CHAPTER 1

SCOPE OF THE STUDY

1.1 INTRODUCTION

Euromonitor International One (2007) asserts that the United States of America is the largest market for Ethnic products followed by South Africa. Carter and Carter (2009) explain that the Ethnic cosmetic and toiletry market is a niche in South Africa, as it is a market which requires specific products tailored towards its consumers. It was explained that consumers use specific products, which differ from the general market needs because of their Ethnic hair and skin.

Davies (2007) believes that the demand for these Ethnic cosmetic and toiletry products in South African stems from its developing black middle class. Its strong growth over the past five years is expected to continue through 2011. Munroe (2009) alleges that expansion is taking place of the top end Ethnic cosmetic and toiletry consumer group, as the black diamond is still around and many of the previously disadvantaged Ethnic people group are still moving from rural areas to town. While many of these consumers are moving to urban areas, they are still returning to the townships salons which they trust, whose prices are much more reasonable than those within urban areas (Euromonitor International One, 2007: 38).

The underlying reason according to Munroe (2009) for consumers who have moved from rural to urban areas, now having to return to the townships for their cosmetic and toiletry purchases is the fact that current retailers are not penetrating the top end Ethnic cosmetic and toiletry market in its entirety, but rather just dabbling in this market. These retailers realise Ethnic products are selling well, but the biggest problem is that they do not know the market and simply see the category as a nice to have. According to manufacturers, mainstream retailers still do not understand this environment completely and as such are putting insufficient emphasis on these products (Euromonitor
Munroe (2009) feels that top end retailers are not at the forefront when it comes to progressing the Ethnic market. They were said to be adopting an attitude of wait and see. If it sells, then they would look at it, but if not, then they will not.

With regard to the sales channel to market, many of the leading brands among black South Africans, such as Clere, are not widely available among mainstream retail channels (Euromonitor International One, 2007: 72). At present many mainstream Ethnic hair products are being distributed through local township salons, rather than general retail outlets, due largely to the fact that black South Africans prefer to have advice on which products to use, and do not feel comfortable purchasing new brands from general retail outlets (Euromonitor International One, 2007:37).

Carter and Carter (2009) assert that current top end retailers in South Africa are causing the Ethnic market to progress slower than the US market, due to SA retailers not providing Ethnic cosmetic and toiletry manufactures with the correct access to the end consumer, in order to improve exposure of their brands and new product ranges. They are said to be placing no greater attention on Ethnic products than Caucasian products. Manufacturers wanting to educate and promote innovative Ethnic products do not have ease of access to the end consumer at the point of sale.

1.2 PROBLEM STATEMENT

Ethnic consumers of the Nelson Mandela Bay Metropolitan, who have moved from lower income residential and work areas, to upper income areas, do not have a specialised top end cosmetic and toiletry one stop shop, providing niche products and personal (knowledgeable care) attention. Currently Ethnic consumers mention that there is a gap in staff understanding, product ranges offered and personal service at top end retail stores situated in the upmarket shopping centres of Port Elizabeth (Carter & Carter, 2009).
1.3 RESEARCH OBJECTIVES

The primary objective of this study is to determine the viability of opening a speciality top end, Ethnic cosmetic and toiletry retailer in the Greenacres Mall of Port Elizabeth, in order to meet the cosmetic and toiletry needs of Ethnic consumers, having moved from rural places of work and dwelling, to urban areas of work and dwelling.

In order to achieve the above mentioned primary objective, the following secondary objectives will be pursued:

- To investigate the current and forecast Ethnic cosmetic and toiletry trends in the United States of America, in order to serve as a benchmark in the development of a top end, speciality Ethnic cosmetic and toiletry retail store model, for the Greenacres Shopping Mall in Port Elizabeth, South Africa;
- to identify whether a top end, speciality Ethnic cosmetic and toiletry store model for the Greenacres Shopping Mall in Port Elizabeth, South Africa, would be a viable business venture;
- to investigate current and forecast Ethnic cosmetic and toiletry trends in South Africa, in order to reveal the shortfalls of retailers targeting this market segment; and
- to identify the best business model for an organisation or individual wanting to grow their business through targeting the Ethnic cosmetic and toiletry consumer.

The following research design will be undertaken to execute the above mentioned objectives:

A secondary literature review will be conducted to gain both current and future insights, trends and forecasts into the Ethnic cosmetic and toiletry industry of the US and South African markets. The literature study will also be used to identify and suggest business growth strategies available to organisations or individuals already operating Ethnic cosmetic and toiletry distribution centres, wanting to expand their current operations through forward integration into South Africa’s Ethnic Cosmetic and Toiletry Consumer Retail Market.
The empirical study will be qualitative in nature, with primary data being collected through structured personal in-depth interviews. The sample frame will target key players within the Ethnic cosmetic and toiletry industry of South Africa. The judgement sampling method will be used in determining the specific respondents.

Approaching the objectives for this study with the above research design will ensure reliability and validity.

1.4 RESEARCH METHODOLOGY

1.4.1 The Research Paradigm

Two main research paradigms have been identified by Collis and Hussey (2003). These are the positivistic paradigm and the phenomenological paradigm or otherwise known as quantitative and qualitative research paradigms.

a) Quantitative Methods

Quantitative methodology constructs hypotheses and tests them against the hard facts of reality. The null hypothesis is most often tested. The researcher decides from the onset, which factors may cause certain results and executes tests to either support or reject the null hypothesis at some level of statistical probability (Leedy, 1993:143).

Quantitative research allows the researcher to acquire data from a large number of subjects to a limited set of questions through standardised measures that are easily categorised. This process allows for statistical manipulation of data and ‘generalisability’ of the results to a variety of relevant areas (Dunnagan, Peterson and Wilson, 1997:7).
b) Qualitative Research

“Qualitative research approaches have traditionally been favoured when the main research objective is to improve the understanding of a phenomenon, especially when this phenomenon is complex and deeply embedded in its context” (Dunnagan, et al; 1997:7).

Methods usually used to collect qualitative data include interviews, focus groups, direct observation and written documents. It is effective for determining why and how changes have taken place (Dunnagan, et al; 1997:9). Qualitative methods produce greater detailed information from a much smaller sample size, which is purposefully not randomly selected (Dunnagan, et al; 1997:9).

c) Chosen Research Paradigm

For the purposes of this research paper a qualitative research design will be followed. Experienced and knowledgeable respondents currently involved in the Ethnic cosmetic and toiletry industry of South Africa will be interviewed through the use of a self constructed, structured questionnaire, based on the literature review.

1.4.2 The sampling design

Sampling is the act, process, or technique of selecting a suitable sample. The purpose of the sample is to draw conclusions about the population’s characteristics by directly observing only the sample of the population (Mugo, 2008).

The two main categories of sample methods are Probability Sampling and Non-Probability Sampling.
There are four main types of Probability Samples (Department of Marketing, 2005, p.156-162):

- A Simple Random Sampling which is obtained by choosing elementary units, in such a way that each unit in the population has an equal chance of being selected. The simple random sample is free from bias;
- A systematic random sample which is obtained by selecting one unit on a random basis and choosing elementary units at evenly spaced intervals until the desired number of units is obtained;
- A stratified sample is obtained by independently selecting a simple random sample from each population stratum; and
- A cluster sample is obtained by selecting clusters from the population on the basis of simple random sampling.

There are three primary main kinds of Non-Probability Samples (Department of Marketing, 2005, p.156-162):

- The convenient sample resulting when the more convenient elementary units are chosen from a population for observation;
- The judgment sample, which is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population; and
- The quota sample, which allows a specific number of respondents to be chosen, who possess certain characteristics, known or presumed to affect the subject of the research study.

a) The Sample

Sampling is the act, process or technique of selecting a suitable sample. The judgement sample is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population. The purpose of the sample is to draw conclusions about the population’s characteristics by directly observing only a sample of the population (Mugo, 2008).
The respondents to be chosen need to be limited to experts in the Ethnic cosmetic and toiletry industry. For this reason Mrs S Carter’s, Mr S Munroe, and Mr G Carter were chosen, due to their vast experience and understanding of the Ethnic cosmetic and toiletry industry.

Mrs S Carter’s previous experience in the industry included, being a sales executive and advisor in Ethnic cosmetics and toiletries for the Eastern Cape independent retail trade. This was her role while working for Alliance cash and carry, followed by her occupation at Weirs cash and carry.

Mr S Munroe’s past ten years of experience in this field was as sales manager of L’Oreal for the Western Cape through to the Transkei area. In these years, he has acquired experience in dealing with Ethnic cosmetic and toiletry products in the top and bottom end retail/wholesale independent/non-independent stores.

Mr G Carter previous experience in the field of Ethnic cosmetics and toiletries is vast. He has been the branch manager for numerous Metro stores within the Eastern Cape area, as well as Natal. Furthermore Mr Carter was held the responsibility of being the senior manager for Jumbo Cash and Carry in Johannesburg. Throughout his career, he has been dealing with Ethnic cosmetic and toiletry suppliers and their products. He has also dealt with the retail and wholesale independent trade personally, offering advice on Ethnic product ranges for these outlets.

b) Ethical Aspects

Written informed consent will be obtained from the respondents prior to conducting the interviews. All respondents will have guarantee of anonymity by use of a signed contract. In other words all disclosed information or private files will be kept confidential from the public and each other.
The researcher will guarantee privacy by ensuring a safe environment where no interruptions will occur during the interview. Each interview will be conducted in a private office in support of the ethical considerations of privacy and anonymity, and will be recorded on a cell phone device. Respondents will be ensured that the necessary precautions will be taken to protect their identity from being revealed.

1.4.3 Measuring instrument

The instrument used will be a non-quantifying method according to Collis and Hussey (2003). A self constructed, structured questionnaire, see Annexure A, based on information gathered from the literature study, comprising of both open and closed ended questions, will be developed by the researcher. The results thereof will be compared to that of the literature study.

1.5 TERMINOLOGY

Variables Defined

- Black Diamonds: The Upper Ethnic Black Middle Class;
- Chain Stores: Chain stores are retail outlets that share a brand and central management, and usually have standardised business methods and practices;
- Cosmetics and Toiletries: Made up of the following products - Baby Care, Bath and Shower, Deodorants, Hair Care, Colour Cosmetics, Men's Grooming, Hygiene, Fragrance, Skin Care, Depilatories and Sun care Products;
- Ethnic: Individuals with a Black or Coloured Skin pigment;
- Franchisee: The party buying the franchise;
- Franchising: A very successful and expanding method of marketing, selling and distributing goods and services. It combines the skills and experience of the franchisor and the goodwill created by the brand;
- Franchisor: The party granting a license to the franchisee to operate a business using the franchisor's business concept;
• Living Standards Measure: It divides the population into ten LSM groups, with ten being the highest and one the lowest, LSM one to three is the Traditional Market, LSM four to five the Transitional Market, LSM six to seven the Low Middle Class, LSM seven High to 10 Low the Upper Middle Class and LSM ten High the Elite;
• Retail: The activities involved in selling commodities directly to consumers; and
• Top End: The middle to upper income group.

1.6 OUTLINE OF STUDY

Chapter 1: Introduction, Problem Statement, the research approach, Definitions of concepts, orientation and overview of the study
Chapter 2 Literature review: Analysis of the Ethnic Cosmetic and Toiletry Industry of the US and South Africa
Chapter 3 Identification of Critical Growth Models Business Expansion
Chapter 4 Franchising as a growth strategy
Chapter 5 Research Methodology
Chapter 6 Conclusions and Recommendations

1.7 CONCLUSION

In this chapter the reason and objectives, research design and method, ethical considerations, as well as a definition of key concepts were explained. A general orientation to the study was also presented to allow the reader an understanding of the structure of the project.

In the next chapter the literature available on the Ethnic Cosmetic and Toiletry Industry of South Africa and the United States of America will be presented.
CHAPTER 2

ANALYSIS OF THE ETHNIC COSMETIC AND TOILETRY INDUSTRY

2.1 INTRODUCTION

In this chapter the author explores literature available on the Ethnic Cosmetic and Toiletry Industry of South Africa and the United States of America.

The chapter will investigate two main categories. The first will be an industry analysis of the Ethnic cosmetic and toiletry industry in the United States of America, and the second an industry analysis of the Ethnic cosmetic and toiletry industry in South Africa.

Each category will be researched and discussed under the various product category headings making up the cosmetic and toiletry industry. These categories include Baby Care, Bath and Shower, Deodorants, Hair Care, Colour Cosmetics, Men's Grooming, Fragrances, Skin Care, Depilatories and Sun Care. Following this research, will be an analysis of the various trends in the Ethnic Cosmetics and toiletry Retail channel.

The US market has been described as the hub of Ethnic products. It is said that the whole world define Ethnic products and African-American consumers, from this market (Guzman, 2007). Ethnic women, particularly blacks, are said to look to the US for innovative beauty trends and product offerings to follow. Thus, brands that penetrate the US market will have a domino effect of beauty awareness globally (Mason, 2008:11). For this reason, the US market will be used in this chapter as a benchmark against which the South African market can be analysed.
2.2 INDUSTRY ANALYSIS

2.2.1 Ethnic cosmetics and toiletries in United States of America:

According to Mintel (2007) global research indicates that the majority of activity in the Ethnic cosmetics and skincare market is occurring in the US. The Ethnic skincare, hair care, and cosmetic market in the US have an estimated market value of $2 billion. More than 25 percent of the US female population is Black or Hispanic. In numbers, this equates to 40 million Black or Hispanic female persons in the US. Within the US, growth of the Ethnic population outpaces that of White Americans.

For the United States, it is estimated that Ethnic cosmetic sales in 2007 totalled $70 million. This figure represents only two percent of the cosmetic category. With the Ethnic population accounting for more than 20 percent of the US population and with the fact that Ethnic groups such as Hispanics, African-Americans and Asians spend about three times more on general market beauty products, the growth potential is in this market segment is evident (Joyner, 2007: 13). Armstrong (2009) claims the Ethnic woman’s specific market to be 35 percent of the women’s overall market, thus presenting unique potential for business growth. The population of this group of women increases at 20 percent annually, compared with 1.1 per cent growth in white woman of Non-Hispanic background (Armstrong, 2009). In the United States, Ethnic minorities are expected to become the majority by 2042 (Mason, 2008:10).

In respect of product trends in the US, bioactive botanical ingredients are said to become more pervasive as the natural and organic market matures (Mason, 2008:10). According to Just-Style (2003) sales in the natural and organic sector currently are increasing by 20 percent per annum, making this sector the fastest growing in the North American cosmetics and toiletries market. High growth rates are attributed to the rise in Ethnic purchasing, as well as mainstreaming of natural and organic products. Distribution in mass market retailers is also increasing as retailers focus on ecological and natural products. Mass merchandisers like Wal-Mart and Target, are introducing
natural and organic personal care products, whilst supermarkets such as Loblaw’s, and drugstores like CVS are expanding product ranges (Just-Style, 2003).

Ingredient and formulation issues are becoming increasingly important. The large numbers of pseudo-natural products are leading consumers to scrutinise the composition of natural and organic personal care products. Manufacturers are responding by launching products with high levels of natural extracts, ethical and certified organic ingredients (Just-Style, 2003).

Euromonitor International (2009), reports that US sales of cosmetics and toiletries were flat in 2008. This situation was a sharp contrast to previous years of value sales growth. Cosmetics and toiletries sales growth slowed as the US fell into a deep crisis, with rising job losses and reduced availability of consumer credit. Worries about the US economy led to reduced consumer confidence and lower spending. US GDP grew by only 1.1 percent in 2008, lower than the 2.9 percent and 2.8 percent growth achieved in 2005 and 2006 respectively. Americans who had traded up to premium goods were said to be changing their focus towards necessities such as food and fuel. In 2008, this shift of consumer spending led to massive discounting in cosmetics and toiletries. Premium cosmetics which previously were never discounted had price cuts in December 2008. Retailers including Macy’s, Neiman Marcus, Nordstrom and Saks marked down fragrance prices temporarily. While the discounts had the effect of selling fragrances, they hampered value growth. Retailers also discounted colour cosmetic gift sets from Bobbi Brown and MAC. As a result, sales of premium cosmetics and toiletries declined in 2008 after growing in 2007.

Euromonitor International (2009) presents the following as the forecast of the US cosmetic industry for 2008 through 2013:

The cosmetics and toiletries sector is expected to decline between 2008 and 2013 in constant value terms. Given tighter household budgets, it is likely that consumers will be more cautious about buying such products and will be looking for value. Despite the bleak economic outlook, some sectors are still expected to
grow in the forecast period. Men’s grooming products, in the areas of skin care, bath and shower products, and hair care, are expected to continue showing good growth. Due to the immaturity of these subsectors and growing comfort with grooming regimens among younger American men, sales of these male-specific products are expected to continue growing, regardless of the economy. The desire to look good will also aid sales of anti-ageing products. Body wash/shower gel, liquid soap and sun care are also expected to remain fairly recession-resistant.

For the Ethnic specific market however, Guzman (2007) forecasts retail sales to surpass $2.5 billion by 2012, with a compound annual growth rate of 5.4 percent from 2006 to 2012. The 38 million blacks in the US currently account for just fewer than 13 percent of the nation's population and the black population is estimated to grow by 13 percent from 2000 to 2010 (Euromonitor International Two, 2007).

Ethnic Cosmetics and Toiletries Market Segments in the United States

a) Baby Care Products current and future trends:

Current trends of Baby Care Products

Caridad (2006) explains that mothers are looking for the fragrance and benefit trends found in adult products for their babies as well. Therefore, benefits such as nourishing, moisturising and soothing, as well as, fragrances such as shea butter, mango, coconut, green tea, vanilla, and cucumber are migrating to baby products. Parents have an emotional investment or attachment to bath-time activities with a little one, so making the bath-time-fresh baby feeling last all day (through scent and benefit) is an overarching trend that will drive incremental use of toiletries products.

According to Caridad (2006) natural and organic products are the biggest trend in baby care. Increasingly, parents want products that are made with natural ingredients. This
demand stems from the assumption that such products are safer and healthier to use on babies and small children. The new product characteristics can be found in both mass and premium market segments, and extend from natural and aromatherapy products trends found in other cosmetics and toiletries. Consumers are interested in products that are formulated with natural ingredients that include vitamins and minerals, that are pH balanced and do not have a high concentration of detergent. Examples of such ingredients include aloe extract, vitamin A and vitamin E, which are all known for their soothing, moisturising and healing properties. Sweet almond oil is used for antioxidant protection and wheat protein, while panthenol (vitamin B5) for conditioning, strengthening and protecting hair, as well as soothing skin.

Parents want to make sure the products they use on their children contain the best ingredients and often, the best ingredients are simpler and more natural, without heavy lotion and emulsifying agents. Parents are also said to be more interested in using high quality products and less interested in the cost, because of their willingness to pay for better ingredients. Moms also trend to the familiar and can be wary of too far afield ingredient. For this reason, Huggies found that combining an emerging trend with familiar ingredients is the best path to success. In general, parents more and more are looking for natural, gentle ingredients in their children's care products. With this market pull from parents, mass market manufacturers are expected to incorporate more botanicals and natural elements into their formulations of their baby product ranges. This has led to the creation of 'granola' type brands, which offer the design and efficacy that more parents are looking for (Caridad, 2006).

Caridad (2006) explains that children don't necessarily always love to clean themselves up. Therefore marketing strategies which aim to turn products into friendly characters to encourage use are increasing in popularity. It was further stated that Circle of Friends had been using this strategy since 1995, packaging its line of salon-exclusive products using characters that explore international cultures. The latest was said to be Klunie's Chocolate 2-in-1 Tearless Moisturising shampoo, recommended for thick, long or curly hair. Free of sodium lauryl/laureth sulfates and other chemicals and detergents, it gently
cleans conditions and detangles while helping to maintain hair's moisture balance. The bottle is infused with a blend of botanical and fruit extracts, including cocoa, lavender, chamomile, chickweed and aloe leaf that add shine, bounce and body to hair. With the introduction of the Cleanteam toiletries, the Huggies brand now offers a full line of bath and body products to meet the needs a child during their different life stages, from newborn to infant to toddler.

Huggies Cleanteam is more than just a line of toddler toiletries, according to Caridad (2006) it provides a bonding experience for mother and child. Through pairing a toddler’s love of animals, learning and imagination with parents’ need to make bath time, meal time, potty time and on-the-go cleanup easier, Huggies Cleanteam toiletries keep toddlers engaged through the use of characters, bottle shapes, and fragrances which also help teach lifetime cleaning habits to children. The Huggies Cleanteam line uses a Blue Melon Splash fragrance, formulated specifically for toddlers. Pampers baby and toddler care have identified that parents seek help beyond the potty training years; therefore they are creating product ranges which enable children to clean themselves.

The Future of Baby Care Products

According to Caridad (2006) the performance of the baby care market will depend largely on a renewed emphasis on product development and the increasing sophistication of marketing and merchandising strategies, as well as a proliferation of child-specific cosmetics and toiletries products. Baby bath products are expected to show strong growth, with an increase of almost 19 percent between 2005 and 2010 (see appendix B, table 2.1). This niche remains the least mature in respect of current trends towards premium products. Manufacturers are expected to vigorously pursue the potential for development, particularly with regard to children under four, in order to develop brands, marketing campaigns and parental buying patterns.
Baby sun care is projected to grow by 18 percent as the media places more emphasis on sun protection for children. Manufacturers are expected to continue rolling out new sun care products marketed directly to young children. Baby hair care is forecast to rise by seven percent over the 2005-2010 periods, as consumers are expected to trade up to higher-priced shampoos that possess value-added features or natural or organic ingredients (see appendix B, table 2.1).

Pro-Line’s Chanda Rhodes assumes that future trends would include continued customisation of children’s hair products, as seen in the adult hair care category, and an increased focus on products with natural ingredients (Caridad, 2006). Pitman (2008) indicates that there generally will be a significant rise in demand for natural and organic baby care products, as well as a continuing trend towards prestige and premium baby care products.

The future of the baby market provides a range of marketing opportunities, linked mainly to social and demographic changes. One of the biggest impacts is likely to be the increased population growth amongst Ethnic minorities in the US. Statistics show the fertility rate between white women aged 15 to 44 averaged at 66.4 percent between 1980 and 2005, whereas the rate was 99.1 percent for Hispanic women in 2005. These statistics indicate that there will be significant opportunities within the baby Ethnic group (Caridad, 2006).

b) Bath and Shower Products current and future trends:

Current Trends Bath and Shower Products

African-American women are said to be less likely to use makeup or skin care products, as well as shaving products, but are more likely than any other Ethnic group to use fragrances or bath products (Guzman, 2007).
In the general market, products are geared toward Caucasian skin that gets drier and more wrinkled as it gets older. This is not the case for African-American women. As their skin gets older, it gets oilier and more acne-prone. Therefore, the trend of manufacturers targeting these Ethnic groups is to develop lines of adult acne products which include astringent wash bar soap and gel that dries out pimples. According to Happi (2005), diversity is not being overlooked, as products are no longer being made for multiple Ethnic groups; they are now targeted towards individual Ethnic groups and are more performance driven.

With regard to bath soaps, consumers in the past purchased soaps based mainly on the shape, colour, smell and packaging. Consumers are however becoming more conscious about their health, their looks, the ingredients in bar soaps, and the effects on their skin. Natural products continue to be popular as indicated by the new number of new product launches by manufacturers, who use the word natural in their brand names and product descriptions to appeal to consumers who view natural products as being better for them. Colgate-Palmolive, Unilever and Avon all introduced new items under their Soft-soap Naturals, Suave Naturals and Avon Naturals brand names respectively. In an effort to generate consumer interest and demand, natural additives such as aloe-vera, vitamin E, tea tree oil and other vitamins as well as botanicals are being added into soap formulations, regardless of format. Twincraft launched the Skin Whitening Bar which helps decrease the darkening of skin from ultraviolet exposure, and diminish inflamed hyper-pigmentation (Happi, 2005).

More consumers are demanding that soaps should be free of animal fat and are requesting organically certified soaps, even though they cost more. Soaps are also being used as a delivery system for the active ingredients. Bar soaps now have a variety of applications, including SPF bars, self-tanning bars, and anti-acne, anti-aging and anti-cellulite. It is researched that consumers still enjoy the use of bar soap, but look for innovation all the time. Bar soaps therefore is more performance driven and tactile, because they have visual appeal which liquid soaps do not. It is however forecast that US consumers will show greater interest in liquid soaps, especially
antibacterial formulations. Americans view antibacterial solutions as more effective than soaps that simply remove dirt and grime from hands (Happi, 2005).

More rapid growth for liquid soaps, body wash, shower gels and bar soaps is being promoted by mass market manufacturers through fortifying their existing brands with moisturisers, emollients and ingredients claiming aromatherapy benefits. This is in contrast to previous trends in times past, when liquid soaps and body washes claiming moisturising, emollient or aromatherapy benefits were primarily limited to premium and specialty brands such as Bath & Body Works and The Body Shop. These used to be purchased occasionally as a treat or gift item. More recently, mass market manufacturers entered the scene with their own value-added offerings, which they claimed to be similar in quality to the premium products, but cheaper. In turn, more consumers were introduced to body washes as a daily use product. Now, body wash or shower gel is used as an everyday replacement for bar soap (Happi, 2005).

The spa market continues to grow in the US, as consumers look for products that work from the inside out and the outside in. They are looking for a holistic approach to health and beauty. Teenagers are more sophisticated and have more disposable income than previous generations. To reach this lucrative group, manufacturers have launched products with fun, fruity fragrances, as well as unique packaging that stand out on the shelf. Anti-acne formulations are still popular. Tweens are also seeking products that are made specifically for them. This group of children have grown beyond baby and toddler bathing products, but want to use the same body washes that their moms use. Products for tweens typically offer a glitter formulation to promote a fun, playful image (Happi, 2005).

**The Future of Bath and Shower Products**

It is predicted that the success of liquid soaps and body washes will inevitably cannibalise sales of traditional bar soaps. Both products are substitutes for bar soap, and despite the addition of moisturisers, antibacterial agents, vitamins, botanicals and
“all natural” claims by specialty or niche brands, US consumers increasingly view bar soaps as mundane and old-fashioned. Consequently, sales of bar soap are predicted to continue to decline (Happi, 2005).

c) Deodorant Products current and future trends:

Guzman (2007) states that African-American women are said to be less likely to use either makeup or skin care products, as well as shaving products, but are more likely than any other Ethnic group to use fragrances or bath products. According to Packaged Facts (2006) teenagers and young adults in the United Sates, have emerged as a growth market. These are fuelling an increase in demand for deodorant spray. This growth segment now presents a threat to the old school antiperspirants, deodorants, cologne and perfumes market.

Category unit sales are said to be declining, as usage among adults has decreased in spite of several new product launches and heavy marketing and advertising expenditure. In the past, usage rates of antiperspirants and deodorants among men were low. Men tended to use products for women with abundant variations. However, in recent years, with the increase in men’s awareness of personal hygiene, there has been a rapid growth in antiperspirants and deodorants formulated for men, while unisex brands have suffered. Gender segmentation is a focal point in the Deodorant market. Teenagers and young adults have emerged as a growth market in deodorant sprays. The market trend for deodorants and antiperspirants is toward clear and highly effective formulations that are mild and non-irritating. Consumers want choice in their antiperspirant or deodorants (Packaged Facts, 2006).

While some consumers find fragrance to be the most important aspect, others list odour and wetness protection to be the most vital. Improving efficacy and skin compatibility is an ongoing trend in the antiperspirant field. A further trend among deodorant manufacturers it to formulate products based on naturally-derived raw materials. This has resulted in the constant revising of old formulas (Special Chem, 2008). A further
trend which Deodorant manufacturers are beginning to capitalise on is the trend of the market towards under arm products that also contain hair retardant ingredients (Prance, 2007).

d) Hair Care Products current and future trends:

Current Trends of Hair Care Products

Ethnic specific products are reported to be competing directly against premium quality hair care. This is due to beauty trends moving towards more natural hair styles among African-American consumers (Euromonitor International Two, 2007). Guzman (2007) reports that 46 percent of black women say they only buy products specifically for black hair, compared to 36 percent of black men. Part of the reason is said to be attributed to the fact that men are less likely to shop in a beauty supply or specialty store, and are more apt to make hair purchases through FDM, where black-specific items are generally less available.

In the hair care sector, more Ethnic-specific products are being focused towards hair texture as opposed to just normal, dry or oily hair types. Ethnic hair care has a lot of damage control needs to meet, which has generated a focus by manufacturers on new and functional products (Guzman, 2007). For this reason, Cosmetics design (2005) suppose that shampoo and conditioner manufacturers, who target their products at the nation's black population, will experience growth as more and more consumers in a growing Ethnic group opt for products specially designed for their hair type.

Cosmetics design (2005) stated that Ethnic hair care, skin care and colour cosmetics, which in the US are almost entirely products designed for African-Americans, are also set to enjoy considerable growth. Major cosmetics and toiletries manufacturers are expected to be watching these categories closely, because they consider them major potential areas for growth (Cosmetics design, 2005).
As a segment, this market sector has many specific hair needs. It requires products which add moisture, help to strengthen, protect, repair and condition the hair, as well as to add lubrication and shine. Curly-haired consumers require a broad range of effects from their hair care products. These effects need help to manage curls and lend a natural look to the consumer’s hairstyles. The curly-haired group continues to grow in major markets such as the US Hispanic population, which is predicted to grow from 34 million in 2001, to over 49 million in 2015 (Guzman, 2007).

A trend in the hair care sector, which has brought growth, is that of manufacturers producing products containing natural ingredients or which contain treatment or repair properties. Consumers are demanding products that actually moisturise while improving manageability and style (Euromonitor International Two, 2007).

The Future of hair care

Value sales are expected to see a moderate increase up to 2010, with a predicted period growth of 17.6 percent. Latin America is expected to lead global sales by 36 percent though 2010. This growth is said to result from a continued emphasis on new product development and innovation, which remain crucial to grow mature markets (Euromonitor International, 2006: 18).

e) Colour Cosmetic Products current and future trends:

Current Trends of Colour Cosmetic Products

In the United States, Ethnic minorities, now one-third of the US population, are expected to become the majority by 2042. Bioactive botanical ingredients are said to become more pervasive, as the natural and organic market matures (Mason, 2008:10). This according to Mason (2008:10) translates into opportunities for manufacturers targeting the segment. Ethnic consumers generally buy and use more makeup and are more playful with colour. Ethnic women have a high percentage rate of makeup usage, beauty
spending and the number of beauty brands purchased compared to the rest of the population (Mason, 2008:10).

