

Impact of product design and innovation on competitive advantage in the South African aftermarket wheel industry

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ABSTRACT

This study found that there is interesting potential in the South African aftermarket wheels industry, despite its distinctiveness from international markets such as the United States of America.

This research has shown that product design and innovation are two of the key factors, largely because through these elements of strategy firms can achieve differentiation from their competitors. Another key finding is that product design and innovation are used to directly affect the product characteristics of aftermarket wheels and their perceived value to the customer, in particular individuality, recognition and status. Improving effectiveness along these lines therefore leads to creation and sustainability of competitive advantage for companies in this industry. Research has shown that for luxury products and niche markets, such as aftermarket wheels, these factors are particularly important, and these findings are confirmed in the South African study.

The empirical research was conducted at a case site, Racing Hart Concepts, with supplementary data gathering among key stakeholders, such as customers, competitors and suppliers.

In summary, the research conducted suggests that fulfilling the esteem needs for status and individuality of the customer, providing an aesthetically appealing product, at a competitive price and within the highest quality standards are important. At least two of these aspects, aesthetic appeal and excellent quality can be achieved largely through effective wheel design and innovation activities. The impact of wheel design and innovation activities however extends beyond just the final product; it also has implications on achieving brand trust and loyalty, positive consumer perceptions of the product and the ability to overcome some of the key challenges facing companies in this industry in South Africa.

The study addressed the implications of these findings for firms operating in this niche market in South Africa and identified areas for future research.

DECLARATION

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

Muzammil Ebrahim

Signed at

On the day of 2008

DEDICATION

This research is firstly dedicated to my loving wife for all her understanding, support, patience and sacrifice throughout my time as a part-time MBA student. This achievement would not have been possible without her by my side.

This research is also dedicated to my wonderful parents, who have afforded me the ability to be where I am today through their constant encouragement, guidance and words of true wisdom.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to analyse how product design and innovation may impact on the creation and sustainability of competitive advantage for companies in the automotive aftermarket wheel industry in South Africa.

1.2 Context of the study

“The world of flashy wheels, polished exhaust systems, lowered suspensions and in-car-audio-visual systems is a \$34 billion-a-year industry known as the automotive aftermarket.” (Luu 2006). Luu (2006) goes on to explain that this is due to the fact that few vehicle manufacturers offer the most popular accessories and improvements demanded by today’s enthusiasts as part of the new car purchase. Big wheels or ‘Dubs’ as referred to in the U.S.A. are a large component of the automotive aftermarket industry. Stoll (2003) explains that big, flashy wheels have become status symbols and that there is a growing field of customers who are turning to bigger aftermarket wheels to dress up their vehicles and/or improve performance. “Wheel sets can sell for several thousand dollars and have gross profit of 25 percent” (Guilford 2003b). Winter (2004a) reports that even the big vehicle manufacturers are seeing the opportunity and entering the aftermarket wheels industry, for example companies like General Motors corp. (GM) that launched a range of oversized aftermarket wheels at the 2003 Speciality Equipment Market Association (SEMA) show in Las Vegas.

In a South African context, the automotive wheels aftermarket is still very small as compared to that of countries such as the USA. It is still largely an informal industry consisting of a few big players and a host of small start-up, family owned type businesses operating in a niche market. A market that is driven by international trends witnessed in movies, television programs, music videos and magazines. The South African wheels aftermarket is therefore a follower of international trends and designs, and being a small market, it is of utmost

importance for companies in this industry to be ahead of the game to ensure that they not only capture market share but that they are also able to grow the market through awareness of the product and its value proposition. In recognition of these trends, the Department of Trade and Industry (DTI) has provided some support for South African firms in terms of promotion at trade fairs to stimulate export and international trade. However, the aftermarket wheels industry remains a small part of the export promotion drive and the findings of the study may have some implications for other industry sectors where design and innovation are an important part of the process of securing competitive advantage not just in local, but international markets as well.

Stoll (2003) explains that in the US market flashy aftermarket wheels have become “Status symbols” despite warnings of modifying vehicles beyond reasonable limits. “Wheel companies such as KMC Wheel Co. of Riverside Calif., market their products as must-have car jewellery” (Stoll 2003)

So how do companies in the aftermarket wheel industry in South Africa make a success of this luxury niche market and stay ahead of their competitors? How do these companies create the perception that a wheel is not just a wheel, but an indication of an individual’s style and status? How do these companies ensure that their 22 inch chromes are more attractive to a customer than their competitor’s 22 inch chromes?

1.3 Problem statement

Analyse the importance and impact of product design and innovation on creating and sustaining competitive advantage for companies in the automotive aftermarket wheels industry in South Africa.

1.4 Significance of the study

The study fills a gap in that a search on the creation and sustainability of competitive advantage in industries covering niche markets such as the automotive aftermarket wheels industry provides very few results. Furthermore,

in the context of the South African market even less literature can be found. Therefore this research will contribute to the literature on the requirements and intricacies of the automotive aftermarket wheels industry.

The study will provide critical information to the owners of the case site in their pursuit of securing sustainable competitive advantage in the local South African market. The study will also serve as an input into the requirements for entering international markets.

The study will provide guidance to entrepreneurs and business owners looking to start up a business in the automotive aftermarket wheels industry. It would also provide existing owners of wheel businesses with the necessary information to capitalise on unrealised opportunities available to them in terms of gaining and/or sustaining competitive advantage.

While the study will be focused on the aftermarket wheels industry, it will also provide guidance to current and prospective business owners operating in other similar automotive and non-automotive luxury niche markets.

Academics and students of management studies will also benefit by understanding the workings of this un-researched industry and how creating and sustaining competitive advantage may differ or be the same as in other similar and non-similar industries.

On a general level, this study will serve to spark interest in the reader of this interesting industry and may serve as a catalyst for its awareness and ultimately its development.

1.5 Delimitations of the study

This study will only focus on the automotive aftermarket wheels industry and will not cover other areas of the automotive aftermarket such as general accessories, performance accessories and repairs.

This study will only focus on the automotive aftermarket wheels industry in

South Africa and will not cover the industry in other Countries.

This study will focus on product design and innovation as contributors to the creation and sustainability of competitive advantage and while some additional contributors may be discussed, the study may at the same time exclude others.

This study will focus on competitive advantage and not on factors required for success but may however touch on these in discussing the specific contributors to competitive advantage.

1.6 Definition of terms

Competitive Advantage – “Having competitive advantage is being able to do things better in some way or another so that a company can set itself apart from its competitors and in doing so become the industry leader.” (Porter and Montgomery 1991)

Dubs – “Tuner slang for big 20 inch plus aftermarket wheels.” (Winter 2004b)

Wheel offset – “The measure of the distance from the wheel-mounting surface to the centreline of the wheel.” (Daws, Larson and Brown 2007)

1.7 Assumptions

The following assumptions have been made regarding this study:

- a. Interviewees will have the necessary understanding and knowledge of terms, concepts and views to be able to provide accurate and credible information regarding their industry, market and specific businesses.
- b. While the sample is biased to a case site in one country it will reflect normal perspectives and experiences and will be able to provide valuable information into the higher level management thinking coming out of the relevant group beyond local borders.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Competitive advantage is an area widely discussed and researched by academics and practitioners alike in a bid to find the most effective ways to stay ahead of the pack in the market. (Porter and Montgomery 1991; Porter 1996; Barney 1997) Be it through core competencies, superior service or product differentiation, to mention but a few strategies. However what works in one market may not work in another. Companies have to leverage off their strengths internally to exceed the needs of their clients in order to be seen as superior to their competitors. The market for automotive aftermarket wheels is a luxury, niche market, particularly in developing countries such as South Africa. Product design and innovation are surely important aspects in attracting customers to luxury products and could thus be critical sources of competitive advantage for companies operating in this industry. The aftermarket or custom wheels industry is still a small but growing industry and whilst literature was limited in this specific research area as well as on the industry as a whole, some theoretical assertions can be applied from the review of the literature.

This section contains the literature review on the key themes of relevance to the study. The first part will highlight the thinking around securing competitive advantage. This is followed by a particular focus on the impact and importance of product design and innovation. The next two sections will then provide some context on the automotive aftermarket wheels industry and due to the seemingly high number of family owned aftermarket wheels companies in South Africa, the interesting dynamic of small family owned businesses. Finally this chapter will conclude by highlighting the research question and summarising the key learning's from the literature.

2.2 Securing competitive advantage

According to Porter and Montgomery (1991), a company can gain competitive

advantage through two strategies, a low cost strategy or some sort of differentiation strategy that will set the company apart in the eyes of the customer. While pursuing a low cost strategy purely comes down to how well a company can manage input costs to be able to provide products or services to their customers at the lowest possible price while at the same time still achieving required margins, differentiation can be achieved in various ways. Superior service, trademark product features, innovation, continuous product design improvements, technology, process, these to name but a few. These differentiation strategies will be driven by many different factors, such as the type of product or service, the nature and stage in lifecycle of the market and industry, the company's capabilities, and a host of other factors. While one speaks of differentiation, Christensen (2001) describes how the concept of competitive advantage so easily inspires companies and their strategists into a form of idol worship, explained by him as "A desire to imitate the strategies that make the most successful companies successful." This imitation of strategies will only lead these companies to compete solely on price following the Porter and Montgomery (1991) view (as there is no differentiation) or in fact to pursue competitive advantages of the past as argued by Christensen (2001). There are several factors that have created a competitive advantage for the companies that possessed them explains Christensen (2001) and he poses the challenge to strategists to not just look at what worked for these companies, but rather to look deeper into why and under what conditions did these practices lead to a competitive advantage.

Small firms face particular challenges in creating and sustaining competitive advantage. One example noted by Fiegenbaum and Karnani (1991) is that smaller firms do not, due to their size, have economies of scale. Cooper, Willard and Woo (1986) also identified challenges such as limited financial and human resources in comparison to larger firms. While Fiegenbaum and Karnani (1991) further added factors such as bargaining power, brand name recognition, experience curve effects and monopoly power to set prices above competitive levels. In essence smaller firms need to dig that much deeper into finding their source of competitive advantage. The research carried out by Cooper et al. (1986) found companies that while small in size competed directly with much

larger firms successfully using different strategies to their larger competitors. A key factor being that “All were headed by entrepreneurs who innovated and challenged the conventional wisdom within their industries.” (Cooper et al. 1986) A study by Bambenger (1989) further identified twenty six specific items contributing to the competitive advantage of small and medium sized firms. These were grouped into six general factors used by these firms to create competitive advantage:

- Competence and image
- Marketing capabilities
- Technological competence and service
- Financial capabilities
- Creativity and product differentiation
- Low cost and pricing policy

As explained before, the factors used by a company to pursue competitive advantage will differ based on various factors relating to the specific context within which the company operates. This study by Bambenger (1989) confirmed this by highlighting the conditions under which these factors were used. For example, firms with differing requirements from customers subsequently carried a wider range of products and put more emphasis on creativity, product differentiation, technological competence and service while firms that had a more homogenous demand and carried standard products developed competitive advantages on low cost, pricing policy and marketing capabilities.

