the commodities they do. There are two forms of explanations in this literature. The first is the structuralist approach. This approach argues that due to the nature of social structures (such as the state, education or the media), people are forced to consume the products they buy. In contrast, the individualist, or agency approach, argues that consumption is a matter of the formation of tastes, pursuit of status and aspects of personal gratification. These variables are used to illustrate that individuals, or agents, have free choice and specific intentions to satisfy their needs, and they will thus determine the nature of their consumption. What follows is my proposal that either of these explanations used independently of the other is a limited approach to understanding consumption. Instead, I will show that unless actions are embedded in social structures, explanations of these actions are limited. The concept of the *habitus* is used to unite structural and agent-specific explanations and will be used to give a more holistic view of consumption within the new market.

Structuralist approaches in understanding consumption

Structuralist writers argue two cases when explaining consumption. The first proposes that the rise of consumerist society is due to the development of the means of production and new relations within production. This has implications for increased buying power and the nature of products available. The second suggests that the rise of media and marketing, which drive the service sector, determine the nature of consumption.

The Regulation school argues that consumption is determined by the ability to purchase products (Aglietta, 1987; Boyer, 1990). Proponents of this school argue that the rise of Fordism - and the ability to now mass produce - requires mass consumption to sell these products. To meet this requirement, the Regulationists propose that management's control over structures determines the nature of this consumption. These structures include those determining income, which products are produced and where they are made available at specific prices. The relevance of this argument is that it links production and consumption. However, highlighting the ability of consumers to purchase products, does not explain why products are purchased by specific consumers, or whether their consumption can be controlled.

Hall *et al* (1992) propose that by supplying products and paying wages high enough to purchase these products, does not necessarily explain consumption. Instead, by also **controlling** those structures that shape consumption, such as the media, it is possible to determine the nature of consumption. Those who control the structures of modern capitalism can rely on the "... knowledge that the markets will not dramatically change in the foreseeable future ... " (Hall *et al*, 1992, 186). The reason for this is that management shapes consumption by deciding what products become available and at what price. Most importantly, through dominating media structures used to convince the public to purchase the products, consumption is shaped. Campbell (1987) expands on this argument by illustrating the power of the media over consumers: The media has helped to form goals and desires, and people consume because they want in reality, what they imagine will be attainable if they purchase the product.

If the object of production is consumption, "...whereby individuals (maximise) their satisfaction through purchasing from an ever-expanding range of goods, then ...(the opportunities for) controlled and manipulated consumption (are produced)" (Featherstone, 1990, 6). This occurs because the expansion of production facilities "...necessitates the construction of new markets and the 'education' of publics to become consumers through advertising and other media" (Ewen, 1976 cited in Featherstone, 1990, 6).

Hall and Ewin propose that consumption is shaped by controlling structures and by creating new markets. Hall's suggestion is significant in that it grounds consumption in social practices. Contextualising consumption by explaining the manipulation of social signs through the media will be assessed when researching Tek Corp. The manipulation argument also has important ramifications for those arguments that deem demand paramount and independent. This structural view proposes that demand is not independent but is embedded in how consumers relate to management's manipulation of structures that shape consumption.

Ewin's argument implies that the new products necessitate new markets, but is this valid when reversed? Do new markets necessitate new products? This will be tested when addressing how management responds to the new market in Chapter 5.

Although the power of advertising and income are two important factors determining consumption, there are three major problems with the structuralist "manipulation" argument. Firstly, it implies that a homogenous culture of consumption occurs in a given society, due to mass production. However, the crises within Fordism (which brought about niche or batch production) point to the rise of the individualistic consumer rather than one who will accept standard mass-produced products. The second problem is that this argument does not explain the actual process of consumption, nor does it address who responds to what products and why they respond in this way. Thirdly, this argument assumes that individuals are passive when consuming, despite studies that show individual choice and discernment are dominant 'n consumer culture[23].

Agency approach to consumption

In response to the critique of the structuralists' explanations on consumption, the second school on consumerism focuses on **individuals** and the assumption that their free will determines their consumption which occurs for a specific pleasure. The central theme for this perspective is the desire for distinction and social standing attained through purchasing certain products.

Weberian writers have touched on the issue of conspicuous consumption as a factor distinguishing class and status. Because of the exclusiveness of status, social closure will occur to maintain the status group's distinctiveness (Parkin, 1988). Social groups use patterns of consumption to establish their ranks and demarcate themselves from others (Veblen, 1953; Parkin, 1988; Saunders, 1990). These writers tended to ignore explaining the need for distinction, conspicuous consumption and under what circumstances these needs arise.

Goffman (1963) addresses some of the gaps in the classical Weberian explanations of consumption. He argues that "discredited" individuals will be the primary participants of conspicuous consumption. Instead of trying to manage the "... tensions generated during social contacts, (the "discredited") rather ... (manage) information about (their) failing" (ibid, 42). For Goffman, this social information is conveyed by symbols which "... establish a special claim to prestige, honour, or desirable class position-a claim that might not otherwise be presented (given their "discreditability) or ... not automatically granted" (ibid, 43). These symbols thus break up what otherwise would be a coherent overall picture, establishing a new view of what previously was the general belief . Goffman calls these symbols "disidentifiers" (ibid, 44).

The value of Goffman's work is that it points to identity as a combination of what society attributes to the agent (based on class, race, religion or any specific social divider *vis à vis* social status) and what the agent does to "manage" or alter - and thereby improve - this perception. This argument is crucial in understanding

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[23]See the discussions from Green and Lascaris (1988), the AMPS (All Media Products Survey) (1993) data as well as the MRA (Market Research Africa) studies (1989 and 1991) discussed in part 3 of this chapter.

consumption within the new market. Are consumers within the new market buying products to overcome their previously "discredited" position? This issue will be pursued in the case of these consumers' reasons for purchasing specific products.

Bourdieu's work (1984) shows that products are bought for reasons of social distinction. He argues that products assist in determining class boundaries at specific historical times. Products that are increasingly inaccessible are associated with wealthier classes. However, when these products are adopted by poorer groups, wealthier classes must invent or adopt new, more inaccessible goods to re-establish their original social distance (Bourdieu, 1984; Featherstone, 1990, 11). This encroachment and retreat into the realms of social distinction creates intermediary classes[24]. Although this is useful in that it highlights how products can assist in determining social standing, despite the agent's class, the problem is that Bourdieu implies that income is the primary factor determining what should be purchased. The consumers' expectations and aspirations as well as factors such as social trends, ideas and images that portray specific identities are also determinants of consumption, but these are overlooked when income and class are considered primary structures shaping consumption.

Touraine (1985) develops on Bourdieu's intermediatory class analysis, showing how intermediary classes adopt existing consumer traditions and provide alternative, more popular interpretations thereof, making them more accessible. It is these alternative modes of identity that make the significance of taste blurred and often difficult to use as a distinguisher between classes.

The school of thought called **consuming images** is dominated by post-modernist writers who are concerned with the images perceived by the agent (see the work Bataille, cited in Featherstone, 1990, 14). Baudrillard's work (1983) continues this theme of consumers being trapped by the image of what a product can do for them and what they can become once they own a particular commodity. The images are perceived by the agent, who, based on their own understanding of the image, develop their own identity according to their subjective understanding of the image.

The problem with this argument is that a subjective understanding of a sign that implies social identity or distinction, is only recognised by others who share this

[24] viz. classes between the major class groups who identify with those above and below themselves.

understanding. However, if, as is proposed, signs are understood subjecti.ely, we cannot argue that these signs have any social significance. The reason for this is that others, not understanding the initial consumer's subjective understanding of the sign, do not necessarily respond as the initial consumer desires.

Boudrillard's work is useful in that he shows how consumption is not to express who we are, but to become that which we purchase. Image is thus prioritised over material need (Boudrillard, cited in Bocock, 1992, 149). This is useful in explaining status aspirations and will be applied in explanations of the new market. Baudrillard's argument posed above is valid in that we become what we purchase, given the limitations and images created by **common** understandings that arise from interactive encounters with others. The problem with this argument is that he negates the influence of structures, which determine the meanings given to the products we purchase, such as the media[25]. The concern with the agent is problematic as he refers to social encounters but does not contextualise them according to the structures that shape the meanings of these encounters.

The strengths within the different schools have been highlighted, but both, independently, have serious flaws. Structuralists' explanations have reduced agents to passive participants, who can be manipulated and created into new markets if needed by management. These writers ignore the role played by agents, who, by their actions, shape these structures directly. The agency approach, concerned with the agent, ignores the role of structures. Actions do not occur in a vacuum. Without embedding these actions in a specific socio-historical context, explanations of their behaviour are incomplete. A united approach is therefore required in explaining consumption.

Bourdieu (1989) proposes that consumption establishes differences that were already in place (as they had been instituted by various structures) but is also a response to those structures from an independent agent. The strengths here are that independent choice **and** the availability of products - determined by structures - are addressed in this approach. Bourdieu attempts to escape from this choice between a structuralism without participative and active individuals (agents) and understandings of the agents

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[25] Advertising, marketing and placing products in specific stores, at a specific price, gives a message to consumers. Exclusivity, style and associations with trend-setting personalities contribute to a certain meaning or sign that the product now assumes (Green and Lascaris, 1988; Ries and Trout, 1990). These are some examples of how structures (media, communication channels and distribution networks in this case) shape the meaning associated with certain products.

that fail to address the influences that the historically specific, socialising, and changing structures have on them. The concept of *habitus* unites both polarities. The *habitus* indicates that people are agents who are shaped by our society through historical, socio-economic and political experiences, but due to these experiences, we actively partake in shaping and determining the nature of our society. "The *habitus* is not only a structuring structure, which organises practices and the perception of practices, but also a structured structure (shaped by agents' responses and changed behaviour *vis à vis* their interaction with others as well as social structures)..." (Bourdieu, 1984, 170).

The concept of the *habitus* will be applied in explaining the new market's consumption. The structures shaping consumption will be assessed. These will include the "structures of the household" such as income, demographics and education, and structures beyond the household such as the media and access to finances[26]. These structures will be used to contextualise explanations of why the new market responds to these structures with specific consumption patterns[27].

Outlining the new market's consumption

South African works on understanding consumption and specifically the new market's consumption, are characterised by two main schools of thought: Racial Fordism and Band Theory.

The Racial Fordist school shows how a decline in manufacturing occurred in the 1970s due to the growing internal market (and therefore increases in demand). This demand could not be realised because of South Africa's highly skewed income distribution that "...limited the development of a broad mass market" (Black, 1991, 160). The import substitution policy that intended to replace imports with locally manufactured goods, also posed a crisis of over-accumulation (given that the internal market was limited to whites who could afford these goods, but had already purchased most of what they needed).

[26] The structures within the household (income, demographics and education) are highlighted as central features determining consumption by Bocock (1992), Bourdieu (1989) and Hall *et al* (1992). The structures beyond the household (media, access to finance and community support structures) are proposed by Ewin (1976), Featherstone (1990), Hall *et al* (1992) and Bourdieu (1[illegible]
[27] Consumption patterns (also referred to as buying patterns) are the criteria used f[illegible] [illegible]rchasing. These criteria shape the nature of consumption for a specific market and explain why cer[illegible] products are prioritised.

Racial Fordist proponents argue that white consumers enjoyed access to structures that ensured their increased consumption of consumer durables (Gelb, 1991, 16). These structures included access to credit facilities, a welfare system and high wages. Black South Africans were denied access to these structures, especially those ensuring access to credit and real wage increases - structures that would facilitate consumption. They also faced rising unemployment; encountered highly skewed wage levels and lacked access to electricity. These forces therefore determined that the consumption of consumer durables became racially specific (ibid, 16). Therefore, because of the racially specific structures that ensured the upward mobility of whites, the ownership of large appliances was prominent in the white market.

There are a number of problems with this explanation. The first is that it is anachronistic. Crankshaw and Hindson (1990) show that by the 1980s most African workers in the formal sector were semi-skilled and that each racial group had become increasingly str ified occupationally (Crankshaw *et al,* 1990, 29). Crankshaw (1989) also shows that Africans occupy the largest proportions of jobs in the teaching and nursing, technical semi-professionals and some managerial fields. This places the applicability of the racial nature of the relations within production (that the Racial Fordists use as the basis of the racial nature of consumption) into question for an accurate analysis of the new market[28]. Furthermore, although wages have been skewed they have risen in real terms and indications show that "... blacks' share of national disposable income will soar from 32% in 1970 to 57% by the turn of the century" (John Kane-Berman cited in Enterprise, February 1992). The growth rates in household expenditure for whites, according to the Bureau of Market Research (1988) was 4,9 per cent; and 4,2 per cent for black households in the 1975-1985 period (most of the household expenditure is on appliances). A 0,7 per cent difference does not indicate that consumption is racially specific, and this gap of 0,7 per cent is being closed since these figures were released (AMPS, 1993; McGrath, 1990, 103). These results illustrate the Racial Fordist school is outdated as it ignores the growing affluence of the black middle and working classes[29].

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[28]Recall that the new market began to emerge with the introduction of Electricity for All in 1989. This implies that not only would those who had moved upward in their occupations become established by 1989, but that these figures had grown, and the ranks of upwardly mobile workers and professionals were expanding. See the work of McGrath (1990) for further discussion on this issue.

[29] There is a wealth of literature on what and who constitutes the black middle class. See Carchedi, G (1975); Nolutshungu, S (1982) and Sarakinsky, M (1986).

The second problem with the Racial Fordist argument is that manufacturing is portrayed as a homogenous industry. The crises within the various sectors must be seen as specific, given the nature of the products produced - their exportability and local market demand for them - and the specific target markets these products are aimed at. The various sectors will thus have to respond differently to the various crises they face.

The third problem with this explanation is that it does not explain why crises in consumption have actually occurred, as it does not focus on the strategies aimed at ensuring consumption, and thereby contextualising the reasons for the crisis within the sector. Assessing the target markets, the products produced as well as the ways in which those products are sold are all variables that should be included in explanations of why and how a sector creates and responds to crises.

The need to assess the market and the products specifically demanded by certain markets has brought about the rise of Band Theory. Although this approach does not command the same technical status as those advocating Racial Fordism, marketing analysts have used the concept of *marketing bands* to explain the nature of consumption in South Africa.

This theory divides the South African market into nine bands that are characterised by specific educational and occupational levels. These variables are used because "... the salary levels in South Africa are still not comparable for a white and black person with the same type of job and education level" (Green and Lascaris, 1988, 22) and therefore income cannot be a comparable variable. Furthermore, household incomes do not correlate, given the average number of earners and/or dependants per house when comparing black with white households. Even if the overall household earnings are the same, disposable incomes are totally different (ibid, 23).

Band Theory is based on a model using the vertical and horizontal cross-axes of education and occupation. The bands are given values according to their scores on the different axes. The first three bands are concentrated within the post graduate-professional quarter, while the last three bands are situated within the no-schooling, unskilled/unemployed quad. The proponents of this model argue that this method avoids racial typecasting, but it does not ignore racial realities. Results from the writers'[30] research indicate that "... if you fall, say into band 2, you have lots in common with a fellow '2' even if he or she is from a different race group" (ibid, 20-21). Education, aspirations and money determine the contours of these bands, and marketing strategists use these features as guidelines for the company's response to these specific band's demands (Panel Data Seminar, 1991).

Despite these conceptual strengths and its avoidance of racial typecasting on the basis of class, there are serious problems with Band Theory. Band theory explains how producers should address specific markets, but it fails to elaborate on why strategies differ even if the same market is being addressed. The assumption made by these theorists is that all band members are similar, irrespective of race. This implication is refuted by the theorists' initial claim that disposable income for black and white households is not comparable. Furthermore, this approach does not explain why people of different races within the same class differ in terms of purchasing patterns (MRA reports; Sociomonitor, 1991; and Mavundla, 1991). Band theory uses the structures of education, occupation and age in proposing that one's position in these structures will shape their consumption. The structuralist nature of this argument fails to address why the new market is so specific in its consumption (Sociomonitor, 1991) and that agents from different bands still purchase similar goods. Why agents purchase what they do and why certain goods are prioritised, still need to be explained.

Many local analysts (see data on LSM in MRA studies, 1993 and IMR reports 1993) argue that consumption and priorities are determined according to Maslow's hierarchy of needs and wants. "So long as incomes are low ... consumers satisfy their fundamental needs for food, clothing and shelter by purchasing the cheapest available goods which are mass produced. But as incomes rise, consumers can express ... more refined wants...whose satisfaction was previously unaffordable" (Piore and Sable, 1984, 189). The problem with this point is that it fails to consider what is required as a necessity. This is not to say that prices are not considered when consumers want/need specific products, but as Lukhele (1990) and Mavundla point out, despite the low incomes of township residents, diversified purchasing of luxury items seem to be

[30] Reg Lascaris and Nick Green are founders of two of South Africa's leading marketing/advertising and research companies, Hunt Lascaris and Markinor respectively. Both have pioneered studies into the new market and black buying patterns.

prioritised over the "basic necessities" outlined by Maslow (Mavundla, 1991; Green and Lascaris, 1990 and 1988, Lukhele, 1990).

We need to assess the priorities given to certain products by individual consumers. This assessment begins with the market research results that illustrate what the consumers in the new market are purchasing. Market research reports are useful on two accounts: They highlight the new market demographically, and albeit quantitatively, describe what is being purchased (AMPS, 1993; MRA reports, 1992 and 1993; Markinor surveys, 1992 and 1993 and IMR reports, 1993a).

The Sociomonitor (produced by MRA) not only addresses the structural elements facing members of the new market, but also assesses their individual perceptions about specific products. This contributes to an understanding about consumption patterns - an issue this dissertation aims to address in assessing the new market. This dissertation complements the work of Green and Lascaris in that it expands on the structures within the home that must be researched in understanding the new market's consumption, for example family size and community involvement. It also elaborates on what the agent's argue are important issues when buying products, given the value trends associated to answers attained[31]. Agents' reasons for purchasing as they do are explained according to the value systems built into the questionnaire. Although this assessment is useful in beginning to understand consumption within the new market, it is limited in two areas. Firstly it is primarily a quantitative study; and secondly, the values are determined by the research house, rather than the respondents. Despite these flaws, the Sociomonitor, in conjunction with other reports[32] from different research houses has proved vital in outlining the issues used to explain the new market and its consumption, and show what areas needed further research.

Three major points have emerged from the literature review on consumption. The first is that structures shaping consumption must be assessed. Structures within the home and external to the home will be researched to contextualise the new market's consumption patterns. Secondly, consumers' responses to structures must be analysed to understand why they consume in specific ways. The data from the research reports

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[31]Qualitative explanations exists in these reports but they are extremely brief and limited. Following up on these issues will have to occur in the primary research process.

[32] The Critical Mass, AMPS and ad hoc reports have been discussed in the method section. The reason for discussing these in that chapter (Chapter 2) was to explain why certain reports were scanned for the content analysis.

can be used, but expanded on to explain why agents consume specific products. The third issue is that consumption is also determined by managerial control over structures shaping consumption. This argument must be tested to assess the extent of managerial control over the agent's consumption patterns.

3.2 Managerial behaviour and responses to market demand

The body of literature on management addresses three schools of thought, offering explanations about why management behaves and responds in the ways it does. Labour process theory will be discussed briefly, and then a discussion on Racial Fordist explanations and Organisation theorists follows. I will discuss the latter in greatest detail, given its broader applicability to the practices of management. An outline of the new types of competition follows, outlining why management behaves in specific ways during times of change. The section concludes with a discussion on corporate strategy.

Labour process theory

Sociological analyses of corporate practices in South Africa have tended to explain managerial behaviour and profit accumulation according to theories concerned with the labour process[33]. Labour process theory is useful in understanding management in that production is a vital stage of the circuit of capital accumulation.

Although some sociological analyses have been done on management in South Africa (Innes, 1983; Pitt *et al*, 1991) the majority have concentrated on industrial relations[34], remaining within the realm of the labour process. Labour process theories are valid in explaining parts of the circuit of capital but many of these studies have failed to bridge the gap between the labour process and the rest of the circuit of capital.