Recognising the value of these consumers, mainstream beauty brands are, increasingly and successfully, targeting Ethnic consumers with expanded shade palettes, relevant spokespersons and focused marketing initiatives. Sampling is said to be the key to launching face products, as it allows customers to find their shade match and experience the formula. The industry is seeing an increased demand for more exotic shades, thus quality and concentration of pigment is a primary technical consideration. The richer the skin tone of an Ethnic consumer, the more likely they are to place a premium on the quality and intensity of the pigment, to achieve a finished look that compliments their beautiful natural colour (Mason, 2008:12).

Ethnic women want cosmetics that will give them a beautiful, glowing complexion. They are also spending significantly more money on cosmetic products for a natural look that enhances their unique features (Mason, 2008:12). Ethnic products have proved to be an emerging niche in colour cosmetics. Given the racial diversity in Latin America, women have long struggled to find products that complement their skin tones, especially among lines of imported cosmetics (The free library One, 2000).

According to Mason (2008:11) the Real Cosmetics brand is currently undergoing a relaunch, which will feature an expanded makeup and colour range, as well as fragrance and skin care, with a focus on holistic beauty. The new beauty paradigm is said to now be about women loving who they are, mind, beauty and soul, thus making it not just external, but internal as well (Mason, 2008:11).

The Future of Colour Cosmetics

It is predicted that bioactive botanical ingredients will become more pervasive as the natural and organic market matures. Sampling is expected to be the best approach in
launching new Ethnic facial products, as it will allow customers to find their shade match and experience the formula (Mason, 2008:10).

f) Men’s Grooming products current and future trends:

According to The free library (2009) the male Ethnic skin care segment is on the rise as better skin care products become available. Men present opportunities for Ethnic skin care marketers. The men’s Ethnic shaving category is trending up in the area of aftershave treatment and moisturising products, but the biggest challenges that are faced are awareness, education and trial. According to Happi (2005) men are looking for many of the same benefits that women are looking for; the only difference is that men want simplified products that still perform well. Anti-aging is an emerging trend, and luxury-shaving products are on the rise. Men have more choice of skin care products compared to five years ago when the choice was made up of only aftershave and cologne (Happi, 2005).

African-American men are more likely to use antiseptics, cleansers, toners, masks, bars, creams, lotions, and scrubs. For African-American men, the largest complaints are razor bumps, which form when the hair is pushed back into the skin during shaving, thus causing bubbly, infected irritations. Carson focuses on men’s skin care problems with the Magic Shave line, a line of shaving and depilatory products designed specifically for African-American men. Carson executives agree that the number one complaint in the men’s shaving category is razor bumps, followed by dry skin due to wind, sun and exercise (The free library, 2009).

More manufacturers are offering male-specific body washes. While this gender polarisation has existed at the prestige level for some time, there has been a steady launch of mass market male-specific brands in recent years. These products use sporty or outdoorsy fragrances that are formulated to maximise the lathering action, as many men are reluctant to use loofahs and shower poufs (Happi, 2005).
g) Fragrance products current and future trends:

The fragrances market in the US, which encompasses both men's and women's fragrances, grew steadily until 2007. Within this industry, the women's fragrance market reflected a steady decline due to a range of challenges facing the market; including decreasing consumption based on an aging population and annual price increases of five to seven percent (Reuters, 2008).

Dodson (2008) explains that historically the fragrance market had been one of the least dynamic markets, dragged down by declining unit prices, over-saturation of new products, and low brand loyalty in key value countries including the US. However, fragrances had almost six percent growth in US dollars in 2006. Western Europe and North America are the most significant value markets, accounting for almost 60 percent of global sales. Both regions are marked by competitive markets, high launch rates and short shelf lives for new scents.

Premium fragrances are said to be driving growth in North America but dynamism is in the main, coming from the lower end of the segment and from discounting. In the US, for example, manufacturers are exploiting the migration of consumers towards mass retailers with innovative strategies to suit this channel (Dodson, 2008).

Dodson (2008), reports that innovation is central to the fragrance market. This innovation is evident in the range of fragrance profiles expected to drive the US market in 2008 and 2009 (see Appendix A, Table 2.2). Certain companies are creating brands tailored to a particular local market or Ethnic group. In autumn 2007 for example, Disney launched Pirates of the Caribbean cologne in the US, specifically targeting Hispanic boys aged four to 11. The reverse is also happening, with manufacturers taking a trend from abroad and introducing it into another market to stimulate new demand. The introduction of baby fragrances by premium brands such as Bulgari and Burberry in countries like the US where there is no traditional usage is an example of this trend.
h) Skin Care products current and future trends:

Ethnic skin care is said to be a booming category because Hispanic and African-American women use four times more personal care products than Caucasian women (The free library Two, 2000). Research results indicate that black women are least likely to use both makeup and skincare. Among young black women it is said that 61 percent wear makeup, compared to 84 percent of all women aged 18 to 64. Hispanic women are the most likely to use makeup, with a usage rate of 86 percent across all age groups (Mintel, 2007).

The Asian and Latino market is growing faster, in terms of numbers in the US, as Ethnic women no longer live in cities. Now they live in the suburbs and are looking for skin care and are unable to find it (The free library One, 2000). Mintel (2007) explains that existing skin care products are not expressly marketed or sold to meet the particular needs of women of colour. Many women with deeper skin tones have to choose from products that were clearly made with fair skin tones in mind. Black Radiance, which is expanding its retail exposure to include US drug stores beginning in February 2009, specifically formulates its products to address the needs and attributes of black skin tones (Mason, 2008:12).

Ethnic consumers, like mainstreamers, are said to have become ever more aware of proper maintenance of the skin, equating its health with beauty (Guzman, 2007). According to Euro RSCG (2001), an important part of feeling beautiful among consumers these days, is a sense of health and youthful vigour. Neither however is attained by applying cosmetics simply to cover up imperfections. Instead, women are purchasing products that promise to prevent and/or reverse the signs of aging. They want to minimise wrinkles, restore their hair to a more youthful appearance, and protect their skin from the ravages of the sun. The method of choice is cosmeceuticals. The market for products that combine cosmetics with vitamins, herbs, and/or pharmaceuticals is said to be growing.
Foundation is stated to be the most critical product in Ethnic colour cosmetics and creates a firm customer base. Though this presents a challenge of matching the right shades to skin, the trend in the market is said to be for companies to use customer representatives in order to help determine a person's skin shade. Samples are sent out and, if the consumer is unhappy, they can return it at no cost (The free library Two, 2000).

Trends in the market are currently driven by both mass and prestige brands, with mass market multinationals increasingly extending their reach into new regions, willing to globalise brands that they acquire. It is expected that prestige brands will continue to offer cutting-edge solutions (Mintel, 2007).

i) Depilatories products current and future trends:

The free library (2009) report that depilatory products have been growing increasingly in popularity amongst men in recent years, but this has meant that many men have had to settle for products marketed towards women. Newly launched products in this category for men are being marketed on the strengths of bolder, more masculine packaging, as well as the fact that they have been developed to cater for the more specific needs of coarser hair.

In response to this, many manufacturers are stated as now looking at the Ethnic male market (See page 23 paragraph two). According to Prance (2007) deodorant manufacturers are beginning to capitalise on the trend of Ethnic male depilatory products, and are creating under arm deodorants that also contain hair retardant ingredients.

It is researched that in the US, Sally Hanson released Maximum Strength Hair Removal Strips and Lotion under its Hanson for Men brand names, however following a dramatic increase in depilatory products in the second quarter of 2006, manufacturers are now attempting to stay abreast of competition by releasing products that not only tap into the
organic market, but are also breaking into micro-segmentation in a bid to entice the fickle consumer (Prance, 2007).

**j) Sun Care products current and future trends:**

According to The-Infoshop (2007) the US sun-care market grew during 2002 to 2007, with all of the growth coming in 2005 and 2006. Business Wire (2008) states that the market grew 15 percent between 2001 and 2006, yet in constant pricing it showed zero growth. While there has been healthy growth in the sunless tanner segment, sales of tanning lotion and oils have not been as robust, while after-sun product has declined 20 percent in constant prices from 2001 to 2006. This pattern of sales can be attributed to the fact that consumers are driven by two primary factors of health and appearance in the sun care category.

Skin cancer was stated as becoming so prevalent, that cancer organisations, doctors, and the media have all been working hard (along with the industry) to inform consumers about the dangers of sun exposure and the need for proper protection (The-Infoshop, 2007). Business Wire (2008) reported that most Americans were aware of the potential to develop skin cancer as a result of too much sun exposure. This knowledge has in turn created interest in higher SPF products not only for adults, but also those product formulated for babies and children, as it has been well-publicised that just one bad sunburn as a child can significantly increase one's risk of getting cancer later in life.

This interest in turn was said to have brought about an increase in sales of these products. In addition to sun safety, the increasing focus among US consumers to stave off aging has propelled the sun-care market as well as the beauty market. The ongoing news coverage of the dangers of sun exposure and the efforts of manufacturers, retailers, and cancer prevention organisations to promote the use of sunscreen has combined to create a receptive audience for new sun care products. As a result, the market has enjoyed three straight years of 10 to 12 percent growth. It is researched that New cosmetics and skincare products have been regularly introduced that contain SPF
for daily, year-round use to shield against environmental elements. Current trends, such as the dominance of suntan/sunscreen products are being experienced. A tan is still considered attractive and desirable in the US, thus the desire to be healthy and cancer-free conflicts with the desire to appear attractive. One segment that has benefited from this dichotomy is that of sunless tanners, which have soared in popularity as formulations and application methods have improved (Business Wire, 2006).

Beyond 2008, however, continued growth is more uncertain in the US sun care market. Awareness of the dangers of the sun is said to continue to rise. The category will continue to face questions over the efficacy and safety of its products, and proposed changes in labeling regulations from the FDA remain unresolved (Business Wire, 2008).

**Trends and insights into the United States Ethnic Cosmetics and toiletries Retail channel:**

Supermarkets or hypermarkets are said to be the leading retail outlets for US cosmetics and toiletries. This trend has been attributed to the growing power of Wal-Mart Supercenters, which have been expanding across the US. Parapharmacies or drugstores are reported as the second leading retail channel for cosmetics and toiletries. These stores gained value share of cosmetics and toiletries in 2008, as retailers such as CVS and Walgreens upgraded their beauty departments and added more exclusive and private label brands (Euromonitor International, 2009).

Mass merchandisers were said to have continued to lose value share in 2008, as Wal-Mart Stores converted many of its Wal-Mart discount stores into Wal-Mart Supercenters (Euromonitor International, 2009). Cosmetics design (2005) states that 90 percent of sales of black hair care in the US are through channels other than supermarkets and drugstores.

The lack of Ethnic cosmetic and toiletry ranges in retail outlets is said to represent growth potential for stores targeting this market niche correctly. The Free Library Two
(2000) asserts that Ethnic women no longer live in cities, but rather now live in the suburbs and are thus looking for Ethnic specific cosmetics and toiletries, and are unable to find them. This indicates that there is definite demand for Ethnic cosmetics and toiletries in the urban areas, however retailers currently are not penetrating the market and thus missing out on substantial business.

According to Joyner (2007) blacks and Hispanics account for more than 20 percent of the US population. Furthermore, analysis of major drug and mass chains show that between 43 percent and 74 percent of their stores deserve some kind of Ethnic cosmetic representation. This is often because major chains have designated a portion of their stores as their Ethnic set, which are often in lower-income, high Ethnic concentration areas, and have taken the steps to merchandise those stores accordingly. By doing so, Retailers are said to be neglecting their affluent Ethnic consumers. There are plenty of neighbourhoods which have clusters of affluent Asian, Hispanic and black consumers who are not able to find the products that they need in the normal store which they go to in their neighbourhood.

One example of a retail business which does realise the potential in the Ethnic cosmetics and toiletries market is the Real Cosmetics brand. This brand is seeking capital for franchise stores featuring the expanded line, potentially using a similar retail concept as The Body Shop. Although Thambirajah of real cosmetics plans to introduce the Thevi line to retail stores in 2009, she is relying on a grassroots marketing campaign to build a following first. Her goal is to partner with retailers who understand the Ethnic market (Mason, 2008:11).

A trend in the way in which retailers run their businesses in the US is also developing. Joyner (2007) asserts:

"The days of running a business simply by reviewing shares and trends are over. So are the days of analysing a category by filing out template-based category reviews. Those tactics have served their purpose, but not anymore."
The use of the right data and accompanying tools, as well as the intelligent utilisation of such data, is what is said, should be the focus of the businesses of today. The most compelling issue facing chain buyers and sellers is the lack of time. Being busy with both internal and external pressures forces these buyers and sellers to gloss over things because the next problem is waiting for them (Joyner, 2007:13). Armed with the right business analytics, manufacturers and the mass market retailers they serve, undoubtedly have room for growth when it comes to meeting the beauty needs of today's Ethnic shopper (Joyner, 2007:13).

Sherwood (2007) asserts that quality not quantity is driving the consumer in all areas of beauty. An example which illustrates the point is the fact that the market has become oversaturated with celebrity fragrances, and mass fragrance sales are predicted to decline 25 percent by 2010. This void is expected to be filled by premium luxury products.

Retailers are said to be taking advantage of this trend, through the repositioning of their private label products, from being generic to brands in their own right, to competing with prestige brands in terms of both quality and price. According to Louise (2007), cosmetic retailers are being urged to target premium segments in order to stay abreast of the upsurge in supermarket retailing cosmetics, which are predicted to account for over half of all beauty sales by 2011. It is stated that department store operators, home shopping companies, specialists and general retailers should start to amend marketing plans and begin to capitalise on the importance that higher segment products are beginning to have in the market. It is understood however that despite the specialist end of the spectrum having the advantage of the important experience element of shopping, with attractive store elements and high shop keeping standards, supermarket chains are creating measure to challenge this.

There is said to be a trend for luxury products to migrate to the masses; therefore new products must replace them. For retailers, it is a question of hitting the right balance of exclusivity and a welcoming atmosphere, which will bring consumers back to the luxury
experience time and time again. Previously the movement of luxury items to the mass market used to take time, however, that trend is no longer and the industry is moving faster to mass produce luxury items (Sherwood, 2007).

Current US Retailer trends are to seek ways in which they can retain their luxury cosmetic customer. A luxury retailer that maximises customer involvement creates a unique experience and draws out the desire to spend money in that store will retain their for luxury shoppers’. Customers enjoy interacting with brands and with one another. This interactive forum draws luxury customers into the retail environment by creating a warm and welcoming atmosphere, drawing them further into the experience. For this reason, retail environments that include education, allow sampling and impart a feeling of pampering will draw in the luxury customer (Sherwood, 2007).

2.2.2 Ethnic cosmetics in South Africa:

Euromonitor International (2007), reports that the demand for Ethnic specific products has increased. The US is the largest market for Ethnic products followed by South Africa. South Africa is a major consumer of hair care products because of demand from black middle class. Davies (2007) explains that South Africa’s developing middle class has put the country firmly on the Cosmetics and Toiletries industry’s radar, and its strong growth over the past five years is expected to continue through 2011.

South Africa is said to have a sizeable and fast-growing black middle class nonexistent under pre-1991 apartheid, estimated at 15 percent of the total population of 49 million in 2005. Overall blacks’ disposable income surpassed that of the white population for the first time ever earlier the decade, and this new-found wealth is stimulating sales across cosmetics and toiletries market. The two point one billion dollar industry grew by 47 percent between 2001 and 2005, and is set to grow by an additional five percent each year through 2010. Still one of the lowest spending markets in the world in per capita terms, South Africa is said to nonetheless offer sustained value growth into the longer term with fresh opportunities in an industry (Davies, 2007).
Increased distribution and advertising campaigns towards Ethnic cosmetics and toiletries, has ensured the growth of this market in South Africa. Leading Ethnic hair care brands are enjoying increased shelf space and are present in most leading retail stores (Davies, 2007).

**Ethnic Cosmetics and Toiletries Market Segments in South Africa**

**a) Baby Care Products current and future trends in South Africa:**

**Current Trends of Baby Care Products**

Growth potential is said to exist in the South African market due to, the increasing number of babies born in South Africa, rising education and awareness of the benefits of using products manufactured specifically for babies and the expansion of the target consumer group due to the emergence of the black middle class. As a result of the potential for growth, leading retailers are starting to offer more private label baby care products (Euromonitor International One, 2007:23).

According to Euromonitor International One (2007:23) baby skin care products saw the most dynamic performance in South Africa in 2006. With increased education and awareness of these products, particularly among black South Africans, there was increased interest in such products among consumers. The black South African consumer are explained as being more inclined to purchase a product that would be used to cleanse both a baby’s face and body, including their hair. (Euromonitor International One, 2007:23).

**The Future of Baby Care Products**

The South African baby care environment is predicted to see growth of just over 57 percent in constant value terms (see Appendix B, table 2.4). Performance is expected to be stimulated by an expanding consumer group and an increase in social grants from
the government. The emerging black middle class is likely to drive growth, as it has
done in many other areas of the cosmetics and toiletries market (Euromonitor
International One, 2007:24).

For the more established middle to upper income segments, the focus is prone to be on
natural, higher-quality products, as consumers wish to pamper their babies with
products that are both beneficial as well as functional. Brand extensions and product
innovations will drive growth among the leading manufacturers (Euromonitor
International One, 2007:24).

b) Bath and Shower Products current and future trends in South Africa:

Current trends of Bath and Shower Products

Euromonitor International One (2007: 27) explains that as South Africans lead
increasingly busy lives, so they seek ways to de-stress and relax. As a result, bath and
shower products saw a continued trend towards indulgence products that aim to relax
and detoxify the body. Although South Africans consumers are buying more indulgence
products for bath use, the market is still there for the consumer wanting convenience at
times as well. Certain manufacturers are therefore creating products such as Nivea’s
Pampering Shower Oil, which appeals to the desire among South African consumers for
indulgence as well as the convenience of a shower rather than a bath. Gifting has also
become an increasingly important sales opportunity within the bath and shower
products environment.

Euromonitor International One (2007: 27) reports that in addition to bath additives, liquid
soap products have experienced growth due to their aesthetic appeal as well as their
functional convenience. There is a move away from clinical and floral fragrances,
towards fragrances that are perceived as being more natural, such as shea butter, olive
oil, oats and honey.
The Future of bath and shower products

According to Euromonitor International One (2007: 27) product innovation in this sector will ensure steady growth, with a 28 percent constant value increase predicted for forecast period (see Appendix B, table 2.6). Indulgence products at affordable prices are expected to remain popular in South Africa. As South Africans lead increasingly stressful lives, so they will look for products that enable them to relax and detoxify their bodies. While many do not have the time or money to afford spa treatments, they look for products that will provide the same benefits in the comfort and convenience of their own homes.

Although many of the Bath and Shower products are said to be luxury products among lower to middle income groups, if there is a downturn in the economy, such as being experienced currently, this category is unlikely to be substantially impacted. The reason for this is that many consumers do not just view their bath products as items with which to clean themselves, but they also appreciate their fragrance. Furthermore, an increasing number of consumers are likely to sacrifice expensive fragrances first; i.e. they are more likely to do this than give up more attractively priced luxury, scented bath and shower products, Euromonitor International One (2007: 28).

c) Deodorants Products current and future trends in South Africa:

Current trends of Deodorant Products

Although Deodorant sprays (including body sprays) are said to be favoured for their fragrance, there is a greater move towards the use of roll-on deodorants due to their perceived greater efficacy. Roll-on deodorants are considered to have greater antiperspirant qualities than other formats, and are considered more effective than deodorant sprays, which are often used as a cheaper alternative, or in addition to the mass fragrances, (Euromonitor International One, 2007: 32).
Deodorant body sprays are particularly popular among black South African consumers, who favour the stronger fragrance and affordable price of this format. Many of the leading body sprays have matching mass fragrances on offer, ensuring their continued popularity (Euromonitor International One, 2007: 32).

The future of Deodorants Products

Deodorant sprays and deodorant roll-ons are expected to dominate sales during the forecast period (see Appendix B, table 2.7 and 2.8), although deodorant sticks are judged to be the most dynamic sub sector. Deodorant roll-ons are expected to see good growth, thus having a significant influence on the sector’s overall performance. Lower to middle income South Africans are said to be becoming increasingly educated regarding the performance and advantage of using antiperspirant deodorants, which is expected to help boost sales between 2006 and 2011 (Euromonitor International One, 2007: 33).

These consumers are expected to become increasingly educated regarding these products and their use, thus stimulating sales. Although deodorant sticks are expected to gain in popularity in South Africa, sales are expected to remain more limited than sales of deodorant sprays and deodorant roll-ons. Despite this, deodorant sticks are expected to be the most dynamic sub-sector during the forecast period (see Appendix B, table 2.7 and 2.8), growing from a small base, as the efficacy of these products is expected to attract more consumers (Euromonitor International One, 2007: 33).

Sales of deodorant creams are set to remain small in South Africa; although a 12 percent constant value rise is anticipated between 2006 and 2011. This increase is expected to be largely due to the small size of the sub-sector and a desire amongst certain consumers to try something new. Deodorant pumps and wipes are not expected to be introduced to South Africa over the forecast period as unit prices remain too high to attract consumers (Euromonitor International One, 2007: 33).
With such a competitive environment, deodorant products are forecast to continue with fairly stable unit prices as brands compete for share. It is reported that there is a possibility of more unit price fluctuations within men’s deodorants, as the niche market experiences more activity. The large body spray category is not expected to suffer as deodorant roll-ons become more popular. The reason being stated is that many consumers would continue to use their body spray as a fragrance while still utilising roll-on Deodorants (Euromonitor International One, 2007: 33).

d)  Hair Care Products current and future trends in South Africa:

Current trends of Hair Care Products

According to Euromonitor International One (2007: 31), “Leading brands are extending their product offering into Ethnic-specific hair care products”. Products on offer are said to be no longer basic and intended for use by all South Africans, but are increasingly developed with specific hair types (Euromonitor International One, 2007: 31). Euromonitor International One (2007: 39) further concludes that an area of particular significance for multinationals will be growth in the Ethnic segment.

Not only are brands broken out into systems for dry or oily hair, for example, but leading brands such as Sunsilk are also extending their brands to appeal to specific hair types and consumer Ethnicity. This trend is said to be occurring with shampoos as well, where the move is towards shampoos formulated for different hair types, as well as towards colour-specific shampoos. Many brands have seen the introduction of “systems” rather than uni-dimensional shampoos. These systems have certain benefits for differing hair types, and are considered beneficial rather than merely functional. It is explained that consumers are now able to choose shampoo and conditioning systems specifically formulated for their hair type, enabling mainstream brands to offer ‘premium’ benefits. The trend has lead to the participation of Ethnic consumers in this category trend (Euromonitor International One, 2007: 37).
Euromonitor International One (2007: 37) asserts that styling agents remains a leading category within the South African hair care environment.

Regarding manufacturing trends, Bowler Metcalf is involved in the construction of a R27 million factory for Amcos Cosmetic. This is a company which manufactures a comprehensive range of Revlon’s Ethnic hair care products, private labels for Clicks and exports products to the USA (Euromonitor International One, 2007: 38).

The future of Hair Care Products

The trend towards segmenting products by hair colour and type is expected to continue. This is likely to threaten the retail products sold within salons which previously targeted niches, especially in the area of colour maintenance (Euromonitor International One, 2007: 39). It is expected that a constant value growth approaching 20 percent in the hair care sector will occur during the forecast period (see Appendix B, table 2.10). This growth would be driven by product innovation and new launches. With certain hair care brands being priced at a premium, and therefore affected by economic conditions, there is an expectation that consumers seeking to cut costs, may drop back into the mainstream hair care segments, while those not seeking to cut costs will remain (Euromonitor International One, 2007: 37).

Gaps in areas such as the maintenance and styling of Ethnic hair care may represent an area which is likely to expand the South African hair care environment in coming years. It is stated that if retailers begin to see the value in the Ethnic consumer demand, then a greater array of Ethnic products is also likely to appear on store shelves (Euromonitor International One, 2007: 38).

Increased innovation within hair care is expected to drive future growth. The trend towards segmenting products by hair colour and type is expected to continue. It is thought that colourants will see strong future growth due to innovation and new product launches. Products promising longer-lasting colour, as well as convenience and a
salon-quality look, by providing separate highlights as well as colour in one package, should drive growth. There are further opportunities identified for brands to build off their strong brand equity and possibly move into colour maintenance, which is seeing good growth within shampoos and conditioners (Euromonitor International One, 2007: 38).

Styling agents are said to represent a further area for potential growth, as products can be formulated to cater for specific hair types, as well as consumer needs. There could be a greater move towards products that are ‘feelable’. Davies (2007) supposes that treatment products such as leave-in scalp treatment serums are also likely to become more popular.

e) Colour Cosmetics Products current and future trends in South Africa:

Current trends of Colour Cosmetics Products

Euromoniton International One (2007:47) reports that many of the more “fashionable” cosmetic concepts, such as mousse formulation products for eyes and face, are targeting younger consumers. These consumers like to be seen as fashionable, which results in a trend of purchasing the latest innovative products in order to keep up with their peers. Products with added glitter or shimmer effects are also appealing to younger consumers, as wrinkles and lines on older skin are highlighted by these light products.

There is said to be a greater move towards the use of tubes for packaging products ranging from facial make-up to eye shadow and lip gloss. Tubes are cheaper, meaning products in this format are often cheaper than products in more traditional packaging, and are also more durable and portable than glass bottles or plastic compacts. Wands with dual products, such as lip colour and lip gloss, or mascara moisturiser and mascara colour, are also a growing trend (Euromonitor International One, 2007:47).

With regards to advertising trends, while mainstream brands utilise television advertising, premium brands have a more exclusive market and do not advertise in that
way, making it difficult to compete. As a result they concentrate on their foundation and skin care ranges, rather than investing in mainstream, high growth areas such as mascara (Euromonitor International One, 2007:48).

Premium cosmetic brands such as MAC, Bobbi Brown, and Amway’s Artistry range are considered avant-garde products. These brands are popular internationally, and are used by make-up artists throughout the world. However, due to their premium nature and lack of exposure in South Africa, these brands remain smaller, niche offerings (Euromonitor International One, 2007:48).

**The future of colour cosmetics**

Sales of colour cosmetics appear set to contribute good performance during the forecast period of 2006 to 2011 (see Appendix B, table 2.11 and 2.12). Cosmetic treatment products for lips and nails should become increasingly popular in South Africa between 2006 and 2011 (see Appendix B, table 2.11). This is in keeping with consumers’ desire to use beauty products with added benefits (Euromonitor International One, 2007:48).

According to Euromonitor International One (2007:48):

“There is considerably more room for innovation within lip products compared with eye make-up. Consumers will continually seek products that promise to protect and treat the lips while providing enduring colour. Nonetheless, eye make-up will see the most growth making it the largest sector in value terms in 2011. This will primarily be due to increased sales of mascara”.

As South African consumers lead increasingly busy lives, there would be a greater trend towards consumers seeking a “quick fix” which allows them the benefits of salon treatment in the privacy of their own home (Euromonitor International One, 2007:48).
Growth in the Ethnic Consumer market is expected to come from specific colour extensions within existing brands. Increased advertising and the continued education aimed at these consumers, to encourage an increase in tendency to try colours better suited to their skin types, is likely to help growth within the colour cosmetics environment in coming years (see Appendix B, table 2.11). This trend is said to be already evident within foundation, and is expected to gain a greater momentum when combined with increased emphasis on the eye and lip products (Euromonitor International One, 2007:49)

f) Men’s Grooming Products current and future trends in South Africa:

Current trends of Men's Grooming Products

While the global trend towards the “metro-sexual” male has taken hold in South Africa, the majority of South African men are not educated, or concerned, about the skin care products that they use. Many are stated as relying on the women in their lives to purchase such products for them. Therefore, trusted brands are doing well in this environment (Euromonitor International One, 2007: 52).

In the pre-shave niche, there is said to be a growing shift from shaving foam to shaving gel, as male consumers feel that gel lasts longer, and is easier to use than shaving foam. Shaving gel products also tend to have added skin care benefits. Many trusted brands have extended their lines to incorporate skin care ranges specifically developed for men. Traditional aftershaves are thus losing out to aftershave balms which have beneficial properties as these are more attractive to male consumers (Euromonitor International One, 2007: 52).

The future of Men’s grooming products

According to Euromonitor International One (2007:52) men’s grooming products is an emerging environment that should see strong future growth (see Appendix B, table 2.13
and 2.14). As South African men become more aware of the benefits of a proper skin care routine, so this environment is expected to see strong growth. Value sales of men’s grooming products look set to see good growth during the forecast period of 2006 to 2011 (see Appendix B, table 2.13), with an expected rise of 41 percent in constant (see Appendix B, table 2.14).

It is stated that brands that had achieved success in other areas of the South African cosmetic and toiletry market, may extend their brands to include ranges specifically formulated for men during the forecast period. Growth is expected to be driven by the introduction of new brands and extended product ranges. The fragrance of male branded products such as Vaseline Intensive Care for Men also is expected to drive sales growth, as males favour those fragrances over the more feminine fragrances available. Unit prices are also likely to stabilise in order for new entrants to remain competitive, and gain a strong foothold into the South African market (Euromonitor International One, 2007:52).

h) Fragrance Products current and future trends in South Africa:

Current trends of Fragrance Products

While the global trend towards premium products is said to have filtered down to the South Africa’s fragrances environment, the mass fragrances segment continues to represent a large proportion of overall fragrance sales, due to the majority of the population being of the lower to middle income group. There is market potential however; with increased purchasing power among the emerging black middle class, who are becoming of increasing importance in fragrances market (Euromonitor International One, 2007:64).

Black male consumers are particularly driving growth in the market. The global culture of the “metro-sexual” male, and the “bling” factor favoured by international singing stars, has also proved aspirational, and inspirational within the fragrances environment
(Euromonitor International One, 2007:64). Euromonitor International One (2007:64) further reports that these Ethnic consumers tend to favour a stronger smelling fragrance.

The premium fragrances segment is stated as having a fickle consumer base. While many brands become classics and continue to sell well, retailers need to continually stock new brands in order to ensure that sales targets are achieved (Euromonitor International One, 2007: 65).