It is clear that there are many possible forms of differentiation to pursue competitive advantage and these forms of differentiation are driven by a host of factors. Johannessen and Olsen (2009) explain that the huge challenges facing companies today, such as the vast advancements in technology, the shifting nature of customer demand and the growing global competition, can be according to Porter (2002) met through companies focussing their attention

towards innovation in order to create and sustain competitive advantage. Considering this view, as well as the notion that product design is a very closely related aspect to, or even a form of innovation, and also the problem statement of this study noted in section 1.3, the next section will seek to uncover some of the views around these two aspects of product design and innovation and its possible impact of competitive advantage.

2.3 Product design and innovation

A report on product leadership by Verweire and Revollo (2009) confirmed that in order to develop a sustainable competitive advantage, companies need to offer products that keep attracting customers. Product design and innovation are therefore crucial as customer tastes and requirements change over time and without creative product design and/or product innovation to meet these customer needs, companies will surely not be able to create or sustain competitive advantage. Attention to relevant information and the ability to convert this into accessible knowledge is key to new product design and ultimately competitive advantage according to Parkman (2008). "Style and design are key differentiating elements actively used by companies" explains (Verweire and Revollo 2009). While Talke, Salomo, Wieringa and Lutz (2009) reference notable authors in explaining that there is wide agreement that product design is an opportunity for differential advantage in the market place. Talke et al. (2009) conclude that the results of their study on the relevance of design newness shows that firms that launch more innovative, new products generate higher sales compared with their less innovative competitors and that product design has become a critical element of a product's competitive advantage. Kotler and Armstrong (2001) provide a slightly expanded view of product design compared to Talke et al. (2009) in explaining that good product design is more than good style, while style can produce pleasant aesthetics, good design contributes not just to the look of the product, but its usefulness as well. This definition proves to be especially important in the context of aftermarket wheels as while the wheels must be 'fancy', 'flashy' and 'eye catching' to create the aesthetic appeal to the customer; it must surely also

meet all the functional requirements in terms of safety, usability and stability of the vehicle. Bloch (1995) finds in his research on the consumer response to product design that while it must evoke positive beliefs, positive emotions, positive approach responses and also meet aesthetic taste; it must simultaneously be superior in quality, performance, ergonomic efficiency and safety.

Verhees and Meulenberg (2004) mention that in small firms, product innovations are more often product modifications based on new inputs as opposed to new products to the company. Product innovation in the context of the aftermarket wheels industry very much displays this notion and is very closely linked to product design in the sense that innovation will relate to new and different styles, colours and possibly different materials used to improve aesthetics and functionality rather than a complete alternative to wheels. A visit to the latest auto shows particularly in the USA will provide a sense of the innovation factor. Examples of which include new trends such as staggered fit wheels, (Wide rear, narrow front) wheels; wheels in a multitude of radical, and to some tastes ridiculous colours to complement the colour of the vehicle; the use of steel as opposed to aluminium for both additional shine or “Bling” and strength; and for the very expansive taste, custom designed diamond studded wheels. “The show-off factor this season escalated with gimmicks such as diamond encrusted wheels and even a high-tech lure: wheels that run their own light show or spell out a message via embedded LEDs.” (Yip 2005) While this may all seem very ad-hoc and experimental for a show-off factor, it is in fact quite strategic and deliberate to stimulate and attract the consumer desire for differentiation and status. Following the suggestion by Hastings and Healy (2009) that innovation should not be seen as an ad-hoc process, but rather one that has direction and purpose. Verweire and Revollo (2009) also confirm that in order to be a product leader, a significant investment in both incremental and radical product innovation is required. The aspects mentioned above are examples of the radical innovation in this industry, while incremental innovation would include pure product design changes in terms of the more functional aspects of wheels.



Figure 1: Diamond encrusted wheel by Asanti
(<http://www.oto4car.com/the-most-expensive-car-rims.html>)

It is clear that innovation is considered an essential factor in the creation and sustainability of competitive advantage, particularly in high-tech and luxury product firms. Sawhney, Wolcott and Arroniz (2007) note how CEO's of the leading companies such as William Ford (Jr.) of Ford Motor Co., Jeffrey Immelt of General Electric and Steve Ballmer of Microsoft Corp have recognised the critical impact of innovation. "Product leaders see innovation and experimentation as a competitive necessity, not as a nice to have." (Verweire and Revollo 2009) Further to these authors, Bower and Christensen (1995) while perhaps from a different perspective also highlight the importance of innovation when they describe how many companies fail to take advantage of great opportunities for creating or cementing competitive advantage by overlooking innovation in the form of newer and better technologies, products or ways of doing business because they confine their product development activity to fulfilling their current customers immediate requirements and are averse to taking a chance on an innovation that they are not certain will meet or exceed these requirements. However Sawhney et al.(2007) explains that even for companies that do place innovation on the top of the agenda, many have a very narrow view of it and effectively also miss great opportunities to capture competitive advantage. These companies limit their innovation activity to new product development and R&D and ultimately leave themselves vulnerable to competitors that have a broader perspective. "They might see innovation only as synonymous with new product development or traditional research and development. But such myopia can lead to the systematic erosion of

competitive advantage, resulting in firms within an industry looking more similar to each other over time.” (Sawhney et al. 2007) Kanter (2006) previously also explained some ‘classic traps’ that companies to fall into when pursuing their innovation activities, such as narrow minded innovation strategies, controls around innovation activities that are too tight, inappropriate structures to support innovation and lack of critical skills to pursue such innovation. To avoid such narrow mindedness or traps with regards to innovation activities, companies need to give focussed and deep thought to the process of innovation within their organisations. Pavitt (2003) suggests that this process can be categorised into broad and overlapping sub-categories being:

- Cognitive – How firms generate and maintain the know-how to conduct their tasks
- Organisational – How firms do things internally or together with other organisations
- Economic – How firms establish internal incentives to ensure innovation proceeds in a timely and effective manner

At the same time Pavitt (2003) also explains that this process may differ according to, amongst other dimensions, size of firm, company strategy and type of innovation leading to the view that it is therefore very important for organisations to contextualise their innovation activities and processes accordingly. Further Sawhney et al. (2007) suggest 12 dimensions around which companies can pursue innovation: Offerings, platform, solutions, customers, customer experience, value capture, processes, organisation, supply chain, presence, networking and brand. Further detail on each of these dimensions can be gained from the referenced article.

2.4 Aftermarket wheels industry

“When hip-hop artists and burgeoning movie stars such as Snoop Dog and Ice Cube talk about “dubs”, it’s a trend. When Gary Cowger, president-GM North America mentions “dubs” – as he did when he introduced GM’s new line-up of

oversized aftermarket wheels at last November's Speciality Equipment Market Assn. (SEMA) show in Las Vegas – it's more than a trend.” (Winter 2004b) This is the growing perception of what was once considered a mere requirement for the motion capability of a motor vehicle regardless of its design, size or even colour. “Custom wheels have come a long way since the 1950s when Biff chucked the hubcaps and painted his stock steel wheel white or black and stuck them back on, reversed.” (Yip 2005) According to Washington (2004) Keystone Automotive Operations Inc. in Exeter, PA, USA, distributes 31 different wheel lines and sells more than a million sets of custom wheels annually. More evidently in the US market, but also in many countries worldwide, wheels have now become a fashion accessory and perhaps even somewhat of a status symbol. “The driving force behind this market is the vehicle owner's desire to personalise the vehicle while improving the performance and appearance.” (Daws et al. 2007) This increasing desire for individualism, wanting to be different, setting yourself apart from the rest, is perhaps the psychological driver behind the market in which owning a factory standard vehicle is not enough. Not long after it has left the showroom floor, is it given a complete performance and cosmetic overhaul including, custom paint work, a ‘body vibrating’ state of the art audio and video system, custom performance engine parts and surely a set of eye catching custom wheels. Stumpf (2001) gives the example that while most SUV's come with sixteen inch standard wheels, it is not unusual for wheels nearly one and a half times that size to be fitted aftermarket on some of the bigger vehicles. Yip (2005) further to his explanation on the progression of custom wheels suggests that while custom wheels have changed, the psychology of the consumer has not. Men and woman alike still want their vehicles to stand out. There is also a view that for some, it is more than just merely standing out, it is to be completely unique. Aichlmayr (2003a) states that according to Al Harris, service manager at a TK Performance outlet in Cleveland, USA, “He's seen customer's spirits dampen when they learn the rims they were eyeing aren't unique with a capital ‘U’.” This need for individualism fuelled further by movies, television shows and music videos. “Aftermarket wheels are hot these days, thanks in part to TV shows such as “Pimp my Ride” on MTV.” (Buss 2005) The biggest names in entertainment are

not just promoting vehicle customisation by fashioning their fancy or 'Bling' vehicles with oversized, flashy custom wheels on the television screen and in magazines, but also by stamping their personal brand on it. A prime example being music and television idol Sean Combs (aka Puff Daddy) getting in on the act with a personalised range of custom wheels manufactured by Weld Wheel Industries which was launched in March 2005 at the New York Auto Show according to Miller (2005). In Miller's (2005) article, Sean Combs is quoted as saying, "Wheels have become a fashion statement – a badge of taste and style".