The circuit of capital is the constant movement between the spheres of accumulation (the sphere of production that results in surplus value) and the sphere of exchange (in which commodities are bought and sold). Commodities must be produced, bought and sold for capital accumulation to continue (Fine and Harris, 1983, 5).

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[33] See the works of Webster, 1985 and Kraak, 1987.
[34] See the works of Macun, 1991and Maree, 1989.

The concerns with the labour process have skewed understandings of capitalism as only one sphere - that of accumulation - has been noted. This has necessitated concentration on the sphere of exchange to assess how management realise the consumption of their products. Concerns with the labour process have ensured a paucity in the literature on why management behave as they do. This question is dealt with in the rest of this section, and is used as the crux of this dissertation.

Thompson *et al* (1990) point out that, " ... It would be very misleading for any critical theory to proceed on the assumption that organisational processes and managerial activities were based solely on the control of labour, neglecting factors such as sales and marketing, financial controls, supply of components and product quality" (Thompson, *et al* ,1990,41). The areas constituting the circuit of capital are thus crucial in a thorough explanation of the nature of capital accumulation. Thompson *et al* argue that any theory dealing with the capitalist society must deal with the full circuit of capital, addressing production as well as its realisation through the sale of commodities on the market. (ibid, 1990).

Regulation theory

This theory's strengths in explaining managerial behaviour lie in illustrating that the classical economists' view of the "self-regulating market" is flawed and that management has actively restructured parts of the production process; created and shaped markets; and reorganises to accommodate, and respond to, social, political and economic crises. This dissertation will draw on this argument when assessing why management has responded in specific ways to the new market. I will examine whether Tek Corp.'s response to the new market is the result of the crises in this industry or due to other factors such as the changing social milieu that results from the Electricity For All programme.

There are several problems with this paradigm's attempts to explain managerial behaviour that tries to increase consumption and capital accumulation. It is grounded in functionalist arguments (Clarke, 1988) and does not explain how management responds to the specific crisis nor how it interprets and understand it. These problems will become issues to highlight when assessing why Tek Corp. has responded to the new market in specific ways.

Organisation theories

Organisation theory concentrates on managerial behaviour and comprises three main approaches: the market approach, corporate culture determinants, and the authority-structure approach.

The market approach is the most utilised approach within this school. This approach assesses ways in which decision making occurs in relation to the conditions under which firms arise and operate, given their market mediated transactions (Hamilton *et al*, 1988, 52). The market explanation is associated with, and develops on Chandler's analysis of the "visible hand" of management.

Chandler (1980) argues that structures are formed by large organisations to ensure that the circumstances needed for consumption (and production) occur. This is achieved through manipulating conditions that ensure exchange. Thus, through the hierarchical structures, the "visible hand" of management dominates and eventually substitutes for the "invisible hand" of the market. Galbraith's (1967) thesis expands on Chandler's argument by explaining that in order to ensure circumstances for consumption, the company must **plan** for the requirements of both production and consumption so that maximum accumulation is ensured. Because of the increasingly sophisticated commodities that are being produced, the modern corporation can no longer rely on market forces to ensure adequate supplies are received and that sufficient consumption occurs (Galbraith, 1967). Planning arises because of the long period of time that elapses between ensuring investment and/or materials for production, the mass production process and the inflexibility of commitment that characterises economies in flux. Guaranteeing consumption is thus vital and necessitates planning and control over demand and prices.

Chandler and Galbraith are significant in their contributions to explain how management manipulates structures (like the infrastructure and the media) to ensure consumption. Chandler argues that markets are not independent, but determined by the structures shaped by the visible hand of management. Galbraith's proposal of planning points to the centrality of strategy. Heller (1990) and Schumpeter (1987) continue this point and argue that strategy is the crucial ingredient for corporate success.

One shortcoming with Chandler is that he reduces managerial involvement in the market to reasons of efficiency. This ignores forces beyond the company, such as consumer's relative independence and competition. Chandler is also limited in that he proposes that a hierarchical firm accrues profit through minimal costs. This implies that a static type of management occurs. Product development and continual improvement (not only to develop new products but to keep up, and ahead of the competition) cannot occur with this type of management style. Thus, when explaining Tek Corp.'s responses to the new market, and assessing whether Tek Corp. has shaped structures to ensure consumption, reasons beyond efficiency must be researched. Galbraith's proposal of planning will be researched and tested in explaining Tek Corp.'s market leadership and responses to the new market.

Market demands, market uncertainties and competition are forces that shape capitalist relations and responses to market demand. A growing amount of literature is emerging on competition as a force that shapes and explains managerial behaviour. For Marx (1988), competition is the driving force of capital accumulation, as it necessitated ways of increasing surplus value. For Mandel (1980), expanding on Marx's work, competition is the process of monopolising the greatest part of the limited market, through competing with other capitalists (on the issues of price and profit). Monopoly capitalism is thus the primary force that necessitates capital accumulation as it drives the monopolisers to continue attaining increased surplus value (through take-overs and controlling the market) and also drives the smaller companies to be more competitive through increasing their surplus value in more traditional ways[35]. Williamson (1981) elaborates on this proposal, adding a Hobbsian angle in explaining managerial behaviour and competition. Williamson (1981) argues that strategies or decisions will be aimed at ensuring the lowest transactional costs. These are only secured when uncertainties, and cheating by other parties, are eliminated. Securing the lowest transactional costs thus implies vertical and horizontal integration so that the company controls most of the market, thereby ensuring fewer uncertainties. Planning, as Galbraith suggests, is not enough. The company must dominate the market.

Monopolising the industry, however, does not always necessitate corporate success (Schumpeter, 1987). The moves towards subcontracting out parts of the production

[35] i.e. through increasing the time that labour spends producing goods, or increasing the intensity at which labour works to produce these goods.

process and the lack of evidence of vertical integration, indicates that the vertical-horizontal argument is problematic in explaining the sector under study.

Swedberg and Granovetter (1992) argue that economic actions are not carried out by "atomized individuals" but are embedded in social networks within social structures. These networks imply that a regular set of contacts or social connections are made between individuals or groups (Swedberg and Granovetter, 1992, 9). Competitors are also, therefore, embedded in networks. Their similar target markets, the financial, technical, and historical limitations of the industry that shape the social structures they interact in, and the resources they attain through these structures, make up the common ground between them (Granovetter, 1992).

Swedberg and Granovetter's argument is useful as it contextualises the scene in which competition occurs. Assessing the structures that embed networks between competitors in the appliance industry will be researched to overcome the agent-orientated approaches of Williamson and Mandel who imply that the need for monopolisation by one agent or company shapes competition and the economic activities within industries.

Expanding on Swedberg and Granovetter's proposal that competition occurs within a social context, Best (1990) offers a holistic approach in understanding management. Success, he argues, is not only an administrative response to market forces (that include demand, resources and competition), but a combination of efficient production for specific markets and increasing innovations overcoming the obsolescence of competitors.

Uniting production and consumption and contextualising behaviour within social networks explains management holistically. However, Best argues that success - based on these features - is determined by the company's ability to strategically decide on these issues. In understanding strategic decision-making, external forces to the company, such as those discussed thus far are crucial, but internal forces, intrinsic to the company must also be analysed. Analysing the corporate culture and lines of authority that allow these strategies to occur is thus required to understand why certain companies succeed. Market approaches, culture and the lines of authority are thus the primary variables to be used when explaining why specific companies adopt different strategies although the market forces are the same for all competitors. They may also give an insight into why some of these strategies prove successful and make the company more competitive.

Cultural explanations for organisational practices explain corporate behaviour and strategic decisions as expressions of social values and beliefs (Crozier, 1964). The notion of culture has been applied to studies of organisational behaviour in two ways. Firstly, it has been argued by Pfiffner and Sherwood (1960) that organisations should be seen as operating within the framework of accepted values that typify the broader cultural system beyond the company. Given this assumption, they argue that corporate decisions are limited by the company's congruency with the values of the greater societal culture (Pfiffner and Sherwood, 1960, 252). The second approach considers the organisation a sub-culture. Hamilton *et al* (1988) argue that the organisation is assumed to acquire its own patterns of conduct and learned behaviour that may be drawn from or in response to the social culture in which the company is situated. (Hamilton *et al* , 1988, 71; Pfiffner and Sherwood, 1960, 252.)

Both approaches of understanding corporate culture are important. The first contextualises behaviour according to practices accepted by those who are also external to the company. Networks would demand this, and this argument sets the scene for culture within an industry (which may or may not mirror the culture of the greater society), which is greater than the company itself, dictating behaviour within the industry between its players. The industry's culture - that is, the learned responses characteristic of the values, expectations and norms of a specific group - will be assessed to explain Tek Corp.'s responses to the new market. The second approach is also useful as it explains why companies behave the way they do. The company may be influenced by the "external" culture, but the "internal" culture is crucial in understanding its responses.

How can culture within a company be measured? For Weberian writers like Hofstede *et al* (1990), corporate culture is shaped by the organisation's leaders. The leadership defines the corporate philosophy - usually based on their own values - and this shapes the company's culture and practices (ibid, 1990). Thus, corporate culture can be measured by assessing the corporate philosophy. The corporate philosophy of Tek Corp. will be assessed and the extent to which it shapes behaviour will be determined.

But philosophy is not sufficient in explaining corporate culture, as philosophies change given historical developments, even though leaders remain in positions of power, and cultures may remain static when leaders move on. The problems in using corporate culture alone to explain behaviour has led to a body of work which focuses on the structure of the company and the lines of authority typifying the corporation. These power structures (or lines of authority) are determined by the specific corporate culture and ensure the realisation of the corporate philosophy. Hence their association in explaining corporate behaviour and decision-making (Reed, 1992).

The authority-structure approach is based on a Weberian understanding of bureaucracy, whereby organisational structures are influenced by the task at hand, to produce efficiently and effectively so that maximum profit is assured. The argument is thus profit and decisions on profit are determined according to a chain of command. Weber called this chain of command the "principles of domination", which serve as the guides, justifications and interpretative frameworks for social actors in the daily conduct of decision-making activities (Hamilton, 1988, 75).

Lines of authority shape the nature of the company's decisions and strategies. Only specific strata of the bureaucracy are thus permitted to design the strategy while others, lower down in the hierarchical structure, are delegated to ensure its realisation (Perrow, 1972). Meyer and Scott (1983) show that lines of authority become acceptable and the status quo for decision-making are facilitated because the structures and practices within the company are perceived to be legitimate and effective.

The decisions and strategies that typify corporate behaviour can thus be understood by assessing the structure of the corporation and corresponding lines of authority (Haire, 1962). This will explain why certain departments participate in the strategy's formation and determine the company's responses to the new market.

Etzioni (1966) shows that power is expressed in various ways, depending on the structure of the organisation. Structure therefore, shapes the nature of power in the organisation and both power and structure should be considered when explaining management's behaviour. Tek Corp.'s structure and power networks (within the company) will be explained in conjunction with discussions on culture to elaborate on why this firm has responded in specific ways to the new market.

The Organisation theory paradigm is useful in that it addresses managerial behaviour within the context of the firm, taking its specific narrow environments (that is, within the firm) like culture, authority, personalities and market understandings into account. Other streams of this theory (such as the market and cultural variants) concentrate on broader environments such as the soc political and macro-economic contexts, arguing that these are the primary forces shaping behaviour in various companies. Either internal (corporate) or external (environmental) forces are postulated as factors influencing managerial decisions and behaviours. Both approaches are limited when considered independently.

What is required to contextualise behaviour in those networks intrinsic to the firm and the networks external to the firm? One has to embed Tek Corp.'s relations in its internal structures, power networks and its culture. These are shaped by the social networks of competition and market forces external to the company. These internal and external social relations are united by managerial responses to the external environment, which are networks determined by specific strategies. Strategies thus link the internal and external networks used by management.

The role of strategy

The essence of a stra approach is having a "game plan" or guideline. The "game plan" is a set of rules upon which decisions are made and procedures followed to meet specific goals in the realms of production and consumption (Foster, 1984, 15). Understanding strategy is central in assessing managerial behaviour as strategy incorporates all areas of the circuit of capital. It entails meeting financial requirements, utilising available resources and services and ensuring maximum consumption through marketing tactics and strategically distributing products (Heller, 1990). Best (1990) argues that "while technology does not determine a firm's strategy (as implied by Chandler), it does limit the range of possible structures and strategies" (Best, 1990, 265). Thus, like Galbraith, Best argues that market-shaping strategies rather than market-reacting responses determine a successful firm.

Management is forced to reconsider its strategies "... not merely because organisations are dependant on their environments (i.e. markets, supply agreements and sectoral policies), but because this environment is not dependable" (Pfeffer and Salancik, 1978, 3). When external (or internal) changes occur, re-strategising is thus necessary.

Given the rise of new market, this thesis then implies that Tek Corp. would have to restructure in response to the new market.

Competitive success, for Best and Schumpeter (1987), is based on strategy, which then translates to continual improvement so that innovative technologies, supplies, organisations and products can be developed. This innovation is necessary to keep abreast of the dynamic competitive environment and, through flexibility, ensures that the firm can respond to changing markets (Best, 1990; and Schumpeter, 1987).

Three areas thus need attention when assessing strategy: Firstly, Tek Corp.'s strategy-making process must be assessed to contextualise how it responds to a market; secondly, I will examine whether Tek Corp. has changed its strategies in response to the new market; and thirdly, the new strategies developed to respond to the new market must be examined and explained.

3.3 New types of competition

This section addresses the work of Best and Schumpeter who point to the emergence of a new type of competition. This is a vital link in understanding why and how management respond to socio-political changes. These writers argue that the dynamism of constant change spurs competition and the development of new markets. This highlights the central issues of managerial response to external issues, internal dynamics that bring about responses (and change) as well as the need to embed behaviour in social networks.

The environment of the appliance industry is fluctuating with swings of between 10 per cent and 14 per cent per quarter (DAMSA, 1991). With changes like these how can a company remain competitive? Best (1990) and Schumpeter (1987) propose that companies remain competitive and successful, because of a new competition. The concept of the new competition is based on the successful company's ability to adapt continually to changes in its environment (specifically their external environment)[36].The new competition is based on new products, new firms and new industrial partnerships. These replace older practices and previous counterparts that are "... in turn, subjected to obsolescence themselves by carriers of new ideas (and adaptations to the external environment)" (Best, 1991, 120). The concept of the new competition is useful in explaining the appliance industry given that its traditional market has changed dramatically and not only new products, but new practices will also be required for success. The new market will be researched by examining the networks used by Tek Corp. in relation to its competitors and other parties with which it has entered into partnerships. The problem with this approach is that it overlooks whether the adapting company has been successful even if the market does not respond positively to its changes. To address this flaw, I will research how management adapts and show how the market has responded to these changes.

Thus far I have shown that consumers are independent, but their consumption is shaped by structures such as the media. Management, on the other hand, shapes structures such as infrastructure and communication channels, but is shaped by its corporate culture and structure as well as market forces such as market demand, competition and market uncertainty. Management plans and develops strategies to account for these forces. I have also shown that new types of competition and strategic responses are ways of responding to social change. These understandings of consumers and management assist in explaining the concrete element of this literature review: the appliance sector.

3.4 Appliances and the consumer durable sector

The drought is over[37]. This is the message emanating from researchers in the field of energy studies and associated areas of interest such as appliances. Until recently, not much had been written on the appliance sector. Two schools of thought existed and both argued that appliance consumption was racially based.

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[36]This adaption requires co-operation from a variety of departments within the company, a cross-pollination of ideas within the company and learning from internal and external events (Best, 1990, 155-156).

[37] Researchers from the Energy for Development Research Centre, Eskom, various universities and the CSIR gave numerous papers on the areas of energy development at the HSRC Congress on Social Change in late 1993. They highlighted the growing importance of this subject, not only in the amount of papers delivered, but because of the implications energy studies has for sociology, development studies, economics and environmental sciences.

The first school of thought addressing the appliance sector is the Racial Fordist school. The proponents of Racial Fordism argue that both the production and consumption of consumer durables are racially specific (Gelb, 1987 and 1991; Black, 1991). They argue that consumption was racially based as black wages remained low, and black consumers could not be taken seriously given the relatively expensive cost of appliances. The disproportional wage allocations to whites, contributed to management targeting the white market as the only viable market for its products (Gelb, 1987).

The import substitution policy encouraged the growth of local consumer good sectors. Coupled with the importation of capital equipment that was available at low rates, there was rapid expansion in these sectors. The expanded production capacity was not mirrored with an expansive consumption capacity (in wages) which posed a potential problem in ensuring consumption among black workers. White workers continued to earn high wages and were thus targeted as the market for consumer goods. The limited size of this white market ensured the saturation of this market and crises of over-production (given the capacity to produce large quantities of goods) and under-consumption (given the market saturation) occurred.

This theory about the appliance industry is useful in that it highlights the capacity this industry already has, and thus the ability to respond to a huge, new market. The nature of the industry's capacity will be addressed and explored to assess how it intends addressing the new market, given its production abilities. It is also useful in arguing that management responds when in crisis. Given the crises facing this industry, I will examine whether these crises have spurred management at Tek Corp. forward in addressing the new market.

The problem with this theory is that it is outdated. The sector has reorganised production to Just-In-Time production lines and batch production is typical of most plants. This assists in addressing the over-production crisis, although assessing whether this has benefited the manufacturers in addressing the new market is to be researched. This school also fails to address how management shifts its strategies and responds to the new market. The Racial Fordist school overlooks why specific strategies were used, and the focus has remained on race rather than other variables shaping demand and potential market growth.

The second school addressing the appliance industry are the writings about energy distribution before the Electricity For All programme. Christie (1984) proposed that black South Africans did not have access to electricity and thus relied on alternative sources of energy. Even if they lived in areas that were electrified, the cost of electricity[38] was prohibitive, not to mention the cost of appliances, given the racially skewed wage inequalities (Christie, 1984, 117). Christie goes on to argue that electricity was used for the interests of capital and social control for the apartheid state (ibid, 1984, 204). Christies' analysis is useful in addressing how black consumers were marginalised, but this is no longer applicable.

Since the Electricity For All programme, various authors have contributed to the literature on appliance ownership (Eckert, 1993; Engelbrecht, 1992). Dingley (1991), Van Gas (1992) and Christianson (1991) highlight the importance of buying appliances, but ignore the entire circuit of accumulation. The increased consumption of appliances is not enough to infer what this implies for the appliance industry. Bauman (1993) addresses this flaw, suggesting that despite the increased market potential, the appliance industry's future is in danger. GATT, imports and the inability to produce competitively imply difficult times ahead, unless certain protective measures are taken. Although Bauman notes the expanding markets, he does not address the new market's consumption patterns, assessing whether local brands are a priority or not, or whether price is everything in determining the new market's consumption of appliances. His argument is useful, though, in highlighting the environment and networks typifying this sector. Bauman's aim is not to assess how management responds to the new market despite the networks and environments in which they interact. This dissertation aims to address this gap.

In conclusion, four issues have arisen out of the literature review as issues to consider when answering the research question. Firstly, explanations of capitalism and capital accumulation must address the complete circuit of capital. This involves addressing the production process as well as the consumption process. Secondly, structures internal and external to the company shaping behaviour must be highlighted. This applies to the realm of producer (the internal forces being those intrinsic to the company, and the external forces being those beyond the company such as

[38] The cost of electricity was determined by the Black Local Authorities who were the bulk suppliers and charged exorbitant rates. Research shows how some Sowetan households received a monthly account for rent (which was minimal), water and electricity for R3 000,00 (Christianson, 1991).

competition) and consumer (internal forces are those within the household, and external, are those forces beyond the home, such as community expectations). Thirdly, behaviour must be contextualised within historical and socially constructed structures. Lastly, the agents within Tek Corp. and the new market are not passive. Their actions and responses to the transformations since the Electricity For All programme must also be assessed.