Euromonitor International One (2007: 64) stated that the grey market had been having an increasing impact on the fragrances environment. Fragrances are found in retail outlets such as Clicks and Dis-Chem, but are not formally supplied by the local distributor. With the continual launch of new fragrances, consumers are increasingly willing to try a number of brands, rather than stick with one fragrance. Fragrances are seen as a “fashion accessory” and consumers choose fragrances to match their moods or even their clothing. While traditional brands should remain popular, there is an expected move towards trying new fragrances. The emerging black middle class in South Africa has brought an expectation, that a greater number of black South Africans will be upgrading their fragrance purchases from mass to premium brands.

The increased accessibility to credit and store cards, such as the Edgars store cards, mean that a greater number of consumers can afford premium brands and pay off their purchases over a period of time. This consumer group is concerned with image and status, and would rather be seen purchasing premium brands, many of which are at the top end of the premium segment (Euromonitor International One, 2007: 66).

The future of Fragrance Products

Euromonitor International One (2007:66) predicts that Retailers will see competition from surprising newcomers in coming years. As a greater number of South African consumers purchase their pharmaceuticals from outlets other than pharmacies, so
sales through those outlets is expected to decline. The suggestion towards pharmacies is to revamp their “front of house” in order to increase their high value premium fragrance sales. While Edgars Red Square stores have become well-known outlets for premium fragrances and skin care brands, Foschini is expected to also break into this market. It is a new entrant into the cosmetics and fragrances arena, and therefore is expected to attract new customers which should lead to a boost of sales on a whole. The Edcon Group is also said to have plans to become a more exclusive retail outlet, bringing in unique premium fragrance brands such as Comme Des Garcomes, Vera Wang and Viktor & Rolf Lourbaum (Euromonitor International One, 2007: 66).

There is concern that the weakening rand will lead to future price increases. This, combined with the market being flooded with new launches, may see the fragrances environment reaching saturation in the future. While this has already occurred in Europe, South Africa has is said to have enough new consumers to enable it to sustain growth in the immediate future. Fragrances are however expected to see constant value growth of over 30 percent over forecast period (see Appendix B, table 2.18), with premium products remaining most dynamic (see Appendix B, table 2.17), (Euromonitor International One, 2007: 64).

i) **Skin Care Products current and future trends in South Africa:**

**Current trends of Skin Care Products**

Euromonitor International One (2007: 71) states that skin care brands are extending into the men’s market, thus tapping into a growing category. The category is said to be growing, since men’s skin care targets a different consumer audience, which in turn serves to grow the category as a whole, rather than cannibalising sales elsewhere in the skin care sector.

It was stated that within the premium skin care segment, there was a move towards “cosmeceuticals”. These are cosmetics with pharmaceutical properties that provide an
alternative to cosmetic surgery. Women are said to be willing to pay premium prices for a product rather than a surgical procedure in order to obtain immediate results (Euromonitor International One, 2007: 71).

Within the Ethnic market, there is said to be a move towards products that have a lightening effect, known as vanishing creams. Garnier recently extended its line to include Even, a brand that targets the Ethnic consumer wishing to reduce dark marks on the face. Johnson & Johnson’s Fair Complexion range also focuses on the treatment of this problem (Euromonitor International One, 2007:71). According to Euromonitor International One (2007:72) there was a move away from heavily fragranced products to those which are essentially more natural, and which are free of colours and fragrance. These products are seen as more beneficial to the skin, and tend to be made using plain, authentic ingredients.

With regards to the sales channel to market, many of the leading brands among black South Africans, such as Clere body lotion, are not widely available among mainstream retail channels. These products are found in wholesalers and spazas, and cater to lower income consumers. The advertising trends towards magazine in the Ethnic market, with Johnson’s Holiday Skin using magazine advertisements and in-store displays to stimulate consumer awareness. Lemon Lite, Gentle Magic and new Garnier are also ranges that utilise magazine advertisements to promote these products, which are designed for Ethnic skin (Euromonitor International One, 2007: 72).

The future of Skin care Products

Skin care is expected to see constant value increase of almost 70 percent over forecast period of 2006 to 2011 (see Appendix B, table 2.20). This is expected to be achieved through the continuous innovation in this market (Euromonitor International One, 2007: 71). Premium skin care products are also expected to grow as the “cosmeceutical” trend expands. Growth is also likely to be driven by the entrance of premium skin care ranges into men’s skin care market (Euromonitor International One (2007: 72).
Producers of mainstream skin care brands are expected to see an increase in share by extending their brands in order to capture a larger consumer base. Ethnic and male skin care products represent previously untapped niches offering great growth potential. By adapting their strongest brands to suit a greater variety of requirements, leading manufacturers are predicted to be able to increase their respective shares. Mass brands are expected to gain shelf space within mainstream retailers, possibly attracting new entrants to this burgeoning niche. There is also predicted to be increased interest in products with SPF properties as consumer awareness of the dangers of exposure to the sun continues to rise. Increased education and awareness of health issues, and the importance of a youthful appearance, will mean that a growing number of South Africans will want to reduce the signs of ageing by using quality products, especially in the harsh South African climate (Euromonitor International One, 2007: 73).

j) Depilatories Products current and future trends in South Africa:

Current trends of Depilatories Products

Demand for depilatories is stated as being relatively low, largely due to the population. Due to slow hair growth, black South Africans do not need to use depilatories as often as their Caucasian counterparts, reducing the potential for repeat purchases. This consumer group tends to favour twin-blade razors due to their small amount of hair.

An increasing number of women are pampering themselves with pre-shave gels and foams. As an increasing number of South African women enter the formal workplace, so they have increased spending power, and are seeking ways to pamper and relax after work. Whereas soap was previously sufficient for many women when shaving, the added benefits of shaving foam or gel products are increasingly sought (Euromonitor International One, 2007: 80).

Greater accessibility of products such as razors and blades is said to be extremely important, as these products tend to be “last minute” purchases. Due to the high price of
premium blades, many retailers store these products at checkout points or cigarette counters in order to prevent theft. The inaccessibility of these products may cause consumers to seek alternatives such as the cheaper disposable razors which are available in bulk packs. These cheaper razors have also changed their format in order to give the product a more “upmarket” status (Euromonitor International One, 2007: 80).

Distribution of depilatory products is dependent on brand and product type. While razors and blades have been standard, well known, and widely available for many years, hair removal products such as wax strips, mousses or creams are perceived as being more complicated to use. Education and awareness of these products needs to take place in order to ensure a wider retail distribution pattern. The higher prices of these products also mean they are mainly available through retailers that appeal to middle and upper income groups (Euromonitor International One, 2007: 80).

**The future of Depilatories Products**

Depilatories are expected to see constant value growth approaching 42 percent over forecast period of 2006 to 2011 (see Appendix B, table 22), as increased advertising is expected to stimulate awareness (Euromonitor International One, 2007: 80). These products should continue to benefit from innovation, which is particularly important for the survival of brands. Consumers are said to be continually on the look-out for added value benefits as well as something different in their depilatories. While more premium razors such as the Gillette range is expected to continue to do well, there could be a continued move towards disposable razors, as they increasingly offer standard, “luxury” features. While disposable products are popular among consumers in the lower income groups, it is the middle to upper groups which are likely to grow the market through repeat purchases (Euromonitor International One, 2007: 81).

As South Africans become more educated regarding the use of wax strips, there may be a corresponding rise in sales. Hair removal creams are currently becoming increasingly user-friendly, with added skin care benefits and improved fragrances for example, which may revive interest in this product type (Euromonitor International One, 2007: 81).
k) Sun Care Products current and future trends in South Africa:

Current trends of Sun Care Products

The increasing number of skin care products with SPF properties is said to be threatening sun care performance. As a greater number of South Africans become increasingly aware of the dangers of exposure to the sun without protection, there is a move towards “everyday” products such as facial moisturisers and body lotions which also include some measure of sun protection. Many such products are SPF eight or 10. Consumers are believed to have become more educated in recent years, and are more aware that sun protection is necessary on an everyday basis, and not only on the beach or at the pool (Euromonitor International One, 2007: 84).

Generally sun protection products are expensive due to the rigorous testing controls that have to take place to ensure that they work. The higher the SPF factor is, the greater the cost of the product will be to end consumers. Simpler packaging may enable products to be sold at cheaper prices, but generally these products retail in the mid to upper price segments. Consumers have become more familiar with the products on offer, and their application is increasingly easy and convenient. Many consumers believe that self-tanning products leave the skin streaky and orange. However, the lotions that have only a slight tanning element are considered more convenient and easy to use (Euromonitor International One, 2007: 85).

Premium sun care brands such as Clinique, Vichy and Almay all saw good growth at the end of the review period of 2006, which was attributed to these products entering mass retail channels such as Clicks and some pharmacies (Euromonitor International One, 2007: 85).
The future of Suncare Products

Constant value growth of approaching 40 percent is expected over forecast period of 2006 to 2011 (see Appendix B, table 2.24), as the consumers awareness of sun dangers continues rising (Euromonitor International One, 2007: 84). Consumers are expected to continue to purchase sun protection, but after sun products are not considered a necessity in such circumstances. Furthermore, many consumers make use of regular body lotions instead of after sun products (Euromonitor International One, 2007: 85). Sun care is therefore expected to continue to experience strong growth (see table 2.23 below), as South Africans become increasingly concerned regarding the damage sun can do to their bodies. Higher SPF factors are also expected to be increasingly common, as consumers focus more on protection than tanning. This should also lead to greater sales of self-tanning products (see Appendix B, table 2.23), as consumers still desire a healthy tan without the risks associated with exposure to the sun (Euromonitor International One, 2007: 85).

Sun care may however experience a slight decline as an increasing number of products in other areas of the cosmetics and toiletries market, such as facial moisturisers and body lotions, are being produced with SPF properties. These products are also seeing a move to the inclusion of a self-tan element. New product launches that are in line with the trend towards higher SPF and easy-to-use packaging are expected to see strong growth in coming years. Innovation and packaging re-vamps will ensure that consumer interest is maintained, and the growing demand for sun care products should ensure the success of new product launches (Euromonitor International One, 2007: 85).

The availability of an increasing range of products specifically formulated to offer protection against the sun for black skin may well stimulate sales in the future. This will be particularly true if these products are supported by well-targeted advertising and promotion campaigns, which aim to educate the black South African consumer regarding the necessity of such products (Euromonitor International One, 2007: 85).
Trends and insights into South African’s Ethnic Cosmetics and toiletries Retail channel:

a) Manufacturing Companies Distribution trends and insights

As evident towards the end of 2006, the growth and potential within the South African market is said to likely continue to attract the attention of global players. The launch of Toni & Guy (through Woolworth’s stores only) and Tresemme into general retail outlets is expected to be an area to watch. If these brands manage to succeed against some of the more established products, there is likely to be an increased number of new launches of international products on to the local market (Euromonitor International One, 2007: 39).

Amka Products’ Krayon range, and Designer Group’s Skin Clinic Baby range, while still having small shares, are attempting to widen their distribution to try and target larger grocery retailers (Euromonitor International One, 2007:24). Many mainstream Ethnic hair products are being distributed through local township salons, rather than general retail outlets. This is said to be due largely to the fact that black South Africans prefer to have advice on which products to use, and do not feel comfortable purchasing new brands from general retail outlets, at least initially (Euromonitor International One, 2007:37). Fragrances are found in retail outlets such as Clicks and Dis-Chem, but are not formally supplied by the local distributor (Euromonitor International One, 2007:65).

The Ethnic hair care environment, although increasingly integrated into the mainstream retail channel, tends to have its own set of market dynamics and challenges. Basic daily maintenance products and relaxers for example, are gaining prominence within formal grocery retail outlets, but still occupy a very small proportion of shelf space. The general attitude among manufacturers is that the mainstream retailers still do not understand this environment completely, and as such are putting insufficient emphasis on these products (Euromonitor International One, 2007: 38).
Within the salon niche in urban areas the presence of Ethnic-only salons is almost non-existent. However there are many ‘basic’ salons present within the rural and township areas. Surprisingly, while many of these consumers are moving to urban areas they are still returning to the townships to the salons they trust, and whose prices are much more reasonable than those within urban areas (Euromonitor International One, 2007: 38).

The future of the salon hair care environment is a little less certain. With many products being imported from overseas, this niche is dependent on currency fluctuations. At the end of 2006 the rand was tending more towards weakening rather than strengthening. If this continues salons may be required to increase their unit prices, putting them at an even higher margin compared with products in retail outlets. (Euromonitor International One, 2007: 39).

b) Trends and insights of South Africa’s Ethnic cosmetic and toiletries retail store’s

Leading retailers are said to be slowly starting to break into the ever-expanding South African baby care environment. These retailers are seeking to take advantage of the increased interest in baby care products and boost store profits through the launch of more private labels (Euromonitor International One, 2007:23).

In October 2006 Woolworth’s was said to have opened their first beauty concept store in Canal Walk, Cape Town. Their product offering included leading premium skin care brands such as Clarins, Elemis, Lancôme, La Prairie and Dr Hauschka, along with premium fragrances, cosmetics and hair care products (Euromonitor International One, 2007:73). The company intends to open only eight of these establishments throughout the country in order to maintain exclusivity. These stores currently bring new brands into South Africa, including premium hair care brand such as Toni & Guy. This is predicted to increase the shares held by premium hair care brands as distribution increases, and the brands receive greater exposure to new consumers (Euromonitor International One,
2007:38). This expansion of distribution will also contribute to product growth in coming years (Euromonitor International One, 2007:73).

Mainstream colour cosmetics are found in local retailers such as Clicks and Dis-Chem. Supermarket chains such as Pick ‘n Pay stock certain cosmetic brands such as Revlon’s Charlie range, but do not have a wide variety of brands. Department stores such as Stuttafords and Edgars have cosmetic counters which stock premium colour cosmetics. These are separated by cosmetic houses, and include skin care and fragrances within the range (Euromonitor International One, 2007:48).

With the entrance of Woolworth’s into the cosmetics retail arena near the end of 2006, the premium cosmetics landscape is said to be facing a change. These stores are reported to be bringing in new ‘doctor’ brands that are likely to challenge the dominance of some of the established brands. There are also a limited number of established brands such as Lancôme and Clarins with counters in store (Euromonitor International One, 2007:48).

As a greater number of South African consumers purchase their pharmaceuticals from outlets other than pharmacies, so sales through those outlets should decline. Pharmacies need to revamp their “front of house” in order to increase their high value premium fragrance sales. While Edgars Red Square stores have become well-known outlets for premium fragrances and skin care brands, Foschini is said to be a retailer to watch in the future. It is a new entrant into the cosmetics and fragrances arena, and is said to be attracting new customers, leading to a boost in sales as a whole (Euromonitor International One, 2007:66).

The Edcon Group has plans to become a more exclusive retail outlet, bringing in unique premium fragrance brands such as Comme Des Garcomes, Vera Wang and Viktor and Rolf Lourbaum (Euromonitor International One, 2007:73).
2.3 CONCLUSION

In this chapter, the author used the available literature relating to the Ethnic cosmetic and Toiletry Industry of the United States and South Africa, to portray the current and future trends and opportunities that exist in the South African Ethnic Cosmetic and Toiletry Industry.

The United States of America, according to Mintel (2007), is the Country in which the majority of activity within the Ethnic cosmetic and skincare market is occurring. For this reason, the researcher uses the US market activities, as a benchmark to compare South Africa against. By doing so, new market and product growth opportunities are identified for the South African market. Important current and future product/market trends are also explained in detail for both the SA and US markets, with current and future forecast growth statistics provided.

The following chapter will discuss various generic business growth strategies available to organisations seeking expansion. Through the identification and research of these strategies, the author aim's to find a strategy, capable of being used by an organisation to further their business reach into the South African Ethnic cosmetic and toiletry industry.
CHAPTER 3

STRATEGY FOR BUSINESS GROWTH

3.1 INTRODUCTION

In this chapter the author explores the literature available on Generic Growth Strategies for organisations in relation to the Ansoff matrix. The author’s endeavour through this exploration is to identify all possible growth options for an organisation currently operating an Ethnic cosmetic and toiletry distribution centre, but wanting to expand their current operations through forward integration into South Africa’s Ethnic Cosmetic and Toiletry Consumer Retail Market.

Ansoff (1957) developed a framework known as the Ansoff’s Model, to help company’s identify possible growth opportunities which could be found by combining existing and new products and/or services, and existing and new markets. The options are then presented in a matrix to reveal four distinct strategic alternatives (Ansoff, 1957).

Thomas (2009) defines Growth strategies as a strategy involving significant increase in performance objectives by an organisation (usually sales or market share) beyond past levels of performance. The reason for organisations pursuing one or more type of growth strategies is due to the view held by many investors and executives that “bigger is better”. Growth in sales is often used as a measure of performance. Even if profits remain stable or decline, an increase in sales satisfies many people. The assumption is often made that if sales increase, profits will eventually follow (Thomas, 2009).

Growth is also said to improve the effectiveness of the organisation. The advantages which larger companies have over smaller firms which operate in more limited markets include the following:
a) **Economies of Scale**

Large organisational size or large market share held by an organisation, can lead to economies of scale runs (Thomas, 2009). Economies of scale experienced by large businesses, enables the firm to pass on lower costs to customers through lower prices. These lower prices are achieved from bulk purchase discounts and increased bargaining power. This activity further increases a company’s share of a market. Large organisations also have an ability to use advanced technical equipment and have capacity to invest more in research and development. Financing is also obtained relatively easily compared to that of small businesses which investors perceive as being riskier (Tutor2u, 2009).

The larger the firm, the greater its ability to spread its marketing costs over a wider range of products and sales. Marketing or production synergies may also result from more efficient use of sales calls, reduced travel time, reduced changeover time, and longer production runs (Tutor2u, 2009).

b) **Learning and experience curve effects**

Learning and experience curve effects is said to lead to increased activity within an organisation, which leads to increased learning, which leads to lower costs, which can lead to lower prices, which can lead to increased market share, which can lead to increased profitability and market dominance (Knowledgerush, 2009).

c) **Lower average unit costs**

Lower average unit costs may result from a firm’s ability to spread administrative expenses and other overhead costs across a larger unit volume. The more capital intensive a business is, the more important its ability to spread costs across a large volume becomes (Thomas, 2009).
d) Improved Synergy

Improved linkages with other stages of production can also result from mass organisations (Thomas, 2009). The synergy concept suggests that advantages are created when economies of scale and speed are combined with administrative coordination (Krumm, Dewulf and De Jonge, 1998).

These synergistic advantages include financial synergy, which comes from risk reduction; entrepreneurial synergy, which flows from the pursuit of attractive new investment opportunities; expansion synergy, which originates from the application of existing resources to new business; market power synergy, which arises from cross-subsidisation; and operational synergy, which comes from sharing activities and knowledge (Chang, 1990).

e) Knowledge Sharing

Sharing information between units of a large organisation, allows knowledge gained in one business unit to be applied to solve problems being experienced in another unit (Thomas, 2009). Knowledge sharing is fundamental to the sharing of best practices, creating new knowledge and achieving shared learning (Lock, 2000).

3.2 STRATEGIES FOR GROWTH RELATIVE TO THE FOUR QUADRANTS OF ANSOFF’S MATRIX

Ansoff (1957) developed a framework to generate alternative strategic direction for an organisation, through considering its product-market options. The options generated support corporate growth objectives, which for this model, are deemed a priority. The Ansoff’s model enables possible growth opportunities to be found by combining existing and new products/services, and existing and new markets. The options are then presented in a matrix to reveal four distinct strategic alternatives.
The Ansoff matrix (see figure 3.1 below) also illustrates that the element of risk increases the further the strategy moves away from known quantities (the existing product and the existing market). Thus, product development (requiring in effect a new product) and market extension (a new market) typically involve a greater risk than ‘penetration’ (existing product and existing market); however diversification (new product and new market) generally carries the greatest risk of all. In his original work, which did not use the matrix form, Igor Ansoff stressed that the diversification strategy stood apart from the other three.

Figure 3.1: Strategies for growth relative to the four quadrants of Ansoff’s matrix

Source: Ansoff, 1957.

3.2.1 Market Penetration

This first Quadrant of the Ansoff’s Matrix (1957) being Market Penetration is described as the route through which an organisation would seek to increase its share of an existing market with its current products. Examples of this activity are persuading existing users to use more, persuading non-users to use, or attracting users from competitors. In this case, there will be an emphasis on competitive pricing, more effective use of marketing communication, or trying to encourage increased usage by existing customers, possibly through a loyalty or reward scheme.
The market penetration strategy is explained as the least risky strategy since it leverages many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share would result in growth. Opportunities for growth may also exist to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow (Quickmba Three, 2009). The market penetration strategy aims to change incidental clients to regular clients, and regular clients into heavy clients (12manage, 2009). A goal of Market Penetration Strategy is to sell more of the same products or services in current markets, therefore the strategy adopted is often to achieve economies of scale through more efficient manufacturing, more efficient distribution, more purchasing power, overhead sharing (12manage, 2009).

It is reported by Stilwell (2007) that it costs on average five to ten times more to source new customers than to work with existing customers. The Market penetration strategy therefore makes sense to adopt if this strategy is possible to adopt by the organisation seeking growth.

The strategy is most applicable if an organisation has a reasonably large base of potential customers in their existing markets, there is an opportunity for the company to sell more of their products and/or services to their existing customers as well as to sell to new customers from the same existing market segment, if the organisation wants to sell more of their existing products/services, and also if the companies products and/or services are still competitive (Stilwell, 2007).

Smithson and Asociados Ltda (2008) define market penetration, as a strategy of increasing sales of existing products into current markets. Taking this definition into account, Smithson & Asociados Ltda (2008) conclude, that the analysis of the factors with influence over the costs to achieve the significant market penetration a company is looking for includes:
The company’s marketing strength, the possibility of having access to low cost materials as well as to effective production, the experience of the company, the consideration of problems related to the introduction such as lack of adherence to industry standards, unavailability of materials, poor quality control, regulatory problems and the inability to properly and sufficiently explain the benefits of your company’s products or services to the prospect.

Also included in the analysis is the enterprise infrastructure which comprises its organisation, recruiting policies, employee benefit programs, customer support facilities and logistical capabilities. Besides these, the distribution effectiveness including history of relations, the extent of channel utilization, financial stability, reputation, access to prospects and familiarity with organisations products or services and lastly the technological efforts and the availability of adequate operating capital are also included in the analysis.

**Market Penetration Strategies and the Systems for its implementation further defined**

a) **Change incidental clients to regular clients, and regular client into heavy clients (12manage, 2009)**

Stilwell (2007) concludes that for the implementation of this strategy, a more aggressive promotion and marketing plan will need to be adopted by an organisation. Furthermore, effective, channels to market, whether direct sales or via third party distributors would also need to be implemented. An example of this strategy would be Telstra and its mobile service. Telstra penetrated deeply into its existing market (Australian broad terms), using extensive promotion and advertising, and a continually expanding distribution channel of resellers and its own retail outlets. As a result, it has the largest share of the mobile market (Stilwell, 2007)
b) Gaining competitors' customers (Pearce, 2009)

The system for implementing the penetration strategy to gain further market share through targeting competitors customers involves the organisation improving their product base or product range. For this to happen, a company needs to perform market research to identify what their competitors are not offering, as well as what consumers want and need, and then fulfil these needs in order to increase the organisations customer base (Pearce, 2009).

A further system an organisation can adopt is to improve their pricing strategy or strategies by reducing the price of their products and/or services below that of their competitors. This strategy is however more for the short term, as undercutting is not ideal for building a larger customer base over the long run. An organisation should thus aim to tempt or get customers from their competitors through pricing strategies, and then apply other techniques to keep them, such as good customer service, excellent policies, staff, and reputation (Pearce, 2009).

The organisation seeking to gain their competitors customers, should analyse where their competitors are weak, and then expose their weaknesses. By this the company needs to identify what their competitors are not doing that they should be doing, and then do it well themselves (Pearce, 2009).

Pearce (2009) insists that organisations should not try and do everything all at once. Meaning that a company should not try to take all of their competitors customers just for the sake of it, as more than likely they will not be the organisations target market. Instead an organisation should work out who their target market is and what proportion of the target market their competitors have and then go from there i.e., by going after the organisations specific target market/target share as opposed to going after each competitor.
c) Attract new potential customers that are not consuming organisations products or service (Smithson, R. & Asociados Ltda, 2008).

In order to attract new consumers, organisations need to inform potential customers of their company for them to know they exist. The system of advertising accomplishes this, through informing potential consumers of where the organisation is, what the company does and how it does it. Webtys Article Collection (2009) presents the following report regarding business not informing customers of their existence through advertising:

It's very sad. They don't go out of business because they are bad at business; it's just that no one knew where they were so they never made enough money to stay open. You can't attract new customers when they don't know you exist.

Online advertising is the one tool that an organisation can use to attract new customers. Targeted e-mail campaigns, banner advertising and newsletters can all be highly effective ways to attract new customers. The key however is not in using them (because anyone can do that), but in using them correctly (Webtys Article Collection, 2009).

In attracting new customers, it is important however not to scare the consumer, but rather aim to make the customer feel comfortable with the organisation's product or service. Also of importance is to provide an environment that they will feel safe in and make them feel good about spending their money at your company (Webtys Article Collection, 2009).

To successfully attract new customers, the organisation needs to look the part, as the Webtys Article Collection (2009) explains:

Businessmen wear suits. Policemen carry guns. If you were going to buy tools, you would expect a guy with a tool belt and a smock to help you out right? After all, he looks like he knows what he's talking about. What if you went to go buy a
power saw and a lady in a clown suit asked if she could help you? Exactly, look the part and you can attract new customers without any problems.

A Market Penetration Strategy is often developed to achieve economies of scale through more efficient manufacturing, more efficient distribution, more purchasing power, overhead sharing (12manage, 2009). This strategy of market penetration may take place by means of internal growth, which means by opening new stores or by means of external growth by purchasing or joining competitor companies. The strategy of market penetration is highly used by commercial distribution companies as it means a lower risk, because it has to do with running the basic business, which the company has great knowledge about (Smithson, R. & Asociados Ltda, 2008).

3.2.2 Market Development

The second Quadrant of the Ansoff’s Matrix is described by Ansoff (1957) as the route through which an organisation would seek to identify or create new market segments for its current product offering. Market development is further defined by Rapidbi (2009) as the name given to a growth strategy where a business seeks to sell its existing products into new markets.

Market development options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm’s core competencies are related more to the specific product than to its experience with a specific market segment. It is said that a market development strategy typically has more risk than a market penetration strategy for a firm expanding into new markets (Quickmba Three, 2009). The market development strategies often try to lure clients away from competitors or introduce existing products in foreign markets or introduce new brand names in a market. New markets can be geographic or functional, such as when an organisation sell’s the same product for another purpose (12manage, 2009).
Developing new markets for an organisation’s existing product range can also mean new sub-sectors within the companies market. Staying reasonably close to the markets which an organisation knows and which knows the organisation, is said to be helpful in applying this strategy. Moving into completely different markets, even if the product or service fit looks good, holds risks, because the move would be unknown territory for the organisation, and almost certainly would involve working through new distribution channels, routes or partners. If an organisation has a good market share and a good product or service range, then moving into associated markets or segments is likely to be an attractive strategy (Brainmass, 2009).

According to Yalung (2006) entering a market for the very first time, despite masses of knowledge and strategies, does not necessarily mean that any organisation or person for the matter will become an overnight success. A curing time to allow market awareness and solicit consumer feedback and probable acceptance is said to be the keys to the success of any business related endeavour. For most wise market strategists, a careful evaluation and study of the market that they are planning to penetrate is believed to be the correct approach.

According to Rapidbi (2009) there are many possible ways of approaching the Market Development Strategy. These options include new geographical markets; for example exporting the product to a new country, new product dimensions or packaging, new distribution channels, or different pricing policies to attract different customers or create new market segments.

Vehicles for the implementation of a Market Development Strategy

a) Acquisition Strategy

Ireland, Hoskisson and Hitt (2009:184) define an acquisition strategy, as a strategy through which one firm buys a controlling, or 100 percent interest in another firm, with the intent of making the acquired firm a subsidiary business within its portfolio. Ireland,
Hoskisson and Hitt (2009:183) explain that a firm may use an acquisition strategy to increase its market power, because of a competitive threat, to enter new markets because of the opportunity available in that market, or to spread the risk due to an uncertain environment. This strategy is said to be used only when the acquiring firm will be able to increase its value through ownership of the acquired firm and the use of its assets.

Ireland, Hoskisson and Hitt (2009:187) state that acquisition strategies are commonly used to overcome entry barriers to international markets such as, barriers created by economies of scale, differentiated products, and enduring relationships with customers. Ireland, Hoskisson and Hitt (2009:184) further state that evidence suggests that, at least for the acquiring firms, acquisition strategies may not always result in these desirable outcomes. Researchers have found that shareholders of acquired firms often earn above average returns from an acquisition, while shareholders of acquiring firms typically earn returns from the transaction that are close to zero. These results are said to suggest that for large firms, it is now more difficult to create sustainable value by using an acquisition strategy to buy publicly traded companies.

There are four different acquisition strategies described by Ireland, Hoskisson and Hitt (2009:186). The strategies include; horizontal acquisitions, vertical acquisitions, related acquisitions, and cross border acquisitions:

**Horizontal Acquisitions**

The first is horizontal acquisitions, which is the acquisition of a company competing in the same industry as the acquiring firm is. This strategy can be further defined as the acquisition of additional business activities at the same level of the value chain (Quick MBA Two, 2009).

Horizontal acquisitions can take place by internal or external expansion through mergers and/or acquisitions of firms offering similar products and services (Quick MBA
Two, 2009). This strategy is said to be most effective when the acquiring firm integrates the acquired firm’s assets with its own assets, but only after evaluating and divesting excess capacity and assets, which do not complement the newly combined firm’s core competencies (Ireland, Hoskisson and Hitt, 2009:186).

The advantages of horizontal acquisitions include; economies scale achieved by the organisation selling more of the same products, economies of scope through the sharing of resources common to different products, and increased market power over suppliers due to the organisation’s increased buying power (Quick MBA Two, 2009).

Quick MBA Two (2009) warns that before an organisation considers expanding through horizontal acquisitions, they should be certain that the imagined benefits are real, as a connection between two products does not necessarily imply realisable economies of scope. Even when these benefits do exist, it is said, that they do not materialise quickly.