Vehicle manufacturers have also identified the huge opportunity in aftermarket wheels. In addition to General Motors mentioned earlier, Buss (2005) gives further examples of automakers trying to capitalise on the customisation craze such as the Chrysler group, which offered 21 wheel sets either from the factory or through its Mopar parts division and was expected to introduce further wheels designs for specific models of Dodge and Chrysler. Even Ford Motor Co. launching factory approved wheel designs for various models such as the Focus and Mustang. In saying this however, one of the major challenges of the fast growing aftermarket wheels industry is the vehicle manufacturer's disapproval of custom wheels that deviate from the factory specifications. This primarily due to safety concerns even though reputable manufacturers and retailers of custom wheels would guarantee correct fitment and that all safety issues such as the impact on stability and braking have been considered. "For automakers, there's more to consider than just appealing to the growing ranks of consumers who want to trick up their vehicles. The automakers have become increasingly concerned about potential liability from improperly installed aftermarket wheels or tires that don't meet factory specifications." (Buss 2005) Even GM, after realising that their dealers are also chasing the lucrative wheels aftermarket, by selling vehicles with non-factory custom wheels, have tried to discourage them from doing so sending a warning that it (GM) "will not assume warranty costs or defend product liability suits that involve non-GM wheels" according to Guilford (2003a) Stoll (2003) further explains that oversized wheels and tyres not approved by the factory could ultimately void a vehicle's warranty. This while Daws et al. (2007) note that customer choice of wheels is based

more on appearance and cost, rather than proper sizing and that size selection appears to be based on maximising the size that will fit in the wheel well of the vehicle without any interference. Guilford (2003a) also explains that even after the stern warning from GM to their dealers, some dealers stopped selling non-GM wheels whilst others ignored the warnings as custom wheel sales skyrocketed. However, the concern still remains, and it is not limited to just the vehicle manufacturers, Yip (2005) explains that there's grave concern among wheel makers and tyre specialists that the explosion in wheel sizes are going to come back to bite vehicle owners who have invested large amounts of cash (or credit) with minimal research. While one may think that a wheel is simply a universal fitment, Daws et al. (2007) explain that there are several aspects that need to be considered. These include the wheel diameter and width, load capacity of the vehicle with the selected wheel size and wheel offset. Buss (2005) notes however that this has not escaped the attention of the American based trade association SEMA (Speciality Equipment Market Association) who were to put together a task force to study the issue. This together with a certification programme designed to test and endorse knowledge of proper fitment of aftermarket wheel installers, initially administered in 2004 according to Aichlmayr (2003b) and later in 2008, set as a benchmark examination for aftermarket wheel technicians as explained by Moore (2008).

Some vehicle manufacturers are still sceptical however according to Buss (2005) when he quotes Kevin Williams of Russ Darrow Group's Chevrolet dealership in the USA as saying, "You have to do more than just wheels if you're going to go after that customization market, but if you put a lot more stuff on it, an extra \$7,000 or \$8,000 in accessories makes for a pretty pricey truck. And we're in such a competitive market." This highlights another challenge that is perhaps more in the hands of the aftermarket wheel companies, being how to increase the size of this luxury good niche market and attract more vehicle owners, particularly non-enthusiasts so as to maximise the possible revenues through selling but a component of vehicle customisation. Based on the notion that consumers in this market are driven by the need for individualism and status, perhaps the answer lies in convincing potential customers, that improving their vehicles appearance directly contributes to a perception of

status and style in the eyes of peers and the broader public. In terms of Maslow's Hierarchy of needs (Depicted below), custom wheels may therefore slot into the upper second category of esteem needs. Esteem needs according to Maslow (1970) is the need for attention and recognition that comes from others.

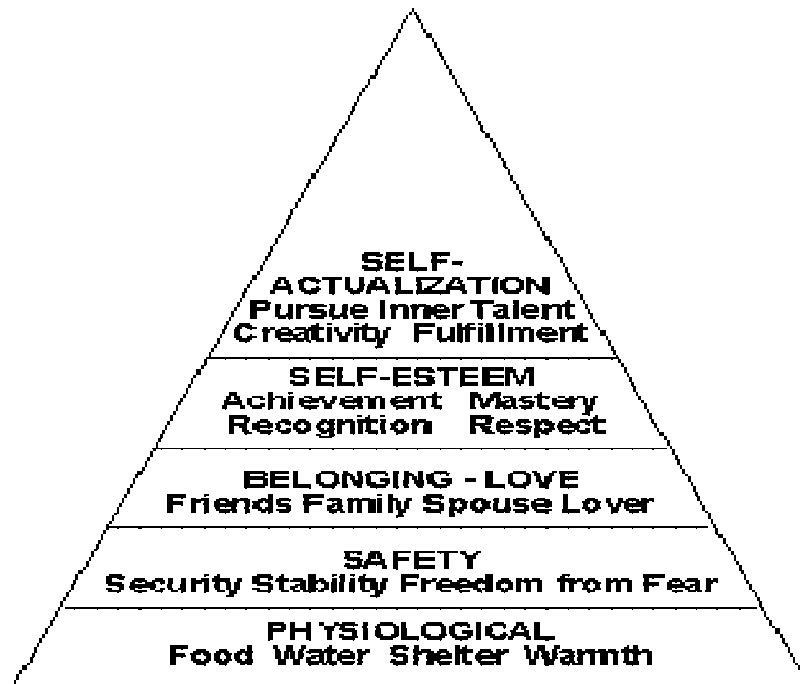


Figure 2: Maslow's hierarchy of needs (Maslow 1970)

Companies in this industry need to therefore appropriately consider their positioning and marketing strategies as traditional mass marketing techniques will more than likely prove to be fruitless. Vickers and Renand (2003) explain that a study done by Dubois and Duquesne (1993b) found that there is a strong link between positive attitudes towards cultural change and consumption of luxury goods, and that it is suggested that "Purchasing luxury goods represents an extreme form of expressing one's values." The study done by Vickers and Renand (2003) on the marketing of luxury goods also finds that the symbolic meaning of luxury goods is important from a consumer perspective. Vickers and Renand (2003) suggest that a company can enhance consumer purchase behaviour of its luxury goods by ensuring that its marketing communication articulates a mix of symbolic images using all the elements of the communication mix in a creative but consistent and congruent way. "Symbols

displayed by products have a major influence on the choice of one luxury product compared to another.” (Vickers and Renand 2003) In another study on the market for luxury goods conducted by Dubois and Duquesne (1993a) , it was concluded that while unsurprisingly income induces people to acquire luxury goods, culture plays an equivalent role and when combined, the effects on consumption are maximised. Culture in this study was considered in terms of individuals looking to enhance self-concept, either through differentiation or group affiliation.

2.5 Family business dynamics

The aftermarket wheel industry in South Africa consists of many companies that are family owned or family run. Zahra, Hayton and Salvato (2004) argue that “Family firms are an important source of economic development and growth. These firms create value through product, process, and service innovations that fuel growth and lead to prosperity.” Astrachan and Shanker (2003) in their study of family businesses in the U.S also state in their findings that a substantial portion of the U.S economy is represented by family businesses and that these family businesses have a massive impact on the economy as a whole. According to Tokarczyk, Hansen, Green and Down (2007), family owned businesses develop unique resources and capabilities as opposed to non-family owned businesses. These resources and capabilities can be used to gain competitive advantage. This idea of the uniqueness of resources had also been identified previously by Habbershon and Williams (1999) when they describe family firms as being “complex, dynamic, and rich in intangible resources.” Zahra et al. (2004) also explain that entrepreneurial activities increase the distinctiveness of family firms’ products and “it is important that family firms are able to innovate and aggressively pursue entrepreneurial activities”. Habbershon and Williams’ (1999) view is that personalised family-member involvement has led some to claim that family businesses are more creative (Pervin 1997) and pay more attention to research and development (Ward 1997) . This creativity and attention to R&D can be a vital component in family businesses operating in the aftermarket wheels industry in assessing what it is

that would attract customers to custom wheels and then exceeding their expectation.

Being family owned or run can provide great opportunity for creating competitive advantage through inherent capabilities, structures and resources, but it does at the same time bring some interesting dynamics into play. Over time some family firms become conservative and effectively unwilling and unable to pursue the entrepreneurial activities contends Zahra et al. (2004) Furthermore, it is not uncommon to find family politics and parent child or sibling conflict, which puts at risk the overall functioning of the business let alone just the innovation and entrepreneurial capabilities within the business. This is explained by de Vries (1993) when he says “The problem is that family businesses have a built-in Achilles’ heel. Two systems interact – the family and the business – and these two systems are not necessarily compatible.” Stafford and Tews (2009) explain, in their research on enhancing work-family balance in family owned firms, that there needs to be a clear distinction between the family and the business and notes that those that cannot make this distinction, experience adverse outcomes. de Vries (1993) goes on to note that statistics, even though they may vary, show that only three out of ten family firms make it through the second generation, and only one out of ten through the third. Possibly the most significant downfall of family owned businesses is that, more often than not, these businesses do not have the formalised strategic plans and business processes in place to ensure constant attention to critical aspects relevant to the pursuit of competitive advantage. Unfortunately “families do not always do that planning” says (Upton, Teal and Felan 2001).

2.6 Research question

How does product design and innovation impact on competitive advantage for companies in the aftermarket wheels industry in South Africa?

2.7 Conclusion of Literature Review

The aftermarket wheels industry in South Africa presents a very dynamic,

challenging but at the same time very interesting prospect for business. With the increase in globalisation of markets and trends, and as a result such ease of access to products, individuals are finding it more difficult to find the personal differentiating factor to satisfy their desire for recognition and status. For organisations operating in the aftermarket wheels market, the nature of the product is such that it needs to meet both the aesthetic and functional needs of the consumer. While it may be seemingly simple at first, considering that the key is to come up with a range of wheels that is of the highest quality and standards, different to those available at competitors firms in terms of design, satisfying the aesthetic appeal of the customer and contributing to a deeper meaning for the customer in terms of its brand and symbolic representation proves to be less simple. And this is just to gain the initial competitive advantage after which embedded ideas need to be challenged to come up with new designs and ideas that are again ahead of competitors so as to ensure sustainable advantage. In addition to this, companies in this industry need to strive to grow the industry in South Africa by challenging the perceptions of the possible wider and unexplored consumer segments, perhaps through general awareness of vehicle customisation and its value proposition to the consumer and through innovative product design initiatives.

2.7.1 *Research question*

How does product design and innovation impact on competitive advantage for companies in the aftermarket wheels industry in South Africa?

CHAPTER 3: RESEARCH METHODOLOGY

This section outlines the methodology used to conduct this research. Firstly the literature around case study methodology research will be discussed, followed by a review of the proposed research design, research instrument to be used and procedure for data collection. The section will conclude with a discussion on the validity and reliability of the study.

3.1 Research methodology

The study will follow a case study methodology to collect the data required to appropriately answer the research question. According to Yin (2008) , case study research is the preferred method under the following conditions: a) “How” or “Why” questions are being posed, b) the investigator has little control over events, and c) the focus is on a contemporary phenomenon within a real-life context.

Yin (2008) goes on to define case study research, in a two fold definition as follows:

1) A Case study is an empirical inquiry that

- Investigates a contemporary phenomenon in depth and within its real-life context, especially when
- The boundaries between phenomenon and context are not clearly evident

2) The case study inquiry

- Copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
- Relies on multiple sources of evidence, with data needing to converge in a triangulation fashion, and as another result
- Benefits from the prior development of theoretical propositions to guide data collection and analysis

This type of research is therefore appropriate to this study as firstly it looks to define “How” product design and innovation impact on competitive advantage and will inevitably lead into “Why” certain strategic approaches are taken as opposed to others in the pursuit of competitive advantage. Secondly, due to the lack of research in the area, the only source of information will be from inquiry

into how the case site has gone about creating and sustaining competitive advantage. Lastly, the investigator will have no control over events in the industry, market or the organisation.

