A Strategic Analysis of the South African Soft Floor Industry Supply Chain

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ABSTRACT

The current business environment, globally and locally, has added pressure for soft floor manufacturers to re-imagine the value they create in the market place. Market trends and consumer buying behaviour have shifted to alternative types of flooring, which are perceived by the consumer to be more maintenance and durability friendly. This has contributed to a decline in soft floor volume sales.

The objective of this study was to establish the context of the South African soft flooring environment, and to do a strategic analysis of the industry supply chain. The focus was on gaining industry insight, in order to inform a possible strategic direction for the future, with regard to how a leading soft floor manufacturer could protect its soft flooring market share. The study aimed to provide a good understanding of where the soft flooring market division fits into the entirety of the flooring industry, as well as to suggest changes that could be made to the current strategy – If one does not know the context, one cannot strategise.

The soft flooring industry has experienced a decline in sales in recent years, and the importance of a new growth strategy is crucial. Market leaders cannot afford to be complacent, and the importance of reviewing the current business strategy and plan for the future must take priority

The study investigated a forward integrated supply chain strategy, in order for a manufacturer to grow, by also being involved in the downstream stages of the value chain. This strategy could have an impact on sales and specifications of branded soft floor products directly to the consumer. The study provided a view on three possible downstream strategies that could be considered, and the likelihood of the best possibility, were further discussed against the backdrop of current industry challenges. The risks of the elimination of a channel intermediary, as well as the possibility of the formation of partnerships with key stakeholders within the soft flooring ecosystem, were investigated.

This resulted in the proposal of a strategy development process framework, as a guide that could lead the manufacturer through the process of finding the right strategy and key partners, in order to address the current industry challenge, as well as to protect their soft floor manufacturing interests.

The findings of the literature review, as well as the findings from the empirical research were summarised, followed by conclusions and recommendations that were presented. A collaborative supplier-retailer-consumer strategy (re-intermediation strategy) was proposed.

Recommendations of a soft flooring governing body, similar to the wood and laminate association, as well as the prospects of private branded soft flooring products were made. Limitations and implications for further research were also explained. This study mainly provided a platform for deeper future research. The risks and challenges the fourth industrial revolution will hold for the soft floor industry were also suggested as a topic for future investigations and research into this under-studies context.

Key terms: Forward integration, backward integration, vertical integration, disintermediation, re-intermediation, supply chain, value chain, soft floor industry, The Internet of Things, tufted carpets, needlepunch carpets, luxury vinyl tile, laminate, residential, commercial.

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I dedicate this mini-dissertation to my lovely wife, Adelé, daugthers Mieke and Chloë, and my Father in law (who introduced me to this beautiful industry, but who sadly passed away in 2018).

Novum futurum expectat.

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CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1 Introduction

In the modern-day context, organisations can be described as complex adaptive organisms, continuously evolving in order to survive; there is no constant (Stanford, 2015:xv). No business, including the flooring industry, can be immune to the ever-evolving ecosystem of the business world. Successful businesses, however, continue to manage to rise to the top, even in difficult times, and stay there year after year, addressing the needs of their customers and pleasing their shareholders and stakeholders alike in the process (Thompson *et al.,* 2017:5). The key to this phenomenon is for organisations to develop and implement a well-executed strategy; one that facilitates the capture of opportunities, produces enduringly good performances, is adaptable and resilient to changing business conditions, and can withstand the competitive challenges from rival organisations (Thompson *et al*., 2017:5). Intrinsic to a good strategy, is ensuring that the business experience for customers and employees is of high quality (Stanford, 2015:2).

Thompson *et al.* (2017:7) define an organisation's strategy as a business tool that provides direction and guidance, in terms of the do's and don'ts for the organisation. Making the wrong strategic moves can cause distraction, waste company resources, and have long-term consequences that can put the entire organisation's survival at risk.

The researcher forms part of the South African soft flooring industry, and wishes to identify the need for a strategic analysis of the industry and its future supply chain challenges. In recent years it has become clear that the lack of skills and expertise in the industry is increasing, with a continuously growing disengagement between soft floor manufacturers on the one hand of the scale, and consumers on the other hand of the pendulum. Only once one has a better understanding of the challenges, can one suggest changes to the current situation, and redefine the boundaries that could offer significant improvements and performances for the future.

Soft flooring remains one of the major building product groups in both the residential and commercial global markets. It is estimated that the global carpets and rugs market will grow at an estimated CAGR (Compound Annual Growth Rate) of 4.22% – from

USD 91.24 billion in 2017 to USD 115.6 billion by 2023 (Quasar, 2018). It is, furthermore, forecast that the global carpet tile consumption for 2019 will be 227.7 million square meters (by volume), at estimated billings of USD 4.31 billion. This is an increase of 7.2% in the two-year time frame (2017 – 2019) (BMCW, 2019). In contrast to these statistics, a leading South African manufacturer forecast that the local residential and commercial soft floor market for 2019 combined, will be approximately 5.5 million square meters. This is related to building industry activities across the residential and non-residential spectrum and includes new-build, as well as additions and alterations.

To ensure sustainable future growth for the South African soft floor industry, it is important to find solutions for looming areas of uncertainty and disruption. Retail outlets in the soft floor industry are predominantly privately owned, and the owners are aging, with only a few having succession plans. Being mostly family-owned businesses, or defined in laymen's terms as ‘moms and pops stores’, the second generation often pursues their own careers and does not enter the flooring industry. The flooring landscape has also changed, with soft flooring no longer being the primary flooring solution of choice. This has resulted in manufacturers and retailers having to diversify into other types of flooring and non-flooring solutions. The structural change of the flooring industry saw the rise of the ceramic and luxury vinyl tile (LVT) market segments, very much to the detriment of carpeting. The LVT market did not only hit the local market by storm, but it is also globally the fastest growing product category in both residential and commercial flooring (BMCW, 2019:1, 11). Globally, LVT has grown from being 20% of carpet tile volume in 2016 to a forecast 40% of carpet tile volume in 2019 (BMCW, 2019:11).

In addition, the South African market continues to disengage with floor fitting teams, which is a cause of great concern for the future, as the industry cannot survive without the necessary fitting skills and expertise. Many of the highly skilled and trained fitters are aging, with young people reluctant to enter the field, as it requires hands-on skills and hard labour. These are major causes of uncertainty for manufacturers. The industry also lags dramatically, in terms of the digital age, as well as to offer the consumer innovative and vibrant shopping experiences.

There is a definite need for management, in the South African soft floor trading environment, to understand the shortfalls and future of the soft flooring retail environment. This study aims to assess where the soft floor industry currently finds itself, and to look at the not too distant future in order to determine how to close the gap between the two. Stanford (2015:17) points out that leaders are often so preoccupied with day-to-day issues that they fail to consider future possibilities, and are then caught off guard by predictable and unpredictable events, with no strategic plans in place to deal with them.

The largest soft flooring manufacturer in South Africa, Belgotex, is a successful backward integrated manufacturer, with a response supply chain strategy, using buffer stocks to ensure speedy supply. Lin *et al.* (2014:19) explain that a manufacturer will consider forward integration to extend its reach to the retailing side of the product channel in order to tighten the grip on the demand side of the supply chain. This study aims to research the driving forces, and investigate a possible strategy for forward integration in the South African soft floor environment, as well as the possible consequences thereof, in the manufacturer-distributor-reseller chain. No formal research has been conducted on this topic, with a specific focus on the South African soft floor trading environment.

1.2 Problem Statement

The South African soft floor industry follows a supply chain of carpet and resilient flooring solutions, either from local manufacturing or supplemented through the import channel. The supply chain from the manufacturer or importer to the consumer is predominantly through one of the following channels:

- National Retail Chain Stores
- Independent Retail Stores
- Buying Groups
- Commercial Contractors
- Wholesalers
- The Professional Fraternity
- Property Groups

External growth strategies involve decision making processes by manufacturers, regarding whether or not to grow by getting involved in other stages of the value chain. Belgotex has made investments of close to three billion Rand in its local operations. If one considers the current state of the industry's supply chain, and the future growth challenges that the industry is facing, it is vital that industry leaders search for solutions to possible future industry supply chain challenges.

The question of a forward integrated strategy should also be investigated. Forward integration is a strategy that involves the expansion into the distribution of a manufacturers' output and can offer an entire value-creating eco-system that could contribute to future sustainability. Nike is an example of a manufacturer that has successfully introduced Nike concept stores, to ensure the control of the distribution right up to the point of consumer contact. In addition, however, they still distribute Nike products through other national chains, who are non-Nike-owned retailers, for example Edgars (Hellriegel *et al.*, 2016:228). Teece (2010:279) points out that the Apple stores are perhaps the most successful recent examples of forward integration into retailing.

Organisations or industries that take the future seriously are less likely to be blindsided by events than those that are rooted in the present (Stanford, 2015:17). The researcher forms part of the industry and knows that it is an aging industry with many store owners reaching, or close to, retirement age. A general reluctance, by many retailers, to accept change and innovation is at the core of the industry challenge. Family owned businesses still dominate the industry.

A better understanding of why there is such a resistance to change, as well as why the final link to the consumer is still in the hands of business owners who are not moving with the times can assist Belgotex in finding a sustainable strategic-fit solution for its future supply chain challenges. The impact of digitalisation must also be considered, as the engagement and integration of digital possibilities into the facilitation of the selling process can transform weaknesses into strengths.

Understanding the current nature of the South African soft flooring industry, through an environmental scanning and dynamic industry analysis process, could assist management with sustainable future-fit decisions.

1.3 Research Questions

The research questions are divided into a primary question and several burning industry-related secondary questions.

1.3.1 Primary Research Question

The core research question for this study is twofold: What is the current nature of the South African soft floor industry and why is it important for a manufacturer, like Belgotex, to craft a strategy for future direction and growth?

1.3.2 Secondary Research Questions

Secondary research questions of this study are:

- What are the key industry success factors for the future?
- What strategic action plans can unlock future competitive innovation for the industry?
- Can a new strategy set the future direction for competitive moves and improved performance and business growth?
- What are the differentiating factors that continue to make the soft floor industry an important market segment?
- What are the current risk factors for the industry?
- Is the current industry supply chain sustainable?
- How can disruptive innovation change the future of the South African soft floor environment?

1.4 Objectives of this study

The objectives of this research are divided into a primary objective and several secondary objectives.

1.4.1 Primary Objective

The primary objective of this study is to gain insight and a better understanding of the current South African soft floor industry. The current issues the industry is facing and the possible future impact if the latter are not addressed, as well as the future key success factors. Only once one has a better understanding of the challenges, can one suggest a strategy that could offer significant improvements and performances for the industry.

1.4.2 Secondary Objectives

To achieve the primary objective of this study, the secondary objectives to be realised are to:

- clarify, through a literature review, the key challenges in the current South African soft floor environment and the impact these challenges may have on key industry stakeholders in the future;
- identify possible areas of industry weaknesses and threats for future improvement, as well as strengths and opportunities for sustained growth;
- obtain a clearer understanding of the impact that a skills shortage could have on future growth opportunities within the soft flooring industry, from a manufacturing point of view;
- determine, through a literature review, possible supply chain strategies and create strategic-fit scenarios for the industry; and
- emphasise the importance of collaboration between various industry stakeholders to unlock new opportunities for the industry.

1.5 Scope of the Study

This study will assess the South African soft flooring industry and more specifically focus on the industry's future supply chain challenges within the South African context. The aim is to highlight future key uncertainties and possible solutions in the distribution channel – from the manufacturer to the end-user.

The carpet market has been a shrinking market by volume sales in recent years. The aim of this study is to identify a possible and sustainable future supply chain solution for an aging industry, from a retailer and fitting team point of view, and to consider future strategic-fit. The final focus will, therefore, be on the choices which could guide a soft floor manufacturer like Belgotex to determine the future direction of their supply chain. These choices relate to their products, services, markets, and key capabilities.

1.5.1 Field of Study

The study will consider forward integration strategies as future industry growth opportunities from a management perspective. The focus will be on an analysis of possible strategic operations models that could form a key part of the future supply chain processes. Hines (2014:6) description of supply chain strategies includes all of those activities that are associated with the flow and transformation of goods from the initial design stage, through the early raw material stage, production stage and finally the interaction with, and delivery to the end user stage.

Forward integration is by no means new in the manufacturing, retail, and service environment, as explained by Teece (2010:278). Guan and Rehme (2012:187) confirm that supply chain integration is a frequently studied topic. The research is investigating the driving forces, if any, for forward integration in the South African soft floor environment.

The ultimate goal is to successfully reach the consumer with a product or service, and the achievement of competitive advantage (Hines, 2014:6). It opens strategic opportunities for the manufacturer to control the entire supply chain, from raw materials to the effective and efficient connection with the end-user. There is a definite need for management in the South African soft floor trading environment to understand the shortfalls and future challenges of the soft flooring retail environment. It is necessary to determine whether the gap between the current aging state of the soft floor industry and future trends can be closed or narrowed? The South African soft flooring environment needs to make strategic decisions regarding the future of its supply chain, to ensure a sustainable future-fit business.