In order to address these issues, two theoretical positions will be applied. The first is Swedberg and Granovetter's position on networks. Networks are the manifestation of personal relationships that are embedded in social structures. This approach is vital as it contextualises behaviour that can now be understood according to the first three criteria. Networks occur both within Tek Corp. and external to it. Networks within the company will be studied to highlight the structures, power hierarchies and culture determining behaviour. These internal networks will also address how certain parties interact and develop strategies that allow the company to respond to some of the external networks (which will also be assessed). Agents' behaviours are socially embedded in social structures that determine this behaviour. A problem arises in that these writers imply that behaviour occurs in response to structures, and do not indicate if these responses change or maintain these structures and networks.

Bourdieu's concept of *habitus* overcomes this problem of seeing agents as passive. The concept of *habitus* indicates that we are shaped by our society through historical, socio-economic and political experiences (echoing Swedberg and Granovetter's argument), but due to these experiences, we actively partake in shaping and determining the nature of our society. "The *habitus* is not only a structuring structure, which organises practices and the perception of practices, but also a structured structure: the principle of division into logical classes which organises the perception of the social world..." (Bourdieu, 1984, 170).

The concept of the *habitus* can be used to explain the new market. It is useful in explaining consumption as actions embedded in networks that are shaped historically, and also how specific consumption patterns are responses to these structures and networks. This concept is also useful in explaining management's responses to the new market. It highlights the internal and external networks in and external to the firm, that shape its responses to change. It also explains that these structures necessitating a response from management are in turn shaped by Tek Corp.'s responses.

This understanding and use of the concept of *habitus*, expands on what Bourdieu initially intended by the concept, according to writers like Wacquant (1992) who prefer to use the concept of *field* when referring to external relations. Wacquant implies that *habitus* refers only to internal issues, viz. internal to the agent. The reason for this is that *habitus* is seen as the way agents internalise structural influences that then become perceptions. Once these perceptions are enacted upon, they become actions in response to these structures. When the agent responds to the structures, or to other agents, external relations are called into play. The concept of *field* is used to explain these 'external' actions. Wacquant describes the concept of *field* as "(that consisting) of a set of objective, historical relations between positions anchored in certain forms of power ... (Each field) possesses its own regulative principles (delimiting) a socially constructed space in which agents struggle ... either to change or to preserve its boundaries..." (Bourdieu and Wacquant, 1992, 17).

The problem with the concept of *field* is that it distinguishes internal and external relations and limits the ways in which structures and agents are constantly engaged in shaping one another. Furthermore, it undermines the ways in which agents and structures are inextricably linked by dividing the boundary between internal and external actions. In 1984 Bourdieu wrote that that concept of *habitus* is not only a "structuring structure which organises practices and the perception of practices (as implied by Wacquant), but also a structured structure (shaped by agents' responses and changed behaviour *vis a vis* interactions with others and social structures)" (Bourdieu, 1984:170).

By using the concept of *habitus* to explain **all** actions by the agent(both those that create perceptions and those that ensue actions external to the agent), in conjunction with Granovetter *et al*'s concept of embeddedness, one can overcome the problems with the concept of *field*. The concept of embeddedness allows for the actions between structure and agent to be grounded in a historical, socio-political and economic context. This is indeed similar to the concept of *field*, but it becomes more effective given that it is not concerned with **how** the agent and the external structures shape one another (an analysis that the expanded use of *habitus* now offers). Instead, it explains **why** these actions and changes manifest as they do. Given that my research examines why the relations between producers and consumers manifest in specific ways, and also examines how these occur, I will not utilise the concept of *field* in this dissertation, given its limitations for the issues I intend to explore. Instead, I will embed the *habitus* of consumers (the new market) and producers (Tek Corp.) in a historical, socio-political and economic context to explain the networks between these two players and what the results of their actions imply for understanding capitalism since the Electricity For All programme.

CHAPTER 4. EXAMINING THE NEW MARKET

This chapter is divided into four sections. The first section deals with the emergence of the new market. The rise of this market is placed into a historical context and the structures and responses that differentiate it from the marginal market are outlined. The second section assesses who constitutes the new market. The third addresses what appliances are purchased by the new market. An analysis of what the various bands within the market prioritise and why this occurs is given. The structures shaping consumption and the new market const... response to these structures are outlined to explain why specific appliances are consumed. The fourth section explains the consumption patterns typifying purchasing within the new market.

This chapter follows on from the literature review in two ways. The first is that it aims to address some of the drawbacks indicated with the literature on the new market and on consumption. The second is that it attem... embed the analysis of the new market within the social structures that shape consumption, and within the agents' responses to these structures. The concept of the *habitus* will therefore be used in explaining the new market's consumption of appliances.

Moving beyond income in explaining the new market

Most of the literature uses class to explain the new market and why distinct tastes and consumption of specific products occur[39]. The use of class as the unit of analysis cannot sufficiently explain why poorer people, usually workers, have similar interests and buy similar products to members of other classes. Furthermore, this approach cannot explain why people of different races within the same class differ in terms of consumption patterns - a concept I have used to explain the criteria that specific consumers apply and prioritise when purchasing specific products. Examples of consumption patterns are

[39] See the works of Weberian writers such as Turner (1988) and Parkin (1988) and certain Marxists such as Gelb (1991) who imply this argument in their writings.

quality and brand. These criteria are embedded in, and defined by socio-historic contexts and emerge as a result of the consumer's previous experiences and current consumption requirements. These requirements in turn, may include features that imply a specific identity, status and beauty over and above the use value of the product.

I will attempt to move beyond an income-specific approach in understanding the new market. Income is used to determine class and specific market interests[40]. However, this contributes to a reductionist assessment of a market, as the market is understood only according to what this income allows it to purchase. Despite this criticism of using income to divide the market, I use income as a variable in understanding the new market. The reason for this is that the data available on the new market is income specific and divides the new market according to income groups. I have attempted to overcome the trap of using income - in the form of wages - as *the* determinant of consumption. Instead, I have also assessed alternative forms of income acquisition and how agents in the new market know how and where to purchase appliances despite their limited formal incomes. These variables contribute to explanations of how poorer members of this market can afford those appliances purchased by wealthier members. The income-reductionist trap is also overcome by assessing the market's lifestyles and preferences . These have been shaped by various structures and specific responses to these structures. Consumption is thus not determined by income availability alone.

4.1 The rise of the new market

The state began developing a marginal black middle class in the 1980s by assisting certain individuals with home ownership (albeit a long-term lease of 99 years) and assuring them basic business rights.

[40] See the discussion on how writers have used class and market segmentation (based on income) in the literature review (Chapter 3). Green and Lascaris (1988); Gelb *et al* (1991) as well as research houses such as MRA (1993) are guilty of reducing the market to various class interests.

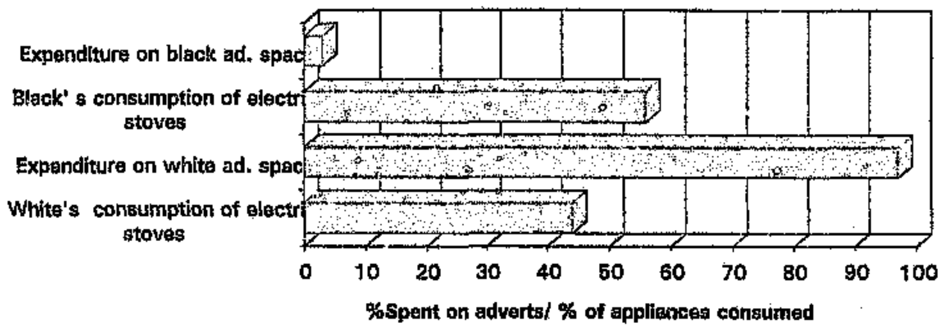
This "nurtured" middle class was marginalised by the state and capital. The former marginalised this market spatially, and the latter marginalised these consumers in its marketing strategies. This middle class was also marginal in the townships because of its size: By 1985, a mere 13,2 per cent of the African urban population owned their own homes, while only 27,1 per cent could rent a home (Simkins, 1983, 196). Their marginal position was also due to their placement on the periphery of the township[41](Parnell, 1991; Sarakinsky, 1986), where homes had access to electricity supply points. This market has thus become known as the marginal market.

The marginal market's consumers had access to electricity. Firstly, because they could afford reticulation costs, and secondly because they were on the periphery of townships, and thus nearer to supply points. Their access to electricity implied that they constituted a market for electrical appliances. However, they were only marginally important to manufacturers[42] (Retailer A interview, 1992; Retailer B interview, 1992; Retailer C interview, 1992). This marginal approach and its status as an "aft thought" is illustrated in the amount of money spent on advertising to this market. Graph 1. explains the extent of this marginalisation.

[41] Although not all townships have been studied to make this a general statement, two factors make it a fair assessment: 1. Middle-class areas are newer and therefore peripheral to older areas of the township e.g. the East Bank in Alex township in the northern parts of Gauteng. 2. Private development for middle-class areas was allocated on the peripheries of townships (Gardner, Urban Foundation, 1993).

[42] They were marginally important as they were considered poor and able to afford only the bottom-of-the-range appliances.

Graph 1. Expenditure on Appliances vs. Advertising



Source: Adindex, AMPS,1993

The marginal market's bottom-of-the-range consumption did not facilitate conspicuous consumption patterns and because most were older this was not necessary anyway[43]. Familiarity and caution typified this market's purchasing and contributed to its rather static nature[44].

With increasing access to electrification, the market for electrical appliances has grown. The question arises whether the consumer has changed? To this question, one must ask what, if anything, makes this market new?

What makes this market new?

Structural changes and changes in consumer behaviour have facilitated the rise of a new market, whose consumers are distinctively different from those members of the marginal market. Structural changes include developments in class, infrastructure and income, while changes in consumption involve new products that are being prioritised.

[43]Conspicuous consumption is usually demonstrated by the younger segments of the market (Warde, 1990; Culross interview, 1992; Green and Lascaris, 1988).
[44]This market has been labelled as static given that its practices and purchasing trends are not likely to change (Culross interview, 1993).

Structural changes

Eskom's Electricity For All programme ensured that by 1994 almost one-and-a-quarter million people in township areas had access to electrification (The Star, 15 December 1994). This increased the potential market for appliances. The African middle class has moved beyond relying on the state for its *raison d'être*. The increasing numbers of African graduates (Race Relations Survey, 1993/4)[45] coupled with the affirmative action policies of many companies, implies that the ranks of the middle class are being occupied by more black constituents than ever before[46]. Crankshaw and Hindson (1990) argue that increasing numbers of African people are entering middle class positions. These positions include the formal and informal sectors. The latter's participants are a small percentage (less than 5 per cent) of the informal market *per sec* (Nattrass, 1990). They are also relatively new to the middle class, given the recent lifting of restrictions on informal trading and businesses, and the increased access to finance and support structures such as the establishment of the African Council of Hawkers and Informal Businesses (ACHIB). Given its new structures and members, the African middle class has assumed a new role. It no longer relies on the state, is richer and portrays new values, given the changing demographic group it now represents. Access to middle class jobs has increased disposable income, and with access to electricity, this has changed the nature of the market. The permanent urban population, the growing unionisation and the rise in real wages ensured that the black share of disposable income by 1985 was 36,6 per cent and grew to 41,4 per cent by 1992 (Bureau for Market Research, 1992). Even though the financial means to purchase appliances were now becoming tangible, the market remained peripheral until its members gained access to the electricity grid. This new electrified market now extended the black market beyond

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[45] The enrolment of Africans at universities increased by an average of 194 per cent from 1989 to 1993 (Race Relations Survey, 1993/4) and the matric pass rate - albeit low - has improved from 44 per cent to 46,5 per cent and more candidates are taking the exam each year (ibid, 1994).

[46] It should be noted that although black recipients are being encouraged to join the management teams of many companies, very few of these newcomers are brought in at more than middle management levels, nor will they probably rise to the level of board member or senior executive (Ntshingela interview, 1992; ACHIB Conference, 1992).

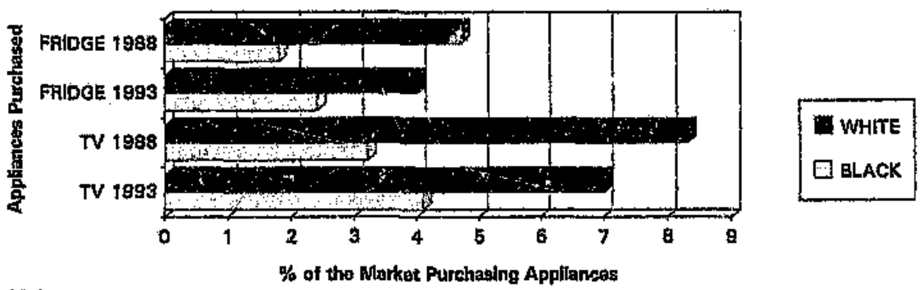
the rich "buffer" elite who previously constituted the black market for the consumer durable industry.

The "black" market was different and new because of its demographics. A younger, less traditional market was emerging. *Multiplier effects*[47] begin to occur with the advent of the younger new market, which adds to the "new" characteristics of this market. "... When you switch the light on, there are a whole lot of **new** requirements that go along with that ..." (Ntshingela interview, 1992). In other words, new demands for different products are beginning to arise from customers who previously bought, or were used to, alternative-fuel appliances such as gas, coal or paraffin.

Changed responses

Now that township residents can own their home, the new response is to spend an increasing amount of disposable income on the home as "... it is now considered ours"(Alex. Workshop, 1993)[48]. Priorities of what to buy have changed. The newly acquired access to electricity has also ensued an increasing prioritisation of appliances and furniture for the home (see Graph 2).

Graph 2. Appliance Consumption (Replacement and New Purchases) 1988-1993



Source: AMPS, 1993

Two theoretical points arise from this discussion. Firstly, arguments proposing that consumption is determined by **either** structures or agents' independent responses to

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[47] This concept is used in the Keynesian economic sense, where one development necessitates another, which brings about other developments and demands.

[48] These sources explain that previously, home ownership was prohibited, and thus consumption for "things (they) could own ..." was prioritised. Items such as clothing were thus bought rather than items for a home that was not theirs.

these changes are flawed. Secondly, different structures and different responses shape consumption at historically contingent times. Assessing the historical and social context in which consumption occurs is therefore important in understanding why consumption assumes various forms. Thus, by applying the concept of the *habitus* that embeds social practices in historically specific structures assists in explaining why consumption occurs in specific ways in certain social contexts.

The *habitus* of the market has thus changed. The constituency is different, their lifestyles are not the same as the marginal market's and, consequently, neither are their demands.

4.2 Who constitutes the new market?

This section intends to illustrate who constitutes the new market and attempts to move beyond income as a determinant of this market.

The new market bands

The blanket term, "new market" encompasses a variety of classes, various status groups and different types of homes, and thus lifestyles. The term new market will be divided into three bands[49]. This distinction is made according to household income per month. I will attempt to move beyond an income-specific assessment by focusing on other areas of the *habitus*: Structures shaping behaviour and the agent's responses to these structures will be analysed to give a more holistic view of the new market.

Based on income, the new market can be divided into three groups:

Band 1: R1 400 + per month[50]

Band 2: R800 - R1 399 per month

Band 3: less than R799 per month[51]

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[49] Distinguishing the market according to bands echoes Band Theory in name. Although the results of my assessment may imply the findings of Band theory I do not subscribe to analysing the new market according to the techniques of this school.

[50] This is by no means rich, but it includes the 5,6 per cent who earn more than R2 500 per month (AMPS, 1991). Furthermore, I will show that despite the relatively low income for the top band (when compared to their white counterparts), the members of band 1 are graduates and have access to credit facilities.

Table 1. The Social Characteristics of the New Market.

VARIABLE	BAND 1	BAND 2	BAND 3
AVERAGE FAMILY SIZE	4 - 5 members	4 - 5 members	6 members
PRESENCE OF EXTENDED FAMILY/OTHER PEOPLE LIVING IN THE HOME	51,2% with extended families. The mode is 5 people per house: the family or 1 other guest.	51,6% with extended families. The mode is 6 people per house: the family + 1 or 2 guests.	34% in extended families. The mode is 4 people per house, some of whom are not employed, usually women
SINGLE	50,3%	47,2%	42,6%
THE NATURE OF THE FAMILY	- 64,7% have children under 12yrs. - 8,2% have families in rural areas - 59,8% have 2 -3 children	- 65,7% have children under 15 yrs. - 5,5% have families in rural areas - mode of 28,8% have 4 children, but 46,9% have 2 - 3 children	- 42,1% have children who are adults, but 58,7% have children under 12 yrs. - 5,1% have families in rural areas - 29,9% have 4 children
DOMINANT AGE BRACKET	25 - 34 years	16-24 (33,9%) 25-34 (31%)	50+ (67,8%) 35-49(32,2%)
HIGHEST LEVEL OF EDUCATION ACHIEVED	post matric (66,9%) 34% students	matric (59,4%) 18% students	some high school(45,2%) none (80,4%)
MEDIA FORMS USED	25,6% 'white' newspapers, 30% 'black' radio 44,5% 'black' TV	12.6% 'white' newspaper, 43,5% 'black' radio, 36,5% 'black' TV	5,7% 'black' newspapers 50,6% 'black' radio, 19% 'black' TV
MAIN FINANCE INSTITUTION	56,7% have savings account at a bank or building society	41,3% have savings account at a bank or building society.	27,6% have savings account at a bank or building society
STOKVEL	14%	20%	15%
PRINCIPAL APPLIANCE PURCHASER	39,4% women 16,4% both husband and wife 44,2% men	40,7% women 17,3% both husband and wife 41,9% men	58,1% women 15,4% both husband and wife 26,5% men
WOMEN IN JOBS	49,8%	36,5%	49,1%

(Constructed from Sociomonitor, 1989 and 1991; MRA, 1991; Japp interview, 1992)

[51] These distinctions have been chosen as they seem to be standard market research categories. They represent household incomes and thus the family's formally declared income levels.

Differentiations within the new market

Table 1 shows that members of the new market are predominantly younger, wealthier and better educated. However, the new market is not a homogenous mass. There are significant differences within this market. I have used the concept of bands to indicate this differentiation. These bands are not static. The younger members of band 2 are likely to become the *nouveau rich*[52]. The initial developments in affirmative action, the improvements in attaining access to a better education and the ambition of youth are some of the variables in favour of band 2 members becoming upwardly mobile.

Those in band 1 (who are older) are already beginning to disassociate themselves from the up-and-coming youth, allowing them to assume the position of *nouveau riche*. This becomes evident with the increase of band 1's purchasing from specialised stores[53], where they live and social activities that tend towards a smaller, more socially closed circle (IMR, 1993a and AMPS, 1993). Band 3 has been referred to as the "probably never market" by various marketers. This band is older, less educated and often the unskilled sector of the new market. Despite these features, they are still part of the "viable market". This argument will be outlined in part three of this chapter.

Two theoretical points emerge from this differentiation. Firstly, even though common characteristics unite consumers as a specific market, differentiations exist within this market. Understanding these differences gives a better overview of the market, and allows for consumption to be analysed in more detail. Secondly, although the first point echoes the arguments of Green and Lascaris' Band theory, I have attempted to improve on their position by showing that a more detailed sketch of the market can be made when one moves beyond income and age as differentiating variables. This will be highlighted when I analyse the consumption of appliances according to the various bands.

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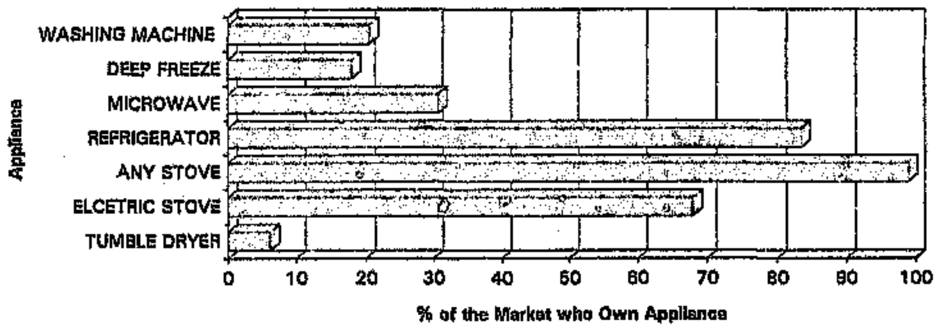
[52] The burgeoning *nouveau riche* are usually young graduates who are upwardly mobile (Warde, 1990, 1).