**Vertical Acquisitions**

Ireland, Hoskisson and Hitt (2009:186) proclaim the second acquisition strategy, is that of vertical acquisitions. This occurs when a firm acquires a supplier or distributor of one or more of its goods or services. Investor Words (2009) defines this strategy, as an acquisition strategy in which the acquirer and the target are in the same industry but focus on different parts of the production process.

A more efficient business with lower costs and more profits can result from a vertical acquisition strategy; as such expansion secures not only the supplies needed by the firm to produce its product, but also the market needed to sell the product. Vertical expansion or acquisitions can also be used to increase scales and gain market power (PQBI, 2007). Vertical acquisition is said to normally be undertaken when the market for the intermediate product is imperfect, due to scarcity of resources critical to the purchased products, or control over production specifications of the intermediate product (Rock & Rock, 1993:5).
Vertical integration is also claimed to promote efficiencies in circumstances where it leads to the replacement of market transactions with less costly transactions within the business (Commerce Commission, 2009). Value can be created by this strategy if vertical acquisition cuts out intermediaries and reduces overhead expense, and redundant assets, thus creating improved economic efficiency. Vertical acquisition may also guarantee a source of supply in a tight market (Bruner, 2004:141).

**Related Acquisitions**

Ireland, Hoskisson and Hitt (2009:187) explain the third acquisition strategy as that of related acquisitions. This occurs when the acquisition of a firm is in a highly related industry.

Through the adoption of a related acquisition strategy, the firm will further create value, as the enterprise would begin to benefit from economies of scale in selling, manufacturing and purchasing. It will also allow the company to quickly leverage its management learning's into a new setting. This would in turn greatly enhance profitability in a repetitive process based environment (Millennium Ventures Group, 2009). Bovay (2009) explains that an advantage of adopting a related acquisition strategy is that it provides an organisation with easier expansion, due to the company already having the knowledge of the industry which they operate in.

The disadvantage of this strategy is that if there is a seasonal or cyclical downturn in the industry, the organisation will feel the decline in both the dealership and the detailing business. There could also be issues with integrating two businesses, and with over-estimating the financial returns (Bovay, 2009).
Cross Border Acquisitions

The fourth acquisition strategy is cross border acquisitions, meaning an acquisition made between companies with headquarters in different countries. Cross border acquisitions are said to be a great means of overcoming entry barriers (Ireland, Hoskisson and Hitt, 2009:186).

In particular, cross-border acquisitions are said to likely occur as organisations seek assets and “Research and Design synergies” (Bertrand, Hakkala & Norbäck, 2009). Finkelstein, S (1999:120) states that most cross border acquisitions tend to be between firms that share similar or complementary operations in such key areas, as production and marketing. When two companies share similar core businesses, there are often opportunities for economies of scale at various stages of the value chain, for example; R&D, manufacturing, sales and marketing, distribution, etcetera.

The two basic motives for cross border acquisitions are efficiency and strategic motives. Efficiency gains arise as takeovers increase economies of scale or scope. Furthermore, from a strategic perspective, acquisitions might change the market structure and thus a company’s competitive position and profit level (Coeurdacier, De Santis and Aviat, 2008:5).

With cross-border acquisitions an organisation does face certain risks, Angwin and Savill (1997) found that about 60 percent of the executives consider national culture as risk factor for cross-border acquisitions. Other hurdles include finding the right executive talent, and keeping those good executives in order to achieve the projected benefits of cross-border transaction. Regulatory issues and government regulation pose further risks for this strategy, as organisations would need to understand and comply with local government regulations to avoid problems in their cross-border transactions. Further risks come from economic issues, more specific, the strength of the underlying economy and the relative position of the organisations industry within it (Edministon & Garrett, 2006).
b) Internationalisation

Ansoff (1965) identifies new market development as a viable strategy for rapid small firm growth in his product-market expansion matrix, as an alternative to developing new product/service offerings for the domestic market. Internationalisation is defined by Korhonen, Luostarinen and Welch (1996:281) as the process of increasing involvement in international markets. It is said to be a synonym for the geographical expansion of economic activities over a national country’s border.

International Entry Modes

- Exporting

Exporting involves the marketing and direct sales of domestically-produced goods in another country. Exporting does not require that the goods be produced in the target country; therefore no investment in the foreign production facilities is necessary. It is said that most costs associated with exporting involves marketing the expenses (Quickmba One, 2009).

There are two different approaches to exporting. The first is direct exporting, where the organisation makes a commitment to market overseas on its own behalf. This gives it greater control over its brand and operations overseas. The second approach is that of indirect exporting whereby an organisation employs a home country agency to get the company’s product into an overseas market (Marketing Teacher, 2009).

Ireland, Hoskisson and Hitt (2009:225) assert that many firms begin their international expansion by exporting goods or services to other countries, as exporting does not require the expense of establishing operations in other host countries. The disadvantages of exporting include the costs of transportation and tariffs placed on some incoming goods, as well as changing currency exchange rates. Furthermore the
exporter has less control over the marketing and distribution of its products in the host country.

- **Licensing**

A licensing arrangement allows a foreign company to purchase the right to manufacture and sell a firm’s products within a host country or set of countries (Ireland, Hoskisson & Hitt, 2009:225). Marketing Teacher (2009) explains that licensing is whereby an organisation charges a fee and/or royalty for the use of its technology, brand and/or expertise. This entry mode is said to be one of the least expensive forms of international expansion. Even if product life cycles are short, licensing may be a useful tool. The disadvantages include the reduced control it gives the firm over the distribution and marketing of its products in other countries, as well as the possibility of the international firm learning the technology and producing and selling a similar product after the licence expires (Ireland, Hoskisson & Hitt, 2009:225).

Licensing is said to include franchising, which involves the organisation (franchisor) providing branding, concepts, expertise, and in-fact most facets that are needed to operate in an overseas market, to the franchisee. Management tends to be controlled by the franchisor. Turnkey contracts and contract manufacturing is also said to be included in licensing (Marketing Teacher, 2009). Ward (2009) explains that a turnkey business is a business that includes everything an organisation would need to immediately start running the business. A business that is being sold as a turnkey business would include tangibles such as inventory and equipment through to intangibles such as a previously established reputation and goodwill.

- **Strategic Alliances**

Marketing Teacher (2009) defines a strategic alliance as “a term that describes a whole series of different relationships between companies that market internationally. Sometimes the relationships are between competitors”. Essentially strategic alliances
are described as non-equity based agreements, meaning that companies remain independent and separate (Marketing Teacher, 2009).

Strategic alliances enable firms to share the risks and resources required to enter international markets. These alliances are formed with a host country firm that knows and understands the competitive conditions, legal and social norms and cultural idiosyncrasies of the country, which helps the expanding firm, manufacture, and market a competitive product. Strategic alliances can also facilitate the development of new core competencies that contribute to the firm’s future strategic competitiveness (Ireland, Hoskisson & Hitt, 2009:226).

Many alliances fail however, due to incompatible partners and conflict between the partners. These alliances are also extremely difficult to manage (Ireland, Hoskisson & Hitt, 2009:226).

- **Acquisitions**

Entrepreneur (2009) asserts that an acquisition involves the purchase of one corporation by another, through either the purchase of its shares, or the purchase of its assets.

Acquisitions are said to be able to provide quick access to new markets (Ireland, Hoskisson & Hitt, 2009:227), increased market share, promising new technologies, synergies in an organisation’s operations, well-developed distribution channels, and control of undervalued assets (Entrepreneur, 2009).

The disadvantages are that they can be expensive and often require debt financing, which carries an extra cost. International negotiations for acquisitions can be exceedingly complex and are generally more complicated than domestic acquisitions. Merging a new firm into the acquiring firm is also said to be more complex than domestic acquisitions, as the acquiring firm has to deal with not only corporate cultures,
but also the different social cultures as well (Ireland, Hoskisson & Hitt, 2009:227). Entrepreneur (2009) explains that many effects can go wrong with even a well-laid plan to grow by acquiring other organisations. These effects include the possibility of culture clash, key employees resigning, synergies failing to emerge, assets turning out to be less valuable than perceived, and costs may skyrocket rather than fall.

- **New Wholly-Owned Subsidiary**

Investor Glossary (2009) defines a wholly-owned subsidiary as:

> “a company whose stock is entirely owned by another company. The owner of a wholly-owned subsidiary is known as the parent company or holding company. Because the parent company owns all of the stock of the wholly-owned subsidiary, the parent company can control all of its activities”.

This form of acquisition is often costly and complex, but it affords full control to the firm and has the most potential to provide above average returns. This potential is said to be especially true for firms with strong intangible capabilities that might be leveraged through a Greenfield venture. The firm following a Greenfield venture may need to acquire the knowledge and expertise of the existing market, by hiring host-country nationals, possibly competitors or consultants, which can be costly (Ireland, Hoskisson & Hitt, 2009:228).

There are several reasons why a company would choose to operate a wholly owned subsidiary, rather than simply absorb the acquired company into the central corporate operation. One of the most common reasons is a matter of location. The wholly-owned subsidiary may physically reside in a different country from the holding company. When this is the case, there may be compelling financial and regulatory factors that make it much more financially sound to allow the company to continue more or less autonomously (Tatum, 2009).
Another common reason for operating the wholly-owned subsidiary separately from the owner company is said to be name value. Often, a well-known and respected corporation is acquired by another entity that has no name recognition in that particular market. Rather than spend huge amounts of time and resources to create a reputation, the holding company will simply decide to remain in the background. This allows the wholly-owned subsidiary to continue to enjoy the current name recognition and market share, while being able to work with the resources of the parent company to find ways to enhance that reputation (Tatum, 2009).

In some instances, a wholly-owned subsidiary will be an investment into one market sector by a company that is more closely associated with a completely different industry. This allows the parent company to diversify holdings, thus making it less susceptible to abrupt changes in consumer tastes and demand. It is not uncommon for a wholly-owned subsidiary to provide a steady flow of revenue for the parent company, during a time of financial decline, thus keeping both entities afloat until the holding company regains profitability (Tatum, 2009).

c) Strategic Alliances

Ireland, Hoskisson and Hitt (2009:247) define a Strategic Alliance as cooperative strategy in which firms combine their resources and capabilities. There is said to be three types of strategic alliances.

- **Joint Venture**

The first form of strategic alliance is that of a joint venture, whereby two or more firms create a legally independent company to share some of their resources and capabilities. (Ireland, Hoskisson & Hitt, 2009:247). Joint ventures provide companies with the opportunity to gain new capacity and expertise, as well as allowing companies to enter related businesses or new geographic markets or gain new technological knowhow, while sharing the risks involved in such activity with a venture partner. These ventures
enable organisations access to greater resources, including specialised staff and technology. Joint ventures have a further attribute of being flexible, through for example being established for a limited life span, or to only cover part of what the organisation does, thus limiting both an organisation’s commitment and business exposure. The disadvantages of Joint Ventures include not only the time and effort taken to build the right relationship, but also the fact that partnering with another business can be challenging. Embarking on a Joint Venture can also represent a significant reconstruction to an organisation’s business. However favourable a joint venture may be to an organisation for growth, it needs to fit with the firms overall business strategy (Emery & Associates, 2007).

- **Equity Strategic Alliance**

The second type of strategic alliance is that of an equity strategic alliance, whereby two or more forms own different percentages of a company they have formed, by combining some of their resources and capabilities (Ireland, Hoskisson & Hitt, 2009:248). Pekar and Marc (2009) state that Equity Alliances can be classified into two general types. The first involves partial acquisitions, where a company purchases a minority equity stake in another company, while the second incorporates cross-equity transactions, where each partner becomes equity alone.

According to Pekar and Marc (2009) there has been a dramatic increase in equity-based alliances. Since 2000, the numbers of acquisitions was said to have declined by 65 percent, while equity alliances continued to grow. A number of forces are reported to be driving equity-based alliance formations. These forces include the fact that businesses have long blurred the boundaries between competition and cooperation. In the US and Europe, cartels were said to have carved up important markets for much of the last century, while in Asia, companies have long been bound together by cross-shareholdings.
In recent years however, companies are said to have begun collaborating on an unprecedented scale. In the recent past, alliances tended to be merely tactical, for instance, enabling a company to achieve its sales objective for individual export markets. But today’s strategic partnerships are often more far-reaching in their scope. The global equity alliance mix has also significantly changed. From 1994 to 1996, technology companies dominated the mix, representing nearly 50 percent of all equity alliance formations (Pekar & Marc, 2009).

• **Non-Equity Strategic Alliance**

The third type of strategic alliance is that of a non-equity strategic alliance in which two or more firms develop a contractual relationship to share some of their unique resources and capabilities. In this type of alliance, firms do not establish a separate independent company; therefore do not take equity positions. Forms of non-equity strategic alliances are said to include licensing agreements, distribution agreements, and supply contracts (Ireland, Hoskisson & Hitt, 2009:249). Culpan (2002) presents the major forms of non-equity alliances to include; licensing, franchising, management contracts, turn-key operations, subcontracting, buyer coalitions, supplier partnerships, research and development partnerships, marketing agreements, technology partnerships, and joint ventures. Culpan (2002) explains however, that the list of “non-equity alliance forms” is not all inclusive, as there may still be other types given the changing market conditions.

According to Sarkar (2000), alliance proactiveness is likely to be directly associated with a firm’s market-based performance, defined in terms of sales growth, market share, product development, and market development. Sarkar (2000) further states that alliance proactiveness is likely to result in first mover advantages, as early mover firms capture advantageous positions in partner space. Alliances are argued to be more effective in providing governance mechanisms that facilitate the transmittal and coordination of tacit knowledge flows (Madhok and Tallman, 1998). According to Pekar and Marc (2009) at present, the number of alliances being formed worldwide continues
to escalate by 25 to 35 percent annually. The current rate of formation is reported to be roughly 10 000 per year.

Companies today are said to be constrained by their abilities to respond to competition, by the obvious limitations on their capital and managerial resources, especially given the loss of stockholder confidence and the contraction of capital markets. It is stated that there is not enough money, time or personnel for an organisation to be successful in all sectors and in all markets. For this reason, alliances, which are predicated on shared risk and shared resources, are regarded as a prudent tool for the use of scarce corporate resources, especially with their ability to increase shareholder value and help increase competitive advantages (Pekar & Marc 2009).

d) Internet

Harris and Dennis (2002:107) holds that the internet is ideal for market development strategies, enabling an organisation to offer existing products in new markets without the need to establish an expensive physical presence in the country concerned. New market segments may also be drawn if products are offered online.

3.2.3 Product Development

The third quadrant of the Ansoff’s Matrix is described by Ansoff (1957) as the route through which an organisation would seek the development of new products to sell in current markets. An example of this activity is said by Ansoff (1957) to be enhancements to existing products, extensions to the existing product ranges, or genuine product innovation.

A product development strategy may be appropriate if the firm’s strengths are related to its specific customers, rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product, targeted to its existing customers. Similar to the case of new market development, new product development carries more
risk than simply attempting to increase market share (Quickmba Three, 2009). These product development strategies often try to sell other products to regular clients; therefore existing communication channels are often used (12manage, 2009).

Stilwell (2007) defines product development, as when an organisation develops new or improved products and/or services for their existing markets. Product development can take the form of a new product altogether, or an extension to a product or a product adds. Products and services are said to often be developed when there is customer demand for them, when technology results in newer versions being available or created by an organisations competitors, or when a company develops a new idea and research indicates there would be a market for it. Product development requires funding, planning, research, testing, marketing, and selling through appropriate channels (Stilwell, 2007).

In today’s highly competitive markets, new products are thought by many to be the key to business growth and profitability. The problem developing successful new products is not a shortage of ideas, but rather the expense in producing and marketing new products without any guarantee of success (Robert, 2004). According to Stilwell (2007), if an organisation develops new products or services, the company should do so objectively, and listen to their customers, take notice of the market research and feedback, and be honest about how competitive their new products will be. This is said to be the method by which one can prevent an organisation from wasting time and money launching products or services that would not sell, or wouldn’t sell enough. Product development is also suggested to be an ongoing process, as no company can survive on an unchanging product or service, year in and year out. Furthermore, not developing and enhancing a company’s products is said to leave an opportunity for an organisations competitors to overtake ones company (Stilwell, 2007).
Robert (2004) asserts that in new product development, there are steps that are common to almost all-new product development. These steps include; gathering new product ideas, screening new ideas, assessing business prioritisation and turning the idea into product concepts.

### 3.2.4 Diversification

The fourth Quadrant of diversification in the Ansoff's Matrix, is described by Ansoff (1957) as the growth strategy of an organisation which involves producing entirely new product propositions for new markets. This is said by Ansoff (1957) to be the riskiest of the four strategic approaches. Thomas (2009) explains that diversification is a form of growth strategy, while further explaining growth strategies as a strategy which involves a significant increase in performance objectives beyond past levels of performance.

The reason for its high risk can be attributed to the fact that it requires both product and market development and may be outside the core competencies of the firm. Diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk (Quickmba Three, 2009). Diversification strategies also can decrease risk, because a large corporation can spread certain risks if it operates on more than one market (12manage, 2009). Other Advantages include; the ability of an organisation to achieve Economies of scale in areas such as purchasing, production and supply (Bovay, 2009). Diversification further aids in minimising sales peaks and valleys, as while one of the company's product's seasonality results in slow sales, the other product's seasonality may results in high sales. Furthermore, if an organisation's production facility is under-utilised, then adding new products through a diversified strategy would help an organisation fill production capacity. Overall efficiency improvement would also be achieved through synergy efforts created from following a diversification strategy (Bovay, 2009).
Further advantages of diversification include; the reduction of costs by sharing resource costs amongst the diversified products, services or markets; Improved labour utilisation as the company develops the ability to deploy its human resources in a more efficient work flow cycle; increased opportunities and sales, and a competitive advantage from being able to bundle products or services together that provides unique value and unique differentiation (Bovay, 2009).

Stilwell (2007) declares that an organisation should approach a diversification strategy with caution, as it is based on many unknowns. These unknowns are caused because of the company targeting a new market, with an untested product, probably new distribution channels, and probably existing suppliers already competing in the target markets. It is further suggested that this strategy should only be used if an organisation has a large budget for product development and market research and can support this strategy (and the time it takes to start generating revenue) with existing cash-flow from the business.

**Diversification can be done in four ways:**

**a) Horizontal diversification**

This occurs when the company acquires or develops new products that could appeal to its current customer groups, even though those new products may be technologically unrelated to the existing product lines (12manage, 2009). Thus Horizontal Diversification is said to be a strategy of new product, current market (Value Based Management, 2009).

Retail Growth Strategies (2009) explain four guidelines as to when horizontal diversification may be an especially effective strategy. The first is when organisations revenue from current products and/or services would increase significantly by adding the new unrelated products. The second is when a company operates in a highly competitive and/or no-growth industry with low margins and returns. Thirdly, when an
organisations present distribution channels could be used to market new products to current customers, and lastly when a company’s new products have counter cyclical sales patterns compared to existing products.

b) Vertical diversification

The company moves into the business of its suppliers or into the business of its customers (12manage, 2009).

c) Concentric Diversification

Concentric Diversification results in new product lines or services that have technological and/or marketing synergies with existing product lines, even though the products may appeal to a new customer group (12manage, 2009). Thus Concentric Diversification is said to be a strategy whereby new products are closely related to current products in new market (Value Based Management, 2009).

Thomas (2009) explains that concentric diversification occurs when a firm adds related products or markets. The goal of such diversification is said to achieve strategic fit. Strategic fit is said to then allow an organisation to achieve synergy. In essence, synergy is the ability of two or more parts of an organisation to achieve greater total effectiveness together, than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts. Financial synergy can also be obtained by combining a firm with strong financial resources, but limited growth opportunities with a company having great market potential but weak financial resources (Thomas, 2009).

Thomas (2009) asserts that strategic fit in operations results in synergy through the combination of operating units to improve overall efficiency. Combining two units so that duplicate equipment or research and development is eliminated, would improve overall
efficiency. Quantity discounts through combined ordering would be another format to achieve operating synergy (Thomas, 2009). A final method given by Thomas (2009) to improve efficiency is to diversify into an area that can use by-products from existing operations.

Management synergy can be achieved when management experience and expertise is applied to different situations. Caution is deemed necessary however, in assuming that management experience is universally transferable. Situations that appear similar may require significantly different management strategies. Personality clashes and other situational differences may make management synergy difficult to achieve. Although managerial skills and experience can be transferred, individual managers may not be able to make the transfer effectively (Thomas, 2009).

d) Conglomerate Diversification

Conglomerate diversification occurs when there is neither technological nor marketing synergy. It is said that this method is sometimes used by large companies seeking ways to balance a cyclical portfolio with a non-cyclical one (12manage, 2009). Thus Conglomerate Diversification is said to be a strategy whereby the new product is closely related to current product in new market (Value Based Management, 2009). Therefore Conglomerate Diversification is said to be a new product in a new market (Value Based Management, 2009).

Thomas (2009) asserts that conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Synergy is said to result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is defined as improved profitability of the acquiring firm (Thomas, 2009).

One of the most common reasons for pursuing a conglomerate growth strategy is due to opportunities in a firm's current line of business being limited. Finding an attractive
investment opportunity requires the firm to consider alternatives in other types of business. Firms may also pursue a conglomerate diversification strategy as a means of increasing the firm's growth rate. Conglomerate growth may be effective if the new area has growth opportunities greater than those available in the existing line of business (Thomas, 2009).

3.3 SUMMARY

The aim of this chapter was to attempt to explain possible Generic Growth Strategies for organisations which are looking to expand their product and/or service reach. Although the chapter is generic in terms of growth strategies, its purpose was to reveal strategies which an organisation wanting to expand its business into the Ethnic cosmetic and toiletry retail industry could adopt.

The Ansoff matrix is used to help identify possible growth opportunities which could be found by combining existing and new products and/or services, and existing and new markets. Although the Product/Market Grid of Ansoff is already decennia old, it remains a valuable model for communication around business unit strategy processes and business growth (12manage, 2009).

The next chapter seeks to explain how the, strategic, non-equity alliance of Franchising, which was explained as a growth strategy in this chapter, can be used by an organisation wanting to adopt a Market development strategy in order to increase company growth.
CHAPTER 4

FRANCHISING AS A GROWTH STRATEGY

4.1 INTRODUCTION

Franchising is certainly not a new phenomenon in the business world. It is known that General Motors and Rexall Pharmacies (both organisations of the USA) have used this form of business approach since 1898 and 1901 respectively (Lamb, Hair & McDaniel, 2002: 440). While franchising is predominantly catered towards the fast food and beverage markets, stores can also be of service related franchising as well (Lamb, et al 2002:441).

The franchising system is said to enable member firms to perform at otherwise unachievable levels (Brown & Dev, 1997:37). Duckett (2008: 3) asserts that franchising provides an organisation with faster growth through more highly motivated operators, using someone else’s money and effort to open and run the outlets. Following a growth strategy for a business, places a demand on an organisations cash flow, thus franchising is one way of raising capital to grow a business (Franchisebusiness, 1999)

Chapter four will focus on the different franchising models available to a business seeking organisational growth through franchising. For this study, the chapter is intended to reveal the correct model which could be integrated into the development of a top end Ethnic cosmetic and toiletry specialty franchise store concept. The different types of franchising options and their advantages together with their disadvantages will be explained.
4.2 DEFINITION AND RELATED TERMINOLOGY OF FRANCHISING

Elango and Fried (1997:68) use the following as the definition for Franchising:

Franchising is an organisational form in which a company grants an individual or another company the right to do business in a prescribed manner over a certain period of time in a specified place in return for royalties or the payment of other fees.

Niemand (1998:2) explains that Franchising is a relatively safe way for companies to expand effectively without incurring the high overheads and management problems usually associated with the establishment of a branch network.

The term franchisor refers to a company or person that owns a brand name, trademark, operating system, support system, or technical techniques (Franchise Law, 1998). A franchisor can further be defined as a person in the franchise relationship who introduces structure and discipline, standardisation of operating procedures, and sophisticated control techniques that ordinarily would be unavailable to the operator of a single unit (Seltz, 1982:1). The description Maitland (1991:1) gives to a franchisor is that of a party who grants a license to a franchisee to operate a business using the franchisor’s business concept.

A franchisee, which is the party buying the franchise (Maitland, 1991:1) is described as an independent business person that distributes the franchisor’s products, and/or services through retail and/or service outlets (Franchise Law, 1998). According to Seltz (1982:1) the franchisee has the ability to introduce an entrepreneurial spirit to the franchise relationship, which includes a dedication and willingness to devote long hours and hard work to the enterprise, which usually would not be obtained by a franchisor’s employees.
Franchising is a commercial relationship in which one party allows the other to operate clones of a proven business system in return for an initial and ongoing fee. The fee level varies greatly depending on each sector, but in all cases the amounts paid must be a fair reflection of each party’s investment in the operation. The process starts with a proven and successful business system, which can be easily learned by other people, operated in outlets, as well as simply acquired and converted. It must also be profitable enough for both parties (the franchisor and the franchisee) to make a good return on their investment. A recognised name, protected by the relevant trademarks, is also a pre-requisite. The business system must also be supported by excellent training facilities and management reporting processes, which make it easy to track progress and put things right if they start to go wrong (Duckett, 2008: 3).

Franchising aims to create a perception among consumers that all the franchise outlets offer the same standards and quality of goods and services. A franchise is expected to accomplish this through marketing and promoting a corporate or unitary image (Niemand 1998:2).

4.3 TYPES OF FRANCHISEES

According to World Franchise Organization (2010) multi-unit franchising creates the opportunity for a franchisee to open more than one unit. Daszkowski Two (2009) explains that one advantage of this is that multiple units are sometimes sold at a reduced rate per unit. This type of franchising is however not typically limited to a particular area, thus it enables the franchisee to have several units located in different parts of a town, or even in other countries.

4.3.1 Multi-unit

In a Multi-unit franchising operation, the franchisee partakes less in the day-to-day operations of the unit. Instead the multi-unit franchisee manages all the locations at a higher level (World Franchise Organisation, 2010). Usually the franchisee will hire
managers and staff for each location to perform the daily operations (Daszkowski Two, 2009).

The initial total investment is higher to open a multi-unit franchising operation compared to opening a single unit franchise, but the risk is said to be lower for the franchisee (World Franchise Organisation, 2010). This is due to the fact that owning more units can increase the overall probability of success. Also, the multi-unit franchisee is likely to have more input with the franchisor, creating a win-win situation on both sides (Daszkowski Two, 2009).

4.3.2 Single unit

Operating a single unit franchise, the franchisee would only be responsible for running one unit (Daszkowski Two, 2009). He or she would however be extremely involved with all of the daily operations of the business (Franchise Opportunity Specialist, 2008).

The franchisee typically has a particular territory that is covered by the unit. Usually the franchisor assigns a number of miles to be covered by each unit in operation. If the business is home-based, there may be four or five postal codes included (Franchise Opportunity Specialist, 2008). With a single unit franchise, the investment costs are said to be less than opening up multiple units. Although most single unit franchises yield a fastidious income, there is more earning potential with multi-unit franchises (Daszkowski Two, 2009).

4.3.3 Master Franchisee

BNET Business Dictionary (2009) defines a Master Franchisee, as a franchise whereby a license is issued by the owner of a product or service to another party or master franchisee allowing them to issue further franchise licenses.

It is stated that a master franchise can benefit from the original franchisor, as the master franchisee effectively develops the franchise chain on their behalf. A master franchise
usually grants further licenses within a defined geographic area, and several master franchises may cover a country (BNET Business Dictionary, 2009).

4.4 TYPES OF FRANCHISES

4.4.1 First Generation:

a) Licenses

The licensing agreement is a contract, whereby the licensor gives the licensee the right to manufacture, sell, or use something which is the licensors exclusive property. In exchange for these rights, the licensee pays the licensor a specified royalty fee. A licensing agreement is said to usually last for a specific period and pertains to a specific area (Hall & Dixon, 1988).

b) Distributorship

A distributorship involves the manufacturer granting a distributor rights to sell the manufacturers products within a certain jurisdiction (Hall & Dixon, 1988:12). The manufacturer’s agreement with the distributer usually includes clauses pertaining to minimum stock levels and the exclusive sale of the manufacturers products, which the distributer needs to adhere to (Mendelsohn 1992:38).

c) Right to use a trade mark

Franchoise (2009) define a trademark as "a symbol, name, or other distinctive characteristic which identifies a product that has been officially registered and is legally restricted to the use of the manufacturer or owner".
Hall & Dixon (1988) explain that the franchisor who owns a trademark, would grant the right to use the trademark to the franchisee in return for the payment of fees. The trademark does however remain the property of the franchisor.

d) Concessions

Nieman and Pretorius (2004) define concessions as the granting of certain privileges to other parties. A concession is said to come in two forms. The first is whereby the franchisor grants the franchisee the right to trade in a given location or area (Nieman and Pretorius, 2004) for an initial fee, as well as royalty fee payments (Hall and Dixon, 1988). The other type of concession involves the franchisor granting the rights to the franchisee to sell a particular range of products within an existing retail outlet (Nieman and Pretorius, 2004).

4.4.2 Second Generation Franchises

a) Business Format Franchising

Business format involves the granting of rights by a company (the franchisor) to a third party (the franchisee) to operate their business system using a common brand and common format for promoting, managing, and administrating the business. The importance that it should be a proven business system that is offered, not merely the right to sell a product or service is emphasised (Seda, 2002).

The “business format franchising” is said to include the granting to the franchisee by the franchisor of rights over the use of a name or logo, maintenance and continuing control over the manner in which the business is run, as well as an obligation for the franchisor to provide ongoing assistance to the franchisee. The franchisee in turn, is said to be responsible for payment of fees to the franchisor for goods or services, and the use of the name and image (Nathan, 1993).
Miranda (2009) further explains that a business format franchise is a franchise that uses the same business format for all its franchises. A business format franchise therefore instructs its franchise owners regarding how to conduct all their business transactions from purchases, to the way in which they deliver their product and/or service. The reason business format franchises are created as such, is attributed to the fact that the franchisor believes they have found the best way to do things and so encourages other franchises to follow the same model.

According to Maitland (1991:3) and Plew (2003) there are three types of “business format franchising” (listed below) categorised according to the size or level of investment needed to establish the operation.

**Job Franchise**

The franchisee completes the work or provides the service operating from home (Plew, 2003).