1.5.2 Geographical Demarcation of the Study

Soft flooring can encompass a wide range of floor finishes, such as homogeneous and heterogeneous vinyl, cushion vinyl, LVT's, artificial turf and carpeting. The manufacturing of carpeting has been a main area of investment and focus by South African soft floor manufacturers in past decades. In recent years, the carpet segment of the flooring market has been shrinking by volume sales, and new strategies need to be investigated. The study population (Figure 1.1) of the local soft floor market will include both the residential and commercial market.

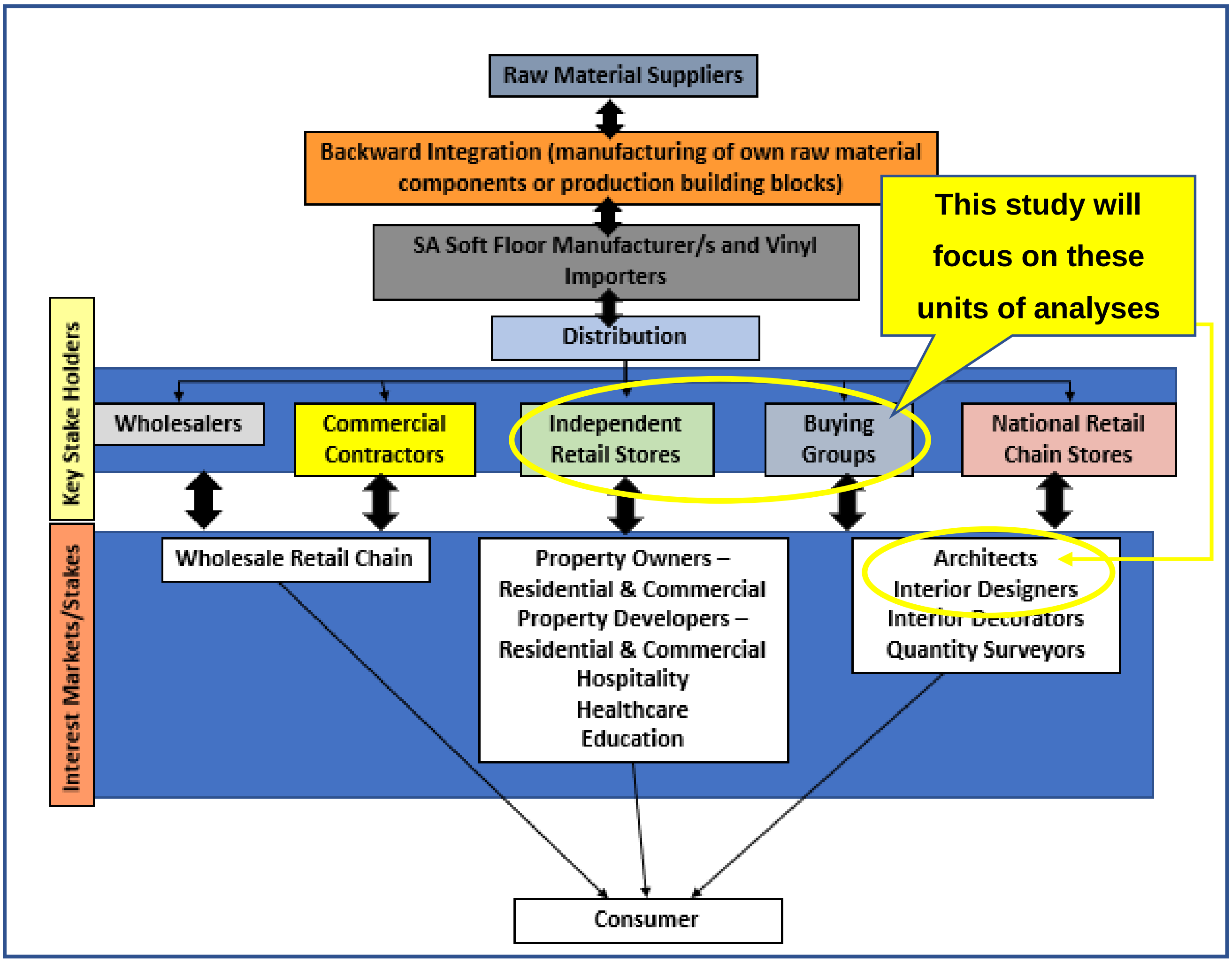


Figure 1.1: Study population (source: own compilation)

Figure 1.1, adapted from Heizer *et al.* (2017:486), shows the South African soft flooring supply chain and the key players in the supply chain, as well as where the focus of this study will be. It is important to understand some of the challenges that the identified supply chains might face in future, as well as the negative impact their inability to grow and afford positive contributions can have on the soft flooring industry in general. Organisations or industries that take the future seriously, are less likely to be blindsided by events, than those who are rooted in the present (Stanford, 2015:17).

The analysis will be on the current soft floor market, and more specifically the independent and buying group supply chains, the challenges the manufacturers face, as well as those experienced by the two mentioned key distribution channels. Architects and designers, and the key roles they play in the supply chain – as part of the professional trade who specify soft floor products – are a valuable part of the procurement process and must be incorporated in the analysis process.

1.6 Research Methodology

Research methodology refers to the procedures and techniques used in this study to obtain and analyse the relevant data. This study will be conducted in two phases. The first phase will consist of a literature review and the second phase will focus on empirical research and data collected through the implementation of a mixed method research approach, combined with ethical considerations. The mixed method research approach involves gathering data – both numeric and text information – and employs strategies of inquiry that involve collecting data, either simultaneously or sequentially, to best understand research problems (Bryman *et al.,* 2017:62).

1.6.1 Introduction

The literature study will investigate relevant scientific research material and draw comparisons with the soft floor industry as there is a lack of research material on the industry itself. The term soft floor industry refers to the manufacturing of carpets, which is a textile floor covering and is distinguished from a carpet rug, in the sense that a carpet is fixed to the floor surface, hence the term wall-to-wall or stretch carpeting.

Stores in the soft floor industry are predominantly privately owned, and the owners are aging, with only a few having succession plans. Being mostly family-owned businesses, their children often pursue their own careers and do not want to form part of the flooring industry. The flooring landscape has also changed, with soft flooring no longer the primary flooring solution, which has resulted in manufacturers and retailers having to diversify into other types of flooring and non-flooring solutions. There is also a continuous disengagement with floor fitting teams, which is a cause of great concern for the future as the industry cannot survive without the necessary fitting skills and expertise. Many of the highly skilled and trained fitters are aging and young people are reluctant to enter the field, as it requires hands-on skills and hard labour. These are all major causes of uncertainty for manufacturers.

Store owners are aging, and a further uncertainty stems from the industry's inability to attract a younger generation of flooring specialists, entrepreneurs, fitting teams and qualified salespeople. Furthermore, there is a need to offer the consumer an innovative and vibrant shopping experience. Proof of the industry battle to attract a younger generation is seen in the difficulties that store owners experience when trying to sell their businesses, in order to retire. A recent example of this is a well-established business, of more than thirty years, in the northern suburbs of Johannesburg – National carpets. After close to two years of trying to sell the company, they were bought out by the Top Carpets group. However, the main challenge still exists as to who will manage the business in the interim. Currently, the two original owners are still running the business. Both owners have reached retirement age, but could not find a suitable successor or buyer for their business.

The soft floor industry, furthermore, lags in terms of the digital age. By engaging and integrating digital possibilities into the facilitation of the selling process, weaknesses could become strengths.

Trends in the South African flooring environment are entangled and influenced by service delivery and consumption. Increased demand from a sophisticated consumer, with a wide range of consumption needs, requires world class service delivery from local manufacturers. The liberation of consumers and increased competition in the flooring industry, with many alternative products, locally produced and/or imported, has led to multiple choices for consumers. The consequent demand for added-value flooring products and services, and an increased consumer-centric culture, has opened the debate for a forward integrated supply chain. Modern consumers expect convenient access to well-located, user-friendly outlets with a superior shopping experience and excellent personalised service, as well as the convenience of a well-designed and easy-to-navigate online shopping platform. The principle is therefore clear, the soft floor manufacturing value chain is integrated with the value chains of supplier partners backwards and forward, within the industry (Ungerer *et al.,* 2016:110).

Through literature, theoretical models and structures, as well as industry interviews, questionnaires, and focused groups, results should provide some form of direction or answer to the burning question regarding what the future holds for the South African soft flooring industry, and whether there is a strategic case to be made for managing downstream business activities better, within the larger industry value chain.

1.6.2 Empirical Investigation

To achieve the objectives of this study, the researcher will conduct research among three main groups (Figure 1.1):

- Independent Retail Stores: Privately or family-owned stores with the dilemma of aging store owners – very few having succession plans in place. Independent stores provide an integral service in the current supply chain from manufacturer to consumer. They offer dedicated flooring expertise, showrooms and infrastructure to the retail industry, with a wide network system built up over many years;
- Buying Groups: Similar to the independent stores, buying groups have the exception of one head office. There is a combination of privately and head office owned stores, with a national footprint that offers the consumer flooring expertise, showrooms, and infrastructure. Buying groups have the exception that they can negotiate the best possible prices and deals from suppliers, through a larger pool of buying power. Both independent and buying groups provide a supply chain function of linking the manufactured product with the end consumer. They are important, as their costs and profit margins add value to the entire industry, as well as the ultimate price paid by the end-user;
- Architects and interior designers – The focus is on specifying the manufactured or imported product in the correct flooring environment. They offer a service to the consumer, the manufacturer and the flooring contractors, and form an integral part of the residential and commercial flooring environment.

The above have specifically been selected, as they are representative of the South African soft flooring retail landscape on a national basis, and are a combined 48% of national sales volume turnover per annum (Figure 1.4).

1.6.3 Research Design – Qualitative Study

The qualitative data for this study were collected using non-numerical procedures, such as interviews with key role players and stakeholders in the industry, and were subsequently analysed. The induction method collects data, and a theory develops as a result of the data analysis (Saunders *et al.,* 2009:129). This study will also draw from the induction approach, as the researcher forms part of the industry, and wishes to gain a better understanding of how current industry events can impact the future of the industry, as well as to have a better understanding of the particular context, through the collection of both quantitative and qualitative data – hence the implementation of an induction approach, as explained by Saunders *et al.* (2009:127).

Figure 1.2 indicates the design and steps, adjusted by the researcher, to illustrate the process that this study intends to take and combines the qualitative and quantitative research processes together with a sampling approach, as illustrated by Bryman *et al.* (2017:32,41&186). When considering the flow of Figure 1.2, the researcher needs to *look* at possible soft floor industry-related problems that could be researched, he then needs to *see* and *understand* the relevance of a specific topic and through the research process of gathering data, *think* about possible outcomes and solutions to find a strategy of implementation (*do*).