3.2 Research Design

Yin (2008) explains that for case studies, five components of a research design are especially important:

1. A study's questions – the form of the questions in terms of “who”, “what”, “where”, “how” and “why”. As mentioned in section 3.1, Yin (2008) notes that the case study method is most likely to be appropriate for “how” and “why” questions.
2. Its propositions, if any – “...each proposition directs attention to something that should be examined within the scope of study.”(Yin 2008)
3. Its unit(s) of analysis – this is related to defining what the “case” is. E.g. an individual, a company etc.
4. The logic linking the data to the propositions – being aware of the main choices of techniques and their appropriateness to the study.
5. The criteria for interpreting the findings – same as for point 4 above.

The research design for the study will be in the form of an embedded single case study. Yin (2008) defines five situations when a single case study is appropriate. One of which, relevant to this study, is when it represents the “critical case” in testing a well formulated theory. When “The theory has specified a clear set of propositions as well as the circumstances within which the propositions are believed to be true” (Yin 2008). With regards to the embedded nature of the design, Yin (2008) explains that embedded design is when attention is given to a subunit or subunits within a single case as opposed to a holistic design which examines the global nature of an organisation.

This design is therefore appropriate to this study as firstly, the selected case

site meets all the propositions and circumstances highlighted in the theory in that it is a family owned firm in automotive aftermarket wheels in South Africa that design their own range of custom wheels and has a distinct competitive advantage. Secondly, the subunits within the case that are given attention are product design and innovation.

One of the main arguments against single case study and in fact case study research on a whole is that it provides little basis for scientific generalisation (Yin 2008). This opinion also noted by Dubois (2002), when she references work done by Weick (1969) in which the opinion is expressed that case studies are too situation specific and therefore not appropriate for generalisation. However Dubois (2002) explains that in a revised edition Weick (1979) concludes with reference to 'noted investigators' that case studies are more effective than first thought and that researchers should put effort into making interpretations specific to situation due to the fact that "findings are unstable over time". "Learning from a particular case (conditioned by the environmental context) should be considered a strength rather than a weakness. The interaction between a phenomenon and its context is best understood through in-depth case studies" (Dubois 2002).

3.3 Population and sample

3.3.1 Case Site

Racing Hart Concepts (RHC), established in 1995, can be seen as the premier importer and wholesaler of wheels in the aftermarket wheels industry in South Africa. RHC is a family owned business located in Johannesburg, South Africa. The owner and CEO of the company has over 25 years of experience in the industry and has built the organisation, reputation and brand on superior quality, innovative designs and a determined focus on customer service and support. RHC has seen their share of success in a very demanding market, particularly in recent years securing distribution rights to the biggest retailers around the country. RHC are certainly a company with a strong competitive advantage and

should surely constantly be ensuring its sustainability.

3.3.2 Sample and sampling method

The sample of respondents is a convenience sample and will include the executive management team as well as a member of middle management of the case site, Racing Hart Concepts (RHC). The sample will also include senior and middle management members of selected customers, suppliers and competitors of the case site. These respondents will be interviewed independently of the case site so as to confirm and draw similarities with (or differences to), the responses provided by, and the observations made at the case site in a form of data triangulation. Mathison (1988) explains that triangulation is to use multiple methods, data sources, and researchers to enhance the validity of research findings. In the case of this particular study, data will be collected from multiple sources, being the non-case site respondents, in order to ensure that the information provided by the case site is valid and accurate. "...triangulation is supposed to support a finding by showing that independent measures of it agree with it or, at least, don't contradict it" (Miles and Huberman 1984).

Respondents will be contacted via email and/or telephone to request their participation. The list of respondents has been listed in table 1 below.

Table 1: Profile of respondents

	Company	Respondent Type	Number to be sampled
1	Racing Hart Concepts	Executive member	3
2	Racing Hart Concepts	Middle Management (Head of Sales)	1
3	Tiger Wheel & Tyre Head Office	Senior Management	1
4	Tiger Wheel & Tyre	Branch Managers	3
5	Mobile XS	Owner	1

	Company	Respondent Type	Number to be sampled
6	Good Hope Tyres	Owner	1
7	Lenso Wheels	Owner	1
8	TTR Wheels	Owner	1
9	XS Wheels	Owner	1
10	YHI Manufacturing	Senior Management (by e-mail)	1
11	League Alloy Co. (Manufacturer)	Senior Management (by e-mail)	1
Total			15

Respondents 3 to 6 are customers of the case site. These companies are in the retail sales and fitment of aftermarket wheels in South Africa. Respondents 7 to 9 are importers and wholesalers of aftermarket wheels and are direct competitors of the case site. Lastly respondents 10 and 11 are suppliers of the case site and are leading aftermarket wheel manufacturers based in the Far East.

3.4 The research instrument

For respondents at Racing Hart Concepts (RHC), an outline of case study questions to be answered has been provided in Appendix A. For all other respondents, a combination of semi structured interviews and emailed questionnaires will be used in order to collect the relevant data. The schedule of questions to be answered in both the interviews and questionnaires has also been provided in Appendix B. The interviews will provide the respondents with a comfortable setting within which to descriptively share the required information while also affording the researcher the ability to explore interesting insights during the interview should they arise. Where respondents are not accessible or are not available for interview, a questionnaire containing the same questions

used during the interviews will be sent out via email and any clarifications, if required, will be made telephonically directly with the respondents.

3.5 Procedure for data collection

At the case site, focused interviews will be conducted with the executive team members in the form of “guided conversations rather than structured queries” (Yin 2008). These interviews will be pre-arranged verbally with the relevant respondents. Focused interviews according to Yin (2008) enables the interview to remain open-ended and assume a conversational manner. “A major purpose of such an interview might simply be to corroborate certain facts that you already think have been established” (Yin 2008). By spending a number of days at the case site, data on relevant behaviour or environmental conditions will also be collected in the form of direct observations. The researcher will also discuss, observe and get involved in the wheel design and supplier and customer interactions so as to gather data through what Yin (2008) refers to as participant-observation – moving away from being a passive observer to assuming a variety of roles within a case study situation.

Interviews with all other respondents will be pre arranged via email by a director at Racing Hart Concepts (RHC) with the letter as per Appendix C as an attachment. If respondents from outside of South Africa are visiting South Africa, interviews will be sought while in South Africa in lieu of the questionnaire. Interviews with all South African based respondents will take place at the respective respondent’s corporate offices or any other setting of their choice. This will assist in providing additional comfort to the respondents during the interview process. Data will be collected on the body language and gestures of the respondent as well as on the relevant physical surroundings of the office.

3.6 Data analysis and interpretation

Data will be analysed and interpreted using content analysis techniques. According to Mayring (2000), Krippendorff (1969) defines content analysis as

“the use of replicable and valid method for making specific inferences from text to other states or properties of its source” Mayring (2000) further explains that Qualitative content analysis defines itself within this framework “as an approach of empirical, methodological controlled analysis of texts within their context of communication, following content analytical rules and step by step models, without rash quantification.”

Stemler (2001) cites Krippendorff (1980) as defining six questions that must be addressed in every content analysis:

1. Which data are analysed?
2. How are they defined?
3. What is the population from which they are drawn?
4. What is the context relative to which the data are analysed?
5. What are the boundaries of the analysis?
6. What is the target of the inferences?

Data from the interviews and questionnaires will be categorised and then interpreted according to these categories. Stemler (2001) explain that the basics of categorising data can be summed up as follows, “A category is a group of words with similar meaning or connotation” (Weber 1990). “Categories must be mutually exclusive and exhaustive” (GAO 1996).

3.7 Limitations of the study

The study is reliant upon the availability of a small sample of individuals. Whilst every effort will be made to ensure respondents honour their agreement to be interviewed or to provide feedback through the questionnaire, cancellations and non respondents (to questionnaires) respectively are a distinct possibility.

3.8 Validity and reliability

3.8.1 External validity

External validity is “Defining the domain to which a study’s findings can be generalised” (Yin 2008) . To ensure external validity:

- Data triangulation will be used to validate the data provided by the case site. “Data triangulation refers simply to using several data sources” (Mathison 1988)
- The interview schedule will also ensure to be conducted in a uniform manner for each of the respondents.

3.8.2 Internal validity

Internal validity is “Seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships” (Yin 2008) . To deal with issues relating to internal validity, an explanation building analysis technique as has been described in section 3.6 will be used.

3.8.3 Reliability

Reliability is “Demonstrating that the operations of a study-such as the data collection procedures-can be repeated, with the same results.” (Yin 2008) This study is undertaken with a known relationship between the researcher and the executive board at the case site which may raise the concern of Bias in the information provided by the researcher.

“To ensure reliability in qualitative research, examination of trustworthiness is crucial” (Seale 1999) . Therefore to ensure the quality of information in terms of avoiding bias the researcher ensures:

- That whilst a relationship does exist, the researcher has no vested

interest in the organisation or industry as a whole. The research is merely conducted out of interest of gaining an understanding of this niche market and will thus data collected will be analysed and interpreted objectively.

- That all information, even if contrary to the researcher's beliefs, will be noted, analysed and interpreted. This information will also be corroborated with the respondents from the customer, supplier and competitor companies.
- That the researcher undertakes to ensure reliability through demonstrating the validity of the study. Lincoln and Guba (1985) as well as Patton (2002) agree that reliability cannot be achieved without validity and that in fact, reliability is a consequence of validity.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

In addition to key respondents from the case site, individuals from customer, supplier and competitor companies of the case site were also included in the respondent population to the interviews and questionnaires of this research. In the cases where identified respondents were unavailable, alternate respondents of similar characteristics were contacted and interviewed. Please refer to Table 1: Profile of respondents in section 3.3.2 Sample and sampling method, for the final list of respondents used in this research.

In this chapter, I will consolidate, distil and present the data collected in the interviews and questionnaires. An initial analysis of the raw data from the notes captured during the interviews and the formal responses to the questionnaires exposed some core themes. The presentation of the results below will be guided around these very themes, being:

- Competitive advantage in the aftermarket wheel industry in S.A

- Impact of design and innovation on the aftermarket wheel industry in S.A
- Major challenges in the aftermarket wheels industry in S.A
- Impact of family business ownership
- Co-operation amongst companies in the aftermarket wheels industry in S.A

To conclude the chapter, the findings will be summarised in the last section.