**Business Franchise**

Plew (2003) defines this franchise type, as one that requires premises, with the franchisee spending time between promoting the business and managing the shop or warehouse.

**Investment Franchise**

This franchise type is defined by Plew (2003) as one which involves the franchisee managing and monitoring the businesses performance at an arm’s length, by employing other managers and staff.
b) Conversion Franchises

A conversion franchise is said to be established when the franchisor convinces an independent business-person that owns a business in the same industry, to convert their business into a franchise. The contribution of the business person would be in the form of their property and expertise, while the franchisors would be the contribution of the trade mark and operating procedures (Hall and Dixon, 1988).

4.5 ADVANTAGES AND DISADVANTAGES OF FRANCHISING

4.5.1 Advantages of franchising for the franchisor

a) Low Capital Expenditure

According to Maitland (1991:13) besides the organising and marketing expense which is covered by the franchisor, the franchisee thereafter takes responsibility of all the setup and running costs involved in the operation of the business.

Fortune Manning Lawyers (2008) further asserts that capital expenditure once the system is up and running is minimal. Added to this is the fact there is greater opportunity for growth with minimal capital expenditure, because franchisees use their own capital to develop a franchise business. Due to the lower capital expenditure there is potential for a greater return on investment. Additionally, steady cash flow is common for a franchisor as a result of royalties received from franchisees.

b) Personal commitment and motivation

Franchisees as business owners are said to be more motivated than employees to make a success out of the franchise business (Fortune Manning Lawyers, 2008).
The franchisee is said to carry a high level of commitment and motivation towards the franchise. This is due to the fact that a franchisee’s investment into a business through money and time is far greater than that of a manager hired to do the job. Therefore there is a motivation and commitment on behalf of the franchisee to meet their loan payments and other financial overhead responsibilities, through the running of a successful franchise operation (Maitland, 1991:13).

Hall and Dixon (1988:40) further explain that because of the franchisee’s financial investment, they also tend to operate the franchise business for a longer period of time than hired managers would.

c) Reduced daily involvement

Fortune Manning Lawyers (2008) proclaim that the franchisor does not need to be focused on running the business, and can therefore focus on franchisee performance instead of day to day operations.

The franchisees are responsible for the daily management and running of the franchise business (Hall and Dixon, 1988:40). Therefore the franchisor is free to focus attention towards the growth of the franchise system through attracting and selecting new franchisees and improving the business concept (Maitland, 1991:13).

d) Growth Potential of franchising

Franchisors are said to be able to achieve swift growth of their distribution system with limited risk, due to the spreading of such risk involved in an expansion program through their franchised business units (Hall and Dixon, 1988:40). From a control and risk point of view, franchising is evenly poised on an axis compared to those other entry strategies (Miller, 1998:286), as shown in the following figure 4.1 on the following page.
The potential for the franchise network to grow rapidly is further made possible by using a franchisee’s time and effort instead of supervising employees. Entry into foreign markets is said to be made possible and easier as a result of contracting with franchisees located in those markets (Fortune Manning Lawyers, 2008).

Further growth can also be achieved as franchise outlets begin to operate in areas and locations which would have been uneconomical for company owned outlets to operate in. These outlets become economical as franchisees are said to usually have a better knowledge of the local market than hired managers, thereby making the business more profitable (Hall and Dixon, 1988:40).

In terms of growth potential, franchising can also be viewed as a market entry strategy for international expansion. This form of strategy falls under the category of direct exporting (Doole & Lowe, 2004:220).
e) Competitiveness achieved through economies of scale

With a successful growth program and the establishment of more franchised units, franchisors are able to compete on equal terms with larger rival companies. The ability to compete further enables the franchisor to gain negotiating strength, which can be used for the benefit of the franchisees (Hall and Dixon, 1988:40).

The opportunity to negotiate group buying discounts through additional purchasing power increases the franchises competitiveness. Further economies of scale realised from franchising include the opportunity made available for research and development, as a result of feedback and reports received from franchisees.

As a result of pooling the marketing and advertising fees received from franchisees together, more funds are also now available for advertising than would be the case in an individually run business (Fortune Manning Lawyers, 2008).

f) Control over the franchise

The franchisor is said to be able to maintain a good level of control over franchisees, as a result of contractual arrangements. A franchisor retains ownership of the franchise brand and can continue to develop the system. The franchisor is allowed to run company owned operations alongside franchised operations (Fortune Manning Lawyers, 2008).
4.5.2 Disadvantages of franchising for the franchisor

As with any business strategy franchising your business can have disadvantages and these can include:

a) Loss of ownership

The franchisor although owning the business concept, does not own the franchise unit itself, as this unit belongs to the franchisee (Maitland, 1991:16).

b) Low profits

The franchisor is said to usually receive a lower income level from a franchised outlet than from a self owned outlet unit (Maitland, 1991:16). Fortune Manning Lawyers (2008) state that franchising a business is not a get rich quick scheme, as a significant amount of upfront costs and time is required to develop a franchise system.

It is asserted that even when the first few franchises are sold, sales can be considerably low, taking time before a franchisor begins to receive fees and a regular income. A further consideration is that the franchisor will only receive a portion of the profit made by the franchisees by way of a royalty (Fortune Manning Lawyers, 2008).

c) Interdependence

A franchisor and franchisee cannot operate independently from each other. The franchisee is dependent on the franchisor to provide a tried and tested business system, with continuous help and support from the franchisor. In turn the franchisor is dependent on the franchisee to follow the operating manuals, maintain the good name of the
franchise, and pay royalties on time. Without each party carrying out their responsibility, the whole franchise system will suffer (Maitland, 1991:16).

Dealing with problem franchisees can also be considered a disadvantage of a franchise system as the franchisees cannot be fired. It also takes additional expense and effort to deal with a non-performing franchisee. It is said to be too expensive and not always easy to enforce the terms of a franchise agreement. A successful franchisee may try to control the direction of the business, because of the interdependent relationship created by a franchise system (Maitland, 1991:16).

d) Future competitive disadvantages created

Franchisees are said to develop an in-depth knowledge of the franchisors business system, thus the potential exists for this knowledge to be used by the franchisee after the he or she has left the franchise system (Fortune Manning Lawyers, 2008).

4.5.3 Advantages of franchising for the franchisee

a) Branding

Franchises are said to usually have a proven track record with an established name, thus enabling a franchisee to benefit from receiving immediate goodwill in their market place (Maitland, 1991:69). Franchises therefore offer franchisees a strategic identity that is not only effective, but has cumulative market impact (Daszkowski One, 2009).

According to Daszkowski One (2009) corporate brand Identities are proven. Mega-brands such as McDonald’s spent millions on their brandings and logos, which the franchisee gets the full advantage of. A successful brand is said to be one that is remembered, and franchises have some of the most successful brand identities in the world.
b) Advertising

Advertising is stated as being one of the biggest expenses for any new business, but it is stated to be imperative as a business is unable to survive without effective advertising. The problem is said to be that effective advertising is expensive, but it is said that in today’s business environment, even if a business has a prime location, if customers are unfamiliar with what that business has to offer, they won’t come into it (Daszkowski One, 2009).

Franchises offer national advertising campaigns that are included in the franchise fee (Daszkowski One, 2009), and is considered by Maitland (1991:69) as a benefit to the franchisee.

c) Name Recognition

Franchises usually have a proven track record with an established name, thus enabling a franchisee to benefit from receiving immediate goodwill (Maitland, 1991:69). With the ever growing demand from consumers for guarantees, name/menu/brand recognition, formed by the franchisor gives them that assurance. Consumers know what to expect when they stop at a franchise, because the majority of them are repeat customers, even if it’s the first time into a particular store (Daszkowski One, 2009).

d) Reputation

Franchises usually have a proven track record with an established name, thus enabling a franchisee to benefit from receiving immediate goodwill in their market (Maitland, 1991:69).

Franchisees also enjoy the protected reputation of the Franchisor. This protection comes from the existence of designated legal departments that take care of the inevitable issues like lawsuits, accidents, and difficulties with employees. The reputation
of the franchise is what breeds positive expectations which keep consumers loyal (Daszkowski One, 2009).

This benefit coupled with a built-in umbrella of legal protection is said to be an incredible bonus for the franchisee, and one which a business person cannot get as an independent (Daszkowski One, 2009).

**e) Support**

The franchisor provides help and support with not only the launch of the business, but its continual operation. With this support fewer mistakes are made, less time is wasted on finding the best way of running the business, and this all calculates to lower costs (Maitland, 1991:69).

Daszkowski One (2009) states that:

“Franchisors want you to be successful and they make themselves available every step of the way. After all, they want to keep selling franchises and high success ratios keep potential franchisees coming”.

A further advantage stemming from the support given by the franchisor is that franchisees usually don’t require previous experience in the field which the franchise is operating in, to be able to run a franchise unit (Hall and Dixon, 1988:36).

Besides the above mentioned support, franchisees are further protected from competition of other franchisees, with site selection being done by the franchisor (Hall and Dixon, 1988:36).

**f) Financial benefits**

The franchise system and start up costs of a franchise is said to be lower than that of an independently owned business. Furthermore, because the chances of success are
higher than with an independent business, the chances of raising finance is therefore said to also be greater (Hall and Dixon, 1988:36).

### 4.5.4 Disadvantages of franchising for the franchisee

Maitland (1991:73) explains that operating a franchise business is hard work and effort. Franchise fee payments need to be made constantly to the franchisor for support and advice. The requirement to pay the franchise fees and royalty to the franchisor, which in some cases can be exaggerated, is said to cause frustration on behalf of the franchisee (Fran Excel. 2009). Frustration amongst franchisees is also said to be experienced as a result of the franchisee having to maintain rules and procedure set out by the franchisor. The interdependence of the franchisor on the franchisee and vice versa, means that if each does not perform their responsibilities, the entire franchise system will suffer (Maitland, 1991:73)

According to Hall and Dixon, 1988:39) if the market in which a franchise unit is operating, changes due to whatever circumstances, the franchisee is unable to make adoptions to meet the needs of their market.

A further disadvantage for the franchisee is that the franchisor may also at some point attract bad publicity, thus having a negative impact on the franchisee (Fran Excel. 2009).

Termination of the franchisor/franchisee relationship is also said to be very restrictive, and the franchisee may be bound to operate the business against their will. If the contract is terminated or reaches expiration, the transfer of all goodwill built in the local market to the franchisor would occur (Fran Excel, 2009).
4.6 CONCLUSION

In this chapter franchising was considered as a strategy for business growth. An overview including the definition of franchising was discussed, as well as aspects pertaining to the parties involved in franchising, the types of franchising, and the advantages and disadvantages of franchising in terms of the parties involved. It should also be noted that according to Fortune Manning Lawyers, (2008) not all businesses are suitable for franchising and not all business owners have what it takes to be a franchisor.

The next chapter will explain the research methodology to be used for the empirical study.
CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

In the previous chapter the literature research investigated franchising as a growth strategy. It explained the various types of franchisees and franchisors, as well as the advantages and disadvantages of franchising for the franchisee and franchisor respectively. As the research focus is to develop a top end Ethnic cosmetic and toiletry retail store model, it is assumed that franchising will in some form be integrated into this formulation.

In this chapter the method used to implement the empirical study will be discussed in detail. The method of compiling the questionnaire and performing the interviews with the respondents will also be described.

5.2 THE RESEARCH PARADIGM

Two main research paradigms have been identified by Collis and Hussey (2003). These are the positivistic paradigm and the phenomenological paradigm or otherwise known as Quantitative and Qualitative research paradigms.

5.2.1 Quantitative methods

These methods may be regarded as the scientific approach to managerial decision-making. Quantitative methods concern the processing and manipulation of unprocessed data into meaningful information (Schurink, 1998:239).

Quantitative methodology constructs hypotheses and tests them against the hard facts of reality. The null hypothesis is most often tested. The researcher decides from the
onset, which factors may cause certain results and executes tests to either support or reject the null hypothesis at some level of statistical probability (Leedy, 1993:143).

Quantitative research methods are helpful in explaining what changes have occurred, and the direction and magnitude of the changes at the individual, group, and organisational levels. Quantitative research allows the researcher to acquire data from a large number of subjects to a limited set of questions through standardised measures that are easily categorised. This process allows for statistical manipulation of data and 'generalisability' of the results to a variety of relevant areas (Dunnagan, Peterson and Wilson, 1997:7).

According to (Williams, 2004), for quantitative methods to be applied, the research problem must be properly defined with the analysis of the problems being meticulous and comprehensive to provide solutions which take place consciously, rationally, logically, systematically and scientifically.

5.2.2 Qualitative Research

Audet and d'Amboise (2001) explain that “Qualitative research approaches have traditionally been favoured when the main research objective is to improve the understanding of a phenomenon, especially when this phenomenon is complex and deeply embedded in its context”

Audet and d'Amboise (2001) further explain that qualitative research methods usually used to collect qualitative data include interviews, focus groups, direct observation, and written documents. It is effective for determining why and how changes have taken place. These methodologies allow the researcher to study a selected issue in depth.

Qualitative methods produce greater detailed information from a much smaller sample size, which is purposefully not randomly selected. These increase understanding of the
research, but reduce its reliability to other research settings and conditions (Dunnagan, et al; 1997:9).

5.2.3 Chosen Research Paradigm

For the purposes of this research paper a qualitative research design will be followed. Experienced and knowledgeable respondents currently involved in the Ethnic cosmetic and toiletry industry of South Africa will be interviewed through the use of a self constructed questionnaire based on the literature review.

5.3 VALIDITY AND RELIABILITY

The measurement instruments used for the collection of data in a research study need to be both valid and reliable for the research to yield statistical significance. The validity of a measurement instrument is the extent to which the instrument measures what it is suppose to measure (Leedy & Ormrod, 2001: 31). Bell (1993:64) asserts that whatever method for collecting data is selected, it must be examined critically to assess to what extent it is both reliable and valid.

Validity and reliability are said to be terms used in connection with measuring instruments. The integrity of the research is based on the validity and reliability of that piece of work and, as such, it is important that the work should conform to the requirements of validity and reliability (Leedy, 1997:32). The validity and the reliability of the measuring instruments influence the extent to which something can be learned about the phenomenon of the study, the probability that the research would yield the statistical significance and finally the extent to which a meaningful conclusion can be drawn from the study (Leedy & Ormrod, 2001: 31).
5.3.1 Validity

In its purest sense, validity is said to refer towards how well a scientific test or piece of research actually measures what it intended to, or how well it reflects the reality it claims to represent (AQR, 2008). Bell (1993:104) states that an unreliable item lacks validity, but a reliable item does not imply validity.

LaPolt (1997:1) asserts that there are four types of validity. Each will be explained in detail below:

a) Conclusion validity

Conclusion validity is said to occur when a conclusion can be made that there is a relationship of some kind between the two variables being examined, whether a positive or negative correlation (Changing Minds, 2009). LaPolt (1997:4) explains conclusion validity as research being conducted to actually prove that there is a relationship between the research conducted and its outcomes, thereby establishing conclusion validity.

b) Internal validity

Internal validity occurs when it can be concluded that there is a causal relationship between the variables being studied (Changing Minds, 2009). LaPolt (1997:4) states that internal validity proves that it is the research being conducted that makes a difference.

c) Construct validity

Construct validity is said to determine if it is only the research conducted and nothing else that influences the stakeholders (LaPolt, 1997:4). According to Changing Minds (2009) the question to answer is whether or not it measures the construct it is supposed
to measure. If construct validity does not exist, incorrect conclusions from the experiment will likely be drawn (Changing Minds, 2009).

d) External validity

Changing Minds (2009) supposes that external validity occurs when the causal relationship discovered can be generalised to other people, times and contexts. The question to be asked is whether or not the results are representative of only the people who participated in the evaluation or is the information collected applicable to a larger part of society (LaPolt, 1997:4). Correct sampling will allow generalisation and hence give external validity. (Changing Minds, 2009)

5.3.2 Reliability

Reliability is the extent to which a measuring instrument produces similar results under constant conditions on all occasions (Bell 1993:64). Reliability is the extent to which a test or procedure produces similar results under constant conditions on all occasions (Bell, 1993:103).

Reliability is seen as the consistency with which the measuring devise performs, meaning that apart from delivering accurate results, the measuring instrument must deliver similar results consistently (Leedy, 1997:35).

5.3.3 Validity and Reliability of the Questionnaire used in this study

The questionnaire in this study is standard for every respondent and well constructed to ensure its reliability.

Validity is said to refer towards how well a scientific test or piece of research actually measures what it intended to, or how well it reflects the reality it claims to represent (AQR, 2008). The research project was about establishing the viability of opening a
Speciality Top End, Ethnic Cosmetic and Toiletry Retailer in the Greenacres Mall of Port Elizabeth. Any organisation attempting to establish such a venture would need to have an understanding of not only the various growth options available for expanding into such a business, but also the best. For this reason, generic business growth strategies were also researched in conjunction with the primary objective.

The only way to do that was to probe individuals who currently are involved in the Ethnic Cosmetic and Toiletry Industry through interviewing. The questionnaire used in the interviewing would likely get the same responses, had other researchers used it, therefore, the questionnaire method is the best form possible to measure what is required. Furthermore, it is the author’s opinion that the study revealed an accurate research because the requirements of a valid research were satisfied.

5.4 THE SAMPLING DESIGN

Sampling is the act, process or technique of selecting a suitable sample. The purpose of the sample is to draw conclusions about the population's characteristics by directly observing only the sample of the population (Mugo, 2008).

The two main categories of sample methods are Probability Sampling and Non-Probability Sampling.

There are four main types of Probability Samples (Department of Marketing, 2005, p.156-162).

- A Simple Random Sampling which is obtained by choosing elementary units, in such a way that each unit in the population has an equal chance of being selected. The simple random sample is free from bias;
- A systematic random sample which is obtained by selecting one unit on a random basis and choosing elementary units at evenly spaced intervals until the desired number of units is obtained;
• A stratified sample is obtained by independently selecting a simple random sample from each population stratum;
• A cluster sample is obtained by selecting clusters from the population on the basis of simple random sampling.

There are three primary main kinds of Non-Probability Samples (Department of Marketing, 2005, p.156-162):-
• The convenient sample resulting when the more convenient elementary units are chosen from a population for observation;
• The judgment sample, which is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population.
• The quota sample, which allows a specific number of respondents to be chosen, who possess certain characteristics, known or presumed to affect the subject of the research study.

5.4.1 The Sample

For the author to draw meaningful conclusions the judgment sample was applied in choosing respondents. The judgement sample is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population. Sampling is the act, process or technique of selecting a suitable sample. The purpose of the sample is to draw conclusions about the population’s characteristics by directly observing only the sample of the population (Mugo, 2008).

The respondents chosen needed to be limited to experts in the Ethnic cosmetic and toiletry industry. For this reason Mrs S Carter’s, Mr S Munroe and Mr G Carter were chosen, due to their vast experience and understanding of the Ethnic cosmetic and toiletry industry. For further detail in this regard refer to page seven, paragraph one, two and three of the literature review.
5.4.2 Ethical Aspects

Written informed consent will be obtained from the respondents prior to conducting the interview. All respondents will have guarantee of anonymity by use of a signed contract. In other words all disclosed information or private files will be kept confidential from the public and each other.

The researcher will guarantee privacy by ensuring a safe environment where no interruptions will occur during the interview. Each interview will be conducted in a private office in support of the ethical considerations of privacy and anonymity, and will be recorded on a cell phone device. Respondents will be ensured that the necessary precautions will be taken to protect their identity from being revealed.

5.5 MEASURING INSTRUMENT

The instrument used will be a non-quantifying method according to Collis and Hussey (2003). A self constructed, structured questionnaire (see Annexure A), developed by the researcher based on the information gathered from the literature review, will be used to collect the data and the results thereof will be compared to that of the literature study.

5.6 CONCLUSION

In this chapter the different research methodologies were discussed and explained. The Author’s chosen research paradigm, sample and measuring instrument were highlighted and discussed.

The following chapter will focus on the presentation of the data received through the empirical study, integrated into the findings of the literature study.
CHAPTER 6

INTEGRATION OF THE EMPIRICAL STUDY WITH THE LITERATURE REVIEW

6.1 INTRODUCTION

In the previous chapter the research methodology was discussed. This chapter provides the results of the empirical investigation integrated with the literature study.

The chapter will begin with the design of the questionnaire and then present the findings of the empirical investigation, integrated into the findings of the literature study. The integration of the literature review with the empirical research will be accomplished through researching the literature study and highlighting key themes which correspond to each of the questions asked of the respondents in questionnaire. Each question asked in the questionnaire will be presented, with the answers from the empirical investigation and literature study following underneath.

6.2 QUESTIONNAIRE DESIGN

In order to aid the researcher in comparing the results of the questionnaire with the literature review findings, the questionnaire was divided into ten sections.

The first section, investigates the respondents’ prior and current involvement in the Ethnic Cosmetic and Toiletry Industry.

Section two focuses on the viability of developing a niche top end cosmetic and toiletry retailer in the Nelson Mandella Bay Metropolitan Area, as well as the feasibility of franchising as a means for future growth of the business concept.
Section three, deals with benchmarking the United States of America’s Ethnic cosmetic and toiletry Industry to South Africa’s, in order to show shortfalls or opportunities which South African organisations may capitalise on.

Section four deals with discovering the difficulties which could be experienced by an organisation entering into the Ethnic cosmetic and toiletry retail market, as well as the best methods of doing so in order to gain market share.

Section five covers trends with regards to the Ethnic cosmetic and toiletry product ranging in major top end South Africa’s retail stores.

Section six attempts to explore what the educational needs, of both the consumer and seller of Ethnic cosmetics and toiletries are.

Section seven deals with current retail activity within the Ethnic cosmetic and toiletry market, while section eight deals with future forecasts of activity within this market.

Section nine deals with current trends within the Ethnic cosmetic and toiletry industry, while section ten with future forecast of trends within this industry.

6.3 FINDINGS OF THE QUALITATIVE STUDY CORRELATED TO THE LITERATURE STUDY

6.3.1 Industry knowledge of respondents

Section one of the questionnaire, involved asking the respondents’ to give a background of their prior and current involvement in the Ethnic Cosmetic and Toiletry Industry.
a) **What has your past involvement been in the Ethnic Cosmetic and Toiletry Industry?**

Mrs S Carter’s previous experience in the industry included, being a sales executive and advisor in Ethnic cosmetics and toiletries for the Eastern Cape independent retail trade. This was her role while working for Alliance cash and carry, followed by her occupation at Weirs cash and carry.

Mr S Munroe’s past 10 years of experience in this field was as sales manager of L’Oreal for the Western Cape through to the Transkei area. In these years, he has acquired experience in dealing with the top and bottom end retail/wholesale independent/non-independent stores.

Mr G Carter’s previous experience in the field of Ethnic cosmetics and toiletries is vast. He has been the branch manager for numerous Metro stores within the Eastern Cape area, as well as Natal. Furthermore Mr Carter was held the responsibility of being the senior manager and buyer for Jumbo Cash and Carry in Johannesburg. Throughout his career, he has been dealing with Ethnic Cosmetic suppliers and their products. He has also dealt with the retail and wholesale independent trade personally, offering advice on Ethnic product ranges for these outlets.

b) **What is your current involvement in the Ethnic Cosmetic and Toiletry Industry?**

At present Mrs Carter is a director of SJT Distributers. SJT is a dealer and trader in Ethnic cosmetics, and services the Eastern Cape as well as part of the Western Cape’s Retail and Wholesale trade. Mrs Carter’s core role in the company is that of a sales executive and advisor for Ethnic cosmetics and toiletries for the Eastern Cape region, having dealings with various retail franchise outlets, major wholesalers and independent retailers.
Currently Mr Munroe is still occupying his position as Sales manager for L’Oreal, with his major focus being towards Ethnic cosmetics and toiletries. He constantly receives input from L’Oreal's research and development departments for both international and national markets.

At present Mr Carter is also a director of SJT Distributers. His main role in the company involves managing the organisation, as well as performing the buying function for all Ethnic cosmetic and toiletry products.

### 6.3.2 Viability of a Speciality Top End Ethnic Cosmetic and Toiletry Retailer, with the adoption of franchising as a means for future growth.

Section two of the Questionnaire asked relating questions, to the viability of a Speciality Top End Ethnic Cosmetic and Toiletry Retailer, with the adoption of franchising as a means for future growth. The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

#### a) Would you consider the Ethnic cosmetic and toiletry market a niche in South Africa, and if yes, give reason for your answer?

Carter and Carter (2009) assert that the “Ethnic cosmetic and toiletry market” is a niche in South Africa, as it is a market which requires specific products tailored towards its consumers. It was explained that consumers use specific products, which differ from the general market needs because of their Ethnic hair and skin.

Carter and Carter (2009) also stated that consumers in this market buy products differently to any other consumer group. Consumers were said to purchase a range of up to five different products to enable proper treatment of their hair, where the general market may just buy for example, a shampoo and conditioner.
Munroe (2009) states that although the Ethnic cosmetic and toiletry market is large, it is a niche market worth focussing on. It was explained, as a market in which only a handful of retail players were doing research and development. Most retail stores were said to view the products targeting this market, as a nice to have. It was also stated that retailers battle to focus on this market at percent, therefore leaving room for a very unique corporate company to focus on this specific market.

The literature research confirms many of the above points. Guzman (2007) reports that 46 percent of black women say they only buy products specifically for black hair. Ethnic skin is also said to differ, in such a way that when the skin ages, it gets oilier and more acne-prone.

Further emphasising the uniqueness of this market, is the report that the availability of an increasing range of products specifically formulated to offer protection against the sun for black skin may well stimulate sales in the future products (Euromonitor International One, 2007: 85).

As a segment, this market sector is said to have many specific hair needs. It requires products which add moisture, help to strengthen, protect, repair and condition the hair, as well as to add lubrication and shine. Curly-haired consumers require a broad range of effects from their hair care products (Guzman, 2007).

Ethnic consumers were said to buy and use more makeup than other consumer groups, while also being more playful with colour. Ethnic women have a high percentage rate of makeup usage and general beauty spending as a result of and the range of beauty products needed by this consumer group (Mason, 2008:10).

There is also a uniqueness found in the purchasing pattern of deodorant body sprays among Ethnic South African consumers (Refer to page 35 paragraph two of the literature review) (Euromonitor International One, 2007: 32).
b) Are current retailers situated in the top end shopping centres of South Africa, penetrating this market in its entirety, and if no, for what reason?

Carter and Carter (2009) stated that current retailers do not penetrate the Ethnic and Cosmetic Toiletry Market in its entirety. The reason given was the fact that these retailers are not adequately informed and do not understand, or even fully comprehend the product ranges and requirements of the Ethnic market. Retailers were said to be concentrating too much on the Caucasian market, allocating far greater shelf space towards products targeting that market.

Munroe (2009) also believes current retailers are not penetrating the Ethnic and Cosmetic Toiletry Market in its entirety. Munroe (2009) states that “they are dabbling in this market, they realise Ethnic products are selling well, but the biggest problem is that they don’t know the market and simply see the category as a nice to have”.

According to the literature study, many mainstream Ethnic hair products are being distributed through local township salons, rather than general retail outlets (Euromonitor International One, 2007:37). According to manufacturers, mainstream retailers still do not understand this environment completely, and as such are putting insufficient emphasis on these products (Euromonitor International One, 2007: 38).

Basic daily maintenance products and relaxers are said to still occupy a very small proportion of shelf space within formal grocery retail outlets (Euromonitor International One, 2007: 38).

c) Is there a lack of Ethnic cosmetic and toiletry product ranges in South Africa’s current top end retail outlets?

Carter and Carter (2009) assert that there is a lack of lack of Ethnic cosmetic and toiletry product ranges in South Africa’s current top end retail outlets.
Munroe (2009) attributes the lack of Ethnic product ranges within these top end retail stores, to the fact that there are only a handful of Ethnic suppliers able to spend the money needed to services these outlets. Therefore, only the suppliers with the financial resources to pay for the excessive costs of having their product on shelf in these stores will be represented.

In the literature review, Euromonitor International One (2007) proclaims that supermarket chains such as Pick ‘n Pay, stock certain cosmetic brands such as Revlon’s Charlie range, but do not have a wide variety of brands (Euromonitor International One, 2007:48).

With regard to the sales channel to market, many of the leading brands among black South Africans are not widely available among the mainstream retail channel (Euromonitor International One, 2007: 72). Basic daily maintenance products and relaxers are said to still occupy a very small proportion of shelf space within formal grocery retail outlets (Euromonitor International One, 2007: 38).

d) With Ethnic consumers having moved from lower income residential and work areas, to upper income areas, has this caused an increase in demand for Ethnic cosmetics and toiletries in upmarket shopping complexes, specifically the Greenacres Shopping Complex in Port Elizabeth, or are these consumers not entering such malls?

According to Carter and Carter (2009) there has been an increase in demand for Ethnic cosmetics and toiletries in the Greenacres Shopping Complex, due to the sheer increase in number of Ethnic consumers entering the complex.

Munroe (2009) affirms an increase in Ethnic consumer traffic, as well as demand for Ethnic cosmetics and toiletries in the Greenacres Shopping Complex, since the demographics of this complex has changed from a 99 percent white consumer group to a 60/40 mix favouring the Ethnic consumer.
e) Because of this move, is there sufficient demand for a specialised Ethnic cosmetic and toiletry, one stop shop, providing personal attention, and niche products for the Ethnic consumer market?

Carter and Carter (2009) say there is sufficient demand for such a specialised Ethnic shop, as currently no store provides a sufficient range of products for this consumer group, neither do any of them have trained staff to answer consumer questions.

Munroe (2009) believes that there is sufficient demand for such a store, as currently all the retail stores such as Clicks, who are situated in top end complexes, are still just dabbling in Ethnic cosmetics. He states the major problem which these stores have, is that they attempt to please too many consumer groups.

Results from the literature study indicate that overall, blacks’ disposable income surpassed that of the white population for the first time ever earlier the decade, and this new-found wealth is said to be stimulating sales across cosmetics and toiletries. South Africa is predicted to offer sustained value growth into the longer term with fresh opportunities in an industry (Davies, 2007).

f) From your experience, would you advocate that an Ethnic cosmetic and toiletry store focusing on the niche premium Ethnic consumer market can be profitable in the Greenacres Shopping Mall, or is the market too saturated?

According to Carter and Carter (2009) an Ethnic cosmetic and toiletry store focusing on the niche premium Ethnic consumer market would be profitable in the Greenacres shopping mall, provided one has a business strategy which will contain costs to reasonable levels.