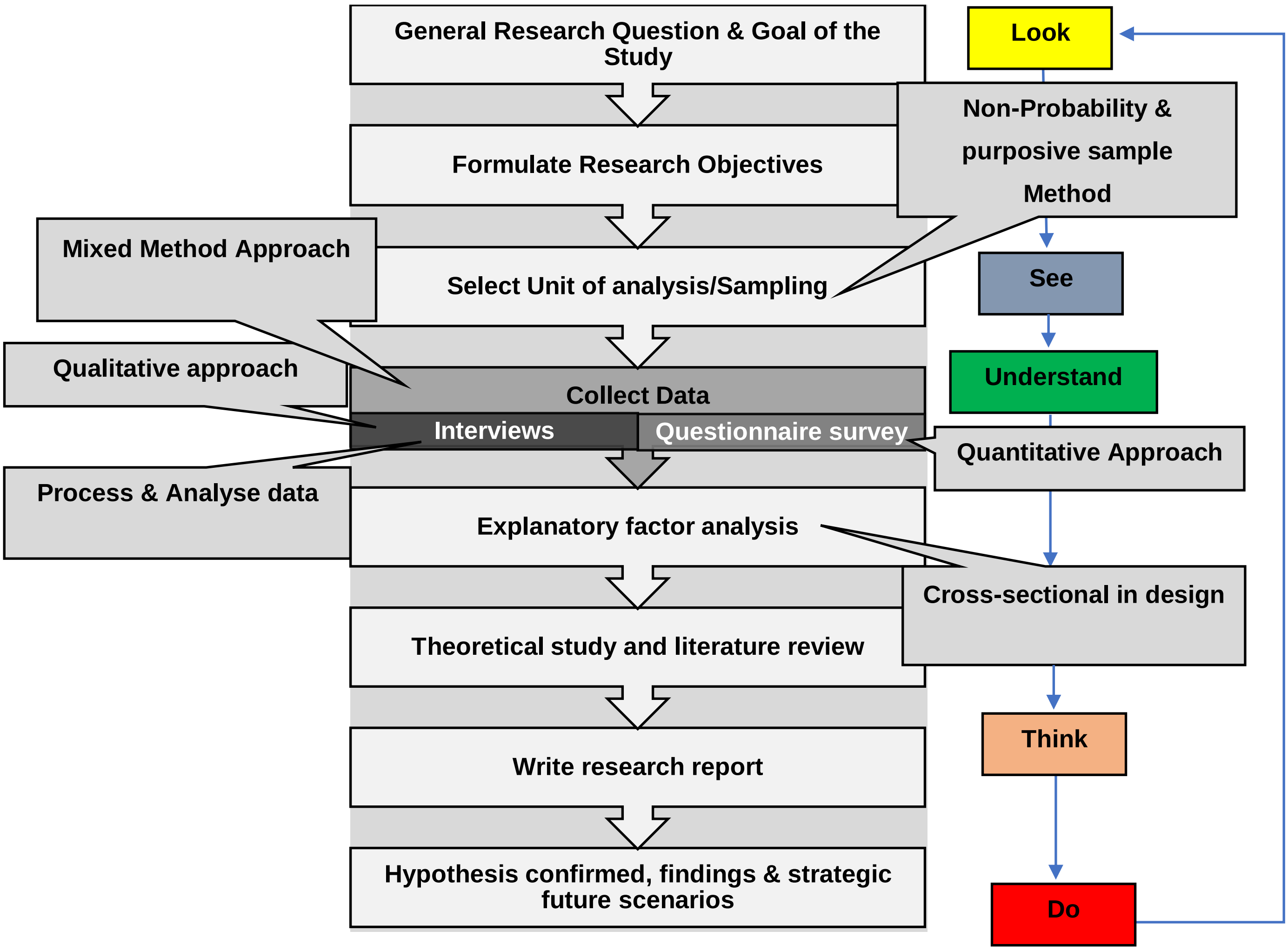


Figure 1.2: The qualitative and quantitative research design and process (Bryman et al., 2017:32,41 &186)

The different levels of analysis are commonly referred to, in terms of the *SOGI model* as explained by Bryman *et al.* (2017:116). *SOGI* refer to societies, organisations, groups, and individuals. It is also possible to draw on samples that combine different levels, for example, individuals and societies. The soft floor retail businesses, that will be researched in this study, are all individually owned and therefore form part of the private sector. As shown in Figure 1.4, the unit of analysis will draw information from key individuals with experience and knowledge of the soft flooring industry, across all nine provinces of South Africa. The main unit of analysis for study is, therefore, individuals from two major stakeholders in the South African soft flooring environment; namely: independent retailers and buying groups, against a national market backdrop, as the *SOGI model* explains in real time.

1.6.3.1 Research Strategy

The researcher would like to structure, plan, develop, analyse and evaluate the research in such a way that the results communicate meaning and possible solutions to the phenomenon under investigation. This will be done in the following way:

- A survey population of 120 buying group retailers, together with some independent retailers, will be targeted in order to measure the area of concern;
- Data will be collected from four other industry stakeholders by means of a self-administered, online questionnaire, using the cloud-based QuestionPro.com software, as well as the administering of loosely structured interviews;
- The researcher forms part of the industry and has access to the target population. The results and data from the questionnaires and interviews need to be coded, edited, processed, crossed-reference and analysed in a rigorous manner, using both statistical and descriptive methods (Bryman et al., 2017:144).
- The survey will be distributed electronically, by the researcher, via e-mail. This includes a link to the web address of the relevant web form, as well as a QR link to the online questionnaire (see Figure 1.5). The qualitative interviews will be conducted by the researcher face to face.
- The results must be discussed and a conclusion(s) drawn from them. The researcher should be able to advise on possible best-fit future strategies out of the results.

1.6.3.2 Research Setting

The formal questionnaire survey, as well as the interviews, are structured in such a way that the researcher can draw conclusions from the gathered and analysed information about the current state of the industry – its strengths, weaknesses, opportunities, and threats. It is always desirable to conduct a pilot study before administering a self-completion questionnaire or structured interview schedule to an identified sample (Bryman *et al.,* 2017:209). A pilot study was conducted for this study with both the qualitative as well as the quantitative data collection methods to determine how well the research methods work. A focus group was established to ensure the questionnaire is consistent, logical and user friendly. The focus group consisted of three people, two senior managers working within the soft flooring environment and collectively having 50 years of experience in the South African as well as international flooring environment as well as a person with a doctorate in strategy and more than 30 years' experience as a consultant and analyst of the South African building supply industry. The pilot was not carried out on people who might have been members of the sample that would be employed in the actual full study as the researcher did not want them to contribute towards a biased sample (Bryman *et al.,* 2017: 209).

Data analysis is the systematic steps taken by the researcher after the basic information was gathered, and from which meaning, and conclusions can be drawn (Bryman *et al.,* 2017:376). The theory, results, and conclusions of this study are not aimed at generalising, but rather wish to contribute to the ongoing debate of the future supply chain challenges for manufacturers, like Belgotex, in the South African soft floor environment. It is important to determine what roles the key industry participants will play in the future. These roles should be different in the future from their current roles. The soft flooring organizational and communication structures could also look completely different in the future.

1.6.3.3 Sampling

The sample size will focus on soft flooring retailers in the South African environment with factory accounts in real time, and will be limited to the mentioned population of the market, namely independent retailers, buying groups and a small group of other stakeholders from the industry – such as an architect and a designer. The sampling method is a combination of purposive and criterion sampling. There are 100 medium to large size (in terms of turnover) retailers under the buying group banner, and 20, medium to large size independent retailers national (Belgotex, 2019). This concludes a total of 120 retailers across all 9 provinces in South Africa. The sample size is a good representation of the South African soft flooring retail landscape (Figure 1.3), and a series of questions will be asked that are relevant to the study, and involve a target population that is large enough to be statistically valid. The study followed a case study approach as the researcher wanted to establish what the current nature of the South African soft floor industry is and why its deemed necessary for a leading manufacturer to consider a new future strategy for direction and growth. The central issue is the researcher's subsequent theoretical reasoning in order to determine how well the data support the theoretical arguments (Bryman *et al.,* 2017:113).

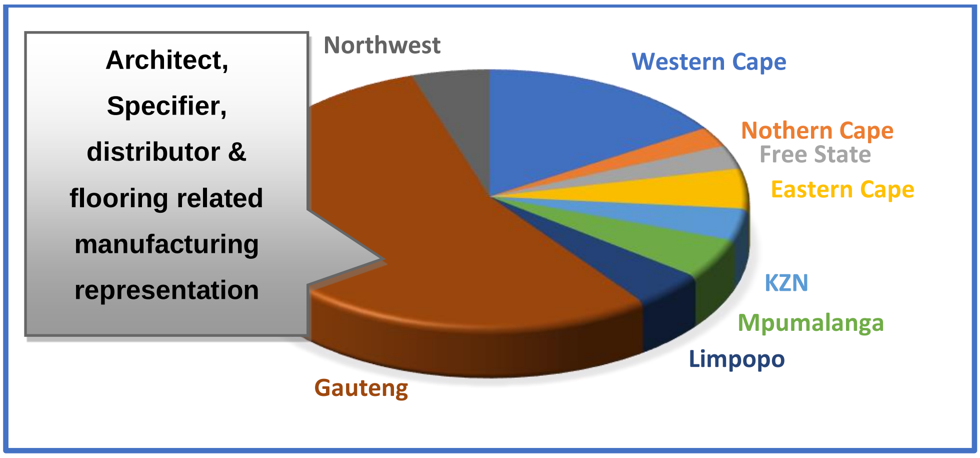


Figure 1.3: The South African Soft Flooring Environment - Independent and Buying Group Representation by Province

Gauteng is the largest segment of the market, and the focus on the professional fraternity will fall in this region, as most of the larger architectural and specifying practices in the Gauteng region are known to the researcher. The large and more successful architect and design firms in South Africa, have offices based in Johannesburg and Cape Town. Interviewing their Gauteng head offices can also give a clear picture of their national activities.

This study will follow a sampling strategy of non-probability. Non-probability refers to a sample that has not been selected using a random selection method (Bryman *et al,* 2017:170). The identified population of the study is, therefore, more likely to be selected than others as they are flooring retail specialists and have a good understanding of the daily operations of the flooring industry. The sustainability of the South African soft floor retail environment is a major concern for local manufacturers, hence a non-probability sampling strategy.

Bryman *et al,* (2017:178) identify 3 types of non-probability sampling, namely convenience sample, the snowball sample, and the quota sample method. Other types of non-probability sampling include purposive sampling and self-selection sampling (Bryman *et al,* 2017:186). Drawing from the non-probability strategy, this study will focus on the purposive sampling method. The researcher seeks to sample participants in a strategic way, focussing on the South African soft flooring retail environment, but does not seek to sample research participants at random. Those sampled will, therefore, be relevant to the research question, hence the use of the purposive sampling method. The purposive sampling technique includes homogeneity, which means the members of interest being examined in detail, are from a specific company or have a particular occupation with specific characteristics, and there is less variation (Bryman *et al*, 2017:177). The focus of purposive sampling is to focus on a population of interest that will best answer the main research question:

Expert sampling is a form of purposive sampling that focuses on the expertise of individuals. Bryman (2017:178) explains that it is fairly common practice in business research surveys, to approach one respondent, such as senior managers or business owners, to complete a questionnaire related to their organisation or workplace. A single respondent in expert sampling will enable one to approach a larger number of retailers in the identified market segment, with less investment in time and resources. The population focus is on the soft floor industry segment and is relatively homogeneous, therefore, less sample variation. A sample population of 100 respondents will be sufficiently representative for answering the key questions. Figure 1.4 shows the sample contribution to local volume sales in the soft floor market, by soft floor product category. Needlepunch, tufted tiles and tufted broadloom are all soft flooring products manufactured for both the residential and non-residential markets. This study focusses on the soft floor market segment and reason why these product categories are listed.

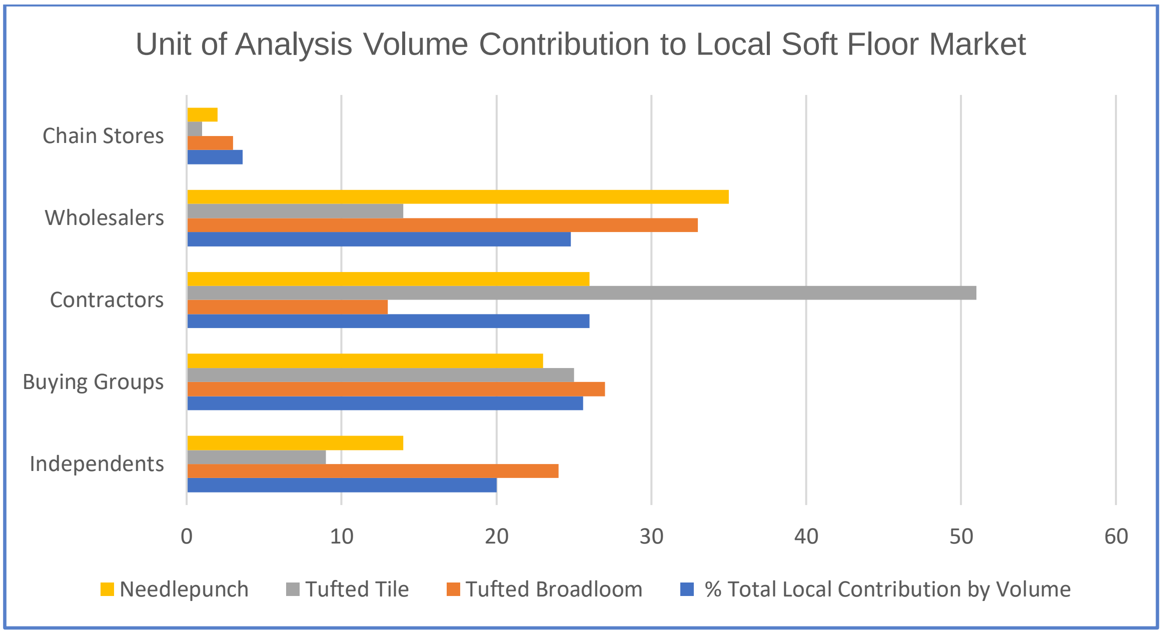


Figure 1.4: Unit of analysis contribution to local soft flooring sales (Belgotex, 2019)

The researcher also approached other stakeholders outside of Belgotex. These included companies such as Likewise and Warmup. Likewise is, in terms of volume, the largest wholesaler in South Africa with a national footprint. They stock and distribute all locally manufactured soft flooring products and flooring accessories, as well as imported hard flooring from around the globe. Warmup manufactures heating pads locally, for the flooring industry. The aforementioned companies can contribute to the main research question and objectives of this study, based on their level of expertise.