4.2 Competitive advantage in the aftermarket wheels industry in S.A.

Competitive advantage was a term well understood by all respondents at both the case site as well as non-case sites. Respondents not only understood the term competitive advantage but were well aware of the importance of striving to achieve it and also of their respective companies perceived positioning in terms of competitive advantage in the marketplace. The case site, Racing Hart Concepts (RHC) and the international manufacturers listed product quality as one of the most important factors contributing to competitive advantage. A director at RHC explained that “RHC has always manufactured with the highest quality factories available making certain of quality of the product as well as latest design”. However respondents from non-case sites argued that while they do ensure the quality of the products they stock are of the required standards, product quality is not as important in comparison to aspects such as product design, competitive pricing, superior service and product range in terms of gaining competitive advantage in this industry in South Africa. In addition to product quality, RHC also noted other essential factors contributing to their competitive advantage in the industry, these being:

- Their product expertise through vast industry experience
- Their ability to design innovative and physically appealing wheels that meet the end consumer’s aesthetic preferences and need for a sense of

individuality and class

- The relationships built with their customer and supplier communities as well as their closest competitors
- Their deep knowledge and understanding of their customer base giving them the ability to not just strategically purchase the required products and volumes to meet demand and avoid lead times, but also to keep stock cycles to an absolute minimum through their ability to pre-sell stock off containers still in transit.

When asked what factors are viewed as critical to gaining a competitive advantage in the aftermarket wheels industry in South Africa, both RHC and their international suppliers highlighted, product design and product quality. In addition to this, they also noted factors such as superior service, and competitive pricing as critical. “Updated and trendy designs, quality product and good after-sales service” responded one of the international suppliers, while an executive at RHC noted, “Three critical factors for success in this market are, having new great designs to continuously attract customers, having a quality product that is trusted and being able to price competitively.” To these, other non-case site respondents (customers and competitors) added product variety and range, expert product knowledge, reputation, marketing and a strong brand. It is important to note here the emphasis placed on pricing by respondents from the retail companies. “To succeed in this market, a company must sell a wheel that is cost effective and of the right quality, they must also have a good variety to select from, they must have sales and fitment staff that understand the product, and they must market and advertise their products well” said a respondent from one of the retail stores. According to the majority of these respondents, the first priority for a typical South African customer is price, then aesthetic design. Factors such as correct fitment and functionality would rarely be considered, this primarily due to their lack of knowledge of the product. As explained by many of the respondents from the retail stores, most customers do not have sufficient knowledge of the technical aspects of wheels, and can only base their decision on which wheel they like in terms of physical design and

whether they can afford it. These customers are completely reliant on the sales personnel and fitment specialists to advise them on aspects such as correct fitment, functionality and safety aspects of the wheels.

Lastly in terms of understanding what contributes to gaining competitive advantage, respondents were asked what they understood the consumer drivers were in this market. To this the most common and most emphasised answer was that the purchase is an emotional one, and is merely to fulfil the need for individuality, status and recognition amongst the vehicle enthusiast community. In other words, Individual's purchasing aftermarket wheels would seek to gain satisfaction from the recognition received from other vehicle enthusiasts and perhaps even the general public through having a bold, eye catching set of wheels on their vehicle. Another prominent aftermarket wheels wholesaler and competitor to the case site noted that for customers in this market, "Vehicle customisation is a culture for car enthusiasts. It creates differentiation between vehicles of the same make and model and to some extent this gives the owners a sense of status to know that their car stands out." The case site also added that while this emotional aspect is surely the primary driver for consumers in this market, other aspects such as quality, after sales service and as mentioned previously, price also have an impact on the decision making process. Essentially, aftermarket wheels customers are looking for an aesthetically attractive wheel that is brand strong, of a reliable quality and is at an affordable price.

4.3 Impact of design and innovation in the aftermarket wheels industry in S.A.

To understand the impact of design and innovation on the aftermarket wheels industry in South Africa, respondents were asked to explain: the importance of these aspects in the context of aftermarket wheels in South Africa, the effect of international trends, as seen in movies, music videos and other media on consumer choice and also to comment on the importance of other aspects of aftermarket wheels such as functionality, fitment and safety in relation to wheel

design and innovation.

Respondents from the case site explained that wheel design and innovation is a critical aspect of competitive advantage in the aftermarket wheels industry in South Africa. One of the directors explained that “By focusing on wheel design and innovation, a company can create:

- A sustainable competitive advantage in the market by being the trend setter instead of just an imitator
- Longevity of the brand - as new designs and the latest fashion in wheels replace the old and tired ones

And

- A positive perception of the company as the market leader in wheels.”

Furthermore, the case site respondents explained that members of their management and sales team try to frequently attend after market vehicle customisation shows and expos both locally and internationally to stimulate new ideas for wheel design and innovation. These shows normally have on display products and ideas that are yet to be launched in the consumer market, and this affords companies attending them the opportunity to keep abreast of the market and their competitors.

Respondents from the international manufacturers concurred with the above response from RHC. One of the respondents explained that it is the design and innovation factor that reflects the company’s reputation and knowledge in the market of wheels. The respondent gave the example of the impact of innovation in the vehicle manufacturer market in saying “Audi has been the top seller in European countries, due to innovation and continuous improvement in aerodynamics and interior.” Other non-case site respondents added that new designs and innovations in wheels on a regular basis is the how in meeting the consumer need for individuality and status. There was however the view from albeit a minority of respondents that changing trends too frequently can have adverse effects on competitive advantage, as the consumer may get the sense

that the company lacks strategic focus and direction and that they are merely just experimenting new and random ideas. While at the same time not getting the timing of new design and innovation launches can have a company lagging in the market.

A respondent at the case site when asked regarding the effect of international trends seen in movies and music videos answered, “Movies, and music videos I feel create a general desire for aftermarket wheels – whilst not always influencing the exact type of wheel. There are designs we find that sell exceptionally well here (In South Africa) that are not popular overseas.” Further to this the respondent explained that these fads and trends surely affect the demand and desire for aftermarket wheels, and in fact for vehicle customisation as a whole, to achieve individuality, however it is of utmost importance that the context of the local market within which the company operates is kept in mind when considering new wheel designs, as this can spell success or failure for aftermarket wheel companies in South Africa. The general response from all other respondents regarding the impact of international trends was along similar thinking to the case and site, that these trends create awareness of aftermarket wheels and its ability to enhance a vehicle’s appearance, and through this awareness, the demand for aftermarket wheels increases.

Even though customers prioritise pricing and physical design when purchasing aftermarket wheels, functionality in terms of fitment and its related safety are noted by all respondents as highly critical in the aftermarket wheels industry in South Africa, even perhaps more so than the wheels aesthetic appeal. Certain standards must be met and companies must be well educated on the various aspects of fitment and safety of aftermarket wheels. Respondents explained that even if a design is sure to capture the attention of the consumer, if its functionality and more importantly its safety cannot be guaranteed, it would not be responsible on the part of the company to produce and sell that wheel. It could be detrimental to the company’s reputation and perhaps even its competitive advantage, should anything go wrong as a result of selling a sub-standard quality wheel. In placing such importance on these aspects, respondents did however note that the end consumer lacks the knowledge of

functionality and safety of wheels and thus does not hold these aspects in high priority. The consumer is reliant on the advice of the wheel fitment centre in this regard, for which however, they have no obligation to accept. As mentioned in section 4.2 above, a consumer considers his budget and his choice of design when choosing a set of aftermarket wheels. It was further explained that for the aftermarket wheel companies, while it may seem that price and unique wheel design may be of higher importance to achieving and sustaining competitive advantage as these have been identified as the key consumer drivers, perhaps the secondary aspects in the mind of the consumer such as functionality, safety and thus overall quality of the wheel are of equal importance as this ensures that the customer's implicit / unknown requirements for quality and safety are fulfilled and the company mitigates any reputational and other risks associated with selling sub-standard quality products.

4.4 Major challenges in the aftermarket wheels industry in S.A.

Respondents noted that one of the biggest challenges facing companies designing and selling aftermarket wheels is dealing with small, as described by a respondent as “fly-by-night companies”, copying their popular wheel designs and having them manufactured at sub-standard quality, and effectively at a fraction of the price. These companies then flog the market with these wheels and appeal to the consumer primarily from a cost perspective. As mentioned earlier, the typical South African consumer prioritises price and lacks the knowledge to question the quality, and therefore these low cost imitation wheels present an attractive deal to the consumer as they are not forced to sacrifice or alter their visual appeal to cater for their pocket. There was a sense of frustration felt in having this discussion with the respondents. A lot of time, effort, cost and not to mention risk goes into designing and producing aftermarket wheels, and while there is great co-operation amongst the more established companies in the market (as explained in section 4.6 below) where all have common understanding of critical aspects of wheel design and one would not imitate the others designs, it is understandable how new companies

entering the market, with no imagination of their own and not paying any attention to these highly critical aspects, can create quite a stir.

Another significant challenge explained by respondents is the shift in thinking of vehicle manufacturers. It is not uncommon for vehicles to now be sold off the showroom floor with a choice of trendy designed OEM (Original Equipment Manufacturer) or approved aftermarket wheels, the likes of AMG for Mercedes Benz, Schnitzer for BMW and Sportech for Audi. Vehicle manufacturers through this are competing directly with aftermarket vehicle customisation companies such as the ones participating in this research. This competition can be seen as healthy for the industry as it does mean that companies such as RHC need to think more innovatively about their wheel designs to ensure that they still attract the customers to their brand of wheel. But the real challenge is presented in the fact that vehicle manufacturers try to further limit the consumer's desire to fit non-manufacturer approved aftermarket wheels through vehicle warranty and maintenance plan stipulations. These stipulations leave the vehicle owners at risk of not having damages related to the wheels, tyres or suspension covered by the manufacturer warranty, or even worse the risk of losing the warranty completely should these damages be significant enough. According to respondents, this is very challenging as even while they may ensure that the wheels are of the highest quality and meets all required vehicle safety and fitment standards, they are still seen as non-approved by the manufacturers and as such can deter customers with these vehicles still under manufacturer warranty from purchasing these wheels. At the same time however it was further highlighted by these respondents that many of these consumers are still so strongly driven by their desire for individuality in this market that they very often take the risk anyway to fit non-manufacturer approved aftermarket wheels so as to fulfil this desire. This places the challenge directly back on the vehicle manufacturers as they now have to put more effort into their wheel designs if they are to successfully compete in this market.