Munroe (2009) elucidates that there may not be enough feet in the Greenacres Mall for such a niche store to be profitable. He therefore concludes that such a store would need
to diversify its product range to some degree, away from being purely focussed on Ethnic.

According to the literature review, South Africa has a sizeable and fast-growing black middle class nonexistent under pre-1991 apartheid, estimated at 15 percent of the total population of 49 million in 2005. South Africa is also said to offer sustained value growth into the longer term with fresh opportunities in the Ethnic industry (Davies, 2007).

g) For what reason would you articulate to the fact that such a store in the Greenacres Shopping Mall has not yet been established?

Carter and Carter (2009) presume the reason that such a store in the Greenacres Shopping Mall has not yet been established, is due to the market being unknown and not understood. This was said to be attributed to the fact that not enough research had been done by top end retailers into this market.

Munroe (2009) asserts that most entrepreneurs would realise that they would be unable to compete on price, for example, against Shoprite, and still cover the rental and other overheads.

h) Would you pronounce that the buying power of the top end Ethnic cosmetic and toiletry consumer is sufficient within the Nelson Mandela Bay Metropolitan to sustain a niche store?

Carter and Carter (2009) agree that the buying power of the top end Ethnic cosmetic and toiletry consumer is sufficient within the Nelson Mandela Bay Metropolitan to sustain a niche store.

Munroe (2009) explains that there are certainly enough numbers, but one would need to take into account that the rand spent per basket is currently under pressure. He
concludes however that that there are definitely enough Ethnic consumers in the Greenacres Shopping Complex.

i) Would you agree that an organisation or individual attempting to develop and manage such a store should have experience in the Ethnic cosmetic and toiletry industry and if no, for what reason?

Carter and Carter (2009) pronounce that an organisation or individual attempting to develop and manage such a store should have experience in the Ethnic cosmetic and toiletries industry. Munroe (2009) explained that experience would be imperative. He further added that the best human capital mix for such a store would include, someone with sufficient buying power and experience at a wholesale level, teamed together with a person having retail knowledge. It was made clear that such a niche store would more than likely fail, if a Shoprite for example, tried to open such an outlet independently.

j) Would you consider franchising as a growth strategy for developing further such niche cosmetic stores?

Carter and Carter (2009) believe that a strictly controlled franchise system would be the best form of growth strategy, available for such a business model. The reasons stated included; franchising would aid cash-flow, thereby enabling the swift development of further stores, swift development of further stores in other malls would be critical in hampering opposition from duplicating the concept at an early stage, and owner run stores will be more motivated than manager run.

Munroe (2009) states that franchising would be a core growth strategy, as it would reduce capital outlay from the distribution centre, which could rather be channelled towards increasing inventory levels to supply the new stores. He also stated that it would aid in developing brand awareness as well as loyalty, as consumers would begin to associate the brand with an expected service level and product offering.
6.3.3 Benchmarking South Africa’s top end Ethnic cosmetic and toiletry retail market against the USA

Section three of the Questionnaire asked respondents to compare South Africa’s Top End Ethnic Cosmetic and Toiletry Retailer Market, to that of the US. The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Is South Africa’s top end Ethnic cosmetic and toiletry retail market in line with the trends of US retailers?, in terms of the following:

i) Product ranging

Carter and Carter (2009) claim that South Africa’s top end Ethnic cosmetic and toiletry retail market is not on par with US retailers, in terms of product ranging. The reason given was that SA retailers only go with the big suppliers, whilst neglecting the numerous smaller suppliers.

Munroe (2009) proclaims that Ethnic cosmetics in South African as a whole, was on par with the US, even having some superior products; however for the top end of the market SA was said to not be on par with the US.

The literature review explains that Ethnic women, particularly blacks, are said to look to the US for innovative beauty trends and product offerings to follow. Thus, brands that penetrate the US market will have a domino effect of beauty awareness, globally (Mason, 2008:11).

ii) Store design and layout

Carter and Carter (2009), remark that South Africa’s top end Ethnic cosmetic and toiletry retail market is not on par with US retailers, in terms of store design and layout. Munroe
(2009) states that SA retailers are following the US trends however are not where they are.

The literature review revealed that in SA, department stores such as Stuttafords and Edgars have cosmetic counters which stock premium colour cosmetics. These are separated by cosmetic houses, and include skin care and fragrances within the range (Euromonitor International One, 2007:48). Pharmacies were said to be in need of a revamp for their “front of house” in order to increase their high value premium fragrance sales (Euromonitor International One, 2007:66).

- **Service offering**

Carter and Carter (2009), remark that South Africa’s top end Ethnic cosmetic and toiletry retail market is not on par with US retailers in terms of service offering. Munroe (2009) declares that SA retailers are a long way from where they need to be in terms of service offering.

The literature review reveals that Sherwood (2007) found US Retailer trends were to seek ways in which they could retain their luxury cosmetic customer. It was explained that a luxury retailer that maximises customer involvement and creates a unique experience for the luxury shopper, would draw out the desire in that consumer to spend money in the store. Customers were said to enjoy interacting with brands and with one another. The interactive forum was said to draw luxury customers into the retail environment by creating a warm and welcoming atmosphere, drawing them further into the experience. It was stated that retail environments that include education, allow sampling and impart a feeling of pampering will draw in the luxury customer.

In SA, many mainstream Ethnic hair products are being distributed through local township salons, rather than general retail outlets. This is due largely to the fact that black South Africans prefer to have advice on which products to use, and do not feel
comfortable purchasing new brands from general retail outlets, at least initially (Euromonitor International One, 2007:37).

- **Positioning of stores in the higher LSM shopping malls**

Carter and Carter (2009) state that South Africa’s Ethnic cosmetic and toiletry retail market is not on par with US retailers in terms of positioning such stores in the higher LSM shopping malls. Munroe (2009) explains that for example, the Sandton Shopping Centre in South Africa has many niche stores, but not one niche Ethnic cosmetics store.

The literature review reveals that according to Joyner (2007) US retailers are said to be neglecting their affluent Ethnic consumers. There are plenty of neighbourhoods that have clusters of affluent Asian, Hispanic and black consumers not able to find the products that they need in the normal store which they go to in their neighborhood. So then they have to go across town to an Ethnic store to get what they want. Furthermore refer to page two, paragraph two of the literature review.

**6.3.4 Gaining market share as a new entrant into the Ethnic retail market**

Section four of the Questionnaire asked respondents for their opinions regarding, suggested ways and means of gaining market share as a new entrant into the top end Ethnic retail market of South Africa. The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

**a) As a new retail entrant, targeting the top end Ethnic cosmetics and toiletry consumer, would it be an easy or difficult task to take market share away from current retail stores trading in the Greenacres mall, who currently supply products such as Ethnic cosmetics, and for what reason?**
Carter and Carter (2009) proclaim that it would never be easy to gain market share as a new competitor, however it would also not be difficult since a niche Ethnic cosmetic and toiletry store would be a new concept for the Greenacres Shopping Mall. The important factor would be to ensure that all staff employed have been adequately training, making them superior to those found in general retail outlets.

The literature review implies that it would not be a difficult task taking market share away from current SA retailers in general; due to their lack of understanding of this niche market needs (refer to page one, paragraph three of the literature review).

b) In terms of maximising such a store's market share and profitability, would you suggest locating the store outside or inside the Greenacres mall?

According to Carter and Carter (2009) the best position for a niche Ethnic cosmetic and toiletry store would be inside a shopping mall. Munroe (2009) further explains that by situating such a store within a mall, the store would benefit from the volume of consumers passing through the mall. He also mentioned that it would be beneficial to situate such a store within a mall, as close to the preferred transport system of the targeted consumer as possible, without isolating oneself from other potential consumers.

The literature review revealed that in October 2006 Woolworth’s opened its first beauty concept store in Canal Walk, Cape Town (Euromonitor International, 2007:38).

c) How would you suggest a top end Ethnic cosmetic and toiletry store should diversify itself from competitors?

Carter and Carter (2009) mention various differentiation methods including; store location, store layout, the ability of the store to specialise, the ability of the store to provide professional advice to customers, creating a service environment inside the store and offering new concepts.
Munroe (2009) suggests that a store should offer, after sales services such as skin analysis and hair analysis, and not just rely on educated staff or a pretty store. Besides this, the store would need to offer the consumer more information and expertise than other mass retailers. His reasoning for this is that a niche store may need to sell its products at a higher price level than the mass retailers, in order to break even. By offering these additional services they would be able to justify their premium pricing structure.

The literature review reveals that the Edcon Group has plans to become a more exclusive retail outlet, bringing in unique premium fragrance brands such as Comme Des Garcomes, Vera Wang and Viktor and Rolf Lourbaum (Euromonitor International One, 2007:73).

For retailers, it is a question of hitting the right balance of exclusivity and a welcoming atmosphere, which will bring consumers back to the luxury experience time and time again (Sherwood, 2007).

Current US Retailer trends are to seek ways in which they can retain their luxury cosmetic customer. A luxury retailer that maximises customer involvement creates a unique experience for the luxury shopper, drawing out the desire to spend money in that store. Customers enjoy interacting with brands and with one another. This interactive forum draws luxury customers into the retail environment by creating a warm and welcoming atmosphere, drawing them further into the experience. For this reason, retail environments that include education, allow sampling and impart a feeling of pampering will draw in the luxury customer (Sherwood, 2007).
6.3.5 Product Ranging

Section Five of the Questionnaire asked respondents for their opinions on product ranging in the current top end retail market, as well as their suggestions of possible product ranges these stores or new stores targeting the Ethnic cosmetic and toiletry market should consider.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Rank according to not good at all, not very good, average, good and very good, the focus towards; male Adult, female adult, male teenagers, female teenagers, male tweenagers, female tweenagers and baby Ethnic cosmetic/toiletry consumers, which current South African retail stores are currently giving?

Table 6.1 on the following page summarises the opinions of Carter and Carter (2009), as well as Munroe (2009) regarding how they perceive the focus current SA retail stores are giving the following categories of top end “Ethnic cosmetic and toiletry product ranges.

Carter and Carter responses are marked with an x, while Munroe’s answers are marked with the digit zero.
Table 6.1: Focus shown by SA retail stores towards the Ethnic consumer group.

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>Not good at all</th>
<th>Not very good</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Adult</td>
<td>X 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Adult</td>
<td>X</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Teenagers</td>
<td>X 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Teenagers</td>
<td>X</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Tweenagers</td>
<td>X 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Tweenagers</td>
<td>X 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby</td>
<td>X 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) Should a specialised top end Ethnic cosmetic and toiletries one stop shop in SA, keep product ranges for the following potential consumer categories? Explain your answer?

Male Adult:

Carter and Carter (2009) explain that most Ethnic adult male consumers shave their hair bald, and that it is only the ruster sect within the Ethnic consumers who involve themselves in hair maintenance. This specific group however would usually wash with sunlight soap. For skin care, this consumer group was said to use more traditional products such as aloe mezi paste yellow.

Munroe (2009) asserts that one would need to attract the Ethnic male consumer with specific products, for example, razors.

In the literature review it was revealed according to Euromonitor International (2009) that men’s grooming products, in the areas of skin care, bath and shower products, and hair care, are expected to continue showing good growth.
According to The Free Library (2009) in the US, the male Ethnic skin care segment is on the rise as better skin care products become available. Men present opportunities for Ethnic skin care marketers. The men’s Ethnic shaving category is trending up in the area of aftershave treatment and moisturising products, but the biggest challenges that are faced is awareness, education and trial. According to Happi (2005) these men are looking for many of the same benefits that women are looking for; the only difference is that men want simplified products that still perform well. Anti-aging is an emerging trend, and luxury-shaving products are on the rise. More manufacturers are offering male-specific body washes (Happi, 2005).

While the global trend towards the “metro-sexual” male has taken hold in South Africa, the majority of South African men are not educated, or concerned, about the skin care products that they use. Many rely on the women in their lives to purchase such products for them. Therefore, trusted brands are doing well in this environment (Euromonitor International, 2007: 52).

Value sales of men’s grooming products is stated as being set to see good growth during the forecast period of 2006 to 2011, with an expected rise of 41 percent in constant terms. The fragrance of male branded products such as Vaseline Intensive Care for Men also is expected to drive sales growth, as males favour those fragrances over the more feminine fragrances available (Euromonitor International, 2007:52).

**Female Adult**

Carter and Carter (2009), as well as Munroe (2009) agree that a specialised top end Ethnic cosmetic and toiletries one stop shop in SA, should keep product ranges for adult females.
Ethnic consumers in the US were said to spend about three times more on general market beauty products, revealing a growth potential in the market (Joyner, 2007: 13). Armstrong (2009) claims the US Ethnic woman’s specific market to be 35 percent of the women’s market overall, thus presenting unique potential for business growth. The population of this group of women increases at 20 percent annually, compared with 1.1 percent growth in white woman of non-Hispanic background (Armstrong, 2009).

Women are said to be willing to pay premium prices for a product rather than a surgical procedure in order to obtain immediate results (Euromonitor International One, 2007: 71).

An increasing number of SA women are pampering themselves with pre-shave gels and foams. As an increasing number of South African women enter the formal workplace, so they have increased spending power, and are seeking ways to pamper and relax after work. Whereas soap was previously sufficient for many women when shaving, the added benefits of shaving foam or gel products are increasingly sought (Euromonitor International (2007: 80).

**Male Teenagers**

Carter and Carter (2009) express that teenage males would be difficult to target, but that they should be targeted with products such as face creams, deodorants, razor and skincare focus products, but these ranges would need to be specific.

Munroe (2009) believes that these teenage males do need to be targeted, but the marketing of the store targeting them, would need to be extremely strategic in their approach of gaining these consumers, as teenagers would feel embarrassed shopping for cosmetic and toiletry products.
The literature review reveals that Teenagers today are more sophisticated and have more disposable income than previous generations. To reach this lucrative group, manufacturers have launched products with fun, fruity fragrances, as well as unique packaging that stand out on the shelf. Anti-acne formulations are still popular (Happi, 2005).

According to Packaged Facts (2006) teenagers and young adults in the United Sates, have emerged as a growth market. These are fuelling an increase in demand for deodorant spray. This growth segment now presents a threat to old school antiperspirants, deodorants, cologne and perfumes market.

For South Africa, Euromonitor International One (2007:47) reports that many of the more “fashionable” cosmetic concepts, such as mousse formulation products for eyes and face, are targeting younger consumers. These consumers like to be seen as fashionable, which results in a trend of purchasing the latest innovative products in order to keep up with their peers. Products with added glitter or shimmer effects are also appealing to younger consumers, as wrinkles and lines on older skin are highlighted by these light products.

**Female Teenagers**

Carter and Carter (2009) assert that a specialised Ethnic cosmetic and toiletries shop should stock all possible Ethnic cosmetics and toiletry product ranges available for the Ethnic female teenager. Munroe (2009) agree that a specialised top end “Ethnic cosmetic and toiletries one stop shop” in SA, should keep a broad range of product for the teenage female.

Munroe (2009) suggests that the products stocked by a store for the teenage female would need to be linked to the products targeted toward the female adult market, as teenagers desire to be viewed as adults and therefore would follow the purchasing trends set by the female adult.
The literature review reveals that among young black women it is said that 61 percent wear makeup, compared to 84 percent of all women aged 18 to 64 (Mintel, 2007).

Male Teenagers

Carter and Carter (2009) believe that a specialised top end Ethnic cosmetic and toiletries one stop shop in SA, need not keep a range of product for the teenage males, besides sun tan lotion. Munroe (2009) suggests that the products stocked by a store for the teenage male would need to be linked to the products targeted toward the teenage male market, as tweens would look to teenagers to set purchasing trends.

The literature review reveals that Tweens are also seeking products that are made specifically for them. This group of children have grown beyond baby and toddler bathing products, but want to use the same body washes that their moms use. Products for tweens typically offer a glitter formulation to promote a fun, playful image (Happi, 2005).

Female Teenagers

Carter and Carter (2009) state that a very small product range should be available for this market for example dark and lovely kits, certain Caivel products and softer braid types. It was further explained that this consumer would follow the product trends of the teenage sector.

Munroe (2009) suggests that the products stocked by a store for the teenage female would need to be linked to the products targeted to the teenage market, as tweens would look to teenagers to set purchasing trends.
Baby

Carter and Carter (2009) explain that a specialised top end Ethnic cosmetic and toiletries one stop shop in SA should keep certain traditional creams such as, white vimbela, which is used by the parents to rub on their baby foreheads as part of their cultural activities. Munroe (2009) claims that this consumer would rely on their parents to make such purchases, therefore an Ethnic specific store should keep product ranges familiar to this group.

The literature review reveals that growth potential exists in the South African market due to, the increasing number of babies born in South Africa, rising education and awareness of the benefits of using products manufactured specifically for babies and the expansion of the target consumer group due to the emergence of the black middle class. As a result of the potential for growth, leading retailers are starting to offer more private label baby care products (Euromonitor International One, 2007:23).

The South African baby care environment is predicted to see growth of just over 57 percent in constant value terms. Performance is expected to be stimulated by an expanding consumer group and an increase in social grants from the government (Euromonitor International One, 2007:24).

Parents want to make sure the products they use on their children contain the best ingredients, and often, the best ingredients are simpler and more natural, without heavy lotion and emulsifying agents. Parents are also said to be more interested in using high quality products and less interested in the cost, because of their willingness to pay for better ingredients. Morns also trend to the familiar and can be wary of too far afield ingredients, thus Huggies found that combining an emerging trend with familiar ingredients is the best path to success (Caridad, 2006).

In general, parents more and more are looking for natural, gentle ingredients in their children’s care products. With this market pull from parents, mass market manufacturers
are expected to incorporate more botanicals and natural elements into their formulations of their baby product ranges. This has led to the creation of 'granola' type brands, which offer the design and efficacy that more parents are looking for (Caridad, 2006).

c) Would you say Ethnic consumers who shop at the Greenacres Shopping Mall still need to go to Ethnic specific stores, located in lower income areas, to meet all their cosmetic and toiletry needs?

Carter and Carter (2009) agree with regard to both the regular and more traditional Ethnic cosmetic and toiletry product ranges, that Ethnic consumers would still need to go to Ethnic specific stores, located in lower income areas, to acquire the full range of such products to meet their needs. Munroe (2009) points out that Ethnic consumer are unable to acquire all their Ethnic cosmetic and toiletry needs at the Greenacres Shopping Mall.

The literature review reveals that many mainstream Ethnic hair products are being distributed through other channels, rather than the general retail channels (refer to page two, paragraph two of the literature review) (Euromonitor International One, 2007:37).

In the US, the Asian and Latino market is said to be growing faster, in terms of numbers in the US, as Ethnic women no longer live in cities. These women now live in the suburbs, they are said to be looking for skin care and are unable to find it (The Free Library One, 2000).

d) Should an Ethnic cosmetic and toiletry store focus purely on stocking complimentary products or would associated products such as medicinal ranges further enhance the stores appeal to consumers?

Carter and Carter (2009) believe that such a store should stock medicinal ranges. Munroe
(2009) also feels that such a niche store focussing on the Ethnic consumer should stock other product ranges. Such products could be used to supplement the stores income, because with larger retailers driving prices down, one would not survive purely on Ethnic cosmetic and toiletries, unless the store was extremely small, thereby attracting less rental.

Medicines in particular were suggested to be stocked, as this would enable mothers to use the store as a one stop shop for cosmetics, toiletries and medicinal baby products. From a stores point of view, it was said that Medicinal ranges would not invade on their cosmetics and toiletries, as space need for such ranges is minimal (Munroe, 2009).

6.3.6 Consumer Education

Section Six of the Questionnaire asked respondents for their opinions regarding current consumer educational activity in the Ethnic cosmetic and toiletry market, as well as suggestions towards how a retail store should go about educating their Ethnic consumers.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Do employees of current retail stores in SA; receive the correct training for Ethnic cosmetic and toiletry products?

Carter and Carter (2009) believe employees are not receiving the correct training on Ethnic cosmetic and toiletry products due to the fact that they are unable to make specific differentiation between the Ethnic and Caucasian side of the market.

Munroe (2009) attributes the of lack of employee training with regard to the Ethnic consumer, as part of the fact that retail stores currently have very little information regarding the Ethnic market.
b) **In retail stores, are Ethnic cosmetic and toiletry consumers being educated adequately by in store assistants, at the point of sale?**

Carter and Carter (2009) assert that Ethnic consumers are not being educated adequately by in store assistants, at the point of sale, due to these retailers still concentrating on Ethnic cosmetic and toiletry consumers in general.

Munroe (2009) agrees that Ethnic consumers are not being educated adequately and suggests educating consumers at the point of sale, would be an area to focus on through educating staff. He further asserts that all innovation currently comes from suppliers not retailers, as the market is unknown to them. Statistics of all the players in the industry are not even read by Nielsen’s. This makes it difficult for staff in retail outlets to be able to educate the consumer, for example, on what new scents are available in different product ranges.

The literature review reveals that while the global trend towards the “metro-sexual” male has become popular in South Africa, the majority of South African men are not educated, or concerned, about the skin care products that they use (Euromonitor International, 2007: 52).

c) **How would you suggest a retail store should go about informing the consumer of product attributes?**

Carter and Carter (2009) suggest the placement of on shelf mini LCD television screens, providing information on various product uses. Sampling was also a suggestion as Ethnic consumers enjoy being able to touch and feel a product.
Munroe (2009) also suggests mini LCD television screens, as well as small information brochures, but most importantly personal interaction. Munroe (2009) highlights that in attempting to educate the end consumer; a store should not cause a brain drain and confusion amongst the consumer from supplying too much information.

The literature review reveals that in the US, sampling is said to be the key to launching face products, as it allows customers to find their shade match and experience the formula (Mason, 2008:12). It is said that retail environments in the US which include education, allow sampling and impart a feeling of pampering will draw in the luxury customer (Sherwood, 2007). Black South Africans were said to prefer receiving advice on which products to use (Euromonitor International One, 2007:37).

d) Should a store have demonstrations of how to use products, and if yes, are these already happening, or is there not enough space in the current retail store model?

Carter and Carter (2009) believe that demonstrations should be used; however they should be personalized ones. Munroe (2009) explains that demonstrations are important as consumers would be drawn into the store to see what was happening. The major problem however, is that retailers do not have enough space, therefore suppliers have to approach the Centre management and pay excessive charges in order to be allowed to use promoters outside the store.

The literature review reveals that in the US, in-store demonstrations are used to educate and help customers. Demonstrations are done by companies who use customer representatives in order to help determine the consumers specific cosmetic and toiletry needs (The Free Library Two, 2000).
6.3.7 Current Retail Activity

Section Seven of the Questionnaire asked respondents for their insights into what the current trends are in the Ethnic cosmetic and toiletry market.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) In terms of targeting their Ethnic cosmetic and toiletry consumer, how would you rate the following retail stores presented in table 6.2, front of house?

Table 6.2 below summarises the opinions of Carter and Carter (2009), as well as Munroe (2009), regarding how they rate various retail outlets front of house, with regard to targeting the Ethnic cosmetic and toiletry consumer.

Carter and Carter (2009) responses are marked with an x, while Munroe (2009) answers are marked with the digit zero.

Table 6.2: Rating of SA’S retailer’s front of house, in terms of Ethnic consumer appeal

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Not good at all</th>
<th>Not very good</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clicks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X0</td>
</tr>
<tr>
<td>Shoprite</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Checkers</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Pharmacy</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>X0</td>
</tr>
<tr>
<td>Woolworths</td>
<td>X</td>
<td></td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Edgars</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>0</td>
</tr>
</tbody>
</table>
b) Do you see an interest from the following retailers in the Greenacres shopping mall to upgrade their Ethnic cosmetic and toiletry departments?

Table 6.3 below lists the opinions of Carter and Carter (2009), as well as Munroe (2009), as to whether they have experienced an interest from certain retailers in the Greenacres shopping mall to upgrade their Ethnic cosmetic and toiletry departments.

Carter and Carter (2009) responses are marked with an x, while Munroe (2009) answers are marked with the digit zero.

Table 6.3: Interests shown by retailers to upgrade their Ethnic cosmetic and toiletry departments.

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clicks</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Shoprite</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Checkers</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Woolworths</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Edgars</td>
<td>X</td>
<td>0</td>
</tr>
</tbody>
</table>

The literature review reveals that Edgar’s stores have cosmetic counters which stock premium colour cosmetics. These are separated by cosmetic houses, and include skin care and fragrances within the range (Euromonitor International One, 2007:48).

c) Do retailers in the Greenacres mall show concern towards their Ethnic cosmetic and toiletry market, in terms of store design and shelf layout?

Carter and Carter (2009) assert that retailers in the Greenacres mall do not show concern, as their store design and shelf layout is more integrated with other products on the market. The reason for the low concern was attributed to their lack of understanding the Ethnic market.
According to Munroe (2009), Clicks, Edgars and Shoprite show concern to a degree, but not wholeheartedly. These stores have tried to make the Ethnic cosmetic and toiletry category as a destination category, however if one takes into account shelf space allocated for such products, there is a definite negative imbalance towards Ethnic cosmetics and toiletries.

d) Do you see an interest from the following retailers in the Greenacres shopping mall to introduce more exclusive and private label brands relating to Ethnic cosmetics and toiletries?

Table 6.4 below displays the opinions of Carter and Carter (2009), as well as Munroe (2009), regarding whether or not, they have experienced an interest from certain retailers in the Greenacres shopping mall, to introduce more exclusive and private label brands, relating to “Ethnic cosmetic and toiletry market.

Carter and Carter (2009) responses are marked with an x, while Munroe (2009) answers are marked with the digit zero.

Table 6.4: Interests shown by retailers to introduce more exclusive and private label Ethnic cosmetic and toiletry products.

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clicks</td>
<td>X0</td>
<td></td>
</tr>
<tr>
<td>Shoprite</td>
<td>X</td>
<td>0</td>
</tr>
<tr>
<td>Checkers</td>
<td>X0</td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td>X0</td>
<td></td>
</tr>
<tr>
<td>Woolworths</td>
<td>X0</td>
<td></td>
</tr>
<tr>
<td>Edgars</td>
<td>X</td>
<td>0</td>
</tr>
</tbody>
</table>
e) **What services are the above retail stores lacking, in terms of reaching their targeted Ethnic market, for example, delivery service or catalogue buying?**

Carter and Carter (2009) declare that out of all the retailers, Clicks and to a degree Edgars put an effort into reaching their targeted Ethnic market, however staff in these stores lack the skills and knowledge regarding Ethnic cosmetics and toiletries, to assist the end consumer in their purchasing decision. All other stores were said to view the Ethnic range as just another section and shelf.

Munroe (2009) asserts that the above mentioned retailers stock a minimal range of Ethnic products. They furthermore pursue the typical KVI scenario, whereby they only purchase the key volume items in the Ethnic cosmetic and toiletry product range. The attitude of these retailers is said to be one of “put it on the shelf and if it sells great, if not, who cares”.

The literature review reveals that in the US, foundation is the most critical product in Ethnic colour cosmetics and creates a firm customer base. Though this presents a challenge of matching the right shades to skin, the trend in the market is for companies to use customer representatives in order to help determine a person’s skin shade. Samples are sent out and, if the consumer is unhappy, they can return it at no cost (The Free Library Two, 2000).

The key to sustained growth is expected to be consumer education. Hard work is said to be ahead for marketers wanting to demonstrate their product differences and build consumer share (Barbalova, 2009). Retail environments that include education, allow sampling and impart a feeling of pampering will draw in the luxury customer (Sherwood, 2007).

f) **Are current SA retailers who stock Ethnic cosmetics and toiletries, providing manufactures with correct access to the end consumer, exposure of their brands and new product ranges?**
Carter and Carter (2009) believe that current SA retailers are not providing Ethnic cosmetic and toiletry manufactures with the correct access to the end consumer, in order to improve exposure of their brands and new product ranges. They are said be placing no greater attention on Ethnic products than Caucasian products.

Munroe (2009) states that certain retailers are offering what manufacturers need, however not in regards to the Ethnic market.

The literature review reveals the same sentiment (refer to page one paragraph three of the literature review).

g) Do manufacturers wanting to educate and promote innovative Ethnic products, have ease of access to the end consumer at the point of sale?

Carter and Carter (2009) feel that manufacturers wanting to educate and promote innovative Ethnic products do not have ease of access to the end consumer at the point of sale.

Munroe (2009) explains that everything comes at a cost with current retailers. It would cost a manufacturer to promote, as they would need to cover the cost of hiring a section of the mall as a venue. According to Munroe (2009) retailers would rather use manufacturer’s staff to do promotions than promotions, revealing that they do not have the product at heart.

The literature review reveals that the Ethnic hair care environment, although increasingly integrated into the mainstream retail channel, tends to have its own set of market dynamics and challenges. As an example, basic daily maintenance products and relaxers are gaining prominence within formal grocery retail outlets, but still occupy a very small proportion of shelf space. With regards to the general attitude among manufacturers, refer to page one paragraph three of the literature review (Euromonitor International One, 2007: 38).
h) Could current top end retailers in South Africa be causing the market to stagnate or progress slower than the US market, due to their policies or mindset towards the Ethnic cosmetic and toiletries industry?

Carter and Carter (2009), assert that current top end retailers in South Africa are causing the Ethnic market to progress slower than the US market.

Munroe (2009) feels that top end retailers are not on the forefront when it comes to progressing the Ethnic market. They were said to be adopting an attitude of wait and see. If it sell’s, then they will look at it, but if not, then they won’t.

The literature review reveals the general attitude among manufacturers (refer to page one, paragraph three)

Supermarket chains such as, Pick ‘n Pay stock certain cosmetic brands (refer to page 112, paragraph two of the literature review)

With regards to the sales channel to market, many of the leading brands among black South Africans, such as Clere body lotion, are not widely available among mainstream retail channels (Euromonitor International One, 2007: 72).

i) Is the current retail, Ethnic cosmetic and toiletry product mix, correct in terms of their product ranging, versus the current demographics of consumers shopping at the Greenacres mall?

Carter and Carter (2009), explain that the product mix in the Greenacres Mall is not correct, as retail stores tend to concentrate too much on the makeup side compared to the hair care. Furthermore cultural medicines receive virtually no focus.
Munroe (2009) believes that the toiletry mix is fine, but Ethnic the Ethnic cosmetic mix not at all fine. He declares that there is definitely opportunity to target this sector, as in the past number of years the demographics have changed in the Greenacres complex to majority Ethnic, yet the retailers’ space allocated to this market has not changed.