[53] These are usually more up-market.

4.3. The new market's consumption of appliances.

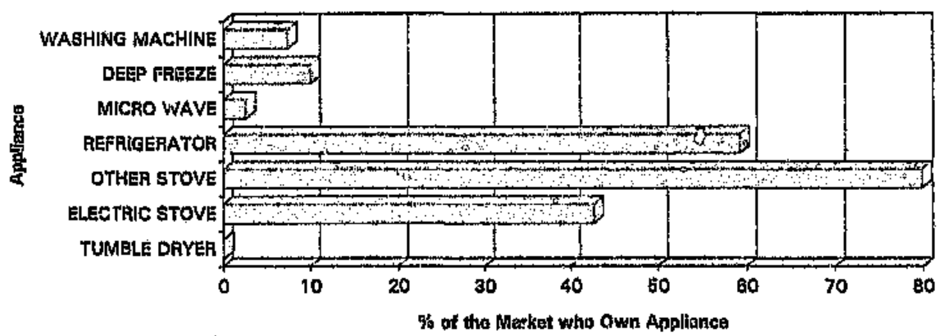
The following graphs will illustrate the appliances owned by consumers in the various bands[54]. I will discuss why certain appliances are prioritised by consumers in the new market, and following from this, will examine why each band purchases specific products in response to the structures that shape their consumption. This detail is important to indicate the centrality of the new market for the appliance manufacturers. Outlining the products it prioritises, will explain Tek Corp.'s response to this market.

Graph 3. Appliance Ownership for Band 1. 1993



Source: AMPS, 1993

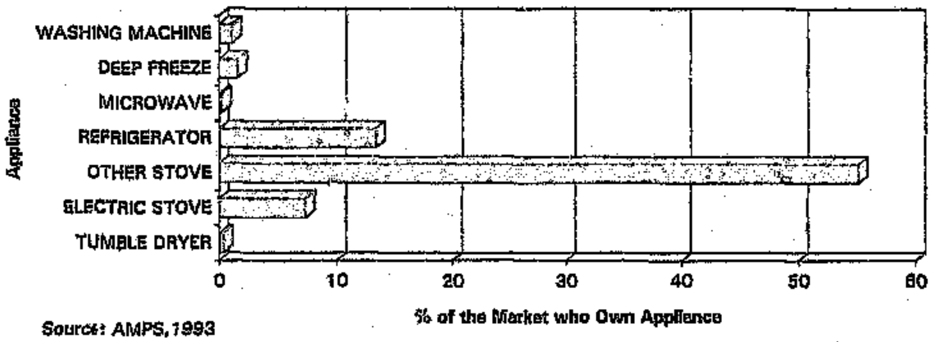
Graph 4. Appliance Ownership for Band 2. 1993



Source: AMPS,1993

[54] Load Appliances (viz. those using a substantial amount of electricity) have been prioritised. The reason for this is that other appliances such as electric TV sets can be powered off a car battery and this distorts explanations of the extent to which the new market (which has electricity) exists. Furthermore, the category of "other stoves" includes electric stoves, gas and coal stoves to illustrate the importance of this appliance and also the market share that electric stoves enjoys.

Graph 5. Appliance Ownership for Band 3. 1993



Source: AMPS, 1993

Graphs 3-5 show that members of the new market prioritise cooking appliances. This is not surprising as it addresses the fundamental requirement of food and its preparation. Stoves are the primary cooking ap, ınce, and are purchased by all three bands. A variety of research has been done on why electric stoves are prioritised (Gampel, 1994; Eckert, 1993). Reasons include efficiency[55], cleanliness and safety of an electric stove (as opposed to a coal, paraffin or gas stove[56]). Further reasons given by women who own an electı .. stove include convenience, speed and cost (HSRC Conference, 1993; Alex workshop, 1993). According to Terreblanche, the "labour time" saved with electricity and the effects of pollution from the previous energy sources are also determinants for purchasing electrical appliances. (Terreblanche, 1992).

The next appliance of priority is a fridge. Refrigeration was not considered that necessary by members of the new market because of the "spaza culture" which caters for the township residents' daily cooling requirements (Retailer B interview, 1992). Despite this convenience, the growing number of working families and their increasingly time-efficient lifestyles, a fridge in the home is becoming a necessity (Alex workshop, 1993). The price war over refrigerators (at a retail level) is also encouraging the purchasing of

[55] More can be cooked on an electrical stove than on a primus or two-plate gas stove. Given the amount of people in the home, an electric stove thus becomes the e fficient alternative to the status quo or alternative fuel appliances.

[56] Gas is clean but it is not considered to be safe (Alex workshop, 1993).

fridges as they become cheaper and more accessible to all bands of the new market (Retailer A interview, 1992).

Deep freezers are becoming prominent features in the homes of members of the new market, especially in bands 2 and 3. The reason for this is that not only are they one of the cheaper appliances to purchase, but because they serve as fast coolers, freezers and storage spaces (Alex workshop, 1993; Culross interview, 1992). Shebeens play a significant role in the lifestyles of bands 2 and 3 (Sociomonitor, 1989 and 1991; Alex workshop, 1993). The centrality of outdoor activities (ibid, 1989 and 1991) and having cold products available for these functions, as well as the need to store and cool products for the large regular functions like stokvel parties (Japp interview, 1992) explain the demand and prioritisation of this appliance. To understand these priorities, structures and responses shaping consumption must be analysed.

Structures shaping the new market

Income is a significant factor in determining consumption, however, consumption is also determined by other structures in which the market's actions are embedded: The family, access to finance (beyond a formal wage) and the media will be analysed as examples of structures that also shape consumption.

The family is a primary structure that shapes consumption. Within the new market, forms of an extended family structure exist. This implies not only that more people within the home have to consume, but also that more money exists in the household - as more than one person within the household works (Alex workshop 1993). Thus the extended family facilitates consumption as more money is available for purchasing goods.

Township structures such as stokvels mirror an extended family lifestyle, implying that assistance (often in the form of finance) is always available (Japp interview, 1992). With approximately 57 per cent of the new market belonging to church groups that assist members of the community (AMPS, 1992 and 1993), and approximately 20 per cent belonging to registered stokvels, extended family-like structures within townships are extensive, and consumption is facilitated through these means.

Assessing consumption by household is thus problematic as even though several people in the household work, their incomes are generally very low. Yet despite this, they can gain access to community support and extra funds. Thus, household income is not necessarily proportionate to the products owned by the household. This finding highlights the problems with the literature on understanding the new market and shows the value of the *habitus*: Embedding practices in social structures and appreciating the agent's responses to these, gives a more holistic understanding of the new market.

Having access to extra funds, over and above a formal wage, is necessary given that the members of the new market continually buy newer and more fashionable goods on a regular basis (Sociomonitor, 1991). Despite their family structure, which is one of the central determinants of the amount of disposable income available for appliance expenditure, how can the new market afford the expensive products they are purchasing?

Most members of the new market have completed their secondary education and are therefore eligible for conventional credit facilities (such as banks and building societies). Although a large proportion of those who are eligible, use these channels, they also have access to alternative credit channels and exhibit "credit-orientated" behaviour (Ntshingela interview, 1992; Japp interview, 1992).

Consumers in the new market are "credit-wise" (Japp interview, 1992). Because of the skewed income distribution and increasing financial obligations (especially once the family begins to grow), paying on hire purchase (HP) or using a lay-by system has been employed by members of the new market as a means of securing commodities for themselves. Purchasing products from structures that facilitate "instalment payments" (such as retail stores) has become a dominant feature for acquiring appliances for those members of the new market with limited formal incomes.

The structures such as HP stores shape consumption as they encourage members of this market to prioritise these stores. However, access to these structures is useless unless funds are also available. Structures such as stokvels have emerged to facilitate funds for purchasing. Stokvel members contribute an average of R106 per month to the "common pot", and with about 800 000 registered stokvels, millions of rands are made available to members within the black communities (Japp interview, 1992; Lukhele, 1990).

Some stokvels pool money which is lent out, to be paid back with interest after a fixed period of time (Lukhele, 1990, 20). Others lend out money to members only at a fixed rate of interest. "The more money a member borrows, the greater their bonus he or she stands to gain at the end of the year (as) ... at the end of the year members are paid out their investments plus their share of the interest earned" (ibid, 20). Members are thus compelled to borrow money even if they do not need to, "they sometimes re-lend this money to others, becoming money lenders themselves" (ibid, 21).

Each member of the party-orientated stokvels hosts the party at least twice a year, making money from the party rather than from a savings procedure. The "membership fee" (payable each month) is paid and payment is also required for food and drink. All this money is owing to the host. The host is guaranteed a large support once he/she has supported other parties hosted by the other members of the stokvel.

According to Japp, stokvels are usually made up of groups of friends, which establishes a basis of trust which must exist for the stokvel to function effectively. Because of the friendship ties and an understanding of each member's financial situation, stokvels are sympathetic to the needs of its members and are thus an important supply of money in emergency situations or when other sources of finances are absent or restricted (Japp interview, 1992). Lukhele adds to this by arguing that "(m)embership in stokvels makes capital available to people who would not qualify for loans from financial institutions" (Lukhele, 1990, 37).

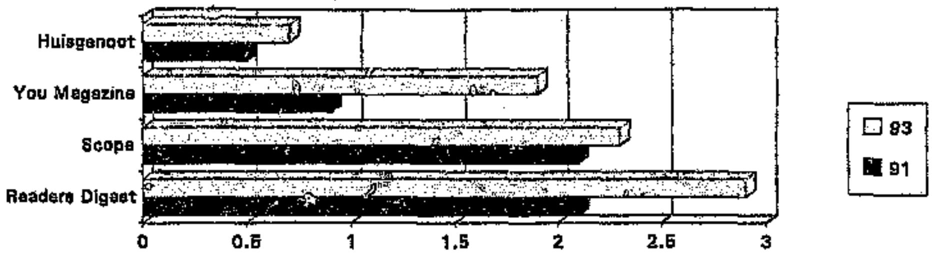
The nature of stokvels and the new market's consumers' involvement in these structures explains how finance is made available for the relatively expensive purchases within their homes. A culture of collective consumption thus emanates from these practices. The stokvel members have helped purchase the relatively expensive product, which is possible because of the large amount of contributions. This echoes practices typical of the extended family, whereby all participate to realise a common goal (Goode, 1964, 4; Giddens, 1989, 387).

When structures are limiting, new structures evolve from agents' responses. These new structures, such as stokvels, are shaped to facilitate what previous structures limited. Thus structures are dynamic and can be shaped to benefit markets, as opposed to only benefiting management.

The media is also a structural influence on the new market's consumption. The overtones, acceptabilities and innuendoes of modern, "white" society are depicted overtly and covertly in the "white" press and on TV (van der Walt, 1993; Green and Lascaris, 1988). The new market is beginning to echo the aspirations of various "white" media forms and are beginning to emulate the images these media forms portray[57] (Green and Lascaris, 1988; Ntshingela interview, 1992). The new market's consumers are thus moving towards their own identity, but this is being shaped by an increased access and readership/viewership of "white" media sources.

[57] These images signify that certain products display a certain lifestyle and class. See Baudrillard (1983) and Bourdieu (1984) for detailed discussions on this issue. A brief assessment of their analyses are addressed in the literature review, Chapter 2 of this dissertation.

Graph 6. Readership of 'White' Magazines



Source: AMPS 1993

The media coverage and advertising typifying a targeted white audience acts as a benchmark for assessing the degree to which the new market is adopting white media values (Ntshingela interview, 1992). This "white" image is not only something to emulate, but improve on (ibid, 1992). The images portrayed as acceptable in the media have set a target for the new market to attain. The response has been to supersede this target. Although members of the new market are shaped by these structures (*vis-à-vis* the targets to attain), their response will probably necessitate further changes in the media later (Culross interview, 1992).

Responses shaping consumption

Although structures shape consumption, members of the new market act in response to structural influences and purchase specific items. The literature argues that images, values and signs indicating various social standings as well as specific responses to structures determine consumption. The rest of this section examines these responses and looks at why certain appliances are prioritised by specific bands. Furthermore, by assessing the various bands' *habitus*, it is possible to ascertain why members of these bands prioritise specific goods.

Appliance ownership in band 1.

Despite their use values, appliances are bought as signs of upward mobility by band 1. Aesthetics, "... preferring the new and fashionable..." as well as self-improvement and enhancing their quality of life are the traits typifying band 1's consumption (Sociomonitor, 1989, 8-10). Appliances are novel, aesthetic and portray significant images of status and upward mobility (Culross interview, 1992; Alex workshop, 1993). Besides improving their homes, appliances are purchased to indicate social standing for this band. Almost 36 per cent of disposable income within this band is spent on white goods (MRA, 1991, 46A), substantiating the deduction that, within this band, use value is not the only determinant for appliance consumption.

Although many women in this band are not employed on a full time basis, time-saving appliances are purchased. The types of products consumed are probably for conspicuous purposes rather than for time-saving purposes, usually required by those women who are employed. This can be seen with the increasing amount of microwaves in this band.

Purchasing hi-tech convenience appliances also secures their rejection of, and liberation from, the traditional roles that their mothers or grandmothers were socialised to fulfil (Alex workshop, 1993). The "rejection of authority", identified by the Sociomonitor (1991) as a primary value trend typifying the first two bands, can also indicate rejecting the authority of tradition. Time-saving appliances liberate women in terms of time spent cooking, and allows them more free time to spend on other activities (Alex workshop, 1993). There is a growing trend that indicates that more women from this band are moving into the workplace (Sociomonitor, 1991). Thus these time-saving appliances will serve two purposes: Establishing an image of upward mobility, and then assuming a use value when the woman enters the work place at a later date.

Two significant responses to structures emerge from band 1. Firstly, appliances are purchased for reasons other than use value. This response is in contrast to the marketing messages from various structures such as the media. Secondly, appliances liberate women from traditional roles. Buying these appliances is thus a response to these structures.

Appliance ownership in band 2.

Purchasing appliances in band 2 is dictated primarily by the family's needs. There is a strong probability of there being a family in band 2, most of whose children are adolescents or younger. Expenditure on the family's basic needs is thus probably higher than in band 1, but this does not preclude this market from purchasing appliances. Given that more people reside in the band 2 household, there is a demand for large appliances. This is substantiated by this band's prominence in the market for larger top-loading washing machines and large deep freezers (Ntshingela interview, 1992; Wright interview, 1992).

The prevalence of washing machines and the increasing appearances of microwave ovens in this band points to the need for time-saving devices. Band 2 is made up primarily of women who argue that "... the woman's place (is not) necessarily in the home or in a menial job..." (Sociomonitor, 1989, 10). The appliances are thus probably bought for their use value before aesthetics and fashionable facades. This group's involvement in community affairs[58] illustrates that although they work in the home, they are not confined to the house. Time-saving equipment and effective appliances are thus a necessity, freeing them to do other activities within the community. This point echoes band 1's response to structures in that appliances are bought to liberate women. Band 2's response to buying large appliances implies that responses to structures are not necessarily in resistance to these structures. Structures such as the family dictate consumption, and this band responds according to these requirements.

Appliance ownership in band 3

The MRA report (1991) shows that this band spends 6.9 per cent of its disposable income on white goods. The reason why this figure is relatively low is probably due to the prominence of this band's dual ownership of both electrical and alternative-fuel generated appliances (coal, paraffin, and gas to a lesser degree). The "...traits of traditionalism and their anxiety about uncertainty..." substantiate their continued fidelity

[58]Approximately 40 per cent of this band are directly involved in community activities (Amps, 1993; IMR, 1993a).

to the coal, paraffin or gas appliances (Sociomonitor, 1989, 10). Their long-term experiences with the erratic supply of electricity probably add to their continued dual appliance ownership (that being electric and alternative fuel generated appliances) (Alex workshop, 1993).

Although consumers in band 3 are poorer, they are still part of the "viable market"[59]. Despite their slow pace in changing from what they have traditionally been using, this band is moving towards acquiring more material possessions (Sociomonitor, 1991). The reason for this, despite their incomes, is that their children (mainly adolescents) "...balk at the drudgery of their parents' lives ..." (Sociomonitor, 1989,7). Considering the Sociomonitor's analysis of these young adults and the workshop's input that highlighted the need for appliances for older people who could not manage difficult housework tasks, it is fair to assume that band 3 remains part of the viable market. The reason for this is that their children buy, or assist their parents in purchasing products for the home. With their children purchasing appliances for this band, one can assume that the trends typifying the younger consumers' purchasing patterns, characterises the appliances they buy for their parents. Secondary data and interviewees in the workshop indicate that top-of-the-range, branded products have been purchased for this band (AMPS, 1993; Alex workshop, 1993).

In contrast to band 2, a large proportion of women in band 3 work out of the home. Although they work in predominantly unskilled jobs, it is fair to argue that access to credit on a household level is probably easier, given that both parents work (AMPS, 1993). Thus, despite their low incomes, appliances can be purchased on HP schemes.[60] Expensive and largely "secondary"[61] appliances are increasingly purchased by or for this band, like automatic washing machines and tumble dryers. (AMPS, 1993;

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[59]The "viable market" is considered as those who can purchase, access and demand a specific product (Retailer C interview, 1992).

[60] Given that both spouses are employed, they are considered a securer debtor for the retailer and both can contribute to the purchasing of the product.

[61] This refers to those appliances purchased once a stove and fridge have been bought. The former appliances are considered primary as they are considered essentials rather than luxury items (Retailer B interview, 1992).

Sociomonitor, 1991). Given the ageing female population of this band, it is not surprising that efficient and non-labour intensive appliances are demanded. Many informal laundry practices are starting up where these appliances are used by the community for a fee (Wright interview, 1992; ACHIB conference, 1992; Eskom, 1993). These small businesses are contributing to the household income and further ensure the viability of this band's role in the new market.

Three responses emerge from band 3. Firstly, irrespective of structural influences, historical experiences will shape responses to these structures. Secondly, despite structural limitations in band 3's income, responses to household needs emerge from children in the families of this band, ensuring their parents remain part of the viable market. This response is further embedded in a third response when band 3 members tap structures that facilitate consumption of expensive goods. New structures such as small businesses are set up to ensure the payment of these goods. Responses to consumption needs can thus ensue the development of new structures.

Three central points emerge from the discussion on the various bands' appliance ownership. The first is that although members of these bands are poor, agents own top-of-the-range appliances and luxury goods such as microwave ovens and washing machines. The second point is that use value is not the only reason for purchasing appliances. Signs and images portrayed by owning certain products highlight the importance of the agent-approach in understanding consumption. The third point is that by assessing the structures that shape consumption (such as employment and family size), a more holistic understanding of why the new market responds and buys certain appliances occurs. Again, the importance of the *habitus* is illustrated: Analysing both the structures shaping behaviour and responses to these structures offers a detailed insight into why this market behaves in certain ways.

4. 4 Explaining the new market's purchasing

In 1993, Defy products enjoyed about 55 per cent of the market share within the new market (Levetan interview, 1993). Why was this brand prioritised? This section will show that due to consumption patterns within the new market (that is, those traits that characterise consumption among members of the new market), Tek Corp. appliances are prioritised.

Despite the various band's members' individuality, the new market consumer is characterised by specific consumption patterns. These consumption patterns are values that determine which products will be prioritised. Three consumption patterns typify the new market, irrespective of band: Brand consciousness, quality and after-sales assurance and the availability of easy payment schemes.

Brand consciousness typifies emerging markets (Green and Lascaris, 1988). However, for the new market consumer, brand is more than a badge, it represents the product generically (Sociomonitor, 1991). This challenges classical marketing theory that argues that brand and product are separate entities (Marx and Dekker, 1986). Superficially this makes sense as a brand is only a badge embossed onto a product. The **product** is taken as the *raison d'consumption* while the brand is merely the manufacturers' signature on their finished product (ibid, 1986), but, the new market has turned this common-sense understanding on its head.