Finally, another key challenge noted by respondents is the ability for the company to stay ahead in terms of consumer demands, design trends and innovation so as to maintain the appeal of their brand and in so doing to achieve

and sustain competitive advantage. This is particularly challenging in the aftermarket wheels industry in South Africa as companies are not only competing for the current customer segment, but are in fact also trying to grow the market as a whole through creating the awareness and desire for the product. Within the vehicle enthusiast communities, aftermarket wheel brands, wheel designs and other aspects of aftermarket wheels may be common knowledge, however further than those circles, speak of aftermarket wheels can almost be considered a different language. As mentioned previously, respondents from the case site highlighted their interest in attending aftermarket vehicle shows and expos locally and abroad so as to get a view of the latest trends and to stimulate new design ideas. It was also observed while at the case site, that all owner and employee personal vehicles and also all company vehicles have been fitted with their aftermarket wheels and in addition to this the company vehicles have been boldly branded to try to achieve some awareness amongst the general public.

4.5 Impact of family business ownership

For the case site, family ownership meant a greater deal of flexibility in terms of decision making, idea generation and risk taking, stability in the organisation in terms of lack of attrition in key positions, trust amongst key decision makers and an ensured single focus toward success of the organisation for the good of the business and the entire family. One of the respondents explained, “All decisions made by directors are done so for the health, growth and future of the company and not with personal gain in mind.” When asked to expand on the aspect of flexibility of idea generation and risk taking, it was explained that most ideas for new wheel designs and even for new business opportunities are met with interest by the rest of the management team. Specifically in terms of new wheel designs, it was explained that these ideas are more often than not realised into actual products due to some very key reasons, being:

- There is no one single person or team responsible for design and innovation. It is a result of the collaborative efforts within the company

amongst family and non-family employees

- The level of trust amongst the management team when new ideas are presented

And

- The ability to make decisions quickly and easily without any rigid processes in place.

Another key success factor as noted by non-family respondent at the case site was, “Being a family business, we are able to deliver a better personal service to the client as compared to a corporate business.” Note here the use of the word “We” as opposed to “They” highlighting that the familiness extends beyond just the family members within the company.

Respondents from the other family owned companies participating in the research shared, to a larger or lesser extent, in the case sites views of the impact of family business ownership, and further attributed the ability of being innovative and agile to the family ownership of the organisation. Respondents in non-family owned organisations commented on their relationships and dealings with family owned companies and explained that these relationships were in most cases stronger and viewed more as partnerships as opposed to ordinary business dealings. Furthermore they added that family owned firms are more willing to take risks in terms of trying new wheel designs and innovative technologies. The aspect of professionalism or formality rather was raised by a few respondents with regards the way in which family owned firms conduct their business. However, it was highlighted that while these family owned firms are perhaps less formal in their approach to business and do not have formalised processes in place, they still display the required standard of professionalism in terms of their customer dealings and are generally more accommodating due to their flexibility and willing to go the extra mile to satisfy their customer.

4.6 Co-operation amongst companies in the aftermarket wheels industry in S.A.

An interesting aspect of the South African aftermarket wheels industry emerged through the interview process with both the case site and the non-case site respondents based in South Africa, this being the relationship amongst the various organisations and particularly amongst the competitor organisations. Through discussions of the questions posed to the respondents, there certainly seemed to be a high level of respect and trust amongst the various companies. Certain respondents went as far as explaining that should their competitor firm launch a new and very successful wheel design, they would not consider imitating the design within their range for any gain as this would not be in good faith. They further mentioned their ability to discuss issues regarding wheel trends, designs and innovations with their competitors, formally and informally, and also their willingness to refer customers to their competitors should they feel that the competitor will be able to better satisfy the customers needs. In essence it seemed that while there was definitely a healthy level of competition amongst competitor firms to gain share of market and to stay ahead in terms of wheel quality, design, cost etc., they understood the need to grow the industry as a whole in South Africa and were willing to work together in achieving this. Respondents did however display a sense of frustration towards the smaller, 'fly-by-night' firms mentioned earlier. Their view is that these firms may not appreciate the co-operative relationship and understanding amongst the more established companies and only achieve any form of gain through imitating designs and undercutting prices due to inferior quality standards. The biggest concern mentioned by the respondents was the fact that these organisations do not stimulate the industry through competition but rather tarnish the reputation and perception of the industry in the eyes of the consumer through the lack of attention to quality.

4.7 Summary of the results

External respondents were interviewed in order to compare their responses and

responses from the case site in a form of triangulation. Overall, the external respondents have largely served to confirm and further expand on not only the feedback given by the case site respondents but also the observations made at the case site. In summary relating to the research question, it can be suggested that wheel design and innovation significantly impacts on competitive advantage in the aftermarket wheels industry in South Africa by:

- Meeting the most common need of consumers of aftermarket wheels, this being their need for individualism and status. This need cannot be met if designs are not unique and innovative but rather common and generic
- Giving the consumer the perception that the company is a trend setter and market leader
- Adding longevity to the brand through creating demand for aftermarket wheels, keeping abreast of the latest trends and constant re-invention of the appeal of aftermarket wheels

What is important to note is that this research has also identified the fact that while it is suggested that design and innovation significantly impacts on competitive advantage in the aftermarket wheels industry in South Africa, there are other factors that are arguably as significant and perhaps from the perspective of some, even more significant such as quality, product expertise / knowledge and surely cost. These factors have not been explored in detail in this research and are areas that can be expanded upon in future research. The above results presented in this section will be further discussed with reference to the literature in chapter 5 below.

CHAPTER 5: ANALYSIS OF THE RESULTS

5.1 Introduction

This chapter provides an analysis of the results presented in Chapter 4, and is

organised around the five core themes. An attempt will then be made at answering the research question based on the research findings and finally a summary of the analysis will conclude this chapter.

5.2 Competitive advantage in the aftermarket wheels industry in S.A.

Based on the research results, there are various sources of competitive advantage in the South African wheels aftermarket. These could vary in their impact on the competitive advantage of companies operating in this industry and an empirical study of these factors would sure prove to be very interesting. Nonetheless, some of the factors identified in this research such as product design and innovation, product quality, product knowledge and expertise and product cost have been identified by the majority, if not all of the respondents of that have participated in this research. These factors have also been informally noted implicitly through discussions with employees on the shop floor and observations of the daily operations of the various companies. The literature is very much U.S based due to the lack of such research in the South African context, however one can draw similarity particularly in the thought process of the typical consumer of aftermarket wheels between the literature and the respondents to the interviews and questionnaires. Similarities such as the desire for individualism and status perceived to be given through vehicle customisation and also the unawareness or perhaps lack of interest in other critical aspects related to wheels, like vehicle manufacturer standards, correct fitment, and overall functionality and safety. Companies such as Racing Hart Concepts in the South African market have therefore perhaps gained and sustained their competitive advantage through a deep understanding of not just the aftermarket wheels industry but also an intimate knowledge of their targeted customers, thus knowing what it is that would entice the customer to purchase their brand of wheels over a competitor's. While in both the literature and the research findings it is clear that quality is not a factor that is directly considered by the customer, it is a factor that if not considered by the wheel supplier, could directly impact on the reputation of the company and effectively its competitive

advantage in the event that the sub-standard quality of the wheel causes unnecessary damage to the vehicle, additional costs for the customer or even worst, a threat to their safety.

In summary, below are the key factors identified (in no order of priority) as impacting on competitive advantage in the South African aftermarket wheels industry:

- **Wheel quality:** As described above, this may not be a factor directly considered by the consumer but in the context that wheels are a critical component of the vehicle, for which safety is a major concern for consumers, there is surely something to be said about the impact of quality on competitive advantage of companies selling aftermarket wheels. Kotler and Armstrong (2001) also note in the literature that good design, which is the next factor to be discussed below, not only contributes to the look of the product, but its usefulness and functionality as well. Thus in order to have a product of great design that will contribute to gaining competitive advantage, aspects of quality in terms of durability, safety and functionality must surely be considered.
- **Wheel design and innovation:** In a market driven by consumers who are willing to purchase a luxury product, that will add to their perceived sense of individuality, style and status, aspects such as design and innovation of the wheel are key factors in the decision making process of the customer. More on these aspects will be discussed in section 5.3 below.
- **Product knowledge and expertise:** Considering the importance placed on wheel quality, safety, correct fitment and functionality as described in both the literature and the research responses, a superior level of product knowledge and expertise in both product and industry is essential to ensure that the consumer is provided a high quality, reliable product.
- **Product cost:** As noted, the typical South African consumer displays a consciousness of the cost of the product and while companies can

perhaps persuade customers through innovative designs and its positive contribution to their individuality and status, and perhaps even through the strength of their brand, companies need to still ensure to keep their pricing competitive in the market to ensure that the value of their leading designs are not dissolved in the fact that they are perceived as being overpriced.

- Relationships: As in most, if not all businesses in any industry, relationships with all stakeholders, internal and external, are of utmost importance. An interesting dynamic in the aftermarket wheels industry in South Africa is the relationships between the participating companies. There is a relatively high level of inter-company cooperation. This even between competitors. This is discussed further in section 5.6 below.

5.3 Impact of design and innovation in the aftermarket wheels industry in S.A.

Product design and innovation has been noted in the literature by many as a significant factor contributing to gaining and sustaining competitive advantage (Bower and Christensen 1995; Kotler and Armstrong 2001; Kanter 2006; Sawhney et al. 2007; Parkman 2008; Talke et al. 2009; Verweire and Revollo 2009) This view has also been confirmed by the respondents to the interviews and questionnaires as a large emphasis in the aftermarket wheels industry is placed on providing the customer with the most trendy and aesthetically pleasing design of wheel that will individualise their vehicle and also provide them with a sense of status and style. As described by Verweire and Revollo (2009) that style and design are key elements to differentiation, by Talke et al. (2009) that product design has become a critical aspect of its competitive advantage, and by Sawhney et al. (2007) that leading firms have all realised the impact of innovation on competitive advantage, respondents from the case site also explained that product design and innovation are key elements in gaining and sustaining competitive advantage, in creating longevity of the brand and in creating a positive perception of the company as the market leader. Considering the explanation by Bower and Christensen (1995) that companies miss

opportunities in gaining a competitive edge by only considering the immediate requirements of their customers and not taking chances on innovation even though they are well set to do so, the case site, to some extent, confirms this notion as their pursuit of these opportunities through the introduction of new and innovative wheel designs seems to be paying off in terms of their position in the market. At the same time, considering the point made by Sawhney et al. (2007) that most companies have a very narrow view of innovation and limit this to product development and R&D activities only, one can see the truth in this as well. There was no talk of innovation in the context of process, business development or any other non-product related aspects by any of the respondents. An adoption of a broader view of innovation by companies in this industry can very well be the defining aspect in elevating this industry to the next level in South Africa.