1.6.4 Research Design – Quantitative Study

Primary data will be collected through the analysis of the results from quantitative questionnaires sent out to the target population. The quantitative approach seeks to accurately measure and analyse the core concept through an objective lens, whilst the qualitative approach follows a more subjective route, in the sense of the interpretation of the data by the researcher, as explained by Bryman *et al.* (2017:58-63). The researcher chose a quantitative and qualitative approach – the mixed method approach – which enables one to compile a questionnaire in a quantitative format, and conduct qualitative interviews with key participants, in order to gain better insight on the topic being researched.

1.6.4.1 Research Approach

Deduction and induction are the two main research approaches. Deduction refers to a theory and hypothesis which are developed, and a possible strategy designed to test the hypothesis.

The deduction approach of this study focused on the following principles, as explained by Saunders *et al.* (2009:127):

- The scientific principles
- The moving from theory to data
- The collecting of quantitative data
- And lastly a structured approach is followed as well as the need to select samples of sufficient size, in order to generalise conclusions

1.6.4.2 Research Participants

The research population is the total group of research participants in a study, from whom a researcher would want to draw results and conclusions (Saunders *et al.,* 2009:600). As shown in Figures 1.1 and 1.4, the research participants were from the South African soft flooring trade.

1.6.4.3 Measuring Instrument

A self-developed questionnaire (Appendix A) assisted in shedding light on the current state of the soft floor environment, and provided insight into the formulation of a future strategy. The questionnaire used open- and close-ended questions, as well as the Likert scale technique, as explained by Bryman *et al.* (2017, 191-197). An online format of the questionnaire was developed and the link (Figure 1.5) could be scanned and completed on any smart device. This was sent to the population group. The researcher received an email confirmation once a questionnaire had been completed.

Figure 1.5: QR Link to Online Questionnaire (Questionpro.com, 2019)

1.6.4.4 Statistical Data Analysis

Data analysis is the systematic steps taken by the researcher after the basic information was gathered, and from which meaning and conclusions were drawn (Bryman *et al.,* 2017:376).

Coding is the starting point of a qualitative approach as explained by Bryman *et al.* (2017:336). The researcher needed to interpret and present the data collected from the interviews. It is important to note that the aim of presenting the data that was collected from the interviews is to portray what the subject said and/or did, and provide an explanation why the information therein is relevant and of importance for the study (Bryman *et al.,* 2017:341). Findings of the data must thereafter be reflected on, interpreted and theorized in relation to it (Bryman *et al.,* 2017:341). There is a continuous interplay between the collection and the analysis of the data in the search for meaning process.

A constant comparison approach of analysing the data from the qualitative study was used. The constant comparison approach makes use of an entire dataset to identify underlying themes present in the data, and can be used throughout the study (Leech & Onwuegbuzie, 2007:565). This approach is a method of choice when the researcher wants to answer general, or overarching questions of the data (Leech & Onwuegbuzie, 2007:576). For example, understanding the current state of the South African soft floor environment, as well as the perceptions of different stakeholders in the industry, and then using a constant comparison analysis in order to draw conclusions.

Data from the questionnaire were analysed and Microsoft Office Excel spreadsheets were used to create visual representations of the data. Diagrams like bar charts, histograms or pie charts can be understood and interpreted with relative ease (Bryman *et al,* 2017:318). If one needs to show the average age of the soft floor retailer, for example, a pie chart will show the size of each slice relative to the total sample. Findings from the data illustrated in these charts can assist the researcher in answering the main research question, and assist in arriving at possible solutions.

The researcher developed an online version of the questionnaire, by using the QuestionPro.com cloud-based program. Results from respondents were available immediately after completion thereof. The online questionnaire was set up in such a way, that the respondent could not submit if all of the questions had not been answered. This eliminated the possibility of respondents not answering some of the questions.

1.7 Ethical considerations

The researcher of this study forms part of the North-West University (NWU) MBA program, and subscribed to the rules of the NWU Institutional Research Ethics Regulatory Committee (IRERC). Furthermore, the researcher ensured compliance with the applicable policies of the NWU, as well as all the national and international laws and regulations applicable to the mentioned field of study. The researcher committed to abide by the ethical principles and responsibilities, as set out in the NWU research ethics policy (22 November 2018). The study was approved as minimal risk and registered with the following ethics clearance number: NWU-00737-19-A4.

The researcher adhered to the major principles of research integrity that guided the research endeavour, as stipulated in the NWU research ethics policy statement on research integrity (22 November 2018):

- Honesty in all aspects of research.
- Accountability in the conduct of research.
- Professional courtesy in working with the target population.
- Good stewardship of the research conducted.
- Contributing to the good of all.

Research will be done in a responsible, original and trustworthy manner, and findings will be shared with appropriate industry stakeholders as set out in the procedures of the NWU and the signed code of conduct by the researcher. Data will be handled and presented with the utmost confidentiality.

1.8 Limitations of the Study

Limitations refer to those uncontrollable influences from a researcher's perspective and may be shortcomings, macro-industry conditions, or influences that cannot be controlled. This might contribute to restrictions on the methodology and conclusions of the study. Limitations and recommendations will be presented in chapter four of the study.

1.8.1 Market Segment

The flooring market segment can encompass a wide range of floor finishes such as heterogeneous vinyl, cushion vinyl, luxury vinyl tiles (LVT), artificial turf, ceramic tiles, solid wood, engineered wood, polished concrete floors, carpeting (tufted and needlepunch) and carpet tiles. The manufacturing of carpeting and artificial turf has been the main area of investment and focus of South African manufacturers in past decades. In recent years, manufacturers also started to import cushion vinyl and LVT ranges, to complement their carpet offering for both the residential and commercial markets. The carpet market has been a shrinking market by volume sales in recent years, and this study will be limited to identify a possible and sustainable future supply chain solution, and strategy for this segment of the South African flooring environment.

1.9 Contribution of the Study

Ungerer *et al.* (2016:109) states that end-user satisfaction is affected by the industry value chain, through the performance and activities of forward channels. Companies therefore often form strategic partnerships in a closely-knit work relationship between supplier and forward channel allies for their mutual benefit (Ungerer *et al.,* 2016:109). It is important to realise that one cannot rely on a generic view of an industry value chain, but needs to develop an industry-specific view that will show the position of the firm, that is being analysed, within its larger industry value chain.

More research into the current nature of the South African soft flooring industry – from a manufacturing point of view, and the impact that future uncertainties can have upstream in the supply chain, if downstream is not addressed correctly – must be conducted. The question of why it is important for a leading manufacturer to consider managing forward integration strategically, as part of a sustainable future growth solution, must be answered. The focus of the study will specifically be on the independent retail stores, buying groups and the specifying fraternity, as they form a large part of the current distribution and specifying network. Furthermore, they are a critical part of the link between manufacturer and consumer in the floor-type decision-making process.

The main area of conflict in the South African soft flooring environment is between the wholesale trade and the direct retail trade. From a direct retail point of view, there is no differential factor that has led to many retailers being unprofitable. The identified unit of analysis is, therefore, the only appropriate population of study that could answer the critical questions, and shed some light on pressing matters of the industry, and more specifically, the direct retail supply chain.

A forward integrated supply chain model could be the solution to current and future industry woes. The theory of the efficient control of materials, products, and information from the place of manufacturing to meeting the consumers' needs must be investigated and solutions must be suggested. The place where technology, bricks and mortar meet, could determine the future growth of the South African soft flooring industry.

Soft floor manufacturers must realise that the current non-profitable state of the direct soft flooring retail environment is not sustainable. There must be a differential factor between the wholesale retailer, who could potentially sell from home to cut costs, and the direct factory supply chain. In the future, the manufacturer will need to form part of, or control the downstream phase of the supply chain. This could imply, retail store layouts, point of sale (POS) and merchandising, branding, training of skilled salespeople, implementation and use of technology and the training and managing of fitting teams.

There must be a differential factor between the wholesale retailer, who could potentially sell from home to cut costs, and the factory account retailer who must have a showroom to justify his account. Lewis (2004) also pointed out in his study that the future of the South African soft flooring environment must embrace a clear distinction between the direct factory supply chain and the indirect wholesale trade. This strategy was never implemented by the industry, hence the need for this study to continue with the research, focusing on the mentioned key stakeholders.

1.10 The Layout of the Study

The mini-dissertation is divided into four chapters, which will be presented as follows:

1.10.1 Chapter 1: Nature and Scope of the Study

This chapter discussed the background, problem statement, research objectives, as well as the context of this study. It also provided an overview of the research design and the layout of the next chapters.

1.10.2 Chapter 2: Literature Review

The focus in this chapter falls on the South African soft flooring industry and its current challenges. Through a literature review, the aim is to formulate a supply chain strategy for the future that could address some of these current industry challenges, and determine future growth for the soft floor industry and local manufacturers.

1.10.3 Chapter 3: Empirical Investigation

In chapter three, the spotlight shifts to the research methodology, results of the questionnaire and interviews as well as the data collection process, the discussion and the interpretation of the results.

1.10.4 Chapter 4: Conclusion and Recommendations

In the final chapter, the focus will be on the conclusions of the study based on the literature review and the empirical investigation into the current state of the soft floor industry, as well as suggested strategies and recommendations for the future.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Arthur Martinez, former chairman of Sears once made the comment that "Today's peacock is tomorrow's feather duster" (Dess *et al.,* 2012:44). The organisation is never an end in-itself, and there will always be forces that will aid and constrain organisations in achieving their goals and sustaining their competitive advantages (Ungerer *et al.,* 2016:10). Today's business world is global, internet-driven and obsessed with speed. The challenges it creates for management teams of organisations are often complex, ambiguous, and unstructured (Parnell, 2014:1). Management teams need to continuously work and strategise towards out-manoeuvring and outsmarting the competition – in short, raising the industry bar. Collis and Rukstad (2008:13) refer to it as the strategic sweet spot. This is where a company meets the needs of its customers in a way in which its rivals cannot.

In the strategic management process, organisations must analyse their business landscape, make sound business decisions, and act in order to create and sustain competitive advantages, against all odds (Dess *et al.,* 2012:43). Much too often the modern manager views his or her job only through two lenses: strategy and execution (Satell, 2017:87). Organisations must realise that the way in which they currently create, deliver and capture value will not continue to be relevant for any period of time. For this reason, business model innovation should be treated with the same discipline as any other business function; for example, production, marketing, product development, or finance (Satell, 2017:87). The modern emphasis is on companies and their supply chains to create value. Through unique customer experiences, value is created. Market-driven, and customer-focused strategies and supply chains can ensure that resources are aligned for better service delivery (Hines, 2014:177).

Business models, however, are not as durable as they used to be. The sustainability of the current ways of conducting business are becoming increasingly under pressure, as the fourth industrial revolution continues to blur the real world with the technological world. The general, basic rules of the game for creating and capturing economic value were once fixed for years or even decades (De Jong & Van Dijk, 2015:1). Businesses used the same business models year-after-year to outsmart their competitors. Today the business landscape shows a clear and rapid change, as business models are more and more subject to express displacement, disruption and even complete destruction (De Jong & Van Dijk, 2015:1). Destruction or disruption occurs when an innovation displaces an earlier technology, or an existing product or service (Kim & Mauborgne, 2017:30).

The South African soft flooring environment has used the same supply chain structure for years. From a strategic and supply chain point of view, the burning question of how this industry will be disrupted in the future, must be raised. Uber and Airbnb have shown how quickly technology could assist new start-up businesses to disrupt the taxi and hospitality industries. Apple's iPod and iTunes disrupted the music industry to the detriment of stores such as Musica and Look & Listen. Furthermore, IKEA has disrupted the furniture industry through a special way of selling and distributing furniture.

The local soft floor industry environment has, in recent years, found itself in what Kim and Mauborgne (2017:7) refer to as business rivals competing in cutthroat markets with fierce competition over an increasingly shrinking profit pool. In contrast to a buoyant global outlook in the soft floor markets (Quasar, 2018), the South African soft floor market has seen a steep decline in volumes in recent years. The leading South African soft floor manufacturer, Belgotex, has seen a 40% drop in soft floor volumes or 1.2 million square meters of needlepunch and tufted broadloom sales, in the period 2015 to 2018, as is portrayed in Figure 2.1 below (Belgotex, 2019).