Retailers argue that the new market tends to buy well-known brands which usually are more expensive, rather than a similar model with a less well known label. "Brand awareness or brand consciousness is not just the result of clever advertising but a deep awareness (of the product and brand) because of its presence over a long period of time" (Retailers C and B, 1992).

Green and Lascaris expand on this and illustrate that brands identify products generically, given their long-term exposure and the social associations which are made with the specific branded commodity (Green and Lascaris, 1990). Furthermore, "... a brand that has been around for a long time carries a feeling of reassurance to the customer..."(ibid, 67). This is pertinent because members of this new market are first-time consumers and require the security of an acceptable and well-known brand.

Defy has existed since the 1900s (Tek Corp. brochure, 1993). Its sustained use has implied that it has become synonymous with appliances, especially cooking appliances. The well-known brand is not only a security but also a guarantee of quality because of the amount of time it has been considered a "good" product (Alex workshop, 1993).

Brand illustrates the product's quality and associates it with those who have purchased it in the past (Marx and Dekker, 1986, 200-201). Brand names act as a form of "social security" in that they illustrate social and economic standing and allow the consumer to be associated with those who can afford this product. Green and Lascaris argue that "...because the wealth and sophistication base is lower in the Third World, the ambitions are necessarily stronger: they've got farther to go. This implies that use of brand names for their up-market perceptions will be a favourite technique in our Third World communities" (Green and Lascaris, 1990,61).

Considering Goffman's argument (1963), brand is used as a trigger or sign to ensue positive or desired responses from others. Well-known, branded products ensuing a positive collective response, contribute to a wide range of agents recognising and appreciating the purchase made by the agent (Culross interview, 1992; Ntshingela interview, 1992). Baudrillard's arguments *vis-à-vis* signs and that they illustrate how specific products become associated with specific lifestyles is echoed with the significance of brands.

The significance of brand is thus shaped by structures, and agents' responses to these structures. Structural influences include media coverage and the messages associated with the specific product. How well-known the product is, is also a structural influence: wide-spread exposure and the brand's dominance in a market are shaped by the manufacturers, the retailers and the media. Brand is also significant because of agents' responses to structural influences: The signs that are associated with brands are also the result of a specific understanding of the structural messages. The acceptability of these signs is not structurally determined, and the level of acceptance will determine the dominance of certain brands.

Brands thus ensure that similar products are not equal in all respects. It is this understanding of what the product stands for (established by the manufacturers' marketing approach, advertising and their target market) that determines the nature of its consumption: that is, who will buy it and for what purpose. Brand is thus much more than the manufacturer's insignia. It conjures up social connotations, economic indications and supplies the security of purchasing a reliable product needed by new consumers. The prioritisation of conspicuous or well-known brands is thus understandable given the social requirements of the new market.

"Quality is key"[62] (Alex workshop, 1993). The assumption within the new market is that expensive, top-of-the-range products are more stylish, of better quality and thus more value for money than cheaper, albeit similar models (Ntshingela interview, 1992; Alex workshop, 1993). The quality requirement involves a demand for products that will not break down. If they should, the new market insists that not only will parts be available, but the product will be guaranteed and that someone will come out, irrespective of where the customer is, and repair it (Retailer A and C, 1992). Being brought up in isolated areas, townships, rural areas and homelands, requiring the assurance of access to after-sales service is not surprising, even if the new marketer has moved closer to the

[62] Quality is essential in purchasing. This workshop demonstrated that it is better to buy something of quality than a cheaper item which is not going to last as long or bring as much status. Both of these issues are worth the little extra that is paid for the product.

central business district and/or is near to accessible transport routes. The potential for larger companies (who are usually those producing the well-known top-of-the-range appliances) to supply guarantees on quality and provide after-sales service, occurs due to their nation-wide branch networks and customer care units. Hence the association of quality with Tek Corp.'s brands. Quality, therefore, is not just in the working ability of the machine, but is associated with the brand and the service too.

Quality is demanded due to historical circumstances and practices. Previously bottom-of-the-range products and low quality goods were targeted at this market (Ntshingela interview, 1992). The permanence, status and viability of this market was considered temporary and minimal, and hence the lack of creativity, sensitivity and foresight spent on developing this market. Now that the new market has emerged as a viable market, it demonstrates that it is sophisticated, viable and discerning, by not only purchasing quality, but by de-prioritising those brands that targeted them as bottom-of-the-range purchasers (ibid, 1993).

This discussion shows how the requirement for quality and after-sales assurance arises from a historical structural context and how the new market has responded to counteract previous perceptions of its viability.

The availability of "easy payment schemes" is the third buying trend typifying the new market consumer[63]. This concept encompasses HP, lay-bys and instalment schemes. The "ease" with these schemes is that payment can be determined by the agent. "Easy" does not imply that these schemes are "easy-on-the-pocket" as most of these payment arrangements involve high interest rates that are added onto the price as an added security for the retailer. "Easy" is used in the sense that it is easier on the agent's budget as a smaller amount is paid each month, rather than a large single lump sum payment.

[63] It should be noted that the marginal market also prioritised easy payment schemes, and this feature also characterised their consumption patterns. The use of easy payment schemes, therefore, does not differentiate the new market from the marginal market, but simply characterises the consumption patterns of the members in the new market.

Given that bands 2 and 3 are predominantly weekly earners, buying on HP assists in an accessible payment programme, as a large sum of money at the end of the month is considered excessive given that spending or payment occurs on a weekly basis (Alex workshop, 1993)

Structural limitations of incomes necessitate instalment payments. These structural influences shape consumption patterns in that stores offering instalment payments are prioritised. However, witnessing HP payments from young ages, consumers know which stores offer credit and how to "... structure a deal for payment ..." (Retailer A interview, 1992). The awareness of the "rules of the credit game" has made the new marketer "credit-wise" and has ensured that they have the means to purchase the appliances they want (Japp interview, 1992).

What is the market communicating by prioritising these consumption patterns? The primary message given through these consumption patterns is status aspiration. By purchasing the top-of-the-range appliances and exclusive brands like Defy, this market is actively and consciously changing others' perceptions regarding its lifestyle and is beginning to indicate they lead similar lifestyles to those who previously denied them this option (Japp interview, 1992; Culross interview, 1992). The reason for this effort is so that these new consumers can be perceived as upwardly mobile, having status previously not allowed to them and/or competing for higher positions of social standing within the community (Ntshingela interview, 1992).

The second message is that a statement is made when buying certain products. The new market is acutely aware of is its economic power. Once people have been politically oppressed, but have the economic power to voice their position, they do. When given the chance to respond economically - as consumers - a statement is made in their consumption. "This is a statement that says we've emerged!" (Ntshingela interview, 1992), and the statement which is made is a powerful one, in that the new market is no longer prepared to settle for inferior "black" products.

The third message given is that young people (under 35 years) make up the real market for appliances. Their movement away from traditional values towards hi-tech, novel and aesthetically appealing commodities (Sociomonitor, 1989,1991) ensures that these qualities will become some of the dominant norms *vis a vis* consumption patterns in the future.

This chapter has outlined who constitutes the new market. The new market is made up of young, upwardly mobile African urban residents. They have an increasing amount of disposable income and can gain access alternative structures to attain extra funds to purchase appliances. The appliances that these new market consumers prioritise are the top-of-the-range appliances. Stoves, refrigerators and deep-freezers are prioritised by consumers in the market and hi-tech, convenience appliances such as microwaves and luxury items like washing machines are also gaining prominence among members of this market. These appliances are prioritised because of the socio-economic structures and expectations that surround the three bands that constitute this market. Two questions now arise: How is management responding to the new market and why have they responded in this way? These questions form the basis for the next two chapters that assess Tek Corp.'s response to the new market's appliance demands.

Chapter 5. Tek Corp.'s Strategic Responses to the New Market

The previous chapter established that the new market has emerged. An assessment of how Tek Corp. responds to the consumer demands in this market is now required. Two questions need to be tackled before we do this: First, how does Tek Corp. respond to demand? Second, why did Tek Corp. respond to the new market? Once these two issues have been addressed, a more detailed understanding of how Tek Corp. responds to the new market can be outlined. Assessing how the company responds to the new market also raises the question of what this response has implied for the company.

These four questions constitute the four sections of this chapter. The first section deals with how the company has responded to demands from players in a new market, and outlines the strategic process of how Tek Corp. plans to ensure its success. This forms the basis for explaining why and how Tek Corp. responds to **the** new market. The second section addresses why Tek Corp. responded to the new market. The third section looks at how the company has responded to demands from this market and the fourth section focuses on what this response has meant for the company. All four sections highlight this dissertation's key theoretical positions: The circuit of capital must be assessed to understand managerial behaviour and the concept of the *habitus* is crucial in explaining why management behaves in specific ways.

5.1 Responding strategically to market demand: Tek Corp.'s approach

When a company responds to market demand, this response has to benefit both the company and the consumer. However, with the recent changes in structures and demands, how can the manufacturer ensure success? According to Galbraith (1967), management has to **plan** for this success. Planning for success in Tek Corp. is determined by four criteria: volume; cost leadership[64]; brand leadership and total

[64]Cost leadership implies that the product is priced as low as possible, but given the total quality ethic, price will not be compromised for quality and safety. To realise the principle of cost leadership, the costs per unit of manufacturing have to be lower than Tek Corp.'s competitors.

quality (Communications Publication on Tek Corp., 1993). These success criteria are realised according to a product strategy.

For Heller (1990) corporate success requires a "game plan" or procedure. In the case of Tek Corp. the procedure is the product strategy. A product strategy is thus the procedure followed to realise the criteria for success. This product strategy will determine how products are produced and at what price, and how and where they will be sold.

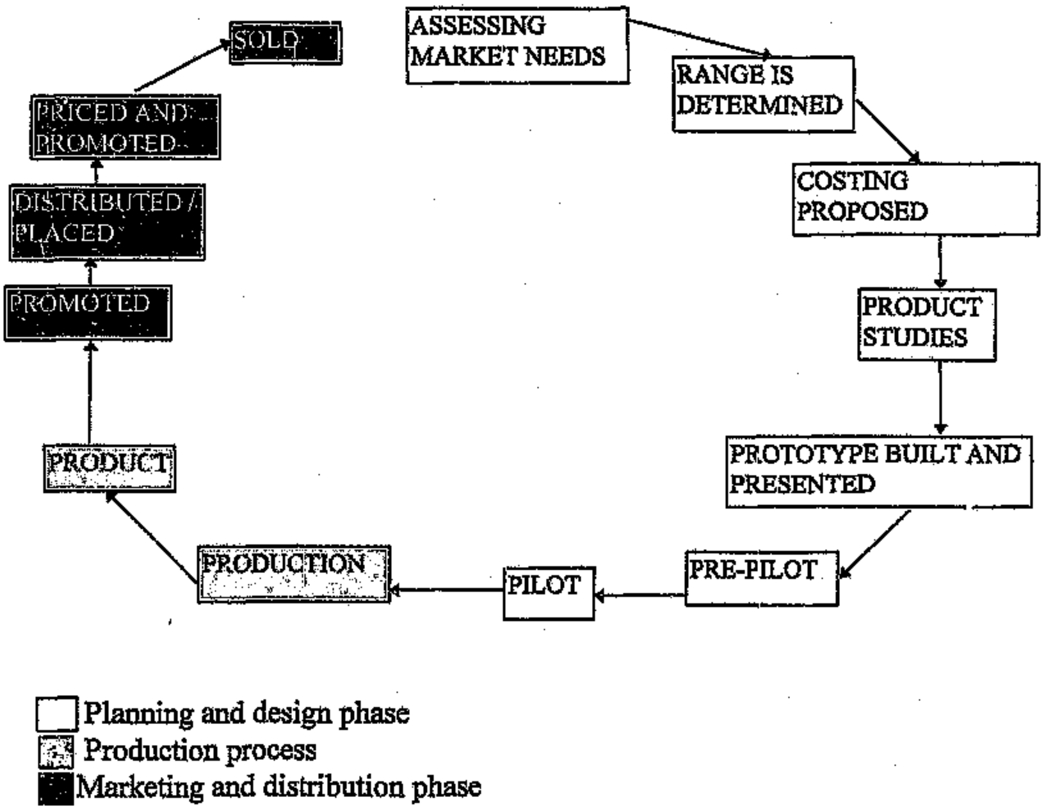
Tek Corp. has to assess its external *habitus* to ensure that the product meets demand and will be consumed. Demands and limitations within the market, the structures that impose these limits, and responses to these limitations have to be analysed. Expectations and limitations within Tek Corp.'s internal *habitus* also have to be addressed. These internal structural and agent-specific limitations include the viability of current lines and possible innovations. Limitations within the internal and external *habitus* shape the product strategy that determines **how** the criteria for success will be realised.

The product strategy: From production to consumption

The aim of a product strategy is to attain a certain market position within a specific target market (Levetan interview, 1991). The crux of the strategy is thus identifying the specific target market and producing products for this market. A target market becomes viable when it is of a reasonable size - the sale of less than 15 000 units per year is not usually viable, and will not ensure that enough products are bought to secure the company's market leadership position.

The product strategy focuses on four areas: Pricing, production, promotion and placing the product strategically so that it will be bought by the target market. The strategic procedure that Tek Corp. applies to assess the viability of producing goods for a specific market is outlined below. The process is graphically illustrated in Figure 1.

Figure 1. The Circuit of Capital for Tek Corp.



The first step in designing a strategic approach is to assess the market's needs. Understanding the reasons for these demands and why these needs and demands arise at a particular time are also part of this initial process of the planning phase. Once demand has been analysed[65], the product range can be developed. The range is made up of different types of products that the company targets at a specific market. The range incorporates technical considerations such as features, durability and quality specifications (Levetan interview, 1991) and marketing requirements such as brand[66]. The range must also be competitive. Products within a range must be made locally,

[65] An elaboration of how Tek Corp. assesses the new market's needs is covered below in 5.3 on page 92.

[66] The Defy brand will only be put on a product if this product meets the quality requirements associated with the Defy brand, as well as the features and finishes typical of a Defy product (Wright interview, 1992).

and must be able to hold their own in local manufacturing against imported products (Levetan interview, 1992).

After planning the range, Tek Corp. assesses the costing requirements for this range. Tek Corp.'s success criteria demand cost and market leadership. This means being at least 10 per cent above their closest competitor *vis-à-vis* revenue (Levetan interview, 1991). Competing against cheap imports affects pricing strategies. To gauge whether the range will survive against imports, strategists calculate the duty structures; exchange rates; inflation and production costs for the approximate duration of the product's life span. The truly variable elements of the range (namely, the specific investments needed for the production of this particular product range such as tooling, moulds and presses) are then calculated[67]. When the financial performance requirements of costing, pricing and profitable returns meets the success criteria, a product study is put into motion.

A product study assesses the **viability** of the proposed product range. Costing viabilities have already occurred, now technical, competitive and market-viability studies must be carried out. Technical viability studies are done according to in-house engineering skills, and by comparing the product to similar appliances (both local and international) that have been stripped and evaluated. To determine market viability, Tek Corp. holds customer clinics, conducts market research and relies on publications like the Sociomonitor to indicate marketing trends and demands (Heij interview, 1992).

Once the product has been designed for a certain market need, "...the product sketches or prototypes ... are then built and presented to the board (Tek Corp.'s management board) together with a cost profile (which includes changes in tooling if necessary). We then look at whether there would be a pay back period, what this is and compare it to the estimated volumes" (ibid, 1992). This allows for a good estimation of what the

[67] down-costing is attempted as far as possible (Heij interview, 1992).

transfer price will be. Returns are calculated by determining if the product is sold at X amount with a Y profit margin[68]. "Profitability is thus determined (by a specific) product cost and product level (that is productivity). That turns into a range of ... scenarios of model mixes (which determines whether you will do the project or not)" (Levetan interview, 1992).

When the board approves of the product and its viability, a pre-pilot product is made, and problems with quality and other necessary changes are noted and corrected. Finally a pilot product is produced from the actual tooled components (that is, on the line) and then the company begins mass producing the product (ibid, 1992).

Tek Corp. thus produces its products according to a strategic process. A demand has been addressed according to a plan that not only supplies guidelines on issues that will assist management in realising surplus value and remain a market leader (such as cost leadership), but also ensures that the product will sell by accounting for demands such as quality. The strategic plan is thus concerned with the entire circuit of capital whereby production is intrinsically related to consumption.

Now that the product has been produced, it must be sold. In realising this aspect of the circuit of capitalism, the product must be promoted and strategically placed. These requirements determine the consumption strategies that Tek Corp. must develop to realise the sale of its products. Two key areas become important here, marketing and promoting the product, and distributing and placing it strategically.

In promoting Defy and Ocean appliances, Tek Corp. uses advertising to promote its brands and ranges. Advertising is used as it has the widest range in reaching a target

[68] This is a figure strategically developed by a progressive benchmark figure, based on previous productivity and profitability computations (White interview, 1992).

market that will buy the product at a certain price. Tek Corp.'s brands have a high social acceptance (Sociomonitor, 1991) and using brand to promote these products has been an effective tool in selling Tek Corp. appliances. Advertising for the product range is placed strategically where the target market can hear and/or see it. The key promotional strategy is to make the consumer aware of the product, and hence the importance of advertising as a primary promotional tool. The product is advertised in such a way that it becomes well exposed and dominates (*vis-à-vis* similar products) within a certain market.

Tek Corp. needs to dominate the market. The reasons for this are that it strives to be the market leader, but must attain this dominance to compete with the influx of imported appliances. Two strategies are used in this regard: First, Tek Corp. (as well as other companies in this sector) has requested that the Board of Trade and Industry (BTI) apply duties on imports on the basis that the local industry is under threat. The second strategy is to participate in the commodity markets that imported products seem to monopolise, and to actively compete with these imports, using brand, quality and after-sales service as well as price (if possible). The top-loader washing machine and microwave markets are sectors of the appliance market in which Tek Corp. applies this strategy. The use of brand promotions and the quality, reliability and safety formulae, which has gained Tek Corp. the SABS stamp of approval, are central in promoting its products and ensuring their success in the market place (Tomlinson interview, 1992). The promotion of Tek Corp.'s products is not only the responsibility of Tek Corp.'s marketing strategists, but also the retailers who supply these goods. Promotion from the distributor is also vital as the retailers "... drive home the importance of having the branded products (they stock), and offer the best possible price for these (goods)" (Retailer B interview, 1992)[69].

[69] The retailers' demands for exclusivity of certain ranges and their competitive pricing assists Tek Corp.'s promotional strategies both directly (through retailers advertising their stock) and indirectly (through retailers displaying, supplying and offering product knowledge on Tek Corp.'s ranges).

It is vital to place products strategically in stores that consumers in the target market prefer. If consumers cannot access these stores, profit estimates and success criteria will not be met. Ret ailers, discounters or independent stores are prioritised, based on research analysing the target market's consumption patterns.

Once the product has been placed appropriately[70], selling the product to the consumer becomes the store's responsibility. The store, predominantly retailers in the case of the new market, now re-prices the product accordingly[71]and promotes the product to consumers.

Tek Corp. responds to market demand in a strategic and socially contextualised fashion. It will only respond to those market demands that will help realise its success criteria. It produces products according to its abilities and limitations, but plans for these hurdles so that its success criteria can be met and its market-leadership position can be maintained. Tek Corp. markets and distributes products strategically, prioritising stores from which consumers are believed to purchase appliances. These procedures and plans thus highlight which demands Tek Corp. will be able to meet and whether it will be able to meet these strategically. Tek Corp. thus responds only to demands that will further its success criteria, and in meeting these demands, Tek Corp. responds strategically.

If Tek Corp. responds strategically to demands, why then has this company responded to a market of which its richest part was recently considered only marginally important? Given the reasons for responding to a new market, how does Tek Corp. strategise for a market that is still developing, is unfamiliar[72] and is starkly heterogeneous[73]?

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[70]Appropriate placement is based on market research indicating where the target market purchases appliances
[71] i.e. according to its market and whether it has to build in added insurance if it offers terms or not.
[72] Strategists are all white.
[73]See Chapter 3 for the break down of the various bands that constitute the new market.