6.3.8 Future Retail Activity

Section Eight of the Questionnaire asked respondents for their opinions regarding, current retail activity in the top end Ethnic retail market of South Africa.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Which one of the following would be most relevant for establishing a niche top end, Ethnic cosmetic and toiletry retail store? Please explain your reason in this detail.
   • Retail grocery chains;
   • Retail Health and Beauty Stores;
   • Department Stores;
   • Specialty Stores;
   • Pharmacy; and
   • Salon

   Carter and Carter (2009) proclaim that a top end Ethnic cosmetic and toiletry Specialty Store would be the most relevant, while Munroe (2009) believes the most relevant would be Retail Health and Beauty Stores.

b) If a business was wanting to expand its penetration into the top end Ethnic cosmetic and toiletry retail sector, which one of Ansoff’s generic growth strategies (Market Penetration, Product Development, Market Development or Diversification) would be best suited for this industry?
Carter and Carter (2009) proclaim that because of the complexity involved in targeting the Ethnic cosmetic and toiletry consumer, a business targeting this market should have prior experience and understanding in dealing with not only the specific culture of this group, but also Ethnic specific products. A business, which is already servicing this consumer group with products tailored to their needs, and who also has the ability to adopt a Market Penetration Strategy toward such a retail concept, would be the business best suited.

Munroe (2009) suggests that a Market Penetration Strategy, applied by an expert in the Ethnic cosmetic and toiletry industry, towards establishing a Ethnic specific store, would be the best suited.

The literature review reveals according to Ansoff's Matrix (1957) Market Penetration can be used by an organisation to increase its share of an existing market with its current products. Examples of this activity are persuading existing users to use more, persuading nonusers to use, or attracting users from competitors.

The market penetration strategy is explained as the least risky strategy since it leverages many of the firm's existing resources and capabilities (Quickmba Three, 2009). The system for implementing the penetration strategy to gain further market share through targeting competitors customers involves the organisation improving their product base or product range. For this to happen, a company needs to perform market research to identify what their competitors are not offering, as well as what consumers want and need, and then fulfil these needs in order to increase the organisations customer base (Pearce, 2009).

A further system an organisation can adopt is to improve their pricing strategy or strategies by reducing the price of their products and/or services below that of their competitors. This strategy is however more for the short term, as undercutting is not ideal for building a larger customer base over the long run. An organisation should thus aim to tempt or get customers from their competitors through pricing strategies, and
then apply other techniques to keep them, such as good customer service, excellent policies, staff, and reputation and so on (Pearce, 2009).

The organisation seeking to gain their competitors customers, should analyse where their competitors are weak, and then expose their weaknesses. By this the company needs to identify what their competitors are not doing that they should be doing, and then do it well themselves (Pearce, 2009).

Pearce (2009) insists that organisations should not try and do everything all at once. Meaning that a company should not try to take all of their competitors customers just for the sake of it, as more than likely they will not be the organisations target market. Instead an organisation should work out who their target market is and what proportion of the target market their competitors have and then go from there i.e., by going after the organisations specific target market/target share as opposed to going after each competitor.

c) For a top end Ethnic cosmetic and toiletry retail store concept, would opening a single independent store be a better concept than opening numerous stores?

Carter and Carter (2009) believe that it would be beneficial in the long term to develop a franchise chain due to the economies of scale which would be gained through increased purchasing power and sharing of a central distribution centres overhead costs. In the short term however, it would be beneficial to operate a pilot store in order to give the franchisor an opportunity to experiment and develop a model that would be worth duplicating.

Munroe (2009) asserts that opening numerous stores would certainly be more beneficial if one is looking at a long term plan.
A goal of Market Penetration Strategy is to sell more of the same products or services in current markets, therefore the strategy adopted is often to achieve economies of scale through more efficient manufacturing, more efficient distribution, more purchasing power, overhead sharing (12manage, 2009).

d) What are your views with regards to franchising being adopted as a top end strategy for growing the Ethnic cosmetic and toiletry market?

Carter and Carter (2009) believe franchising is the correct business model to use, but the stores need to be professional and strictly controlled. The layout should be smart, fitting in with Ethnic market, which enjoys space. It needs to make the consumer feel smart and worthy, and not as though they were shopping in previously disadvantaged areas. For the retailer to achieve this, personal service would be imperative as the current market lacks communication which the Ethnic market thrives on.

Munroe (2009) believes franchising is the correct business model to use, providing the stores have the correct people running them. It was explained that a similar bottom end Ethnic store, Broadway, lost control of their franchise business because people running the stores viewed the stores as their own and did whatever they felt best.

The literature review explains that the advantages of franchising for the franchisor include; low capital expenditure investment, as the franchisees use their own capital to develop a franchise business; personal commitment and motivation from franchisee owners is superior to managed stores; reduced daily involvement since the franchisor does not need to be focused on running the business (Fortune Manning Lawyers, 2008); growth potential of franchising with limited risk, due to the spreading of such risk involved in an expansion program, through their franchised business units; competitiveness achieved through economies of scale (Hall and Dixon, 1988:40); control over the franchise can be maintained by the franchisor (Fortune Manning Lawyers, 2008).
e) **What type of promotional activities, should stores which target top end Ethnic cosmetic and toiletry consumers be planning?**

Carter and Carter (2009) assert that such a store should concentrate on the female market. It was said that female promoters should be used, and their focus be towards Ethnic hair care. The reason given was because the market for hair care is far greater. The market therefore deserves the input of a professional having the ability to explain to the end consumer what each of the specific products uses are for, e.g. hair braids. Other promotional activities suggested were value added promotions, broadsheets, beauty competitions and hairstyling competitions.

Munroe (2009) proclaims that educational based/beautifying, promotions should be the type of promotional activity used.

The literature reveals (refer to page 49, paragraph two of the literature review).

f) **What steps should a top end Ethnic cosmetic and toiletry store take in order to be perceived by their target market, as customer orientated and service driven?**

Carter and Carter (2009) feel that a top end Ethnic cosmetic and toiletry store should ensure all are knowledgeable with regard to Ethnic cosmetic and toiletries, as possessing the ability to interact with customers.

Munroe (2009) remarks that personal interaction, consumer follow up and after sales service, would all need to be taking place for a top end “Ethnic cosmetic and toiletry store” to be perceived by their target market as being customer orientated and service driven.

The literature review reveals a market trend in the US towards adding service to its cosmetic and toiletry consumers through the placement of customer representative’s in-
store to aid in the purchaser’s decision making. Further to this service, US based companies send out samples at no cost to their customers, who may return them at no cost if they are not satisfied (The Free Library Two, 2000).

There is a trend for luxury products to migrate to the masses; therefore new products must replace them. For retailers, it is a question of hitting the right balance of exclusivity and a welcoming atmosphere, which will bring consumers back to the luxury experience time and time again. Previously the movement of luxury items to the mass market used to take time, however, that trend is no longer and the industry is moving faster to mass produce luxury items (Sherwood, 2007).

6.3.9 Current Industry Trends

Section Nine of the Questionnaire asked respondents for their opinions regarding, current trends in the Ethnic retail industry of South Africa.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Would you say the top end Ethnic cosmetics and toiletries consumer group in SA is currently expanding?

Carter and Carter (2009) believe the top end Ethnic cosmetics and toiletries consumer group is expanding, but slowly.

Munroe (2009) alleges that expansion is taking place amongst the top end Ethnic cosmetics and toiletries consumer group as the black diamond is still around, and people are still moving from rural areas to town. He states that the market is not where it needs to be yet, but is growing fast due to better education better.
The literature review supports the above statements (refer to page 30, paragraph four of the literature review).

b) Does the top end Ethnic cosmetic and toiletry consumer in your experience, prefer the same brands of products they were brought up with as a child, or being educated and able to afford other brands, are these consumers developing a need for new brand offerings to meet their needs?

Carter and Carter (2009) assert that the top end Ethnic cosmetic and toiletry consumer definitely is developing a need for new brand offerings, while at the same time using brands which they were exposed to in their youth. The example given of this was the fact that olive oil has become a new trend in hair care ranges, as consumers who battle with dry hair are now constantly looking for olive oil based products.

Munroe (2009) feels that the top end Ethnic consumer needs constant education. They enjoy innovative products, and don’t buy purely on price any more.

While traditional brands should remain popular, there is an expected move towards trying new fragrances. The emerging black middle class in South Africa has brought an expectation, that a greater number of black South Africans will be upgrading their fragrance purchases from mass to premium brands (Euromonitor International One, 2007: 64) This consumer group is concerned with image and status, and would rather be seen purchasing premium brands, many of which are at the top end of the premium segment (Euromonitor International One, 2007: 66). Furthermore, refer to page 38, paragraph four of the literature review.

c) Is retail pricing in the premium Ethnic cosmetic and toiletry industry, elastic or inelastic?
Carter and Carter (2009) assert that pricing is not that elastic, as if a consumer has been using a certain brand of product for a long time, the tendency is that they will continue to use it.

Munroe (2009) explains that consumers are price conscious to a degree. If a price in one store is dramatically different to another, they will notice, as they are more educated these days.

The literature review reveals that SA Women are said to be willing to pay premium prices for a product rather than a surgical procedure in order to obtain immediate results (Euromonitor International One, 2007: 71). Consumers in lower income groups in particular are extremely price sensitive, and promotional activities such as couponing and discounting will encourage switching between the leading brands (Euromonitor International, 2007:52).

The increased accessibility to credit and store cards, such as the Edgars store cards, mean that a greater number of consumers can afford premium brands and pay off their purchases over a period of time (Euromonitor International One, 2007: 66).

d) Have you observed any shopping trends in SA, within this Ethnic consumer group, i.e. do customers buy mostly in a rush, are they looking for a shopping experience, and will they take time to listen to input of others at store level?

Carter and Carter (2009) believe that if a consumer plans to go to a shopping center to purchase goods, they will take time to listen to input. If however they are in a rush on their way home from work, they would not be open to the advice of others.

Munroe (2009) asserts that trends have changed, as consumers use to buy product purely on price, but these days spend more time in stores, as they want be up to date on the new trends and products available to them.
The literature review reveals the same sentiment (refer to page two, paragraph two of the literature review).

e) Would you say that the busier lives being led by consumers these days could impact niche Ethnic cosmetic and toiletry stores negatively, as consumers seek a one stop shopping experience for all their purchases?

Carter and Carter (2009) state that busier lives being led by consumers would not impact negatively on a niche Ethnic cosmetic and toiletry story store. The main reason besides the fact that it would be a new concept is the fact that the store would be selling products for specific uses and remedies, therefore making advice and assistance during the purchasing decision imperative.

Munroe (2009) believes that if the store has the correct staff to communicate with customers in their home language, making the consumer feel as though they are receiving special treatment, the consumer will take the time out to shop in a specialised store. Furthermore, because of the amount of time and money spent on cosmetic and toiletries, consumers will be willing to listen to go to specialists in the field.

6.3.10 Future of the Ethnic Cosmetics and Toiletry’s Industry

Section 10 of the Questionnaire asked respondents for their predictions and views for the top end Ethnic retail market of South Africa.

The questions’ asked of the respondents follow below, together with their answers, and a comparison of these answers to the literature research.

a) Do you believe the top end Ethnic cosmetic and toiletry industry has a viable future in Port Elizabeth, and if so why?
Carter and Carter (2009) proclaim that the top end Ethnic cosmetic and toiletry industry has a viable future in Port Elizabeth, as essentially only Edgars and Clicks stock such products and this in limited ranges. Further to this, the shifting demographics of the population, as Ethnic people move into certain areas will also contribute to increased demand for products in the top end shopping malls.

Munroe (2009) also believes that there is a viable future for the top end Ethnic cosmetic and toiletry industry, as the education level of the Ethnic consumer, in particular the black diamond was said to be taking a while to get too the Port Elizabeth region.

b) Which retail sector do you foresee in the future, as being the leader of top end Ethnic cosmetics and toiletries in Port Elizabeth?

Carter and Carter (2009) believe the specialised retailer, who approach the Ethnic cosmetic and toiletry market as a niche, will be the leader of the top end Ethnic market.

Munroe (2009) asserts that the Independent Professional Trader will be the leader of the top end Ethnic market. He suggests a Clicks type of scenario, but a better model, one which does away with the volume items such as cutlery sets etcetera..., and focuses purely on cosmetics.

c) Which LSM grouping do you foresee leading further growth in the Ethnic cosmetics and toiletries market?

Carter and Carter (2009) feel that LSM group four to eight will lead further growth in the Ethnic cosmetics and toiletries market.

Munroe (2009) remarks that LSM four, five and six, the middle class is showing the growth, therefore in the Ethnic industry a store should target the middle to upper income groups, especially in the Greenacres Mall.
d) Looking into the future, how should stores who target this market, differentiate themselves from competitors?

Carter and Carter (2009) assert that stores targeting this market should differentiate themselves from competitors through specific product ranging, being in stock of products at all time and personal service.

Munroe (2009) believes differentiation should be done through offering more professional service, and consumer opportunity to educate themselves with the new Ethnic products. Price was also mentioned as an element which must be taken into account, as products need to be affordable, and realistic. It was further suggested that the difference in price between competitors should not be more than 20 percent.

The literature review reveals that growth potential does in fact exist in the South African market (refer to page 32, paragraph three of the literature review).

e) Do you foresee retailers such as Clicks, Shoprite, Checkers, Woolworths, Edgars and Pharmacy stores of the Greenacres mall, partnering with solely owned Companies, in order to create an Ethnic focussed cosmetic and toiletry department store, or would they rather attempt to accomplish this on their own?

Carter and Carter (2009), envision that such stores would try to buy solely owned companies out and would not partner. It was further stated that because the stores mentioned were not specialised Ethnic stores, they would concentrate on their products and try to buy out a group’s idea and intellectual knowledge.

Munroe (2009) agrees that these above mentioned stores would rather accomplish such a business on their own. Spar was also mentioned as an example, with stores opting to run their own bottle stores, rather than have someone else run them under the Tops brand next to their store.
The literature review reveals that department stores such as Stuttafords and Edgars have cosmetic counters which stock premium colour cosmetics. These are separated by cosmetic houses, and include skin care and fragrances within the range (Euromonitor International, 2007:48).

Foschini is said to be a retailer to watch in the future. It is a new entrant into the cosmetics and fragrances arena, and is said to be attracting new customers, leading to a boost in sales as a whole (Euromonitor International One, 2007:66). Furthermore refer to page 43, paragraph three of the literature review.

6.4 CONCLUSION

The aim of Chapter Six was to present the results of the empirical study integrated with the results from the literature study.

The respondent’s answers to the questionnaire were summarised in order to present their opinions. The literature study was then scrutinised to identify key themes which correspond to the questions which the respondents were asked. The various points of relevance from the literature review were then integrated into each individual question in the empirical study.

The following chapter will draw conclusions from the empirical and literature study’s findings, and present the conclusions and recommendations.
CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

The previous chapter presented the results of the empirical study which were integrated with the results from the literature study.

This chapter aims to draw conclusions from the integration of the results obtained from the literature study with the results obtained from the empirical study. In so doing, the Author endeavours to address the problem statement and research objectives initially set out for the research paper. Once this has been accomplished, final recommendations will be put forward regarding the establishment of a top end speciality Ethnic cosmetic and toiletry store in the Greenacres shopping mall of Port Elizabeth.

7.2 CONCLUSION OF THE INTEGRATION OF THE EMPirical AND LITERATURE STUDY

In this section the conclusions of all the findings with regards to the Ethnic Cosmetic and Toiletry industry, resulting from the integration of the literature review and the empirical study will be discussed.

7.2.1 Viability of a Speciality Top End Ethnic Cosmetic and Toiletry Retailer

From the literature review and the empirical study, it can be concluded that opening a top end Ethnic cosmetic and toiletry speciality store in SA, and in particular within the Greenacres Shopping mall of Port Elizabeth, is a viable business venture.

Reasons contributing to the viability of a speciality Ethnic store:
The Ethnic cosmetic and toiletry market is a niche in South Africa, with consumers having unique and specific product and purchasing needs.

The top end retail Ethnic cosmetic and toiletry market is not saturated in terms of product ranges, service offerings or even speciality stores, and has enormous room for further research and development with regards to meeting these consumers’ needs. Further to this, current competitors in the top end retail Ethnic cosmetic and toiletry market lack the understanding, knowledge and interest needed for targeting this consumer market.

Ethnic consumers having moved from lower income residential and work areas, to upper income areas, who are said to have more disposable income than whites, has caused sufficient demand for Ethnic cosmetics and toiletries within top end malls such as the Greenacres Shopping Mall in Port Elizabeth.

Profitability of a top end retail Ethnic cosmetic and toiletry store in the Greenacres Shopping Centre should be favourable, provided overheads are kept low, rental space is minimal and there is a slight diversification in product range away from pure Ethnic cosmetics and toiletries.

There is a large barrier to entry in opening a top end Ethnic cosmetic and toiletry retail store, due to the experience, knowledge and buying power needed to operate such a store successfully. An organisation having the intellectual property in this market, gained through experience in both the wholesale and retail operations would be expected to possess the capability of taking advantage of this niche market.
7.2.2 Benchmarking SA’s top end Ethnic cosmetic and toiletry retail market against the USA

Both SA and US markets tend to be neglecting their affluent Ethnic consumers; however US markets are still targeting this consumer group more powerfully, and SA can certainly learn from their advancements.

Product ranging in SA’s top end retail outlets was found to be less than that of the US market. In terms of store design and layout, SA’s top end retailers are following US trends slowly, but are not as yet in line with all aspects.

In terms of service offering, South Africa’s is also a long way from where they need to be in comparison with the US market. SA retailers still need seek ways to maximize customer involvement, create a unique shopping experience and interaction with customers. Retail outlets further need to include education, allow sampling and impart a feeling of pampering towards their consumers.

7.2.3 Gaining market share as a new entrant into the SA Ethnic retail market

It has been established that as a new retail entrant targeting the top end Ethnic retail cosmetic and toiletry market in SA, particularly the Greenacres Shopping mall of Port Elizabeth, the following guidelines should be followed in order to gain market share and sizeable organisational growth:

- Ensure staff employed, receive adequate training in order to make them superior to those found in general retail outlets;
- All persons involved with the store should understand and keep up to date with product as well as consumer trends in the industry;
- The retail store should be positioned within the mall, close to the transport network, but not isolated from other potential consumers;
• Differentiation from competitors should be focussed towards the ability of the store to specialise, provide professional advice to customers, run expert sampling campaigns, create a service/welcoming environment inside the store, offer new concepts and provide after sales services such as skin analysis as well as hair analysis;
• Business format franchising should be used to expand the retail business model;
• Through the use of business format franchising, the organisation should maintain tight control over the franchised stores.

7.2.4 Product Ranging

Top end, Ethnic cosmetic and toiletry consumers in South Africa, as well as those shopping at the Greenacres Mall in Port Elizabeth; experience insufficient product ranges available for satisfying their specific needs.

The focus shown by SA retail stores towards the Ethnic consumer group in terms of product ranging is not very good, therefore opportunity exists for a store willing to stock an in-depth product range. Although focusing on Ethnic cosmetic and toiletries, a specialty store should further stock a general range of medicinal products to assist in generating better margins. For the in-depth product ranging suggested, refer to

7.2.5 Consumer Education

Ethnic consumers are looking for a shopping experience whereby they receive help and guidance in their cosmetic and toiletry purchases. Particular attention needs to be paid towards educating the Ethnic male consumer.

There are various methods identified through the research, which a store can use in order to educate their customer. These methods include; the use of on shelf mini LCD television screens, sampling (which enable touch and feel of the product), information brochures, personal demonstrations of products and personal interaction.
Personal interaction with the consumer has been identified as the most important means of adding value to the end customers’ purchase. For this reason, it was found that those who interact with consumers at the point of sale need to receive the correct training. Training of staff should be focussed at educating them to make specific differentiation between the Ethnic and Caucasia consumer needs, as well as advise Ethnic consumers on various product options for their specific needs.

7.2.6 Current Retail Activity

Within the Greenacres Shopping Mall, Clicks, Shoprite, Checkers, Pharmacy, Woolworths and Edgars were identified as the main traders stocking Ethnic Cosmetic and toiletry products.

The conclusions drawn from the literature review and the empirical study with regards to the above traders, was to establish their activity as individual groups, in terms of the Ethnic cosmetic and toiletry consumer market.

It was found that the major service which the above retail stores were lacking in was personal service. The ability of staff to assist the end consumer in their purchasing decision was hugely hampered by their lack of understanding and knowledge of the industry.

These chain stores across the board are also not providing the manufacture’s with the correct access to the end consumer or the maximum opportunity for the exposure of their brands and new product ranges. This is hindering the education and awareness of this industry. Furthermore, by not listing depth product ranges, retailers are hindering the expansion of this market. An example are the retailers in the Greenacres Mall, who have not increased their Ethnic product ranging to the same degree as the change of demographics from Caucasian to Ethnic consumers,
In terms of focus shown to the Ethnic consumer, Edgars, Clicks and Shoprite were the only stores being expressed as putting effort into their front of house, Ethnic cosmetic and toiletry departments, store design and shelf layout. These stores were also the only ones explained as being interested in developing their own private label Ethnic cosmetic and toiletry products. The above being stated, these stores still show a lack of interest in the Ethnic market, as their focus is divided through trying to accommodate every consumer group.

7.2.7 Proposed Future Retail Activity

The Ethnic cosmetic and toiletry retail industry of South Africa has become an investment opportunity. Second to the US, South Africa is the biggest market for Ethnic products. It is therefore believed that opening a top end Ethnic cosmetic and toiletry speciality store is a viable business venture going forward.

A business targeting the Ethnic cosmetic and toiletry consumer market, should have prior experience and understanding in dealing with not only the specific culture of this group, but also Ethnic specific products, because of the complexity involved in targeting this niche group of consumers. The best suited business to exploit this market is one who already services this consumer group with products tailored to their needs, and who possess the ability to adopt a Market Penetration Strategy through vertical integration toward such a retail concept, would be the business best suited.

For the company wanting to establish a niche Ethnic Cosmetic and Toiletry retail store, opening either franchised Specialty Stores or franchised Retail Health and Beauty Stores would be the favorable option. The organisation should however not try and do everything all at once, and the development of a pilot store in order to give the franchisor the opportunity to experiment and develop a model that would be worth duplicating should be the first step.
The business model suggested was one which would allow the owner of the concept to maintain tight control over the organisation. For this reason, business format franchising, in particular the business franchise type was found to be the correct model to use, providing the stores have the right people and controls in place.

The layout used by such a franchise group would need to fit in with the Ethnic market and make the consumer feel smart and worthy. Space within the store is also important in targeting the Ethnic consumer who enjoys vast space. It needs to make the consumer feel smart and worthy, and not as though they were shopping in previously disadvantaged areas. For the retailer to achieve this, personal service through interaction with customers would be imperative as the current market lacks communication which the Ethnic market thrives on.

With regards to promotional activity in the Ethnic market, retailers need to focus on educational based/beautifying promotions. Further considerations identified included; value added promotions, broadsheets, beauty competitions and hairstyling competitions. If promoters are used, then these need to give professional input to customers.

7.2.8 Current Industry Trends

The top end Ethnic cosmetic and toiletry consumer group is still expanding through the black diamond or black middle class, as people are still moving from rural areas to town. Growth is happening at a faster rate than before due to increased education amongst this group.

Consumers in this market are developing needs for new brand offerings, while at the same time using brands which they were exposed to in their youth. Price has not been a key determinant in the purchasing decision amongst the black middle class, who have been driven by image and status. Although these consumers seek value for their money
and brand reassurance, their desire is to be seen as purchasing premium top end brands.

Consumers are also searching for a shopping experience and are willing to take the time to listen to professional advice at the point of purchase. There is a desire for more information to be available to them regarding the products they purchase.

7.2.9 Future of the Ethnic Cosmetics and Toiletry’s Industry

Consumer growth is expected to come from LSM group four to eight, with the majority stemming from the middle income group. Further to this, the shifting demographics of the population, as Ethnic people move into urban areas, combined with an increased education level, will contribute to demand for Ethnic products within top end malls.

A top end retail Ethnic Cosmetics and Toiletry specialty store would need to look at differentiating themselves from competition through specific product ranging, development of value for money private label products, being in stock of products at all time, as well as offering personal and professional service focused toward on educating the consumer.

7.3 RECOMMENDATIONS

Against the backdrop of the literature and empirical research conducted in this study, as well as the subsequent data analysis and findings which emerged through the integration of the empirical study with the literature review, the following recommendations are made:

7.3.1 Development of a top end speciality Ethnic cosmetic and toiletry store

The Ethnic cosmetic and toiletry retail industry of South Africa has become an investment opportunity. Second to the US, South Africa is the biggest market for Ethnic
products. It is therefore believed that opening a top end Ethnic cosmetic and toiletry specialty store is a viable business venture, provided the correct model is established.

**Recommended top end speciality Ethnic cosmetic and toiletry store model for the Greenacres Shopping Mall in Port Elizabeth**

**a) Operators’ of the business**

The organisation or individual should have tremendous experience in the Ethnic cosmetic and toiletries industry, in terms of product uses and consumer culture.

Furthermore they should currently be actively involved in the Ethnic cosmetic supply chain. Having an established Ethnic cosmetic and toiletry distribution centre, supplying both top and bottom end independent and non-independent retailers.

**b) Business Strategy**

- Operate a pilot store in the Greenacres Shopping Mall. This store will be a top end Ethnic cosmetic and toiletry Specialty Store, and will give the organisation/owner the opportunity to experiment and develop a model that will encompass the best way to run such a concept store;
- The retail store should be positioned within the mall, close to the transport network, but not isolated from other potential consumers;
- Once the above has been accomplished, and the brand, image and concept of the store established, Franchising should be used as a growth strategy to expand the concept to other top end malls;
- Business format franchising, in particular the business franchise type is recommended in order to keep the tight control over the franchised business units required.
c) Store design and layout

The layout should be smart, fitting in with the emerging Ethnic market. It is recommended to allow consumers to enjoy enough space during their shopping experience.

Design needs to portray to the end consumer a balance of exclusivity and a welcoming atmosphere.

d) Product Ranging

In terms of the adult Ethnic male consumer, focus should be towards stocking lines solely branded for this consumer group. Razor’s, aftershave treatment and moisturising products are essential. Male branded products in the skin care, bath/shower, anti-aging and fragrance categories should also be pursued.

An in-depth product range focusing on the Ethnic female adult cosmetic and toiletry consumer should be stocked.

For the Male Teenagers product ranging should be very specific and include face creams, mousses, deodorants, razors and skincare (Anti-acne formulations). Fragrance product ranges stocked should be the more fun and fruity fragrances with unique and fashionable packaging.

A broad range of Ethnic cosmetic and toiletries products linked to the products targeted toward the female adult should be stocked for these consumers.

Male Tweenager products stocked need to be extremely specific and linked to the products targeted toward the teenage male and female adult market. Packaging of products stocked should represent fun and playful image.
Female Tweenagers Product range targeting this consumer group should be very small. Products stocked would need to be linked to those targeted toward the female teenager and female adult market. High glitter products should be focussed on.

The Baby Product range should be focussed towards brands familiar to parents. Traditional creams as well as products containing simpler and more natural ingredients should be considered.

Besides the above focus, certain medicinal products in limited ranges should also be stocked.

e) Consumer Education

To provide the Ethnic consumer with help and guidance in their cosmetic and toiletry purchases, education via the following mediums need to be in place:
- On shelf mini LCD television screens giving product information;
- Sampling which enable the consumer to touch and feel the product;
- Information brochures;
- Personal demonstrations of products;
- Personal interaction of professionally trained staff with the end consumer.

e) Training of staff

Training of staff should be focussed at educating them to be able to make specific differentiation between the Ethnic and Caucasian consumer needs. It should also equip them with a professional knowledge and understanding of the various cosmetic and toiletry products available for this market, so that they can in turn advise Ethnic consumers on various product options for their specific needs.
f) Promotional Activities

The majority of promotional activity should be targeted towards the Ethnic female consumer, with the focus being on Ethnic hair care. For this reason female promoters are recommended to be used during in-store demonstrations and sample handouts.

Other promotional activities recommended are value added promotions, broadsheets, beauty competitions and hairstyling competitions, as well as, well-targeted advertising, promotion campaigns and expert sampling campaigns, which aim to educate the black South African consumer regarding the necessity of cosmetic and toiletry products.

g) Value added services

Services need to be targeted towards making the consumer feel smart, worthy and as if they were the sole reason the store is in existence. For this to be achieved, it is recommended that the store poses the following attributes:

• Personal interaction with the consumer at the point of sale;
• Knowledgable and professional personal service towards the consumer from staff members;
• Visible ability of the stores specialisation characteristic;
• Welcoming environment inside the store;
• Visible offering of new concepts and products for the Ethnic cosmetic and toiletry consumer;
• Additional service offering in the form of skin and hair analysis;
• Quality after sales service.
7.3.2 Whom to benchmark the top end speciality Ethnic cosmetic and toiletry store against?

There is a strong view that Ethnic women, particularly blacks, are said to look to the US for innovative beauty trends and product offerings to follow. Thus, brands that penetrate the US market are expected to have a domino effect of beauty awareness, globally.

For a specialty top end Ethnic cosmetic and toiletry store to remain competitive and gain market share, benchmarking against its local competitors as well as the US market, will give the store valuable insight into current and future trends in the market, enabling it to advance as the market develops.

7.3.3 Development of a top end speciality Ethnic cosmetic and toiletry franchise stores for organisational growth

To ensure the future growth of the retail business model concept, expansion of the concept to other shopping malls would need to occur at a steady pace to prevent opposition firms using the same concept in different locations.

The best way for such expansion to occur would be through the marketing of franchised stores based on business format franchising. In doing so, the strain on cash flow from business expansion would be minimized, and the stores would receive the correct devotion from their owners during the crucial beginning stages of the business.