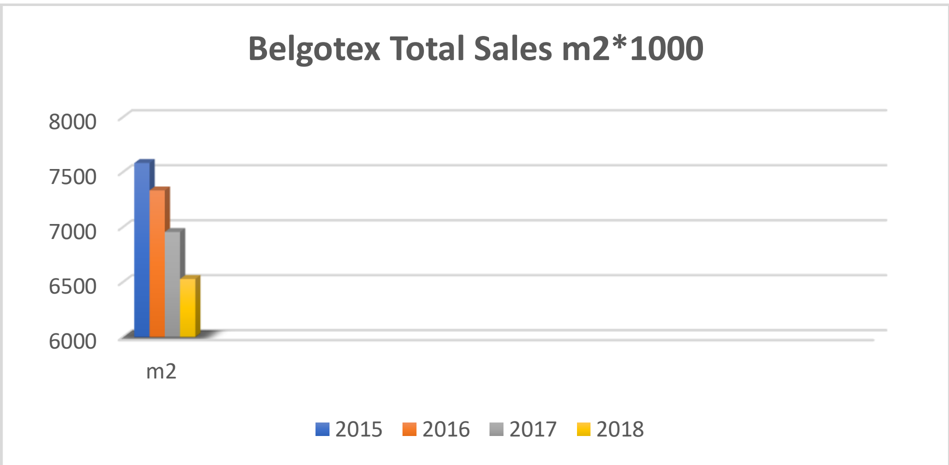


Figure 2.1: Belgotex total sales by volume: 2015 - 2018

The challenge is to explore ways that can create an uncontested and sustainable supply chain strategy. The researcher attempts to investigate and challenge the current flooring supply chain strategy, and consider a supply chain system that integrates information, physical movements of goods and monetary flow. The current strategy focuses on the distribution of manufactured goods through a tried and tested retail network, as shown in Figure 1.1. The manufacturer is, furthermore, completely reliant on this distribution channel to complete the manufacturer-retailer-consumer-cycle. The focus will be on gaining a deep understanding of the soft floor industry and competitive environment, by seeking clear answers to the following questions formulated by Thompson *et al.* (2017:66):

- Are there still attractive opportunities within the industry?
- What are the competitive forces within the industry that industry members are facing and how strong are they?
- What effect does the various building industry scenarios, depicted in Figure 2.2, have on the industry, the flooring retailer environment and general decision making?

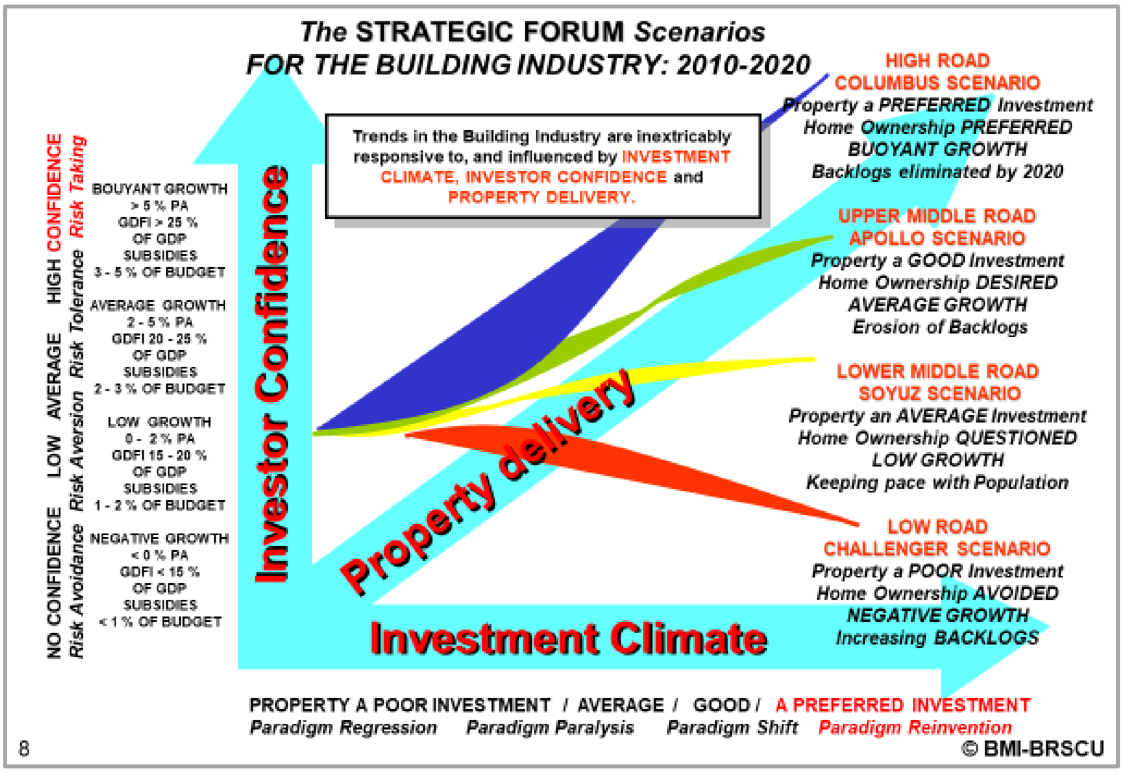


Figure 2.2: Building industry growth scenarios: 2010 - 2020 (Lewis, 2019)

The Columbus scenario (Figure 2.2) refers to a high road scenario and assumes strong growth opportunities in the building industry that will also directly and indirectly impact the flooring industry. The next scenario is the upper middle road, called the Apollo scenario, which means that growth will continue, but not as profitable as the Columbus scenario. The third scenario is the Soyuz scenario, which can be described as steady, but average growth. For the purpose of this study and applicable graphs, the Soyuz scenario is assumed to be the most likely outcome; not only for the building industry, but also for the flooring industry. The fourth scenario is the Challenger scenario, which is the low road scenario, and depicts negative growth opportunities (Lewis, 2019).

It is important to understand and take cognisance of:

- The driving forces within the industry is, and what impact change will have on industry competitive intensity and profitability.
- The market positions that industry rivals occupy, and who is strongly positioned and who is not.
- The possible strategic moves that rivals are likely to make next.
- The key factors that could assure competitive success in the industry.
- The good prospects for attractive profits and growth that the industry still offers as predicted by the BMI index, can be seen in the graph in Figure 2.3.

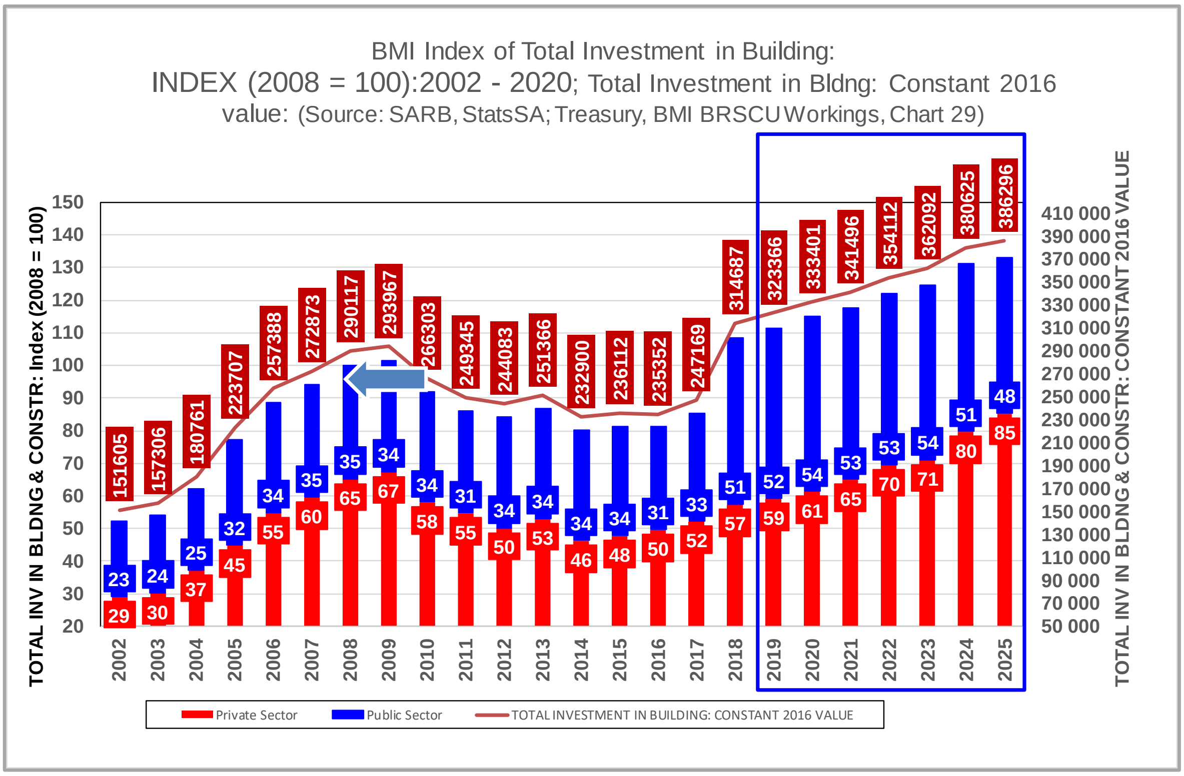


Figure 2.3: BMI building index (Lewis, 2019)

The literature review in this chapter firstly provides a short history and background into the carpet manufacturing process, as well as an overview of the soft floor industry internationally, as well as the South African market. More specifically, the focus will be on the supply chain of Belgotex, who has a 155 000 square meter manufacturing facility based in Pietermaritzburg, and is currently the largest soft flooring mill in operation in the Southern Hemisphere (Belgotex, 2018). The following aspects will be addressed: an external and internal analyses of the soft floor industry, as well as current supply chain risks, and risk sources, drivers of change, as well as current product offering. Benchmarking and supply chain strategies, that can build a competitive advantage in the soft floor supply chain landscape, will also be considered.

2.2 Supply chain management: theory, models and future possibilities

2.2.1 The value chain

The value chain is a tool for identifying key processes in a business, assessing the firm's competitive capabilities in each, and thereby assessing in which capabilities the source of competitive advantage lies (Evans, 2013:128). Heizer *et al.* (2017:78) defines value chain as the activities that represent strengths, or potential strengths, and may be opportunities for developing competitive advantage. A value chain consists of the elements in the product or service chain that add value. Value chain is a series of activities that an organisation performs to transport inputs into outputs in such a way that the value of the input is increased (Stair & Reynolds, 2016:56). Michael Porter as quoted by Evans (2013:128 -130), divided a firm's activities into primary and support activities. Primary activities relate to a range of inputs to the production process through to the delivery of the output to the customer or beyond. Support activities apply across the range of primary activities (Figure 2.4).

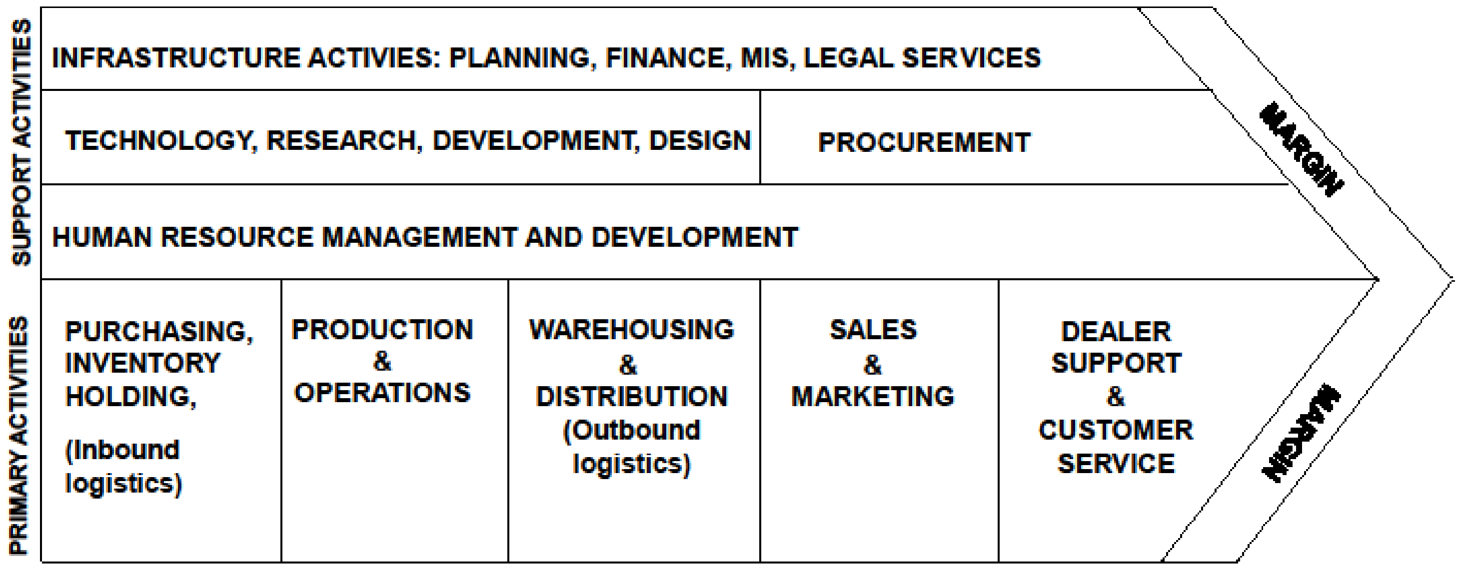


Figure 2.4: The value chain (Evans, 2013:129)

Value chain activities entail the following activities (Thompson *et al.,* 2017:318):

- The opportunity to combine purchasing activities, gain more leverage with suppliers, and realise supply chain economics;
- The opportunity to share technology, transfer technical skills and combine research and product development;
- The opportunity to combine sales and marketing activities, use common distribution channels, leverage the use of a common brand name and/or after-sale service activities; and
- Collaboration to create new competitive capabilities.