5.2 Why Tek Corp. responded to the new market

Structural limitations within Tek Corp. necessitated that the company address the new market. These structural limitations were the results of a crisis of over production. Most factories in the industry were running at a capacity of between 50 per cent to 60 per cent capacity. Machines and workers were not used to their full potential and large profits were lost because of this over-capacity (Gampel, 1992). The reason for this over-production capacity was the result of structures and responses from agents in the external *habitus*. The traditional white market was saturated with appliances (given its ability to purchase these earlier on) and demand from this traditional market had slackened off considerably. Primarily, replacements in the medium to long term were required by consumers in the white market. .

While the demand for appliances had declined from the traditional white market, a substantial demand for Tek Corp. products was beginning to emerge from consumers in the new market (Sociomonitor, 1989). Structural changes in the external *habitus* had created the new market that demanded Tek Corp.'s brands as a response to structures and messages from the media (Ntshingela interview, 1992). Tek Corp.'s products began occupying the largest portion of the market share within the new market and responding to this market demand was thus necessary (Sociomonitor, 1989; Wright interview, 1992).

Tek Corp. also responded to the new market because of the responses from strategists inside the company, who argued that targeting the new market would help to realise the success criteria of a viable market size and a market leadership position. The demand for Tek Corp. products from this growing market not only addressed the criteria of viable market size, but also had positive implications for the company's crisis of over capacity. Thus, responding to the new market would be a strategic option given that the success criteria could be realised within this market.

Tek Corp. needed to respond to the structural changes within its external *habitus* as these changes were contributing to the changing socio-political and economic milieu in South Africa. Noting the shifts in spending power and the rising aspirations of the new market's members, addressing this market would not only make good business sense, but it would make a political point that would echo the sentiments of the majority of South Africans. Being one of the first companies to make this point would enhance market leadership on a different level and could ensure market leadership among potential consumers. Responding in specific ways to these structural changes would also hopefully ensue positive responses from the market Tek Corp. needed to tap.

Tek Corp.'s response to the new market was also the result of crises and strategic criteria in the internal *habitus* and structural changes (such as the new viability of this market) in the external *habitus*. Responding to the new market would also ensue various signs (for the external *habitus*) that would supposedly encourage consumption.

5.3 Tek Corp.'s response to the new market

Now that Tek Corp. had decided to respond to the new market, how did it respond and react to the new market's demands and consumption patterns?

Tek Corp.'s initial response to the new market

Tek Corp.'s initial response to the new market was a disaster for management. When Eskom started implementing the Electricity For All project and began convincing manufacturers of their interests in appliance sales, the possibilities of designing affordable, products for the new market began to germinate. Eskom's Orange Free State Distributor approached Tek Corp. with research results from various surveys that had been conducted with newly electrified homes. The analysis showed that if someone could design a small stove that would cater for the new market's supposed needs, projected volumes of 500 units a month, could be expected (Tomlinson interview, 1992). Tek Corp. decided to participate in this venture, involving research people from Eskom in the design of the new product. The idea behind this joint venture was to work with Eskom to satisfy the utility's need to encourage appliance sales, satisfy the customers' supposed needs and ensure that Tek Corp. would have volume production. Eskom would handle the distribution and the risk of collecting the money (Wright interview, 1992).

The Es3 was eventually born. It was a plug-in stove that stood on four legs, and consisted of a hob (600mm wide) with three plates. The Es3 had neither an oven nor a drawer (for warming or even storage). It was essentially a hot-plate-like appliance on a stand. Tek Corp. supplied the Es3 to retailers for R400. It was then sold to the public for about R700 (Tomlinson interview, 1992). Tek Corp. placed the Es3 in stores that dealt particularly with consumers at the lower end of the market. The misunderstandings of the market's demands and needs and the problems with this marketing approach[74], became starkly evident when a mere twenty units were sold (ibid, 1992).

The Es3 was a "black"[75] product. Its design was not one that the new market consumers demanded and was considered what Herron refers to as a "half-breed product" (Herron interview, 1992). Pricing for the Es3 was problematic, especially when compared with the cost of an average two-plate cooker that retailed at about R100. Placing the Es3 in typically bottom-of-the-range stores was also a mistake as this exacerbated the typically marginal market product, which as illustrated in the previous chapter, was precisely what the new market resisted.

This attempt at addressing the new market, taught Tek Corp. manufacturers that the new market had to be understood in terms of the structures and responses that shaped its members' consumption patterns. Tek Corp. also learned that its response to this market's demands had to be strategic if the range was to be successful and profitable. New market consumers needed to be taken seriously if Tek Corp. intended tapping

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[74] Typical of an approach used to target the marginal market.

[75] Low specifications, poor design and poor value for money (especially in a use-value and quality sense) typified products targeted previously at the marginal market. Interviewees have referred to these as "black" products (Alex workshop, 19943).

this market successfully. In responding to market demands, the corporate culture and some of its production processes had to change. This will be highlighted later, but, it should be noted that the Es3 disaster forced changes to occur within the company and in the ways that the company intended responding to demands from consumers in the new market. Its response had to be strategic and informed, and this required a shift away from previous attempts that failed to address appliance demands from members of the new market.

Tek Corp.'s understanding of the new market

In endeavouring to understand the new market's demands, Tek Corp. used a variety of intelligence data bases and inference sources. The external structures and responses that shaped the new market were assessed by canvassing international trends. Developing countries were prioritised in this scan. The exercise occurred to assess what these markets purchased and why they prioritised these products. This prepared Tek Corp. for competitive forces, design ideas and demand trends that were possibilities given the emergence of a new market in this specific social context. Technology partnerships (both local and international) assisted in this process.

It was vital to tap external structures that interacted with the new market such as retailers, to understand the new market. Retailers are the link between production and consumption. Their input on market demand and requirements is necessary for information on product ranges and future design requirements, costs and what the competition produces.

Tek Corp. assessed its previous strategic approaches to marketing and the reasons for these strategies' success. This process involved an assessment of the company's internal *habitus*, its internal responses and structures that shaped previous product strategies. As part of this assessment, Tek Corp. also had to consider the feasibility of the product range. The product range is considered viable if probable demand and purchasing is 50% of the range's volume.

Tek Corp. also attempted to understand the market through research. It became aware that the new market consumer demanded quality, aesthetics, status-orientated and branded products. The company learned this because of its access to the Sociomonitor and various other research forums that addressed the trends and probable demands within the new market. The new market's disposable income brackets, the products available to these consumers and their specific locational contexts were acquired from banking, economic statistics, census figures and commissioned researched material. Together with the above data sources, these statistics provided Tek Corp. strategists with a detailed understanding of who the new market consumer was, and what their needs and demands were.

Now that attempts at understanding the new market are under way, what does this imply for Tek Corp. and how has this shaped the company's response to the new market?

The new market contradiction

In analysing the new market, two areas of concern have arisen for Tek Corp.: The market's ability to afford Tek Corp. products; and the market's demand for products with a high-specification[76].

The supposed contradiction of poor people purchasing expensive products has been noted by Tek Corp. Despite the market's members' access to alternative funds, their financial constraints are illustrated by their move away from cash purchases, towards buying products from retail chains that offer HP (Herron interview, 1992). The problem with stores offering HP is that their mark-ups are high. This in turn, makes

[76] Novelties, including switches, dials, digital additions, faster appliances and generally any new feature, determine the degree of specification. High product specification thus includes most of the features mentioned here, while low specification implies a very basic product with very few features.

the products expensive, and when coupled with increased interest rates (which are attached to purchases on credit), the product becomes even more expensive in the long term. Producing goods cost-efficiently is thus a primary concern for ensuring consumption, especially if these are placed at stores offering HP-based payment schemes. Although the new market can afford products, their disposable income, in the long term, is now not available to purchase other products that retailers and manufacturers intend to sell as it has been committed to paying off the products already purchased.

The need for cost efficiency often implies cutting down on the product's specifications, (ibid, 1992). The problem for Tek Corp. is that high specification is a key demand for the new market consumer- the product's aesthetic features being the most important feature for bands 1 and 2. Not only does the new market demand aesthetically pleasing products, but also hi-tech products that have value in their technical efficiency and novelty (Sociomonitor, 1991). The new market's heterogeneous nature also means that a wide range of products is required to satisfy demand across all three bands.

A contradiction thus arises from demands made by members of the new market. The new market consumers demand a high degree of specification from appliances, but want or need to pay a minimum amount. The former requirement increases cost while costs, at the same time, must be kept down[77]. How has Tek Corp. responded to this contradiction?

Product strategies in response to the new market

Tek Corp. has now responded to the new market as a viable market. The product strategy developed to produce goods for this market, and then to sell them effectively, shows that this company has shifted from its previous approach in order to effectively address the demands from consumers in the new market.

[77] Costs must be kept down to ensure consumption, competition and realise the success criteria of being the cost-leader.

Members of the new market demand Defy products that are already part of an established range[78]. However, because these **market needs** are different from the white market's (which Tek Corp. produced for before the rise of the new market), some changes were introduced into the new range. An example of these changes is the low-cost 510mm stove[79]. The costly assembly process of having a flush-back at the back of the stove, with the control panels on it has been reconsidered. Tek Corp. has put the controls in the front of the appliance. Eliminating the oven glass and having a steel door was part of the down-costing consideration. Replacing some of the lesser used features of the traditional stove (such as the warmer drawer) with more functional features such as storage space was also realised. The relatively expensive technological features were thus removed, making the product as aesthetically appealing, but more functional and cheaper (Heij interview, 1992; Du Toit interview, 1994)[80].

New products are thus being made for members of the new market. This is management's response to the contradictions that they believe shape demands within this market. This response is not only the result of management beginning to take this market seriously, but also the result of understanding the consumption patterns within this market, and effectively responding to these demands.

Tek Corp.'s policy of cost leadership implies that its pricing has to be as low as possible. In attempting to ensure that products for the new market remain at affordable levels, various down-costing[81] procedures became necessary for the company to remain the cost leader. Cost leadership is crucial in ensuring a market leader position, but economies of scale and output will not ensure this goal, as eliminated costs would

[78] 50 per cent to 60 per cent of Tek Corp.'s free-standing stoves go into black homes, and about 55 per cent of these stoves go into "coloured" households (Levetan interview, 1992).
[79] Two models have been developed from this standard 510mm stove. The first is the Defy 511(with solid plates), and the Defy 512 (with spiral plates).
[80] Sales of this model stove have risen to 20 000 units within the first eight months of production (Du Toit, 1994).
[81] that is, cost-cutting procedures.

be expressed in stock. Tek Corp. began to reduce input by using fewer materials for the same output, which has translated into a just-in-time production line (JIT)[82], and a batch-production factory.

Changing the production process has made the cost of products cheaper (Dicks interview, 1992). Tek Corp. is also addressing the affordability crisis by reducing prices. The ability to successfully meet market demand is to drop prices, but only long enough to address the affordability problem initially and to encourage market demand (Levetan interview, 1991).

This strategic formula has not had positive effects on retailers. Reducing prices in the immediate term, coupled with the competitive nature of the industry, and the short term sales strategies of retailers, has created a price war in some product lines (especially in refrigeration)[83]. This has ensured that a negative inflation exists for some products, where prices are lower than they were last year, despite the increased inflation rate. The reason for this is that with a price war, the manufacturer must sell greater volumes, if the success criteria are to be maintained. The problem with this is that it often exacerbates the price war as the retailer is left holding more stock than can be sold. One way of avoiding this scenario is to produce exclusive products for certain retailers and thereby avoid any competition with similar products with different brands that are sold by the retailers' competitors. Producing specific sub-brands (which are determined by different features on a standard product such as a microwave) is Tek Corp.'s response to producing exclusive products for specific retailers[84].

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[82] The production line is based on batch production as per demand. The JIT adjustments have allowed for the improvement and development of new products without interrupting the manufacturing of other lines.

[83] A price war occurs when competing retailers drop their prices on a certain product as a competitive response to other chains and to "force" other manufacturers to drop their prices.

[84] Each sub-brand is determined by different features. These features respond to the level of specification demanded by specific markets that different retailers target. Retailers and specific market bands are thus targeted as unique and exclusive consumers of the specific sub-brands.

Tek Corp. has worked with retailers and banks to restructure various credit systems (Levetan interview, 1993). This will have an important impact on pricing, as the affordability issue will be addressed with credit from two sources (retailers and financial institutions). Buying more products will probably be possible, especially if the retailers reduce prices. This will probably occur, given that the credit risk of an HP book will be down played with the banks' involvement in supplying credit to consumers (ibid, 1993). These strategies are intended to address the affordability issue as increased purchasing necessitates economies of scale and therefore better prices in the long term.

Altering structures that shape prices, both within and outside of Tek Corp., is thus a significant response in addressing the affordability issue within the new market. By concentrating on retailers Tek Corp. shows that it acknowledges the market's consumption patterns. Recognising the role played by these structures indicates how management had to respond to structures that shape consumption (such as attaining access to HP stores). Structures that shape and influence managerial behaviour (and in some cases even change behaviour) are thus dynamic, and management must respond appropriately to reuse these structures (in their new form) to influence consumption.

Now that a product has been made, it must be sold. Tek Corp. is beginning to prioritise the new market in its promotion strategies. Its previous strategies marginalised the black market. Today, the company not only advertises through a diversity of media that is increasingly shifting towards "black media" sources, but also uses standardised adverts that prioritise the new market. These adverts have been flighted in both black and white media sources[85].

[85] The standardised advert illustrated a black man using Defy top-of-the-range kitchen appliances. The message given is that even a man - not traditionally familiar with kitchen appliances - can use Defy products. Given the values of women in all bands, this message is appealing and the advert is considered acceptable (Alex Workshop, 1993).

These media sources serve a wide range of income groups. This poses the question of which ranges should be promoted if the readers or viewers are not a homogenous financial group. "When you communicate (that is, promote) you don't show your bottom-end product ... We communicate products that people would buy in the middle to upper income (brackets)" (Wright interview, 1992). This addresses the new market's aspirational consumption patterns, and has proven successful (ibid, 1992; Retailer C interview, 1992) . These changes in promotional strategies are another illustration of how structures (the media, in this case) are changed to react positively to responses (consumption patterns) from agents - again highlighting that structures are dynamic.

In the past year, there has been an increase of advertising through black magazines and visual media sources targeted at the new market (Du Toit interview, 1993). Through these promotional channels, Tek Corp.'s marketing has shaped the cooker market into believing that bigger is better (Heij interview, 1992). It now has to start shaping the new market into believing that small is also better, given the smaller, low-cost products Tek Corp. seems to be pitching at this market. This is occurring at the Elektrowise centres[86] by exposing these products as part of a Defy range, that is, using the brand to promote a smaller product. Smaller stoves using thermostatically controlled technology are also being promoted on the basis that different cooking temperatures can be achieved on different shelves, thereby converting two stoves (cooking at a constant temperature) into one (that can cook at different temperatures). Both of these promotional strategies are used to compete with importers, who are also promoting smaller products.

Language is a key issue in promoting appliances to the new market. If all market segments were going to be addressed, the instruction manuals would have to be

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[86]Elektowise centres have been established by Eskom where appliances are exhibited and sold. The centres are situated in townships and are staffed by sales advisors who educate about electricity, answer consumer queries about available products, purchasing appliances or electricity and promote the displayed appliances to the public.

produced in eight languages. This would be neither economical nor conducive as a user-friendly manual. The business language of the future is English, and coupled with illustrations, an English manual allows the company to reach most education levels and a larger proportion of the potential market. This may offend Afrikaans speakers in the white market, but "... they will be so marginal in the near future, that we can afford to offend them, because you're offending everyone else by going English and Afrikaans" (Levetan interview, 1992). The signs and images that Tek Corp. portrays, prioritise the new market. The language issue shows how internal responses have been re-aligned because of changes in external structures.

Tek Corp. is responding to new market consumption patterns by placing more products and new lines with retailers (Tomlinson interview, 1992). Although retailers have contributed to the affordability crisis, a new commitment to supporting local manufacturers has emerged and the new credit schemes with banks will allow for a win-win result (Levetan interview, 1993). Retailers are prioritised by Tek Corp. to distribute appliances, given the new market's consumption patterns, while an affordable price is expected from retailers, given the introduction of banks to the credit supply for appliance consumption. More appliances are sold and retailers and manufacturers realise their profits. Appliances are also being placed in Elektrowise centres where they can be demonstrated, promoted and easily sold.

By changing the ways in which Tek Corp. responds to the new market, the company's internal structures have, by necessity, also changed. These changes have shaped other external responses (such as forming new partnerships with the banks) and structures (such as the media and its increased priority of the new market). The new market has therefore had an impact on Tek Corp.'s production and consumption areas.

5.4 The new market's impact on Tek Corp.

The new market has had a significant impact on Tek Corp.'s capital accumulation process. Not only is the company taking this market seriously, but is changing its strategies (designed previously to address the relatively homogenous white market and the marginal market) to include and prioritise the new market. This section addresses how changes in the circuit of capital have altered so that the new market can be accommodated and what this means for Tek Corp.

Within the production process a number of specific products have been developed specifically for the new market. JIT production lines, batch production processes and cost efficiencies are not the direct result of the new market's requirements, however, these issues have assisted the company in realising some of this market's diverse demands effectively. Major tooling changes have not been necessary given their flexibility, but modifications in design have ensued as a direct result of the new market especially in the case of the Defy 511 and 512 models.

The demands for affordability and high-specification have challenged Tek Corp. to produce lower-cost products that still have a relatively high-specification level. This has been realised through projects such as the Defy 511 and 512. Changes in internal responses and modifications to internal structures have thus resulted from responses to the new market.

The valorisation process has also changed as a result of the new market. Addressing the new market has necessitated alterations in Tek Corp.'s promotion strategies. Tek Corp. now concentrates an increasing amount of expenditure on "black media" and English predominates as the business language. The company's sponsorships of various game-shows, targeted at the new market is a further indication of the impact that the new market has had on Tek Corp. and how its prioritised market has changed.

This market is being considered seriously enough for the manufacturer to begin shaping the demand for its products. Although this is a slow process, specific products are being produced and promoted specifically for this market in an attempt to socialise it into accepting what the company can produce as a profitable response to this market's initial demands.

On shaping market demand, Tek Corp. is prioritising retail stores as its primary source of distribution, given that they offer HP terms and have the widest reach into the new market. Although these structures contribute to the affordability crisis, Tek Corp. understands the new market's urgency to buy appliances and thus prioritises retailers who can best facilitate the consumption of appliances for the majority of this market in the short, medium and long term. Elektrowise centres are also prioritised as a means of gaining access to the new market and encouraging consumption as soon as customers are linked to the electricity grid. These structures are becoming increasingly important in the distribution strategy.

Retailers are working together with banks, and Eskom is being lobbied to assist in the affordability issue. New partnerships are thus being established as a result of the new market[87].

In conclusion, four key points about Tek Corp.'s response to the new market have emerged in this chapter: Firstly, the structures within Tek Corp. and those external to it, such as the media, that the company uses to encourage consumption are dynamic. Tek Corp. changed its internal structure because it was strategic to do so, and also out of necessity, given the new prioritisation of the new market. Secondly, managerial responses have changed towards the African market. The new market has been considered a viable market for Tek Corp.'s products and the company is taking the demands from members of the new market seriously. As part of its response to these

[87] Issues around the rise of a "new competition" will be addressed in Chapter 6.

consumers' demands, Tek Corp. has manufactured new products and is marketing these in new ways to encourage consumption.

Thirdly, meeting demand is a strategic process that refutes classical economic theories about supply mirroring demand. Demand is not always met because manufacturers do not always understand these demands or recognise the market's social parameters that shape consumption patterns. This is illustrated in the Es3 case. Because of the problems in not responding strategically in the case of the Es3, Tek Corp. is now careful to ensure that the planning, production and distribution processes follow a strategic plan, so that its response can conform to the success criteria that ensure its market leadership position. Fourthly, effectively meeting demand and targeting new markets requires an understanding of the social contexts and subsequent consumption patterns that shape demands. Tek Corp. has assessed these contexts by understanding the new market's limitations, its members' consumption patterns and international trends that have shaped other developing markets.