The timing and frequency of new product design launch is perhaps an unidentified but relatively important aspect to be considered by companies in the aftermarket wheels industry as cautioned by some respondents. These respondents were of the view that changing trends too frequently can negatively impact a firm's competitive advantage by giving the consumer the perception that the company lacks purpose and direction and is merely experimenting ideas due to its uncertainty of customer needs, and getting the timing wrong on the launch of new designs and innovations will result in the company falling behind and perhaps losing their competitive edge. This timing and frequency issue perhaps needs to be explored further in order to better understand the correct balance between the longevity of existing wheel designs and the release of new designs and innovations and aspects such as having an intimate knowledge of the company's products and sales trends and also effective market research into customer behaviour, tastes, product adoption tendencies and requirements can have a bearing on achieving the required balance. This can in fact prove to be a very interesting area of further investigation and research in the aftermarket wheels industry.

A difference is identified in the impact of trends seen on television and in magazines between the research and in the South African market as noted by

respondents to the interviews and questionnaires. In the South African context, the influence of wheel trends and designs seen in movies and music videos is limited to the creation of a general awareness of aftermarket wheels and vehicle customisation as a whole, not so much in terms of actually creating a demand for a particular wheel trend or design. This can be contributed, as explained by the respondents from the case site, to the difference in the South African consumer's taste and perhaps even their appetite for customisation. The U.S consumer's taste in aftermarket wheels and vehicle customisation on a whole is far more radical. The South African market in fact, while it may seem radical in itself, is relatively conservative if one considers trends seen in the U.S market. Take for example the diamond encrusted wheel and the wheels with embedded LED lighting as explained by Yip (2005), while these can be found on vehicle's driving along the streets of the U.S.A, one would be lucky to find them at auto shows in South Africa, let alone the streets. This places a different dynamic to the design and innovation process of aftermarket wheels in South Africa. Aftermarket wheel companies cannot simply look for inspiration in international fads and trends as these may not appeal to the South African consumer and can essentially impact negatively on the competitive advantage of the company. These companies need to draw inspiration from local fads and trends and need to perhaps look beyond the aftermarket wheels industry to find the next best thing in aftermarket wheels in this country.

5.4 Major challenges in the aftermarket wheels industry in S.A.

As described in the presentation of the results, one of the biggest challenges faced by companies in the aftermarket wheels industry in South Africa is the smaller aftermarket wheel companies offering low quality imitation wheels at a fraction of the cost and appealing to the cost sensitive consumer who lacks the knowledge of the impact of aspects such as inferior quality, safety and fitment. This was not found in particular in the literature, but the view of Christensen (2001) regarding companies falling into a form of idol worship at the concept of competitive advantage could somewhat explain this behaviour. These smaller

companies may not have the capacity to create competitive advantage through wheel design, innovation and quality and thus use imitation strategies and compete purely on price in order to gain that advantage. These imitation strategies, whether ethical or not, can be effective in a market such as the South African one, where there is surely a cost consciousness amongst consumers and due to the fact that the industry is not hugely established, there is an understandable general lack of awareness of the key aspects of good wheel design, fitment and quality. The reality however is that this challenge does present a significant risk for the consumers buying these low quality products and the industry as a whole, as consumers have little or no recourse on these companies in the event of a wheel quality related issue due to the fact that they are usually informal setups that are not regulated or monitored in any way. Consumers are therefore left with nothing but a reject set of wheels, a loss of cash and a bitter taste in their mouth which could possibly be projected onto the industry as a whole.

The challenge described in the literature by multiple authors (Guilford 2003a; Stoll 2003; Buss 2005; Yip 2005) regarding vehicle manufacturers competing in the aftermarket wheels industry by providing a range of wheel options that the consumer can select from off the showroom floor and further to this, the limitations placed on service plans and warranties should the consumer deviate from the approved range of wheels has been confirmed by the respondents in this research. However, as also mentioned by these respondents, many consumers still fit other non-manufacturer approved aftermarket wheels due to their desire for individuality. This emphasises the impact of the need for individualism and recognition for which vehicle customisation enthusiasts can achieve through unique and innovative aftermarket wheels and is also an example of the esteem needs as described by Maslow (1970).

5.5 Impact of family business ownership

Some similarity can be drawn between the literature and the research responses regarding the impact and dynamics of family business ownership. The literature describes how family owned businesses can gain competitive

advantage through the utilisation of inherent unique resources and capabilities Tokarczyk et al. (2007) and that entrepreneurial capabilities and activities within family businesses increase the distinctiveness of its products. Respondents to the interviews and questionnaires explained that family ownership allowed for more flexibility around innovation activities and decision making as is the case in entrepreneurial firms. Respondents also noted the unique capabilities that family firms have in their ability to truly create partnerships with their stakeholders and their willingness to extend themselves to achieve customer satisfaction. A lot of the co-operation amongst companies in the aftermarket wheels industry in South Africa can surely also be contributed to the family business ownership dynamic of these companies.

Aspects such as the conflict between the family and business as independent systems (de Vries 1993) and the critical need to have these aspects separated (Stafford and Tews 2009) cannot be confirmed by the research responses. Further research specific to family business ownership can be an interesting area of investigation.

5.6 Co-operation amongst companies in the aftermarket wheels industry in S.A.

The co-operation between companies in the aftermarket wheels industry in South Africa as mentioned previously was an interesting and unexpected find. This was not an aspect found in the literature reviewed either but does however seem to be a rich characteristic of this industry in South Africa. It is important to mention that there was by no means a lack of competition in the industry; each company is undoubtedly pursuing competitive advantage over the other. There is however, an implicit and well understood state of play amongst companies based on trust and respect for each others businesses and the industry. Whether as an intended consequence or not, this co-operation surely drives and encourages companies in the industry to think more carefully about their product design and innovation activities, as imitating or undercutting a competitor goes against the implicit rules of play. The other advantage this co-operation also provides is that there is an open channel of communication

amongst the companies for which to discuss issues, ideas and other aspects of aftermarket wheels.

5.7 How do product design and innovation impact on competitive advantage for companies in the aftermarket wheels industry in South Africa?

As part of a range of factors that need to be considered by companies in gaining and sustaining competitive advantage, product design and innovation are among the most critical in the aftermarket wheels industry in South Africa as this is a luxury product industry and the firms compete in an industry in which the consumer is driven by an esteem need for individualism and recognition. To conclude by addressing the research question, product design and innovation impacts on competitive advantage by enabling companies in the industry to offer wheels that are custom designed to meet the aesthetic taste of the consumer, provide a sense of exclusivity, style and status while at the same time providing the highest level of quality, safety and functionality to ensure that the brand is reputable and sought after. Product design and innovation also impacts on competitive advantage by enabling wheel companies to constantly stay steps ahead of the smaller competitors that thrive of providing low quality imitations of popular designs at lower prices. Through introducing new designs and innovations with strategic frequency one can render the designs being imitated by these smaller firms as obsolete thus protecting their share of the market. Lastly, product design and innovation provide aftermarket wheel companies with the ability to overcome the challenge posed by the motor vehicle manufacturers, attracting customers to their aftermarket wheels even while these manufacturers try to discourage them through limitation clauses on their warranty and maintenance contracts.

5.8 Conclusion

This study has found that the consumer drivers and the factors leading to creating and sustaining competitive advantage in the aftermarket wheels

industry in South Africa are very similar to the ones proposed by literature drawn from other markets and contexts. Wheel design and innovation have been found to play a critical role in competitive advantage.

While there are some subtle differences between the literature and the research findings, these can be mostly attributed to the fact that the literature is dominated by findings in the U.S market. The study has also confirmed some of the challenges facing companies in the aftermarket wheels industry and also some of the views around family business ownership that characterises the make up of the case site and is also quite a prominent feature of the South African wheels aftermarket.

A really interesting finding was the aspect of the healthy respect and implicit co-operation amongst companies, in particular amongst competitors, in the industry. This is an area that could surely provide some interesting insights should it be further investigated to gain a better understanding of its true impact.

Finally, product design and innovation were found to impact on competitive advantage by enabling companies in the industry to offer wheels that are custom designed to meet the aesthetic taste of the consumer, provide a sense of exclusivity, style and status while at the same time providing the highest level of quality, safety and functionality to ensure that the brand is reputable and sought after.

Product design and innovation were found to also impact on competitive advantage by enabling wheel companies to constantly stay steps ahead of the smaller competitors, especially those that thrive of providing low quality imitations of popular designs at lower prices. Through introducing new designs and innovations with strategic frequency the leading companies, such as Racing Hart Concepts, rendered the designs being imitated by these smaller firms obsolete and protected their share of the market.

Lastly, product design and innovation provided aftermarket wheel companies with the ability to overcome the challenge posed by motor vehicle manufacturers, attracting customers to their aftermarket wheels even while

these manufacturers try to discourage them through limitation clauses on their warranty and maintenance contracts.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter will provide an overall conclusion of the study, summarising the findings from both the literature and the research. This will be followed by some recommendations relating to these findings and will conclude with suggestions for future research to supplement and extend on this research.

6.2 Conclusion of the study

The automotive aftermarket wheels industry is a niche industry in South Africa, and it seems that there is a perception not just locally but globally as well that vehicle customisation on a whole is somewhat an “underground” industry (not in legal terms, but rather in terms of the culture of the customer base within the industry). Consumer behaviour appears to be driven by an emotional need for individualism and recognition within certain circles and as such physical aspects of the product take priority in the decision making process of the consumer and provide the perception for the company selling the product.

Given this context, product design and innovation are therefore critical to achieving a competitive advantage for companies operating in the aftermarket wheels industry in South Africa. For leading firms, such as the case site under investigation, wheel design and innovation together with quality assurance, product knowledge and expertise, product cost and relationships with key stakeholders proved to be the critical factors in securing competitive advantage.

The research has also highlighted some key challenges faced by companies operating in this industry and these include:

- Keeping abreast of the latest in trends, designs and innovation to keep the consumer interested. Particularly in ensuring that the South African consumer context is taken into consideration as it has been highlighted that the tastes and requirements of a South African consumer may not be the same as consumers in international markets.
- The challenge posed by vehicle manufacturers in terms of providing trendier wheel options on new vehicles and as such becoming direct competitors, and furthermore ensuring that warranty and maintenance contract stipulations subdue the customers motivation to change to more appealing aftermarket wheel options from non-manufacturer approved suppliers.
- Smaller, fly-by-night companies capitalising on the lack of knowledge of consumers and flogging the market with cheap, low quality replicas of highly sought after wheel designs.
- The need for growth in the South African aftermarket wheels industry as a whole and broadening the customer base by creating interest amongst less motivated vehicle enthusiasts.

Although international trends such as those seen in movies, music videos and other media play a key role in terms of creating the awareness of aftermarket wheels and vehicle customisation as a whole, leading firms realised that it was important to pay attention to and respond to the local context within which they operate and the tastes and requirements of the South African customer. A careful balance between localisation and global awareness was found to be a key factor. Companies operating in South Africa gained inspiration from international trends and fads and their wheel designs can be influenced by these, but they cannot simply replicate these in the hope of it being as huge a success in South Africa as it is in the relevant international market.