The value chain model is a useful tool to clarify which activities in a business are important for business success (Evans, 2013:130). The importance of applying the tool across all aspects of the business must be stressed. Each key segment of the value chain should not be seen in isolation from the other segments when searching for competitive advantage.

2.2.2 Supply chain management

The supply chain manager seeks to accomplish a connection and coordination between the processes of various entities within the supply chain network (Christopher, 2016:3). Supply chain management is ultimately about influencing behaviour in particular directions and in particular ways (Storey *et al.,* 2006:754). Christopher (2016:3) defines upstream and downstream activities, hence backward and forward integration as well as the relationships with suppliers and customers in order to deliver superior value at less cost to the whole supply chain, as supply chain management.

Supply chain management describes the coordination of all supply chain activities, starting with raw materials and ending with a satisfied customer (Heizer *et al.,* 2017:482). Supply chain management includes all activities in the value chain and includes suppliers, manufacturers and/or service providers, distributors, wholesalers, and/or retailers who deliver the product and/or service to the final customer. The objective is to structure the supply chain in such a way, in order to maximise a firm's competitive advantage and benefits to the ultimate consumer. Figure 2.5 illustrates a simplified supply chain in the soft floor industry, for the manufacturing process of a polypropylene carpet from raw material supplier to the final end-user. The flow from the raw material supplier to where it reaches the end-user, via a direct or indirect distribution channel as illustrated.

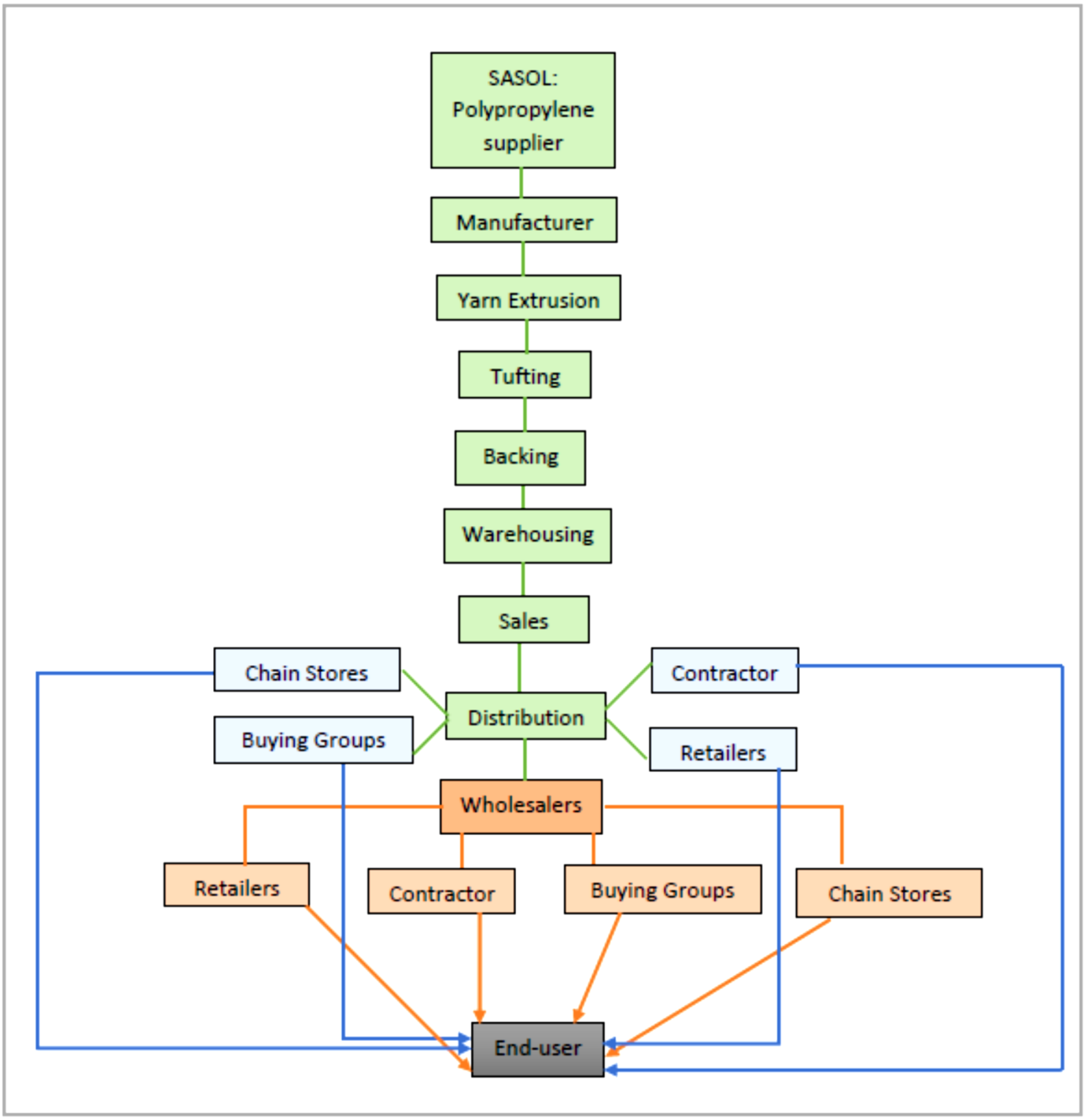


Figure 2.5: A supply chain for carpet manufacturing

As firms strive to increase their competitiveness via product customisation, high quality, cost reductions, and speed to market, added emphasis is placed on the supply chain (Heizer *et al.*, 2017:483). In the search for sustainable solutions, firms must achieve integration of strategy, up and down the supply chain. The concept of a supply chain network impacts both the supplier and the end-user. This leads to the primary research question of this study: What is the current nature of the South African soft floor industry, and why is it important for a manufacturer, like Belgotex, to craft a new supply chain strategy for future direction and growth?

2.2.3 The Internet of Things and supply chain management

The use of the Internet of Things (IoT) within a supply chain, could bring visibility to the entire supply process, generating a highly visible supply chain, where the location and characteristics of all the goods in the supply chain could be ascertained at any point in time (Haddud *et al.*, 2017:8). The Internet of Things (IoT) can be defined as a global network of hardware, software, devices, databases, objects, sensors, and systems, all working at the service of humanity.

The use of IoT can lead to an increase in profits, through a faster response to changing client needs or supplier availability, and more optimisation of shipments and the assurance of complete deliveries. The effective use of this fast IoT will achieve more competitive advantages in the new business environment (Haddud *et al.*, 2017:8). It can also lead to a more efficient delivery of products to the market, easing the common constraints of unpredictable demand and supply disruptions. Companies need to embrace the IoT solution in a manner that will sustain effective supply chains.

Today anybody in the world with an Internet connection can access technology that, until a few years ago, even top scientists in the field could not. This is simply because of the access to a platform through the Internet (Satell, 2017:160). Even more so into the future, people will use the Internet to discover insight, engineer solutions and transform or disrupt industries or fields, and as the Internet of Things continues to evolve, the impact it will have on the world will grow exponentially.

2.3 The soft floor industry

2.3.1 History

The term soft floor industry refers to carpet manufacturing. The carpet and rugs industry is comprised of companies and manufacturers that operate by designing, manufacturing and producing carpets and rugs for consumers for the domestic, commercial and industrial sectors (Quasar, 2018). A carpet can, in general terms, be defined as a textile floorcovering typically consisting of an upper layer of yarn tufted in either a loop pile, cut-pile or cut-loop-pile attached to a backing (Quasar, 2018). Carpets are typically distinguished from rugs, by being fixed to the floor surface

(Quasar, 2018). A rug is generally not bigger than a room and can be defined as a loose lay carpet.

Wool was traditionally used by carpet manufacturers, before the rise of less expensive synthetic fibres such as polypropylene, nylon, and polyester in the twentieth century (Quasar, 2018). Carpets are used for a variety of purposes, such as insulating cold tiled or concrete floors and adding acoustical, safety benefits, as well as aesthetic appeal in the form of decoration or colour to a room, in both residential and commercial spaces. Comfort is the top priority for residential carpet use and often feels exceptionally luxurious underfoot when compared to commercial grade carpets. The two types of soft floor solutions are constructed differently, as the main objective of residential carpets is to improve underfoot comfort. This is achieved by the manufacturing of carpets with a greater pile height, which creates the indulgent, plush feel (Quasar, 2018).

The first carpet factory in the U.S.A. was built by William Sprague in 1791 in Philadelphia. Today, the city of Dalton, in the state of Georgia U.S.A., is home to many carpet factories, including Shaw Industries Group Inc., one of the largest carpet manufacturers in the world. Carpets were once a luxury that most Americans could not afford, but carpets became much more affordable in recent years. Today carpets make out 72% of all flooring in the U.S., with tufted carpeting being 91.5% of production. Furthermore, the city of Dalton is responsible for over 70% of the world's production of carpets (Quasar, 2018).

Manufacturers strive to reach all segments of the flooring market, by producing various designs and textures at price points ranging from inexpensive and entry application levels, to exclusive high-priced quality levels. Appendix D shows the various major market segments, as well as types of products that are suitable for these segments. Wall-to-wall soft floor coverings are manufactured in widths varying from 3.7 to 4.6 meters wide in the USA, 4 to 5 meters in Europe to 3.66 to 4 meters wide in South Africa (Quasar, 2018). Today the production of high quality and environmentally friendly products that can meet the modern customers' needs, continue to dominate research and technology in the carpet industry (BMCW, 2019:14). This includes:

- Products that are manufactured under conditions that ask less of the planet's resources, such as energy, water and air pollution;
- Lowest weight, yet still good performance;
- Made from sustainable material, meaning material that can be recycled into new products after use;
- Installed without wet adhesive;
- Carpet tiles with alternative backing systems to Bitumen and PVC;
- Uplifted without contamination;
- Easy to separate from pile and recycled;
- The growth of Econyl, a new, more sustainable yarn system, produced by Aquafil drives the message of sustainability within the carpet industry.

The heightened awareness about the benefits of using environmentally-friendly material in the carpet manufacturing process, will continue to offer global manufacturers an opportunity to be more profitable, as well as to create uncontested market space.

Globally there has been a renewed demand for carpets across all market segments, for improving the décor of the home or business environment after the 2008 economic crisis. The Quasar analyses team (2018) reports in their Global Carpets and Rugs Market Trends and Forecast 2023, that the global carpet and rugs market will continue to show growth due to factors. For example, an increase in middle-class population, growth in demand from the residential and non-residential sectors, and an increase in renovation and remodelling activities. China, Germany, Japan, Turkey, and the United States represent the largest carpet and rugs markets, with India being sighted as the fastest growing country for carpets and rugs through to 2023 (Quasar, 2018).

2.4 Types of soft floor products

Carpets are manufactured from different yarns and fibres, that consist of various fibre characteristics (Table 2.1) and are used in either a commercial or residential environment. Appendix D shows a complete inventory of all the various products and market segments, where carpets, turf and vinyl products can be used.

2.4.1 Yarns and fibres

- Wool – Coat from sheep which is stock dyed then spun together to form a yarn – also used in yarn blends;
- Stock dyed nylon – White nylon extruded in bulk continuous filament (BCF) form and dyed thereafter;
- Polypropylene – Solution dyed and extruded in BCF form for tufted carpets, and staple fibre for needlepunch;
- Polyester – Extruded in BCF form for tufted carpets – can also be in staple fibre;
- Acrylic – Extruded and cut into staple fibre, then spun together similar to wool;
- Blends – As the name suggests, it is the method of blending wool and nylon, or nylon and polypropylene, for example;
- Solution dyed nylon (SDN) – Arguably the best carpet fibre currently, extruded in BCF form with the colour of the yarn set right through as part of the permanent structure of the fibre.

Table 2.1, on the following page, presents the characteristics of carious fibres, as was reported in in the Belgotex training manual (2018).