This chapter has shown that understanding managerial responses to new markets require a holistic assessment of the circuit of capital so that changes in production and consumption processes can be analysed. I have also shown how Tek Corp. has strategically responded to the new market. Chapter 6 will explain how it is possible for Tek Corp. to respond to demands in this strategic way, and what makes it possible to realise the product strategy. It will also show the effects of this product strategy on Tek Corp.'s external *habitus*. Capitalist relations will be highlighted, given that these have been changed as a result of Tek Corp.'s response to the new market.

<u>CHAPTER 6. THE PRODUCT STRATEGY: REALISING THE PRODUCT STRATEGY AND ASSESSING ITS EFFECTS ON THE EXTERNAL *HABITUS*</u>

Chapter 5 illustrated how Tek Corp. has responded strategically to market demands. Two questions emerge from this assessment. The first deals with the <u>internal</u> *habitus*: How does a company develop success criteria and realise its product strategy? This requires an assessment of those structures and responses within the company that contribute to this strategic approach. The second question relates to the <u>external</u> *habitus*: What affect has Tek Corp.'s product strategy had on the external *habitus*? In response to the first question, I analyse how the company operates strategically in order to realise the success criteria outlined in the previous chapter. In answering the second question, I argue that Tek Corp.'s response to the new market has ensued the rise of a new competition within the appliance industry and other associated sectors.

The previous chapter was more descriptive in nature as it highlighted how Tek Corp. responded to the new market. However, this chapter is exploratory in that it asks how this response is realised within the company and what effects this response has had on other players in the appliance industry. It assesses, initially, how Tek Corp.'s internal *habitus* (constituted by the corporate structure, power relations and culture) facilitates realising its strategic response to new market demands. The second section explains the ramifications of Tek Corp.'s response to the new market, by assessing the impact its strategy has had on the external *habitus*. Here, I argue that the Electricity For All programme and Tek Corp.'s strategy have encouraged the rise of a new competition.

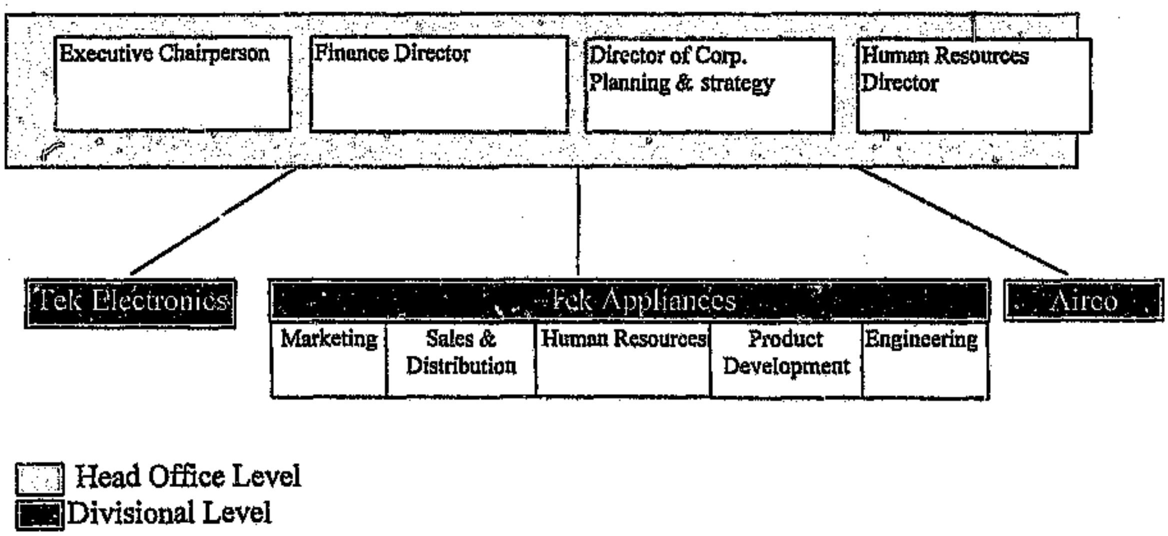
<u>*6.1 Tek Corp.'s internal habitus*</u>

The internal *habitus* is constituted by those structures and responses that shape the ways in which Tek Corp. responds to the new market. These structures consist of the corporate structure, the division of power within the company and the corporate culture. Understanding the market and the subsequent product strategy are the company's responses to this market. Assessing Tek Corp.'s internal *habitus* will show how and why it is able to respond strategically to the new market's demands. This is a relatively short section, but it is necessary to complete the discussion on why and how Tek Corp. responds in specific ways to the new market.

Structures within Tek Corp.

The literature indicates that corporate structure determines the nature of power and decision making (Perrow, 1972; Etzioni, 1966; Meyer and Scott, 1983). This intrinsic relationship between structure and power is evident in Tek Corp. This structural connection between corporate power and structure has ensured that Tek Corp. realises its production strategy efficiently, the production process is co-ordinated and that commitment to the success criteria occurs at all levels.

Figure 2. The Structure of Tek Corp.



Tek Corp. is typical of a centralised management system that runs the company according to strategies determined at a central or head office level. This is possible because of the corporate structure (see Figure 2).

Tek Corp. has a two-tier structure - the head office level and the divisional level. The three facets of Tek Corp.'s business are situated at the divisional level[88]. The decision-making structures at head office are occupied by the executive chairperson, the financial director, the director of corporate planning and strategy and the human resources director. These corporate structures assist the divisions with strategies and economic support.

Within the divisional level, activities seem to be autonomous because line functions (such as marketing) are situated at this level. Complementary functions at the plant are situated together to facilitate the flow of information and the effective monitoring of specific areas of the production process. The divisions can address their own product design, work organisations, engineering and human resources structures. Even though operational issues seem autonomous at the plant level, they are directed by strategies determined at a head office level (White interview, 1992). Functions are thus placed at the divisional tier to carry out the strategies approved by head office.

Tek Corp.'s decision-making process seems typical of a top-down approach. Running the plant, therefore, does not imply real control over the production process. Head office makes all the major decisions and determines the strategy to be followed by the plant. When major decisions are needed, authority is required from head office. "Policy is set down centrally, but within the divisions you have your own divisional manuals and practices, but you can't contradict what goes on centrally" (ibid, 1992). Although head office is not involved in operational issues, independence[89] is **earned** and if any division under performs, (most of all in the financial areas), they would lose their autonomy. This implies that management would be changed or the plant would be closed down (Levetan interview, 1991).

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[88] Only Tek Appliances has been researched in this study.
[89] Namely at the operational level

From a theoretical perspective, top-down divisions of power are not effective unless some decision making power is given to those at lower echelons (Etzioni, 1966). Etzioni argues that these lower-ranking individuals organise the policies and strategies from above into detailed tactics so that performance can be realised at the plant (ibid, 1964, 28-30). Ries and Trout (1990) propose that unless those who tactically implement the strategy are involved in the over-all strategy planning process, the company loses touch with effective ways of responding to its markets, as a "glass tower" syndrome develops (Ries and Trout, 1990, 27-28). Bottom-up input is thus a necessity for successful implementation of strategy.

Tek Corp. has recognised the importance of bottom-up input. It ensures this through encouraging participation in the strategic decision-making process from its divisional level. In the preparation of strategies, managers within the appliance factory agree on a strategy. This is then presented to the strategy department at head office which assists with input on the larger external *habitus* and ensures that the strategy correlates with trends and expectations in the external environment. The strategic plan is then completed (according to Figure 1 in Chapter 5) until the strategy is presented to the executive directors and approved by these decision-makers at head office.

The strategic plan is thus driven from head office, but the plant (familiar with tactics used by the competition, the market, problems with production and valorisation processes) contributes with a bottom-up kick-start to this strategic process. This formula, according to Ries and Trout is a primary factor that will ensure Tek Corp.'s success. Decision-making power is thus centrally controlled in Tek Corp. However, interfacing with the divisional level ensures that strategies are realistic, probable and that targets can be met[90].

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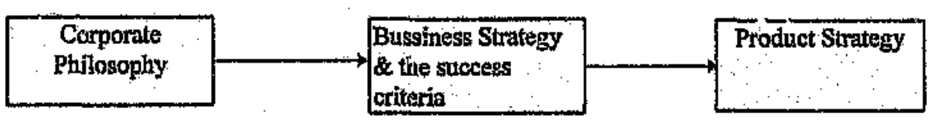
[90] These targets are determined indirectly by managers at the plant who monitor production and valorisation environments regularly and who know what is possible to achieve *vis-à-vis* these targets.

The structure of Tek Corp. thus facilitates the nature of power relations within this company. This centralised structure also ensures that the success criteria are realised within both the production and consumption stages of the circuit of capital.

Tek Corp.'s corporate structure thus facilitates the realisation of the production strategy. If structure is the key in realising the production strategy, then Tek Corp.'s culture is central in determining the shape of this product strategy. Tek Corp.'s culture is determined by the goals set out in the corporate philosophy, which dictates five ethics that are intended to permeate all business activities. The ethic of customer sovereignty implies that a focus on customer needs must predominate in all phases of the production process. This customer focus is intended to complement the ethic of "total quality and service", both during and after the sale. A commitment to the development and involvement of all employees as well as innovative attitudes in all aspects of the business, contribute to the most important ethic: Determination and a drive to win (White interview, 1992; Levetan interview, 1992). The drive to win means being the market leader.

The corporate philosophy dictates the nature of the business strategy, which sets targets and outlines specific success criteria that determine the product strategy outlined in the previous chapter. These success criteria influence the nature of the product strategy, which ensures the consumption of the appliances produced. Figure 3 illustrates the relationship between corporate philosophy and strategy.

Figure 3. The Relationship Between Corporate Philosophy and Product Strategy



Tek Corp.'s culture and its structure are therefore also intrinsically related. The structure of the company has an impact on the nature and norms of decision making, as highlighted above. The structure also facilitates an awareness of separating strategic decisions from operational ones, and following strategic direction from the head office level. The role that head office plays in Tek Corp.'s culture of decision-making thus relies to a large degree on structure[91].

Tek Corp.'s response to the market is thus not only a result of pressures and developments in the external *habitus*[92]. Its internal *habitus* is also instrumental in ensuring how it is able to respond strategically to the new market's demands. Furthermore, arguing that either culture or structure or power relations are responsible for specific managerial responses is restrictive, as this case shows how all three structures are interrelated and contribute to shaping managerial behaviour. A holistic view of management's internal structures is thus necessary to explain how and why it can respond in strategic ways to new market demands.

Noting how the product strategy is realised at the plant, what are the ramifications of this strategy beyond the plant and on the industry as a whole?

6.2 The effects of Tek Corp.'s strategy on its external habitus

Tek Corp.'s strategy in responding strategically to the new market has proved successful, given its market leadership position and its competitive advantage over other manufacturers (Du Toit interview, 1994). How has this product strategy (and the subsequent market leadership position) affected the external *habitus*? Most of the literature suggests that by examining competitive relations, the effects of managerial behaviour (beyond the company) can be assessed (Hamilton *et al*, 1988; Chandler,

[91] The legitimacy of leadership, the personas involved in decision making at the head office level and the success derived from these procedures of strategic decision making also contribute to the acceptance of the head office's centrality.

[92] See section one of chapter 5 that illustrates the external (and internal) pressures necessitating Tek Corp.'s response to the new market.

1980; Galbraith, 1989; Schumpeter, 1987). Tek Corp.'s strategy has affected competition within the consumer durable industry on two levels: It necessitates new areas of competition; and a new type of competition is emerging within the local industry. I use Best's (1990) concept of the new competition to explain the nature of the latter's development.

The concept of new areas of competition addresses the nature of competition between local manufacturers and importers. I argue that this is new because although these players have been competing for some time, new responses have emerged because of the social transformation in South Africa and the rise of the new market specifically. The new type of competition differs from the new areas of competition in that this type of competition did not exist before the rise of the new market. I show that new relations are embedded within the structures of the industry as manufacturers and associated industries begin **co-operating** to respond effectively to the new market.

New areas of competition

New responses to the existing structures have contributed to the emergence of new areas of competition. These include legal and economic structures: Imported products do not fall under local production laws that stipulate stock levels[93], nor are they taxed as heavily in imported parts used in the local production of the appliances[94] (Herron interview, 1992). The economies of scale abroad ensure that these imports are cheap and easy to obtain (Bauman, 1993). Furthermore, the gradual lifting of protective tariffs and the introduction of GATT also contribute to the structures that have changed competitive relations, and necessitated new responses from the local industry.

[93] Local manufacturers must stock spare parts for seven years after the range has been discontinued (Herron interview, 1992).

[94] See Appendix 1 for a short list of imported parts for appliances made in South Africa, and Appendix 2 that indicates the percentage of imported appliances.

These new responses from local manufacturers have occurred in the form of mergers. Mergers, and take overs - to a lesser degree - are beginning to occur to develop stronger competitive blocs. The merger between Hoover and Swazi Refrigeration[95] and the merger between Astra and Univa[96] are indications of these new competitive relations.

Another new response is taking place in the production process. Parts of the production process are being sub-contracted out to smaller, specialised firms to keep costs down and to facilitate the JIT production flow. The cooker hood is an example of how a specialised part of the production process is sub-contracted out[97]. Local manufacturers are also utilising the legal hurdles to their benefit. They are stocking parts, and can offer after-sales service to a local market that demands this as a consumption pattern. Local manufacturers are increasingly relying on the market's knowledge of their brands to ensure the consumption of their product over imports. This seems to be an important "lure" that importers with foreign brands do not enjoy.

Input from the Alex workshop and from the new market's consumption patterns has allowed me to deduce that consumers in the new market prefer local brands. This adds to the debate opposing Bauman's work, and argues that the local market may withstand imports, if strategies like Tek Corp.'s are implemented.

Exports become a necessity given the requirement to produce on a larger scale. This is also a new response within the local industry. Two major developments have encouraged the consideration of exports. The first is that the relaxation of sanctions has opened up new markets in Africa and abroad. Some of these markets (such as the Middle East) are similar to the new market in their consumption patterns (Levetan interview, 1992). The second development is that exports act as a second prong to

[95] Swazi Refrigeration was established by an ex-director of KIC (another player in the appliance industry that manufactures both brown and white goods). They use cheaper labour and resources from Swaziland and can thus undercut basic costs incurred by other local producers.
[96] These are two smaller producers which, as one company, could dominate the lower end of the market.
[97] A cooker hood is a specialised part of the cooking range. It is an attachment above certain top-of-the-range stoves to collect the fat and fumes that are emitted during cooking.

ensure production levels. The first prong is tapping the local market and ensuring market leadership here, but tapping a market beyond South African boarders will ensure that factories can work according to economies of scale, thereby reducing prices and keeping costs low and competitive (ibid, 1992). Exporting to a similar market will thus act as a strategic manoeuvre for local consumption as it will ensure that Tek Corp. (and other companies) compete as market leaders.

The rise of the new market as well as new responses to it from local industry have changed the nature of competitive relations between local companies and importers. New relations are developing with countries abroad now that marketable, low-cost products have been developed and foreign markets (similar to the new market) have been opened to South African products. It is hoped that exporting products will contribute to changed competitive relations with importers. The reason for this is that when economies of scale are possible, local manufacturers believe that they will be able to compete with imports on price as well as brand (Levetan interview, 1993).

A new type of competition

Social change, the rise of the new market and Tek Corp.'s successful response to this market have also necessitated the rise of a new type of competition.

Previously the appliance industry was characterised as a volatile environment of ruinous competition, where large profit swings and survival-type tactics typified the industry (White interview, 1992; Levetan interview, 1992). The quarterly swings of between 10 per cent and 15 per cent in sales, and many small businesses going insolvent every few years illustrates the volatile nature of competition within this sector (Herron interview, 1992). Although these large profit swings still occur, a new type of competition has emerged.

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The new competition, for Best and Schumpeter is a shift from a hierarchical firm (typified by Chandler[98]), to an entrepreneurial firm. The latter is guided by strategy, flexibility and continual improvement (Best, 1990; Schumpeter, 1987). The new competition is more than just a change in culture whereby strategy rather than a manufacturing culture determines the nature of decisions and market responses. It is a new way of interfacing with competition and other forces within the external *habitus*. The new competition involves efforts of **co-operation** between firms, rather than cut-throat competition, chasing one another's bottom line[99] and over-producing because of uncoordinated efforts.

The appliance industry is entering a phase of new competition. This is occurring between a number of different players. It occurs between manufacturers and retailers, between manufacturers and Eskom, Eskom and retailers and between manufacturers themselves. Tek Corp. is involved in all of these new types of competition.

Forms of the new competition

Manufacturers and retailers have had a co-operative relationship for some time, but this is improving and taking new shapes. Retailers are now committed to prioritising local products rather than imports[100] and are developing new stores to assist the prioritisation of the new market (Retailer C interview, 1992; Levetan interview, 1993). Retailers supply manufacturers with information on market demand and what products are selling well. Chapter 4 showed how retailers have assisted manufacturers with information about the new market and have co-operated in valorisation strategies that

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[98] Chandler's "hierarchical firm" accumulates profit by incurring minimal costs (Chandler, 1980). Maintaining continuity in the production process and design is typical of this type of firm (Best, 1990,15). Innovative change is encouraged but it results in hierarchical management structures that become unaware of the external *habitus* due to the hierarchical structures that emerge (ibid, 48). The hierarchical firm is not equipped to respond to markets because of fixed production processes. This type of firm thus attempts to manipulate demand rather than respond to it.

[99] as has occurred with the price wars, particularly in refrigeration.

[100] Imports are stocked if the local manufacturers do not produce the product and if local manufacturers cannot produce the product cheaply enough. Imports are also stocked for branding purposes (Retailers A,B,C, and D interviews, 1992)

target this market. After-sales service is another area of retailer support that assists the manufacturer in guaranteeing their quality commitment.

Manufacturers assist retailers by producing exclusive ranges. Unique specifications, exclusive sub-brands[101] and the supply of specific ranges exclusively to certain retailers are some of the ways in which manufactures reciprocate the benefits retailers offer to them.

Both manufacturers and retailers have to tap this relatively unknown mass: the new market. Thus, assisting one another in responding to this structure has proven beneficial to both parties, as retailers are now benefiting from exclusivity and attracting the new market, while manufacturers can sell their products more efficiently and according to the market's consumption patterns.

Manufacturers and Eskom have begun co-operating to target a market common to both parties. The Elektrowise centers are one example of how these two industries are co-operating. Eskom accumulates capital through the increased consumption of electricity; and appliances increase the levels of electricity consumption. Ensuring the consumption of electricity thus necessitates the sale of appliances. The Elektrowise centers are thus important for Eskom as they ensure increases in appliance sales to the new market[102].

Tek Corp. was concerned that retailers were not established in the townships. This implied that potential consumers had to travel to the central business district to purchase

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[101] A sub-brand is the specific line within the range. An example is the Defy Kitchenmaster or the Defy Executive. These sub-brands are exclusive to separate stores. They are essentially the same product, but the specifications differ (such as digital timers, switches and push-button features), making the product exclusive for the specific retailer. This strategy has been useful in addressing the specification issue as well as meeting demands from retailers. The specifications and sub-brands correlate with the retailers target markets. The retailers thus benefit with exclusive ranges that their competitions do not have and can target their markets with a Defy product that is made for this market's purchasing patterns (Heij interview, 1992). The manufacturer benefits by ensuring a wide range is developed for various needs within the market and ensures the support from a wide variety of retailers.

[102] Although formal research results are not yet available as to what degree these centres have improved the sales of appliances to the new market, Eskom personnel as well as retailers argue that the centres have contributed to the sales of appliances (Elektrowise conference, 1993).

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Defy and Ocean appliances. The establishment of Elektrowise centers in townships has assisted manufacturers with a venue for displaying and marketing their products, and has facilitated easier access to these appliances for the potential consumers. These centres also act as a source of important information[103] about competitor's appliances.