The timing of and frequency with which companies in the aftermarket wheels industry launch new wheel designs and innovations was found to be an important issue. The study showed that leading firms found a balance between

extending the lifespan of existing designs and introducing new designs. Failing to get this right meant that the company ran the risk of losing its competitive advantage. Conversely, changing trends and designs too frequently can give customers a negative perception of the company's focus, direction and knowledge of customer requirements.

The impact of family business ownership was considered as it was a characteristic of many companies in the industry and particularly of the case site. Findings in this regard suggest that being family owned / run provides a company with some inherent capabilities and advantages enabling the pursuit of innovation type activities. These include: natural inclination towards entrepreneurial behaviour, flexibility in terms of the activities carried out and the speed and efficiency of decision making processes, the lack of attrition of key positions in the organisation and also the confidence in the focus and motives of key decision makers in the organisation. While certain negative implications of family owned / run businesses were highlighted in the research, these did not become apparent through the interview process. This is possibly another area that can yield some interesting results should it be further investigated.

A very interesting finding in this research was the sense of co-operation in terms of respect and understanding between the companies in the industry, particularly amongst competitors to and including the case site. The impact of this extends further than just the relationships between the companies and the ability to leverage off the knowledge of other companies, as it has been suggested that this co-operation also drives more focus into wheel design and innovation activities, to ensure that competitor designs are not imitated for ethical reasons, and at the same time facilitates the ability to work jointly towards growing the market for the benefit of the industry as a whole.

In summary, it can therefore be suggested from the research conducted that fulfilling the esteem needs for status and individuality of the customer and ultimately creating and sustaining competitive advantage in the aftermarket wheels industry in South Africa is critically dependant on, in addition to other aspects, the companies ability to provide an aesthetically appealing product, at

a competitive price and within the highest quality standards. At least two of these aspects, being aesthetic appeal and excellent quality can be achieved largely through effective wheel design and innovation activities. The impact of wheel design and innovation activities however extends beyond just the final product, it also has implications on achieving brand trust and loyalty, positive consumer perceptions of the product and the ability to overcome some of the key challenges identified as facing companies in this industry in South Africa.

Finally, regarding the case site, it would seem through this research that Racing Hart Concepts have achieved their position in the market through:

- A focus towards being a leader in the market in terms of supplying innovatively designed, high quality wheels at competitive prices
- Their vast experience, knowledge and expertise of the industry and the consumer
- Their strong and growing brand perception in the industry
- Their ability to create and maintain the relationships with their key stakeholders
- The ability to leverage off the positive aspects of being a family owned business

The question remains then, how would RHC leverage off these advantages to continue to sustain their competitive edge and elevate their organisation to the next level? The next section will seek to provide guidance around this.

6.3 Recommendations

6.3.1 *For the owners of the case site*

The need for individualism, recognition and status is a consumer driver that cannot be treated as secondary by companies in the aftermarket wheels industry. Racing Hart Concepts seem to be focussed on delivering on this need,

and will need to ensure that they continue to generate new design and innovation ideas to maintain the distinctiveness of their product. This can be done through a combination of staying abreast of local and international trends and keeping their ears and eyes close enough to the South African consumer market to understand their latest fads, fashions and tendencies. A practical way in which to ensure that this process of idea generation remains constant and a priority is to create some sort of an innovation structure within the company, perhaps a think tank, where key individuals can meet on a frequent basis to have focussed discussions on wheel design and innovation. This can be supplemented by an ideas box where anyone in the organisation can put forward ideas on wheel design and innovation so that these discussion and thoughts are not just limited to the think tank and the individuals participating in it, but rather becomes a continuous process across the organisation. These, together with the trust amongst employees, common strategic focus and flexibility around decision making that is inherently part of their being a family business, can certainly spell success for their organisation.

Secondly, through strategic and cunning marketing and advertising campaigns, RHC can drive further the value of individualism, recognition and status that can be achieved through their brand of aftermarket wheels. These marketing campaigns can also be used to get across the key aspects of aftermarket wheels to create the awareness amongst the general public in the pursuit of market expansion and at the same time highlight the quality and originality of the wheels to implicitly expose and overcome the challenge posed by the smaller, imitation strategy driven firms.

Another recommendation is for RHC to leverage off their brand and position in the market to partner with vehicle manufacturers to supply them with wheels to be fitted and sold on cars off their show room floors, thereby not just overcoming the competitive challenge posed by these vehicle manufacturers but also ensuring that clauses on warranty and maintenance contracts limiting or deterring vehicle owners from changing their wheels do not apply to the RHC brand. This partnership can be sold on the assurance of the products quality, adherence to the manufacturer standards and more strategically on the basis

that the RHC brands will add to the appeal of the vehicle itself.

RHC also need to ensure that the relationships that exist in this industry in South Africa are maintained and are utilised to their advantage. These relationships can be very valuable especially at this stage in the lifecycle of the industry when market expansion and growth is a key focus. With competitors, informal discussion can add a different dimension and perspective on their design and innovation activities, but needs to be done in an ethical and open manner so as to ensure that the implicit boundaries and understandings are not overstepped in any way, inevitably putting the relationship at risk. With customers, RHC need to ensure that they continue to improve their partnership and level of service provided. To do this, constant engagement is required both formally and informally. This can be achieved through customer open days, customer site visits and general social gatherings. Feedback through formal and informal means from customers is also very important to understand their needs and issues and also the customer perception of the service and product they are receiving from RHC.

Finally, RHC need to ensure that the necessary precautions and actions are taken to ensure the longevity of the family business so as to mitigate the risks and avoid the negative statistics associated with family owned businesses as highlighted in the literature review. It will perhaps be very beneficial for the owners of RHC to do some research into the dynamics of family businesses to understand not just the risks associated with it, but also other advantages that may have not been noted in this research.

6.3.2 For existing and future companies in the market

Recommendations to existing and future companies operating in the market are, where relevant, along the same lines as those identified for the case site above. What is important to note, is that new companies entering the market need to understand and appreciate the current market characteristics so as to ensure that their companies are seen as healthy competition as opposed to a risk to the industry. Also, knowledge of the industry and the product is key to

success for companies in this market. Aftermarket wheels are, as highlighted in this research, more than just a set of four sphere-shaped pieces of metal that when wrapped in rubber tyres enable the movement of a vehicle. Simply imitating a firm such as RHC will not ensure success in the market. Careful thought needs to be given to aspects of product design, innovation, product quality and other aspects identified in the research to drive a company towards achieving and sustaining competitive advantage.

6.4 Suggestions for further research

The aftermarket wheels industry on a whole is an area lacking in research and as such any meaningful investigation into this industry will provide value to interested stakeholders. This research in particular has highlighted various areas of possible further research either to supplement or to extend on it and these are as follows:

- Market research on the consumer drivers of aftermarket wheels
- A study on the impact and implications of timing and frequency of new wheel design and innovation launch in the aftermarket wheels industry
- Statistical study of the impact of trends seen in the various media on the aftermarket wheels industry in South Africa (A study pre and post a blockbuster film such as “Fast and Furious”)
- Study on the effect of the co-operation amongst competitors in the aftermarket wheels industry in South Africa
- Further investigation into the impact of family business ownership specifically covering the conflict between the family and the business as independent systems and its implications on the aftermarket wheels industry in South Africa

6.5 Concluding remarks

Literature and research relating specifically to the competitive dynamics of small to medium sized firms operating in niche markets is very limited. This study however highlights the importance of such empirical research to provide these firms with a basis from which to guide their strategic focus and activities in the pursuit of creating and sustaining competitive advantage and taking their organisations to the next level.

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APPENDIX A

Case study Questions

1. Formal questions to interviewees

- 1.1. What do you believe is Racing Hart Concept's competitive advantage in the aftermarket wheels industry?
- 1.2. From your experience in the industry, what would you say are the three most critical factors that a company in the aftermarket wheels industry requires to create and sustain competitive advantage?
- 1.3. According to your formal/informal market research, what are the drivers for consumers of aftermarket wheels?
- 1.4. How important are wheel designs and wheel innovations in this industry and how does it impact on competitive advantage?
- 1.5. How much of an effect does international trends seen in movies, music videos etc. have on firstly wheel designs and also customer taste and choice?
- 1.6. Does wheel design take full cognisance of functionality and safety and what is the impact of these on competitive advantage?
- 1.7. What are the major issues and challenges in the aftermarket wheels industry?
- 1.8. How does Racing Hart Concepts attempt to overcome these issues/challenges?
- 1.9. To what extent does the 'family' aspect of the business impact wheel design and wheel innovation?
- 1.10. How does the 'family' aspect of the business impact on the competitive

advantage of Racing Hart Concepts on a whole?

2. Questions to researcher (self)

2.1. What is the company setting and structure?

2.2. Is the environment (Physical, people interaction, culture) at Racing Hart Concepts conducive to being innovative?

2.3. Are respondents genuinely enthusiastic about design and innovation activities?

2.4. Is there a real drive toward growing the market for the greater good of the industry?

2.5. Did respondents feel that the South African market had been saturated and that global growth was the next best option?

APPENDIX B

Interview Schedule

1. What do you believe is [company name's] competitive advantage in the aftermarket wheels industry?
2. From your experience in the industry, what would you say are the 3 most critical factors that a company in the aftermarket wheels industry requires to create and sustain competitive advantage?
3. According to your formal/informal market research, what are the drivers for consumers of aftermarket wheels?
4. How important are wheel designs and wheel innovations in this industry and how does it impact on competitive advantage?
5. How much of an effect does international trends seen in movies, music videos etc. have on firstly wheel designs and also customer taste and choice?
6. Does wheel design take full cognisance of functionality and safety and what is the impact of these on competitive advantage?
7. What are the major issues and challenges in the aftermarket wheels industry?
8. How does [company name] attempt to overcome these issues/challenges?

APPENDIX C

Letter to Respondents

Dear respondent

I am completing an MBA at the Witwatersrand (WITS) Business School. My MBA thesis is on the impact of product design and innovation on competitive advantage in the aftermarket wheels industry in South Africa. To gather data on this topic, I am conducting a case study at Racing Hart Concepts (RHC) and I would be grateful if I could arrange a 1 hour interview with you to gather further information regarding your particular views of the importance of these factors on competitive advantage at [respondent's company].

I fully understand that you are extremely busy and assure you that your agreement to contribute to my research is greatly appreciated.

Confidentiality will be observed throughout the thesis process and the final report will be for academic purposes only.

I will be available to meet with you at a location and time of your convenience

Thank you in advance for your kind assistance

Yours sincerely

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