Table 2.1: Various fibres characteristics (Belgotex training manual, 2018)

Fibre	SDN	Post Dyed Nylon	Polypropylene	Polyester	Acrylic	Wool
Colours available	Excellent	Excellent	Good	Excellent	Fair	Fair
Abrasion resistance	Excellent	Excellent	Excellent	Excellent	Good	Good
Resilience	Excellent	Excellent	Poor	Fair	Fair	Excellent
Soil hiding	Excellent	Good	Fair	Good	Good	Good
Cleaning	Excellent	Good	Excellent	Good	Good	Fair
Spot removal	Excellent	Good	Excellent	Good	Good	Fair
Pilling	Excellent	Excellent	Excellent	Fair	Good	Good
Shedding	Excellent	Excellent	Excellent	Fair	Fair	Fair
Flammability	Very good	Very good	Very good	Very good	Good	Very good
Resistance to cleaning chemicals	Excellent	Good	Excellent	Good	Good	Good

2.4.2. Types of tufted carpets

Tufted carpets are distinctly segmented into cut pile, loop pile and cut loop carpets (Belgotex, 2018). The yarn can go through various manufacturing processes to create a twisted and heat set yarn, to produce mainly cut pile carpets, singles yarn for entry-level cost-effective loop pile carpets, and air entangled yarn for higher end loop pile carpets, tufted tiles and Berber style carpets. Tufted means the yarn is tufted into a primary backing on a tufting machine. The mother rolls are then sent to the backing plant, where a layer of latex is applied, followed by a secondary backing, which is applied to the latex under pressure and then cured and set through an oven.

Tufted carpet tiles are tufted in the same way as broadloom carpet; however, the primary backing is replaced with a woven primary backing, for added dimensional stability. The tufted cloth is then backed with two layers of bitumen followed by a secondary backing and pressed into desired sizes of 50 x 50, 60 x 60, 1m x 1m, and 120 x 25 tile formats.

Colourpoint tufted technology is the latest tufting technology that can produce patterned and custom designs in both cut pile and loop pile, or a combination of both in tufted broadloom or tile format, for the hospitality and commercial environment. This technology has been an important differentiator for Belgotex in recent years.

Tufted broadloom carpets are referred to as wall-to-wall carpets, and are cut and joined to a predetermined floor seeming plan. With the use of specialised equipment, the tufted carpet is then stretched over the surface at a predetermined tension and secured to the perimeter fastening system and finishing profiles. Tufted tiles must be glued to the floor and tightly butted up against each other in either a tessellated, monolithic, ashlar or random way, depending on supplier specifications and recommendations.

2.4.3 Types of needlepunch carpets

Needlepunch carpets are the process of extruding yarn, which is then cut into staple fibres and through a blending, carding and structuring process are then compacted into a flat sheet. The flat sheet will then go through a second structuring process where a needlebar will punch through a desired pattern. The structured sheeting will then go through a backing process, where latex is applied to the back of the sheeting and is forced into the fibre under a pressure roller.

Plainbac™ needlepunch tiles are pressed from the standard sheeting. Nexbac™ tiles follow the same route as tufted tiles, where the broadloom sheeting receives two coats of bitumen, as well as a secondary backing which are then cut into various required tile sizes.

Needlepunch broadloom, Plainbac™ and Nexbac™ tiles are all glued to the floor using a fully bonded method of installation. Fully bonded means that an acrylic emulsion adhesive is applied to the floor surface using a 3mm notched trowel and the carpet sheeting or tiles are then laid into the adhesive once the glue has reached a flash-off period.

Table 2.2 is a short summary of the most important floor covering products available to the various market segments as shown in Appendix D.

Table 2.2: Flooring products

Soft floor products	Substitute products	Complimentary products
Tufted broadloom carpets	Ceramic tiles	Carpet rugs
Tufted tiles	Laminates	Artificial turf products
Custom broadloom carpets	Luxury vinyl tiles (LVT)	
Custom tufted tiles	Cushion vinyl	
Needlepunch broadloom	Stone & marble floors	
Needlepunch tiles Plainbac™	Painted concrete floors	
Needlepunch tiles Nexbac™	Epoxy coted floors	
Woven Axminster carpets	Homogenous vinyl sheeting	
	Linoleum floors	
	Bamboo flooring	
	Real wood	
	Homogenous vinyl tile	
	Heterogeneous vinyl sheeting	
	Heterogeneous vinyl tiles	
	Quartz Carpet	

2.5 Global and Macro Context of the International Soft Floor Industry

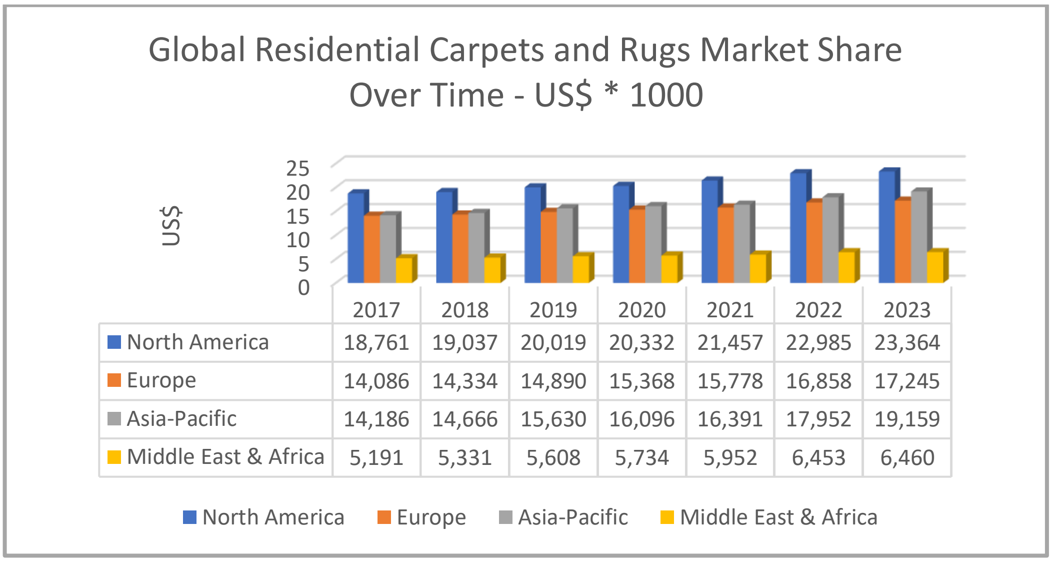
The global flooring market is distinctly segmented into residential and non-residential markets and manufacturers focus on the designing and manufacturing of soft flooring solutions to both market segments, as well as the automobile sector. The global carpets and rugs market is dominated by players such as Mohawk Industries Inc. (U.S.A.), Shaw Industries Group (U.S.A.), Interface (U.S.A.), Tarkett (France), Beaulieu International Group (Belgium), Milliken (U.S.A.), Dixie Group, Inc. (U.S.A.), Orientals Weavers Company for Carpets (Egypt), Tai Ping Carpets International Limited (China), and Victoria PLC (U.K.), to mention only a few (Quasar, 2018). This group of global carpet and flooring players adopted various strategies, such as acquisitions and expansions to cater for the needs of the residential and commercial flooring markets (Quasar, 2018).

Table 2.3 below shows a short summary of the mentioned global role players and their competitive landscape. They are all involved in other types of flooring, apart from residential and commercial carpeting; such as rugs, laminate flooring, luxury vinyl tiles, vinyl sheeting, linoleum flooring, cushion vinyl, rubber, solid wood, synthetic turf, and even ceramic tiles.

Table 2.3: Global Soft Flooring Competitive Landscape Source: Quasar Analysis Market Research Reports (2018)

Manufacturer	Headquarters / Year Founded	Manufacture Residential Carpets	Manufacture Commercial Carpets	Specialties
Mohawk	The U.S.A. 1878	Yes	Yes	Sustainability, Innovation, Lean Manufacturing
Shaw	The U.S.A. -	Yes	Yes	Flooring, Textiles, Manufacturing & Hardwood
Tarkett	France 1880	No	Yes	Vinyl, Linoleum, Carpet, Rubber, Solid Wood & Wood Laminate, Synthetic Turf & Athletic tracks
Interface	The U.S.A. 1973	No	Yes	Commercial Flooring, Carpet Tile, TacTiles, LVT, Sustainability
Dixie	U.S.A 1920	Yes	Yes	Supply retailers and furniture stores, luxury home builders
Oriental Weavers	Egypt 1979	Yes	Yes	One of the World's largest carpet & rug producers
Tai Ping	China 1956	Custom High-end Residential	Custom High-end Commercial	Luxury custom Handmade and commercial carpets
Victoria PLC	The U.K. 1895	Yes	Yes	Wool carpets, synthetic carpets, carpet tiles, LVT and Artificial grass
Beaulieu International Group	Belgium 1959	Yes	Yes	Nylon granules manufacturing, raw materials, Technical Textiles, Fibres, Yarns, Needles Felt, Artificial Grass, Cushion Vinyl, LVT, Laminate
Milliken	1865	No	Yes	Sustainability, Performance materials, and Floorcoverings, Carpet tile, Carpet Design

Figure 2.6 shows that the Quasar Analysis Market Research Report (Quasar, 2018) is still optimistic about the global growth of carpets, and forecast a steady US$ growth in the foreseeable future. Although the perception might be that carpets are no longer the floorcovering of choice by consumers, the Quasar analysis report shows the opposite trend. Their prediction is year-on-year growth, on all major continents, until 2023. The residential sector is projected to grow at the highest rate, as carpets remain the floorcovering of choice that enhances the aesthetic appeal of a room and provides sound and thermal insulation. The report estimates a compound annual growth rate (GAGR) of 4.22% until 2023 for the sector.



	2017	2018	2019	2020	2021	2022	2023
North America	18,761	19,037	20,019	20,332	21,457	22,985	23,364
Europe	14,086	14,334	14,890	15,368	15,778	16,858	17,245
Asia-Pacific	14,186	14,666	15,630	16,096	16,391	17,952	19,159
Middle East & Africa	5,191	5,331	5,608	5,734	5,952	6,453	6,460

Figure 2.6: Global residential carpets and rugs market share - Source: Quasar Analysis Market Research Reports (2018)

At a global level, the dominant soft floorcovering in the commercial space is carpet tile. The five major producers of carpet tile, Interface, Milliken, Mohawk, Shaw and Target, account for around 60% of global tile volume. Carpet tile will continue to be a highly progressive and pioneering sector of the 2019 global commercial soft flooring industry, according to the latest BMWC forecasting report (BMCW, 2019). Another area for growth in the commercial carpet tile space in recent years has been the hospitality industry who has slowly shifted from broadloom carpeting in public areas and guest rooms, to carpet tile (BMCW, 2019). Figure 2.7 shows the major tile manufacturers' world market share by volume (BMCW, 2019).

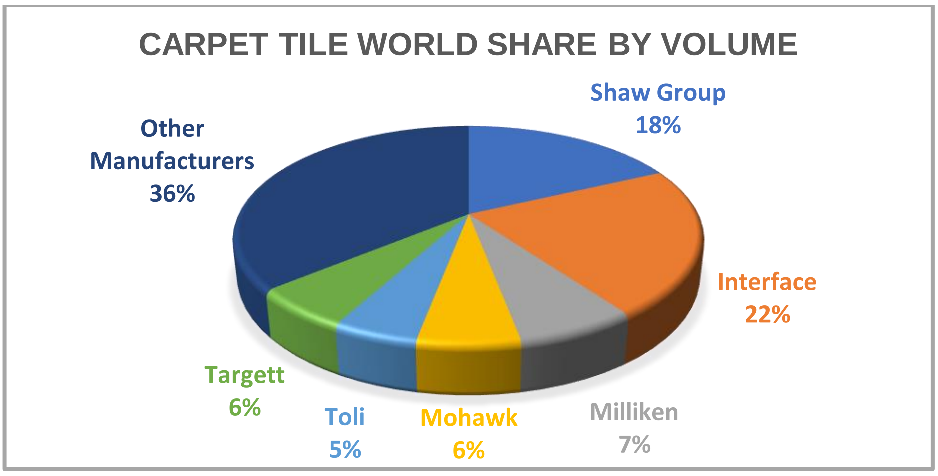


Figure 2.7: Major Global Carpet Tile Manufacturers (BMCW Associates, 2019)

Although carpet tile has been a dominant floorcovering in the global commercial space, it is the growth of LVT (luxury vinyl tile) that has grabbed headlines as the fastest growing product category in both the commercial and residential flooring space globally (BMCW, 2019). LVT has hurt the growth of carpet tile and is seen as the first real competitor to carpet tile in the global commercial space (BMCW, 2019).

LVT imitates the looks of natural materials such as wood, stone, slate, and metallics, for example. Carpet tile, on the other hand, has numerous benefits such as modular, styling, texture, warmth and acoustics, and the best strategy going forward would be a twinned marketing approach (BMCW, 2019). In other words, the designers and carpet tile producers should work together in the future, towards a coexistence approach between LVT and carpet tile, sharing room space in the same commercial installation.