Joint research and development (R&D) efforts are being proposed between manufacturers and Eskom. Although joint efforts in the past have been problematic (such as the disaster with the Es3), both parties are learning from their mistakes and are continuing to propose future joint ventures in the areas of production and consumption. Eskom is giving input on some of its designs for cooking and water heating appliances as well as on consumer trends and marketing information such as demographics, the size of the market and planning for future market developments. Tek Corp. is contributing its technological input and promoting the use of electrical appliances. It is also contributing to marketing, strategic and trend analyses of the new market (Herron interview, 1992; Wright interview, 1992; Levetan interview, 1993).

Eskom and retailers have also entered into a new competition. Eskom's Elektrowise centres are not a threat to retailers and assist this sector in selling to the new market. Retailers initially trained Eskom staff to promote appliances in the Elektrowise centres. Appliances are not sold in these centres, but customers are told to purchase them at selected retail stores[104].

A tripartite relationship has developed around the Elektrowise centres. Not only do these centres promote appliances in the townships where manufacturers and retailers did not have the venues nor means to tap the new market, but they promote the use of appliances for Eskom's needs. Retailers are promoted as reliable stores that stock the

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[103] This information is attained by assessing competitors' marketing approaches at the centres as competitors' stands are usually close to one another. In the same way, competitors also have an opportunity to assess Tek Corp.'s approach to the new market.
[104] Retailers hinted at promotional strategies such as offering discounts to those who were referred from Elektrowise centres but it is unclear if this has been realised (Retailer C interview, 1992).

products demanded while manufacturers are promoted as producers who take the new market seriously.

Manufacturers are co-operating with one another in attempts to target the new market effectively. Information is shared between competitors and this assists in maintaining a strategic advantage over other competitors. Sharing information occurs at two levels. First, the marketing manager of Barlow Rand[105] regularly contacts his counterpart at Tek Corp. and they trade information about common competitors[106](Wright interview, 1992). Second, manufacturers co-operate with one another through DAMSA which acts as a lobby group, representing the industry in various situations when a united front is required (such as in interfaces with the government). DAMSA is also a source of marketing information. Sales figures and trends are pooled from all local manufacturer's sources and a picture of the market's demands is given to all participants. It is therefore also an important source of analysis for production capacity and planning against over production[107].

The most profound co-operative efforts that have occurred between manufacturers are mutual production efforts. When Tek Corp. took over Defy, its refrigeration facilities were duplicated[108]. Barlow Rand was contracted to take up the stock in the Johannesburg plant and produce fridges with the Defy brand on it for Tek Corp. until all the stock was used. In return, Tek Corp. undertook to produce chest freezers for Barlow Rand during the time they made fridges for Tek Corp. (Heij interview, 1992).

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105 Barlow Rand produces appliances under the Kelvinator brand.

106 Information is exchanged on future trends in certain product ranges, and rumours are verified about one another's plants, ranges and developments as well as other competitors. Not telling the truth during these interfaces is worthless, as the answers sought will simply be attained from elsewhere and the possible source for other information will no longer co-operate (Wright interview, 1992).

107 Most factories are working at a 60 per cent capacity (Gampel, 1992).

108 The refrigeration plant now used to manufacture Ocean appliances (i.e. the refrigeration ranges in Tek Corp.'s appliance range) in East London was duplicated by a less well-equipped plant in Johannesburg. The Johannesburg plant was to be sold, but there was still stock in the plant which had to be consumed.

Co-operative links occur when there is a potentially low volume demand for a particular product or part. Manufacturers co-operate and standardise production by sub-contracting out to a specialised producer. An example of this occurs with cooker hoods, which are a specialised and small part of the product range. All local manufacturers sub-contract the production of cooker hoods to John Cook, the only cooker hood manufacturer in South Africa. This is beneficial as it restricts increased production that would have to be carried at the plant for a small percentage of the cooking range. Companies also co-operate in terms of supplies and standardised components (such as thermostats, washing machine timers and solid/spiral plates for cookers). The reasons for this are production efficiency and stock rationale[109].

The use of international trading partners is another form of manufacturers co-operating with one another. Instead of importing their products, foreign producers co-operate with local manufacturers (Tek Corp. in this case) who will use the former's knowledge, skills and designs in locally produced ranges. This was the case in establishing a local microwave industry and is still the case with the washing machine sector (Heij interview, 1992).

Explaining the new competition

The discussion has shown that the appliance industry is beginning to be characterised by new market traits[110]. The new competition has arisen because of management's strategic responses. This echoes Schumpeter's (1987) argument that strategic responses are necessary to ensure a company's competitive success.

Co-operation will assist in meeting the short-term goal of gaining market share. By piggy-backing on the efforts of those companies with extensive exposure, such as

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[109] Manufacturers are required by law to carry parts and components for all locally produced appliances seven years after the range has been discontinued. If standard components are used, and bought from contractors, stock problems are eliminated and greater efficiency at the plant is possible.

[110] There are still a number of "hierarchical" firm traits that prevail in Tek Corp. Although batch production occurs, flow-line technology dominates the production process (Gampel, 1992), and although innovation is encouraged, the structure of the firm as well as the volatile nature of the industry restricts innovation to some degree.

Eskom[111], similar associations with the co-operating companies are facilitated and market entry into areas that were previously untapped by the company's efforts is now possible.

All players in the appliance industry as well as its associated industries (retail, wholesale, electrification and housing[112]) believe it to be in their interest to co-operate and share information about unknown variables - the new market and its consumption patterns. Given that these players interact with the new market on different levels, co-operation facilitates a holistic picture of the new market.

Sharing ideas about R&D is also strategic as developing products independently is expensive, R&D facilities are limited, and because patents are virtually impossible[113] (although companies can easily copy product designs), co-operation limits costs, enhances efficiency in the areas of product design, unites expertise and facilitates the possibility of unique designs that can also be exportable.

Co-operation within the industry will benefit the industry in the long term. Through joint efforts in improving current ranges and competing with imports, companies can learn from one another, can identify their faults and rectify these problems. Co-operation can therefore assist in developing and improving the company's potential within the industry, making the industry more effective in the long term. Furthermore, by co-operating, products for the new market can developed on a larger scale and exportable products can be developed and produced. This adds to the effectiveness of the industry and improves its competitive ability.

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[111] Eskom is one of the best known companies in townships (rural and urban) (Alex workshop, 1993) and is considered favourably by approximately 70 per cent of the population (MRA, Energy study, 1993).

[112] These are just some of the sectors associated indirectly with appliances. Refer to the NELF Data Base for further associations with the electrification and appliance industries.

[113] Patenting a product is virtually impossible in the appliance industry, as parts are often required from abroad, or from sub-contractors who already supply to all players in the industry.

Best argues that "...(p)ressure for inter-firm co-operation comes, in part, from the competitive lead that accompanies problem solving at a time of rapid change" (Best, 15, 1990). This is applicable to this industry. The changing market, political and social changes as well as the increasing need to export have all contributed to the rise of a new competition.

This chapter asked how was the production strategy realised and what the effects were of this strategy on the external *habitus.* I have shown that a centralised management system has ensured that the division functions strategically. The product strategy can be realised because the company is structured so that its production process is strategically driven from head office. This is also possible because of the corporate culture (which is also determin:.d at head office level). The corporate philosophy focuses the business on being the market leader, and this is ensured through head office directing the production process through the top-down structure. Culture and the top - down power relations - established through the corporate structure - are the structures within Te'. Corp. that ensure that the production process is strategic and assumes the shape discussed in the previous chapter. This disputes the literature on management, in that neither one of these structures is solely responsible for managerial responses. Instead, culture, power relations and corporate structure have all been shown to be determinants of how and why the product strategy is realised. These findings also contradict the literature (see the work of Hamilton *et al*, 1988) on explaining management as it is neither the external environment **nor** the internal dynamics of an organisation that shape the product strategy. Rather, with a holistic view (attained by applying the concept of the *habitus*) **both** the internal and external *habitus* are responsible for nature of the response to the new market.

The ramifications of the product strategy on the external *habitus* are the rise of new areas of competition and a new type of competition. The former implies that embedded within the existing competitive structures between local manufacturers and importers, new relations are developing. New relations have emerged because of the new market and the success local manufacturers (especially Tek Corp.) have had in addressing this market. Because of the responses from local manufacturers to the new market, relations between local manufacturers and importers are changing. Local manufacturers may be able to compete with importers if responses such as Tek Corp.'s (and those that improve on Tek Corp.'s) are implemented locally and abroad in similar markets. A new type of competition has also emerged. This involves strategic responses to a market through co-operative efforts with other firms in the industry and in associated industries. The ramifications of Tek Corp.'s product strategy has proven positive for the industry and could assist the industry's competitive ability in the long term. This counteracts Bauman's proposals around the viability of the consumer durable sector and shows that if strategic responses are encouraged, local producers can compete against imports in the local arena.

This chapter has thus argued that a product strategy requires an assessment of the company's internal *habitus* to understand why and how it is possible to realise the strategy effectively. It has also shown that Tek Corp.'s product strategy has contributed to the development of a new competition within the industry and that effective strategic responses such as this one, have ensured that a local manufacturer has assumed a market leadership position.

CHAPTER 7. CONCLUSION

This dissertation has attempted to move beyond the conventional explanations of capitalist relations in South Africa. I attempt to address some of the flaws in the literature that explain capitalist relations. In doing so, I have proposed that capitalism must be understood as a circuit of capital and that structures and responses that shape these processes must be embedded in a social and historical context. In adopting this approach, a number of sociologically interesting issues have emerged from this study. The Electricity For All programme contributed to the emergence of a new market, and management in the appliance industry is responding in new ways to this market's demands. In concluding what these new findings imply for understandings of managerial behaviour within times of social transition, this chapter will look at two issues: The first relates back to the research question that asks how management responds to new markets. Here, I show that management at Tek Corp. responds strategically to new markets, and that these responses have necessitated changes in the structures and ways that shaped management's response previously. These changes have occurred in both the internal and external *habitus* so that consumption can be ensured. The second issue looks at the contributions this thesis has attempted to make towards highlighting some of the ways capitalist relations can be understood within a changing social context and specifically within the appliance industry.

7.1 Management's response to the new market

In response to the research question, how does management respond to new markets, I have argued that if management intends being successful, its response has to be strategic. This translates into two issues. First, management must understand the developments in the external *habitus* - especially those structures and responses that shape the market it intends addressing. This will not only clarify why it should address this market, but how it should plan to target this market effectively. Clarifying the rationale for responding to market demands is also dictated by the second issue - the company's criteria for success. These benchmarks for competitive success - determined within the internal *habitus* - ensure that the company will respond strategically to market demands, and thereby ensure its competitive advantage and maximum profit levels.

In the case of Tek Corp., the new market was analysed and considered as a viable market for its appliances. However, because of the nature of the new market - whose members demand high-specification products, but need these appliances to be affordable - Tek Corp. had to change its response, and some of its internal and external structures to respond strategically to these demands.

Changes within Tek Corp.'s structures included changing aspects of the production process, and through innovations, lowering costs. As a result of these changes, new products were created for the new market. Changes to the external structures included Tek Corp. changing its messages and signs within the various mediums used to influence consumption. This occurred so that the new market could be prioritised. In response to the new market's preference to retail stores, Tek Corp. began prioritising retailers as the main distribution outlet for their products. These changes indicate the impact that the new market has had on the company. Tek Corp.'s responses have also influenced relations with other competitors within the industry: New relations or networks have begun to emerge with old and new partners (for example, Eskom) now that the new market is being prioritised by Tek Corp. Further, Tek Corp. has also begun shaping market demand through its strategic response. Through the media, new messages are given and the positive signs the market responds to are highlighted so that it identifies with Tek Corp.'s brands. Being easily attainable and affordable, these products, together with the signs transmitted through structures like the media, encourage and shape consumption. These tactics have been applied to the Defy 510 range, which has surpassed sales of all other stoves within the new market. Although this implies that Tek Corp. shapes consumption, I have shown that the market also shapes management and dictates what management should produce (to a degree), how it should market these products, where these goods should be sold and at what price. Thus, in response to the question posed in the literature review, whether management controls consumption, these findings show that management can influence consumption to a degree, but is also shaped by consumers and their demands. This finding also addresses the issue of whether the new market has necessitated the development of new products or not. New products were developed for the new market because of the contradictions in this market's consumption: It demands high-specification goods, but at low prices. In response to the question, I have argued that only by assessing the nature and the *habitus* of the new market, and if the company has the range this market demands, can one determine whether new products will have to be developed or not.

In order to respond strategically, the company has to ensure that its internal structures are dynamic, and arranged in such a manner that the strategic success criteria can be realised. Its internal responses need to be flexible enough to assess whether responding to emerging markets will be strategically beneficial, even if this market demands its products. Furthermore, these internal responses must be realistic enough to assess whether attempts at targeting the new market have been successful or not and why this has occurred. Strategic responses also require a good understanding of the market. The concept of the *habitus* can be applied to assess the character of this market and its viability as consumers of the company's products. Finally, to assess how the company has responded to the new market, an analysis of its circuit of capital is required. Without noting the changes in its production and consumption strategies, a holistic view is not given in explaining why a company responds in specific ways to certain market demands.

7.2 Contributions towards understanding capitalist relations within the appliance industry

This dissertation has attempted to show that capitalist relations and managerial behaviour can be understood by assessing both production and consumption. That which is produced must also be sold to realise surplus value, but the ways in which this occurs should also be understood to ascertain why certain companies are more successful than others. This section will highlight the contributions these findings make to understandings of the new market and manufacturers within the appliance industry.

Understanding consumers

The Electricity For All programme promoted the emergence of the new market. The concept of the new market that I have developed in this dissertation contributes to understanding consumers in South Africa, as it shows how different consumers in a market demand similar products, but because of the market's heterogeneous nature, these demands occur for different reasons. The concept of consumption patterns contributes to the understandings of consumption, as it shows why certain products are prioritised and indicates the messages that emerge as a result of these patterns. Three messages emanate from the consumption patterns typifying members of the new market. The first is that status is a key determinant of these consumers' purchasing requirements. High-tech, luxury items are increasingly prioritised for reasons other than their use value. The second message is that a political statement is communicated through these purchases. The message is that these members of the new market are no longer prepared to accept "black" products of inferior quality and at the lower end of the range. The third message is that the youth is the primary market for appliance manufacturers. These messages give a good indication of how to respond effectively to the market and could be used in ensuring an effective strategy that targets consumers in the new market.

Understanding the new market and its consumption patterns is possible by applying the concept of the *habitus*. I have expanded on Bourdieu's concept (with input from Granovetter *et al*) so that it can explain the structures and responses that determine behaviour and highlight why these actions occur. The concept of the *habitus* allows for a holistic assessment of the market, highlights the types of consumers that constitute this market and facilitates an explanation of why certain products are prioritised. Applying this concept has also allowed me to move beyond single explanations for consumption e.g. class or income.

Understanding producers

Explaining how manufacturers respond to markets, necessitates an assessment of the products and how they are sold. Thus both production and consumption processes must be assessed. Changes arising from developments in either the production or consumption sphere, show that this circuit of capital is dynamic and that both spheres impact on each other, necessitating changes within the industry as a whole. This is a contribution arising from these findings that assists in understanding management or producers, and hopefully adds to the conventional Marxist explanations of capitalist relations in South Africa today.

Changes within this industry's competitive relations have occurred as a result of the Electricity For All programme, the rise of the new market and the ways in which management, and especially Tek Corp., responded to these changes. Two contributions emerge on this front. Firstly, new areas of competition are emerging because of the changing relations between local manufacturers and importers. Secondly, new types of competition have been identified in this industry. Co-operative relations are emerging between companies that before the Electricity For All programme were not related in joint efforts, or at least not insofar as they are today. I have argued that these co-operative efforts and the rise of the new competition may be the key to the local industry's survival against imports.

The new competition has arisen as a result of the new market and the Electricity For All programme. It is thus fair to argue that when other services are brought to new market communities, such as water; adequate housing and infrastructure, as outlined in the Reconstruction and Development Programme, management in associated industries are also going to have to respond strategically to the new demands that are sure to emerge from these social developments. Co-operative efforts with other companies in associated sectors may be one of the ways of responding to these demands in a strategic and effective manner.

The concept of the *habitus* has also been applied to understanding managerial behaviour. It has assisted in highlighting why management at Tek Corp. behaves strategically (given the nature of its internal *habitus*) and why it has responded to the new market in specific ways. It has also contributed to distinguishing structures that have shaped managerial responses and how these responses have, in turn, shaped and developed new structures and relations in the external *habitus*.

The concept of the *habitus* has assisted in capturing the macro and micro perspectives of capitalism in South Africa. It has shown that on a macro-level, capitalism is the result of production and consumption that is shaped by structures and responses which determine the relations between all players in this mode of production. It also shows that on a micro-level, specific industries and firms respond to certain markets in specific ways because structures and responses within the company and market shape these relations in specific ways.

This dissertation thus argues that by assessing the circuit of capital and understanding the relations or networks within the circuit of capital, by applying the concept of the *habitus*, it is possible to understand how management responds to new markets.

This dissertation is only the ground work for further analyses of capitalist relations. It is to be hoped that this dissertation challenges researchers to overcome the flaws in the conventional understandings of capitalism, and to develop new concepts that illustrate why specific relations and responses have arisen between producers and consumers.

APPENDIX 1

Imported consumer durables (i.e. both components and finished or assembly packs) have decreased from 46 per cent to 38 per cent[114] from 1988 to 1991 respectively. Of the imports, brown goods - and especially audio equipment - is the most prominent category at R205 million in 1991. The importation of white goods costs R109 million.

The largest imported item, amongst white goods is components costing R197 348 676 in 1991.

The following parts are imported for the respective products:

Glass and timers:	Cooking products
Timers and pumps:	Laundry products
Compressors, evaporators and some cabinet furniture:	Refrigeration
Compressors:	Chest freezers
Magnetrons:	Microwaves

(Source: DAMSA, 1992)

[114] All figures for this section on imports and exports are taken from the CSS data base covering various years, unless otherwise stated.

Appendix 2 Imported Appliances

Top load washing machines (Primarily from the USA, Italy and the Far East):	100% imported
Dishwashers:	100% imported
Microwave ovens (Primarily from the Far East):	85% imported
Twin tub washing machines (Primarily from the Far East and Italy):	45 - 60% imported
Tumble dryers (Primarily from Italy):	8% imported
Electric refrigerators:	5 - 7% imported

(Source: DAMSA, 1992)

Of the parts imported, TV components constitute 78.84 per cent of the total amount imported, the largest TV component being colour picture tubes (CSS, 1992).

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Dicks, Stewart (Operations Manager, Tek Appliances), interviewed in 1992.

Du Plessis, Waldi (Electrification Finance Officer, Eskom), interviewed 1991; 1992 (two interviews).

Du Toit, Hennie (Group Corporate Planning Director), interviewed in 1993; 1994 (two interviews).

Dladla, Johnny (Marketing Manager, Eskom), interviewed in 1993.

Heij, Jan (Product Development Manager, Tek Appliances), interviewed in 1992.

Herron, Ross (Divisional Managing Director, Tek Appliances), interviewed in 1992.

Japp, Steven (Director, National Association of Stokvels of South Africa), interviewed in 1992.

Levetan, Laura (Group Corporate Planning Director), interviewed in 1991; 1992 (two interviews) and 1993.

McGibbon, Hugh (Electrification Manager, Eskom), interviewed 1991.

Ntshingela, Happy (Director, Heardbouys), interviewed in 1992.

Retailer A (Group Sales Manager), interviewed in 1992.

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Retailer D (Group Sales Manager), interviewed in 1992.

Schoeman, Koos (Electrification Research Manager, Eskom), interviewed in 1992

Tomlinson, Mike (Sales and Distribution Manager, Tek Appliances), interviewed in 1992.

Van Gas, Izak (Research Manager, Eskom), interviewed in 1992 (three interviews)

Wilkins, (Foreman, Tek Appliances), interviewed in 1992.

White, Debbie (Group Corporate Planning Officer., Tek Corp.), interviewed in 1992 (two interviews).

Wright, Dave (Group Marketing Manager, Tek Corp.), interviewed in 1992

The ten people who assisted in the Alex workshop wish to remain anonymous.

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