7.4 CONCLUSION

In this chapter, conclusions were drawn from the integration of the results obtained from the literature study with the results obtained from the empirical study. These conclusions accomplished to validate the initial problem statement of this research paper, as well as fulfil the research objectives set out at the beginning of the paper.
From the conclusions drawn, it was established that opening a top end Ethnic cosmetic and toiletry speciality store in SA, but in particular within the Greenacres shopping mall of Port Elizabeth, is a viable business venture, provided the correct business model is established. For this reason, recommendations (derived from the research study) with regards to the business model for the establishment and growth of a speciality Ethnic cosmetic and toiletry store within the Greenacres Shopping Mall of Port Elizabeth were also explained in detail.
REFERENCE LIST


Available from:


Bovay, K. 2009. *Understand the Advantages and Disadvantages of Unrelated and Related Diversification* [Online]. Available from:


Department of Marketing 2005, Study Guide 2: *Questionnaire construction, Field work, Sampling, Data Analysis*, Faculty of Business and Economic Sciences.


Euromonitor International. 2009. Cosmetics And Toiletries in the US.


170


Schurink, E.M 1998. Research at grassroots. *Deciding to use a qualitative research approach*, no. 239.


systems modelling and simulation.


Yalung B. 2006. *Market Penetration and Niche Marketing Considerations* [Online]. 
Available from: 
APPENDIX A
QUESTIONNAIRE

1. INDUSTRY KNOWLEDGE OF RESPONDENTS

Instruction: Please answer the questions in as much detail as possible.

a) What has your past involvement been in the Ethnic Cosmetic and Toiletry Industry?
b) What is your current involvement in the Ethnic Cosmetic and Toiletry Industry?

6.3.2 VIABILITY OF A SPECIALITY TOP END ETHNIC COSMETIC AND TOILETRY RETAILER, WITH THE ADOPTION OF FRANCHISING AS A MEANS FOR FUTURE GROWTH.

Instruction: Please answer the questions in as much detail as possible.

a) Would you consider the Ethnic cosmetic and toiletry market a niche in South Africa, and if yes, give reason for your answer?
b) Are current retailers situated in the top end shopping centres of South Africa, penetrating this market in its entirety, and if no, for what reason?
c) Is there a lack of Ethnic cosmetic and toiletry product ranges in South Africa’s current top end retail outlets?
d) With Ethnic consumers having moved from lower income residential and work areas, to upper income areas, has this caused an increase in demand for Ethnic cosmetics and toiletries in upmarket shopping complexes, specifically the Greenacres Shopping Complex in Port Elizabeth, or are these consumers not entering such malls?
e) Because of this move, is there sufficient demand for a specialised Ethnic cosmetic and toiletry, one stop shop, providing personal attention, and niche products for the Ethnic consumer market?

f) From your experience, would you advocate that an Ethnic cosmetic and toiletry store focusing on the niche premium Ethnic consumer market can be profitable in the Greenacres Shopping Mall, or is the market too saturated?

g) For what reason would you articulate to the fact that such a store in the Greenacres Shopping Mall has not yet been established?

h) Would you pronounce that the buying power of the top end Ethnic cosmetic and toiletry consumer is sufficient within the Nelson Mandela Bay Metropolitan to sustain a niche store?

i) Would you agree that an organisation or individual attempting to develop and manage such a store should have tremendous experience in the Ethnic cosmetic and toiletry industry and if no, for what reason?

j) Would you consider franchising as a growth strategy for developing further such niche cosmetic stores?

3. BENCHMARKING SOUTH AFRICA’S TOP END ETHNIC COSMETIC AND TOILETRY RETAIL MARKET AGAINST THE USA

Instruction: Please answer the questions in as much detail as possible.

a) Is South Africa’s top end Ethnic cosmetic and toiletry retail market in line with the trends of US retailers, in terms of the following:

- Product ranging?
- Store design and layout?
- Service offering?
- Positioning of stores in the higher LSM shopping malls?
4. GAINING MARKET SHARE AS A NEW ENTRANT INTO THE ETHNIC RETAIL MARKET

Instruction: Please answer the questions in as much detail as possible.

a) As a new retail entrant, targeting the top end Ethnic cosmetics and toiletry consumer, would it be an easy or difficult task to take market share away from current retail stores trading in the Greenacres mall, who currently supply products such as Ethnic cosmetics, and for what reason?

b) In terms of maximising such a store's market share and profitability, would you suggest locating the store outside or inside the Greenacres mall?

c) How would you suggest a top end Ethnic cosmetic and toiletry store should diversify itself from competitors?

5. PRODUCT RANGING

Instruction: Please mark the appropriate block.

a) Rank in table 6.1 according to not good at all, not very good, average, good and very good, the focus towards; male Adult, female adult, male teenagers, female teenagers, male tweenagers, female tweenagers and baby Ethnic cosmetic/toiletry consumers, which current South African retail stores are currently giving.

Table 6.1: Focus shown by SA retail stores towards the Ethnic consumer group.

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>Not good at all</th>
<th>Not very good</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Adult</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Adult</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Teenagers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female Teenagers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Tweenagers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
b) Should a specialised top end Ethnic cosmetic and toiletries one stop shop in SA, keep product ranges for the following potential consumer categories? Explain your answer?

- Male Adult
- Female Adult
- Male Teenagers
- Female Teenagers
- Male Tweenagers
- Female Tweenagers
- Baby

c) Would you say Ethnic consumers who shop at the Greenacres Shopping Mall still need to go to Ethnic specific stores, located in lower income areas, to meet all their cosmetic and toiletry needs?

d) Should an Ethnic cosmetic and toiletry store focus purely on stocking complimentary products or would associated products such as medicinal ranges further enhance the stores appeal to consumers?

6. CONSUMER EDUCATION

Instruction: Please answer the questions in as much detail as possible.

a) Do employees of current retail stores in SA; receive the correct training for Ethnic cosmetic and toiletry products?

b) In retail stores, are Ethnic cosmetic and toiletry consumers being educated adequately by in store assistants, at the point of sale in?
c) How would you suggest a retail store should go about informing the consumer of product attributes?

d) Should a store have demonstrations of how to use products, and if yes, are these already happening, or is there not enough space in the current retail store model?

7. CURRENT RETAIL ACTIVITY

Instruction: Please mark the appropriate block.

a) In terms of targeting their Ethnic cosmetic and toiletry consumer, how would you rate the following retail stores presented in table 6.2, front of house?

Table 6.2: Rating of SA’S retailer’s front of house, in terms of Ethnic consumer appeal

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Not good at all</th>
<th>Not very good</th>
<th>Average</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clicks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoprite</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checkers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woolworths</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edgars</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) Do you see an interest from the following retailers in the Greenacres shopping mall to upgrade their Ethnic cosmetic and toiletry departments?

Table 6.3: Interests shown by retailers to upgrade their Ethnic cosmetic and toiletry departments.

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
c) Do retailers in the Greenacres mall show concern towards their Ethnic cosmetic and toiletry market, in terms of store design and shelf layout?

Instruction: Please tick the appropriate block.

d) Do you see an interest from the following retailers in the Greenacres shopping mall to introduce more exclusive and private label brands relating to Ethnic cosmetics and toiletries?

Table 6.4: Interests shown by retailers to introduce more exclusive and private label Ethnic cosmetic and toiletry products.

<table>
<thead>
<tr>
<th>Retail Stores</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clicks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoprite</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checkers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woolworths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edgars</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instruction: Please answer the following question in as much detail as possible.

e) What services are the above retail stores lacking, in terms of reaching their targeted Ethnic market, for example, delivery service or catalogue buying?
f) Are current SA retailers who stock Ethnic cosmetics and toiletries, providing manufactures with correct access to the end consumer, exposure of their brands and new product ranges?

g) Do manufacturers wanting to educate and promote innovative Ethnic products, have ease of access to the end consumer at the point of sale?

h) Could current top end retailers in South Africa be causing the market to stagnate or progress slower than the US market, due to their policies or mindset towards the Ethnic cosmetic and toiletries industry?

i) Is the current retail, Ethnic cosmetic and toiletry product mix, correct in terms of their product ranging, versus the current demographics of consumers shopping at the Greenacres mall?

8. FUTURE RETAIL ACTIVITY

Instruction: Please answer the following question in as much detail as possible.

a) Which one of the following would be most relevant for establishing a niche top end, Ethnic cosmetic and toiletry retail store? Please explain your reason in detail.
   - Retail grocery chains
   - Retail Health and Beauty Stores
   - Department Stores
   - Specialty Stores yes
   - Pharmacy
   - Salon

b) If a business was wanting to expand its penetration into the top end Ethnic cosmetic and toiletry retail sector, which one of Ansoff’s generic growth strategies (Market Penetration, Product Development, Market Development or Diversification) would be best suited for this industry?

c) For a top end Ethnic cosmetic and toiletry retail store concept, would opening a single independent store be a better concept than opening numerous stores?
d) What are your views with regards to franchising being adopted as a top end strategy for growing the Ethnic cosmetic and toiletry market?

e) What type of promotional activities, should stores which target top end Ethnic cosmetic and toiletry consumers be planning?

f) What steps should a top end Ethnic cosmetic and toiletry store take in order to be perceived by their target market, as customer orientated and service driven?

9 CURRENT INDUSTRY TRENDS

Instruction: Please answer the following question in as much detail as possible.

a) Would you say the top end Ethnic cosmetics and toiletries consumer group in SA is currently expanding?

b) Does the top end Ethnic cosmetic and toiletry consumer in your experience, prefer the same brands of products they were brought up with as a child, or being educated and able to afford other brands, are these consumers developing a need for new brand offerings to meet their needs?

c) Is retail pricing in the premium Ethnic cosmetic and toiletry industry, elastic or inelastic?

d) Have you observed any shopping trends in SA, within this Ethnic consumer group, i.e. do customers buy mostly in a rush, are they looking for a shopping experience, and will they take time to listen to input of others at store level?

e) Would you say that the busier lives being led by consumers these days could impact niche Ethnic cosmetic and toiletry stores negatively, as consumers seek a one stop shopping experience for all their purchases?
10. FUTURE OF THE ETHNIC COSMETICS AND TOILETRY’S INDUSTRY

Instruction: Please answer the following question in as much detail as possible.

a) Do you believe the top end Ethnic cosmetic and toiletry industry has a viable future in Port Elizabeth, and if so why?

b) Which retail sector do you foresee in the future, as being the leader of top end Ethnic cosmetics and toiletries in Port Elizabeth?

c) Which LSM grouping do you foresee leading further growth in the Ethnic cosmetics and toiletries market?

d) Looking into the future, how should stores who target this market, differentiate themselves from competitors?

e) Do you foresee retailers such as Clicks, Shoprite, Checkers, Woolworths, Edgars and Pharmacy stores of the Greenacres mall, partnering with solely owned Companies, in order to create an Ethnic focussed cosmetic and toiletry department store, or would they rather attempt to accomplish this on their own?
Table 2.1: Past and forecast sales for retail baby care in the US (in Millions of Rands).

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby bath products</td>
<td>148.5</td>
<td>237.8</td>
<td>282.6</td>
</tr>
<tr>
<td>Baby hair care</td>
<td>144.1</td>
<td>156.8</td>
<td>167.8</td>
</tr>
<tr>
<td>Baby skin care</td>
<td>183.2</td>
<td>214.2</td>
<td>234.7</td>
</tr>
<tr>
<td>Baby sun care</td>
<td>90.2</td>
<td>125.1</td>
<td>147.5</td>
</tr>
</tbody>
</table>


Table 2.2: Top 10 fragrance profiles expected to drive the US market in 2008 and 2009:

| 1. White floral, tuberose, gardenia |
| 2. Island tropics                   |
| 3. Ambery blends                    |
| 4. "Eco-conscious" green natural aroma |
| 5. Cocktails, ester profiles        |
| 6. Grains (rice, wheat, popcorn)    |
| 7. Patchouli, retro, musk           |
| 8. Iris notes (women)               |
| 9. Orange blossom notes (men)       |
10. Vetiver, woody notes (men and women)


Table 2.3: Forecast sales (in Millions of Rands) of baby care by sub-sector.

<table>
<thead>
<tr>
<th>R million</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby sun care</td>
<td>6.0</td>
<td>6.2</td>
<td>6.3</td>
<td>6.4</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Baby toiletries</td>
<td>48.4</td>
<td>54.8</td>
<td>60.9</td>
<td>66.3</td>
<td>70.0</td>
<td>72.3</td>
</tr>
<tr>
<td>Baby hair care</td>
<td>20.4</td>
<td>21.3</td>
<td>22.2</td>
<td>22.9</td>
<td>23.6</td>
<td>24.0</td>
</tr>
<tr>
<td>Baby skin care</td>
<td>135.2</td>
<td>157.8</td>
<td>180.4</td>
<td>200.4</td>
<td>217.6</td>
<td>227.3</td>
</tr>
<tr>
<td>Baby care</td>
<td>210.0</td>
<td>240.2</td>
<td>269.8</td>
<td>296.1</td>
<td>317.6</td>
<td>330.1</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 26)

Table 2.4: Forecast sales of the baby care by subsector as a percent of value growth.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby sun care</td>
<td>1.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Baby toiletries</td>
<td>8.3</td>
<td>49.3</td>
</tr>
<tr>
<td>Baby hair care</td>
<td>3.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Baby skin care</td>
<td>11.0</td>
<td>68.2</td>
</tr>
<tr>
<td>Baby care</td>
<td>9.5</td>
<td>57.2</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 26)

Table 2.5: Forecast sales (in Millions of Rands) of the bath and shower products by sub sector.

<table>
<thead>
<tr>
<th>R million</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar soap</td>
<td>1,169.8</td>
<td>1,256.5</td>
<td>1,324.9</td>
<td>1,370.1</td>
<td>1,398.9</td>
<td>1,416.0</td>
</tr>
<tr>
<td>Bath additives</td>
<td>178.5</td>
<td>193.1</td>
<td>206.5</td>
<td>215.9</td>
<td>223.0</td>
<td>228.7</td>
</tr>
<tr>
<td>Body wash/shower gel</td>
<td>173.7</td>
<td>200.3</td>
<td>225.4</td>
<td>247.9</td>
<td>269.0</td>
<td>285.2</td>
</tr>
<tr>
<td>Liquid soap</td>
<td>55.8</td>
<td>66.8</td>
<td>76.3</td>
<td>85.5</td>
<td>94.2</td>
<td>100.5</td>
</tr>
<tr>
<td>Talcum powder</td>
<td>22.1</td>
<td>22.4</td>
<td>22.4</td>
<td>22.3</td>
<td>22.0</td>
<td>21.7</td>
</tr>
<tr>
<td>Bath and shower products</td>
<td>1,600.0</td>
<td>1,730.0</td>
<td>1,855.5</td>
<td>1,941.7</td>
<td>2,007.1</td>
<td>2,052.1</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 31)
Table 2.6: Forecast sales of the bath and shower products by sub sector, as a percent of value growth.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar soap</td>
<td>3.9</td>
<td>21.0</td>
</tr>
<tr>
<td>Bath additives</td>
<td>5.1</td>
<td>28.1</td>
</tr>
<tr>
<td>Body wash/shower gel</td>
<td>10.4</td>
<td>64.2</td>
</tr>
<tr>
<td>Liquid soap</td>
<td>12.5</td>
<td>80.0</td>
</tr>
<tr>
<td>Talcum powder</td>
<td>-0.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Bath and shower products</td>
<td>5.1</td>
<td>26.3</td>
</tr>
</tbody>
</table>

Source: International (2007: 31)

Table 2.7: Forecast sales (in Millions of Rands) of deodorant products by sub sector.

<table>
<thead>
<tr>
<th>R million</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deodorant sprays</td>
<td>1,033.7</td>
<td>1,062.7</td>
<td>1,079.3</td>
<td>1,076.7</td>
<td>1,064.8</td>
<td>1,043.5</td>
</tr>
<tr>
<td>Deodorant pumps</td>
<td>604.2</td>
<td>642.5</td>
<td>679.8</td>
<td>711.8</td>
<td>740.2</td>
<td>762.2</td>
</tr>
<tr>
<td>Deodorant roll-ons</td>
<td>123.0</td>
<td>138.5</td>
<td>152.8</td>
<td>166.1</td>
<td>178.0</td>
<td>187.8</td>
</tr>
<tr>
<td>Deodorant creams</td>
<td>6.9</td>
<td>7.1</td>
<td>7.3</td>
<td>7.5</td>
<td>7.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Deodorant wipes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deodorants</td>
<td>1,767.7</td>
<td>1,860.8</td>
<td>1,919.3</td>
<td>1,962.0</td>
<td>1,990.6</td>
<td>2,001.2</td>
</tr>
</tbody>
</table>

Source: International (2007: 36)

Table 2.8: Forecast sales of deodorant products, as a percent of value growth.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deodorant sprays</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Deodorant pumps</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deodorant roll-ons</td>
<td>4.8</td>
<td>26.2</td>
</tr>
<tr>
<td>Deodorant sticks</td>
<td>8.8</td>
<td>52.6</td>
</tr>
<tr>
<td>Deodorant creams</td>
<td>2.4</td>
<td>12.4</td>
</tr>
<tr>
<td>Deodorant wipes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deodorants</td>
<td>2.5</td>
<td>13.2</td>
</tr>
</tbody>
</table>

Source: International (2007: 36)
Table 2.9: forecast sales (in Millions of Rands) of Hair Care products by subsector.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salon hair care</td>
<td>619.0</td>
<td>639.6</td>
<td>649.2</td>
<td>657.0</td>
<td>662.2</td>
<td></td>
</tr>
<tr>
<td>Perms and relaxants</td>
<td>430.0</td>
<td>440.8</td>
<td>444.3</td>
<td>446.6</td>
<td>449.3</td>
<td></td>
</tr>
<tr>
<td>Shampoo</td>
<td>632.8</td>
<td>721.1</td>
<td>760.8</td>
<td>791.2</td>
<td>811.0</td>
<td></td>
</tr>
<tr>
<td>2-in-1 products</td>
<td>85.0</td>
<td>82.0</td>
<td>81.2</td>
<td>81.6</td>
<td>82.4</td>
<td></td>
</tr>
<tr>
<td>Conditioners</td>
<td>676.5</td>
<td>713.7</td>
<td>756.6</td>
<td>805.7</td>
<td>854.1</td>
<td>896.8</td>
</tr>
<tr>
<td>Styling agents</td>
<td>292.0</td>
<td>314.3</td>
<td>325.3</td>
<td>336.7</td>
<td>345.8</td>
<td></td>
</tr>
<tr>
<td>Colourants</td>
<td>460.0</td>
<td>514.2</td>
<td>529.6</td>
<td>537.6</td>
<td>542.9</td>
<td></td>
</tr>
<tr>
<td>Hair care</td>
<td>3,165.3</td>
<td>3,334.7</td>
<td>3,468.6</td>
<td>3,596.2</td>
<td>3,703.7</td>
<td>3,789.5</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 42)

Table 2.10: Forecast sales of Hair Care products by subsector, as a percent of value growth.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salon hair care</td>
<td>1.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Perms and relaxants</td>
<td>0.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Shampoo</td>
<td>5.1</td>
<td>28.2</td>
</tr>
<tr>
<td>2-in-1 products</td>
<td>-0.6</td>
<td>-3.0</td>
</tr>
<tr>
<td>Conditioners</td>
<td>5.8</td>
<td>32.6</td>
</tr>
<tr>
<td>Styling agents</td>
<td>3.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Colourants</td>
<td>3.4</td>
<td>18.0</td>
</tr>
<tr>
<td>Hair care</td>
<td>3.5</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 42)

Table 2.11: Forecast sales (in Millions of Rands) of Colour Cosmetics by subsector, as value, for period 2006 tell 2011.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial make-up</td>
<td>560.6</td>
<td>620.4</td>
<td>659.8</td>
<td>691.4</td>
<td>712.3</td>
<td>726.4</td>
</tr>
<tr>
<td>Eye make-up</td>
<td>480.6</td>
<td>517.2</td>
<td>596.2</td>
<td>647.3</td>
<td>700.6</td>
<td>738.9</td>
</tr>
<tr>
<td>Lip products</td>
<td>523.7</td>
<td>590.8</td>
<td>574.5</td>
<td>589.9</td>
<td>601.3</td>
<td>609.2</td>
</tr>
<tr>
<td>Nail products</td>
<td>87.2</td>
<td>93.0</td>
<td>97.5</td>
<td>100.7</td>
<td>102.7</td>
<td>104.0</td>
</tr>
<tr>
<td>Colour cosmetics</td>
<td>1,620.0</td>
<td>1,781.4</td>
<td>1,918.0</td>
<td>2,029.3</td>
<td>2,117.0</td>
<td>2,178.4</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 50),
Table 2.12: Forecast sales of Colour Cosmetics by sub sector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>Sub Sector</th>
<th>% Constant Value Growth</th>
<th>2006-11 CAGR</th>
<th>2008/11 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial make-up</td>
<td>5.0</td>
<td></td>
<td>27.5</td>
</tr>
<tr>
<td>Eye make-up</td>
<td>10.9</td>
<td></td>
<td>60.0</td>
</tr>
<tr>
<td>Lip products</td>
<td>3.1</td>
<td></td>
<td>16.3</td>
</tr>
<tr>
<td>Nail products</td>
<td>3.6</td>
<td></td>
<td>19.4</td>
</tr>
<tr>
<td>Colour cosmetics</td>
<td>8.1</td>
<td></td>
<td>34.5</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 51)

Table 2.13: Forecast sales (in Millions of Rands) of Men’s Grooming Products by sub sector, as value, for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>Sub Sector</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men's shaving</td>
<td>843.3</td>
<td>927.4</td>
<td>1,007.9</td>
<td>1,079.2</td>
<td>1,138.2</td>
<td>1,183.6</td>
</tr>
<tr>
<td>Men's toiletries</td>
<td>909.6</td>
<td>1,010.8</td>
<td>1,094.9</td>
<td>1,172.9</td>
<td>1,233.6</td>
<td>1,283.9</td>
</tr>
<tr>
<td>Men's grooming products</td>
<td>1,752.9</td>
<td>1,958.1</td>
<td>2,102.9</td>
<td>2,249.4</td>
<td>2,371.2</td>
<td>2,467.4</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 56)

Table 2.14: Forecast sales of Men’s Grooming Products by sub sector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>Sub Sector</th>
<th>% Constant Value Growth</th>
<th>2006-11 CAGR</th>
<th>2008/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men's shaving</td>
<td>7.0</td>
<td></td>
<td>40.4</td>
</tr>
<tr>
<td>Men's toiletries</td>
<td>7.1</td>
<td></td>
<td>41.1</td>
</tr>
<tr>
<td>Men's grooming products</td>
<td>7.1</td>
<td></td>
<td>40.8</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 56)
Table 2.17: Forecast sales (in Millions of Rands) of Fragrances by sub sector, as value, for period 2006 tell 2011

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium fragrances</td>
<td>1,020.0</td>
<td>1,094.7</td>
<td>1,183.5</td>
<td>1,271.7</td>
<td>1,353.5</td>
<td>1,415.9</td>
</tr>
<tr>
<td>Premium men's fragrances</td>
<td>404.0</td>
<td>432.3</td>
<td>466.9</td>
<td>501.9</td>
<td>537.1</td>
<td>564.4</td>
</tr>
<tr>
<td>Premium women's fragrances</td>
<td>597.9</td>
<td>644.5</td>
<td>699.3</td>
<td>753.1</td>
<td>800.6</td>
<td>836.6</td>
</tr>
<tr>
<td>Premium unisex fragrances</td>
<td>18.1</td>
<td>17.9</td>
<td>17.4</td>
<td>16.7</td>
<td>15.9</td>
<td>14.9</td>
</tr>
<tr>
<td>Mass fragrances</td>
<td>1,075.8</td>
<td>1,143.0</td>
<td>1,203.0</td>
<td>1,252.9</td>
<td>1,292.0</td>
<td>1,320.6</td>
</tr>
<tr>
<td>Mass men's fragrances</td>
<td>365.9</td>
<td>389.3</td>
<td>409.6</td>
<td>425.7</td>
<td>437.1</td>
<td>445.7</td>
</tr>
<tr>
<td>Mass women's fragrances</td>
<td>699.7</td>
<td>743.7</td>
<td>783.6</td>
<td>817.5</td>
<td>845.5</td>
<td>865.8</td>
</tr>
<tr>
<td>Mass unisex fragrances</td>
<td>10.0</td>
<td>10.0</td>
<td>9.9</td>
<td>9.7</td>
<td>9.4</td>
<td>9.1</td>
</tr>
<tr>
<td>Fragrances</td>
<td>2,095.6</td>
<td>2,237.7</td>
<td>2,386.6</td>
<td>2,524.6</td>
<td>2,645.5</td>
<td>2,738.5</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 70)

Table 2.18: Forecast sales of Fragrances by sub sector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th></th>
<th>2006-11 CAGR</th>
<th>2008/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium fragrances</td>
<td>6.8</td>
<td>38.8</td>
</tr>
<tr>
<td>Premium men's fragrances</td>
<td>6.9</td>
<td>39.7</td>
</tr>
<tr>
<td>Premium women's fragrances</td>
<td>7.0</td>
<td>30.9</td>
</tr>
<tr>
<td>Premium unisex fragrances</td>
<td>-3.8</td>
<td>-17.7</td>
</tr>
<tr>
<td>Mass fragrances</td>
<td>4.2</td>
<td>22.8</td>
</tr>
<tr>
<td>Mass men's fragrances</td>
<td>4.0</td>
<td>21.8</td>
</tr>
<tr>
<td>Mass women's fragrances</td>
<td>4.4</td>
<td>23.7</td>
</tr>
<tr>
<td>Mass unisex fragrances</td>
<td>-1.9</td>
<td>-9.3</td>
</tr>
<tr>
<td>Fragrances</td>
<td>5.5</td>
<td>30.6</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 70)
Table 2.19: Forecast sales (in Millions of Rands) of Facial Care by sub sector, as value, for period 2006 tell 2011

<table>
<thead>
<tr>
<th>R million</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial care</td>
<td>1,389.4</td>
<td>1,557.9</td>
<td>1,706.5</td>
<td>1,834.0</td>
<td>1,948.0</td>
<td>2,032.5</td>
</tr>
<tr>
<td>Facial moisturisers</td>
<td>736.1</td>
<td>820.6</td>
<td>913.2</td>
<td>983.1</td>
<td>1,045.5</td>
<td>1,095.1</td>
</tr>
<tr>
<td>Nourishers/anti-agers</td>
<td>187.8</td>
<td>206.4</td>
<td>221.6</td>
<td>234.0</td>
<td>244.4</td>
<td>252.6</td>
</tr>
<tr>
<td>Facial cleansers</td>
<td>306.5</td>
<td>353.8</td>
<td>396.6</td>
<td>435.9</td>
<td>470.5</td>
<td>496.3</td>
</tr>
<tr>
<td>Toners</td>
<td>41.6</td>
<td>44.0</td>
<td>45.9</td>
<td>47.6</td>
<td>48.9</td>
<td>49.9</td>
</tr>
<tr>
<td>Face masks</td>
<td>15.8</td>
<td>16.2</td>
<td>16.4</td>
<td>16.4</td>
<td>16.2</td>
<td>15.8</td>
</tr>
<tr>
<td>Lip moisturisers</td>
<td>101.6</td>
<td>108.0</td>
<td>112.8</td>
<td>117.1</td>
<td>120.5</td>
<td>122.9</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 70)

Table 2.20: Forecast sales of Fragrances by subsector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facial care</td>
<td>7.9</td>
<td>46.3</td>
</tr>
<tr>
<td>Facial moisturisers</td>
<td>8.3</td>
<td>48.8</td>
</tr>
<tr>
<td>Nourishers/anti-agers</td>
<td>6.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Facial cleansers</td>
<td>10.1</td>
<td>61.9</td>
</tr>
<tr>
<td>Toners</td>
<td>3.7</td>
<td>20.1</td>
</tr>
<tr>
<td>Face masks</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>Lip moisturisers</td>
<td>3.9</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 70)

Table 2.21: Forecast sales (in Millions of Rands) of Depilatories by sub sector, as value, for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>R million</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women’s pre-shave</td>
<td>13.8</td>
<td>14.7</td>
<td>15.4</td>
<td>16.1</td>
<td>16.7</td>
<td>17.0</td>
</tr>
<tr>
<td>Women’s razors and blades</td>
<td>89.4</td>
<td>99.7</td>
<td>109.8</td>
<td>119.0</td>
<td>126.7</td>
<td>133.2</td>
</tr>
<tr>
<td>Hair removers/bleaches</td>
<td>49.5</td>
<td>53.6</td>
<td>57.5</td>
<td>61.1</td>
<td>64.1</td>
<td>66.1</td>
</tr>
<tr>
<td>Depilatones</td>
<td>152.7</td>
<td>168.0</td>
<td>182.7</td>
<td>198.2</td>
<td>207.5</td>
<td>216.3</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 83)
### Table 2.22: Forecast sales of Depilatories by subsector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women's pre-shave</td>
<td>4.3</td>
<td>23.1</td>
</tr>
<tr>
<td>Women's razors and blades</td>
<td>8.3</td>
<td>49.0</td>
</tr>
<tr>
<td>Hair removers/bleaches</td>
<td>5.9</td>
<td>33.5</td>
</tr>
<tr>
<td>Depilatories</td>
<td>7.2</td>
<td>41.6</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 83)

### Table 2.23: Forecast sales (in Millions of Rands) of Sun Care by sub sector, as value, for period 2006 tell 201

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun protection</td>
<td>71.3</td>
<td>79.1</td>
<td>86.2</td>
<td>92.3</td>
<td>96.8</td>
<td>100.2</td>
</tr>
<tr>
<td>Aftersun</td>
<td>3.4</td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Self-tanning</td>
<td>4.3</td>
<td>4.5</td>
<td>4.6</td>
<td>4.7</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Sun care</td>
<td>79.0</td>
<td>87.1</td>
<td>94.4</td>
<td>100.7</td>
<td>105.4</td>
<td>108.8</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 87)

### Table 2.24: Forecast sales of Sun Care by subsector, as a percent of value growth for period 2006 tell 2011.

<table>
<thead>
<tr>
<th>% constant value growth</th>
<th>2006-11 CAGR</th>
<th>2006/11 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun protection</td>
<td>7.0</td>
<td>40.5</td>
</tr>
<tr>
<td>Aftersun</td>
<td>2.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Self-tanning</td>
<td>2.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Sun care</td>
<td>6.6</td>
<td>37.7</td>
</tr>
</tbody>
</table>

Source: Euromonitor International (2007: 87)