Designers should drive the fact that both LVT and carpet tile complement each other within a specific space. This will ensure growth opportunities for both product categories. BMCW (2019) forecast (considering recent global trends) that LVT will be 40% of carpet tile volume in 2019 (Figure 2.8). A critical factor for the continued dominance of carpet tile, in commercial spaces, will be maintaining market share in the refurbishment commercial office space, as LVT could become more suited in certain areas, previously floored in carpet tile (BMCW, 2019).

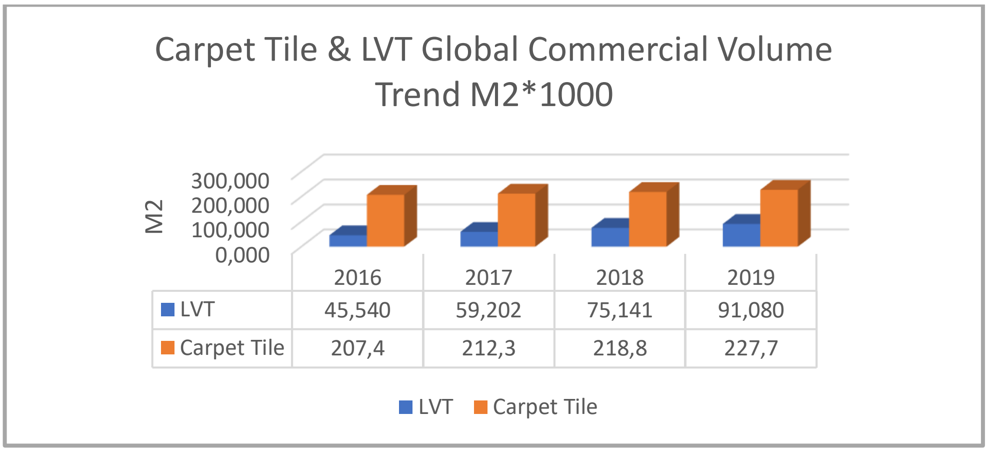


Figure 2.8: Carpet tile & LVT global commercial volume trend (BMWC Associates, 2019)

Alongside the year-on-year growth of carpet tile, LVT is showing similar growth prospects. In 2019, carpet tile will continue to be a highly progressive and pioneering sector in the global commercial flooring industry, as shown in Figures 2.8 and 2.9. There is also a trend towards diversification in non-office markets, as seen in the growing numbers in the hospitality, leisure, education and healthcare sectors (Figure 2.9). Diversification is an important aspect of future upward demand for carpet tile, and designers, specifiers, and owners must continue to usher the use of carpet tiles in sectors such as education and hospitality.

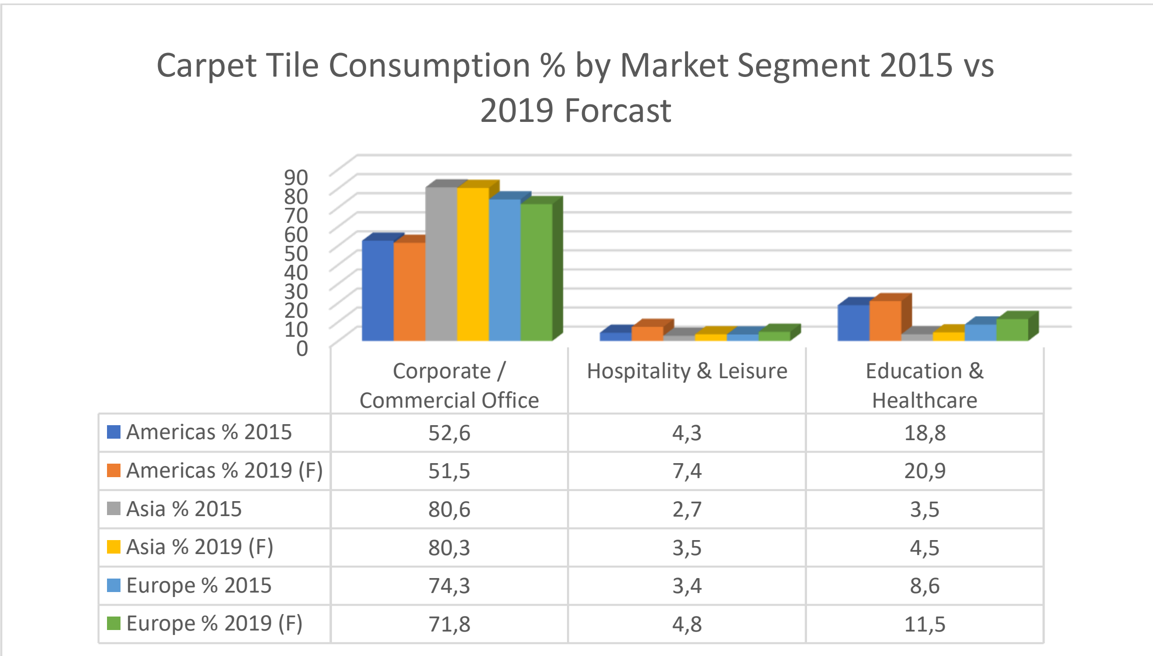


Figure 2.9: Carpet tile percentage contribution by market segment 2015 vs 2019 (BMWC Associates, 2019)

Considering the current situation of the global residential and commercial soft floor industry and based on the information from both the Quasar (2018) and BMCW (2019) reports, it is important to also provide cognitive clarity about the overall health, or peril of the global soft floor industry, through a SWOT analysis, which is presented in Table 2.4 below.

Table 2.4:Global soft floor industry SWOT analysis (Quasar, 2018; BMCW, 2019)

	Positive factors	Negative factors
Internal factors	**Strengths** • A rise in the number of renovation and remodelling activities • The top 5 global tile producers are still investing in new plants and equipment in geographic regions • The growing interest of consumers towards interior decoration • Rapid urbanisation & globalisation • New increased, state of the art machinery in some of the leading global manufacturers' production facilities, shows positive growth prospects for carpet tiles	**Weaknesses** • Maintenance concerns in both commercial & residential spaces • High manufacturing fixed costs • Disposal of wastes challenges – bulky materials takes up precious landfills space annually • Expensive recycling processes and lack of recycling infrastructure for growing polyester carpet manufacturing
External possibilities	**Opportunities** • The drive for sustainability • Rise in the number of construction activities in developing economies • The growing importance of organised retailing • The growing hospitality industry opening up carpet tile growth opportunities • Alternative 100% recyclable tile backing systems and improved yarn systems • Continuous technology and design innovation by manufacturers	**Threats** • Global political uncertainties, for example, the impact of Brexit on European manufacturer exports • Exchange rate fluctuations and import duties on raw materials and rising prices of raw materials • Increasingly high distribution costs • Growth of alternative flooring, such as LVT's, in both the commercial and residential space

The global SWOT analysis shows that, although threats like the rapid annual growth of LVT, rising manufacturing costs and a greater demand on sustainable manufacturing processes are looming, there are still many opportunities on which to focus. From the industry's internal strengths, it should be clear that the industry should focus on offensive strategies to exploit external opportunities. The industry still offers many competitive advantages, such as the enhancement of the aesthetic appeal of an office, hospitality or educational environment, as well as sound and thermal insulation thereof. These are critical differentiators in the commercial space that the industry must continue to exploit, in order to lock LVT and other hard flooring competitors out of soft floor spaces. The industry can also harness complimentary products, such as LVT ranges in certain areas of the commercial flooring environment, such as pause or bathroom areas. This can unlock more future value, and make the carpet tile business more sustainable.

It is important to also answer the key question of what the competitive driving forces of the global soft flooring industry are, as well as what the profit potential thereof is? The structure and potential of the global soft floor industry can be explained by using the dynamics of the five forces model by Michael Porter within the industry (Ungerer *et al.,* 2016). This encompasses the threats posed by new entrants, the power of suppliers, the power of buyers (customers), product substitutes and the intensity of rivalry among competitors, as illustrated in Figure 2.10 (Ungerer *et al.,* 2016).

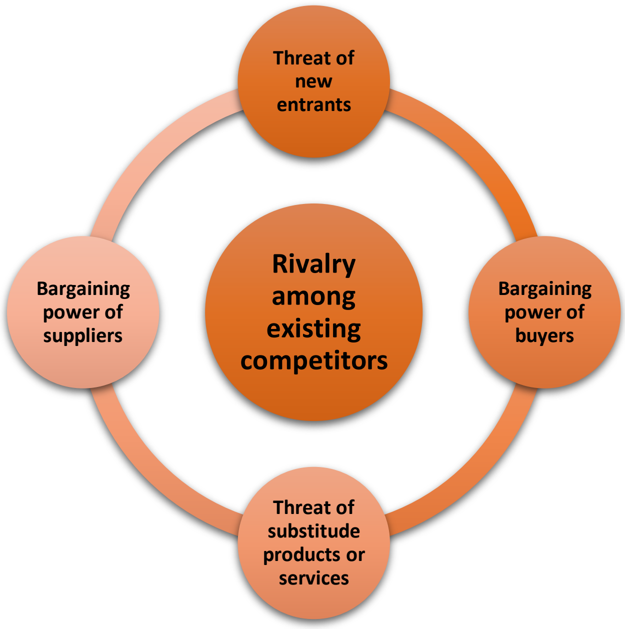


Figure 2.10: Five forces dynamics (Ungerer et al., 2016:99)

Table 2.5 shows how the five competitive forces shape the structure of the global soft flooring industry, according to the Quasar (2018) and BMCW (2019) reports.

Table 2.5: Five competitive forces shaping the global soft flooring industry (Quasar, 2018; BMCW, 2019)

The threat of new entrants	The threat of substitute products	Bargaining power of suppliers	Bargaining power of buyers	Rivalry among competing firms
• Economies of scale – high • Customer loyalty – high • Brand Equity – high • Access to distribution - low • Government Policy - low	• Substitute product performance – high • Consumer switching cost low • Perceived level of product differentiation – medium • The relative price performance of substitutes – low	• High no. of suppliers • Ability to substitute – high • Strength of distribution channel – low • Switching costs – medium • The financial muscle of suppliers – medium • Degree of differentiation of inputs - low	• Product differentiation – high • Availability of existing substitute products – high • Buyer volume – medium • Buyer sensitive to price – medium • Consumer acceptance and acquisition - low	• Continuous innovation – high • Quality – high • Exit barriers – low • Entry barriers – medium • Rate of industry growth – medium • No. of competitors – medium • Brand identity – medium

Out of the above five forces analysis of the global soft floor market, the following conclusions or implication can be drawn for both the international and local soft flooring market:

- The threat of new entrants is moderate, as economies of scale, brand equity, and customer loyalty is high. However, access to distribution and government policies are low, which offers some opportunities for imported products that are less costly alternatives. The industry's growth and profit prospects are furthermore still positive, keeping the industry attractive for new entrants – however, moderately so.

- The industry threat of consumers switching to substitute products is high, as the price of substitute products is low, with considerable quality and performance features. This can be seen in the fact that buyer-switching costs are low. Substitute products are also readily available, with only a moderate perceived level of product differentiation.
- The general power of suppliers is low, as seen in the fact that there is a high number of suppliers, high availability of substitute products, low strength of the distribution channel, as well as a low degree of input differentiation.
- The power of buyers is moderate, as there is a fair number of buyers in the market place with high product differentiation and availability of substitute products.
- The intensity of competitive rivalry is moderate. Continuous innovation, fixed costs, and quality standards are high, compared to low exit barriers and moderate entry barriers, industry growth rate, number of suppliers and brand identity.

The global soft floor industry's competitive environment is, therefore, ideal from a profit-making standpoint, as industry rivalry can be seen as moderate. The South African market generally trail behind international markets, by approximately 24 months – as a rule of thumb. This has changed in recent years, as the local flooring industry is much closer to international trends, colours and designs. Imports of global brands, such as Interface and Milliken, have also led to local manufacturers producing similar products and designs to compete. An example of this is the global trend of manufacturing carpet tiles in plank size (120cm X 30cm) to compliment LVT. This trend has been very successful, not only globally, but also in South Africa.

2.6 The South African Soft Floor Market

The South African soft floor market follows the same trend as the global flooring market, and is distinctly segmented into residential and non-residential flooring solutions (Figure 2.11). A South African manufacturer, like Belgotex, is not only a local manufacturer, but forms part of the Beaulieu International Group (BIG). Being part of a global group of companies assists in staying in touch with International market trends and technology. The commercial market is further segmented into corporate and commercial office spaces, the retail environment, hospitality and leisure, educational and healthcare, government, institutional and finally transport (Appendix D). The local soft floor manufacturers are Belgotex, Van Dyck Floors, Nouwens Carpets, MONN, and Crossley Axminster (Table 2.6).

The size of the local residential and commercial flooring markets is shown in Figure 2.11. This is as per data supplied by the building research and strategy consulting unit (BMI). Predictions are made following the middle road, Soyuz scenario method, which can be described as steady average growth. The prediction is that there are still future growth opportunities for the flooring industry, in both the commercial and residential markets until 2025.

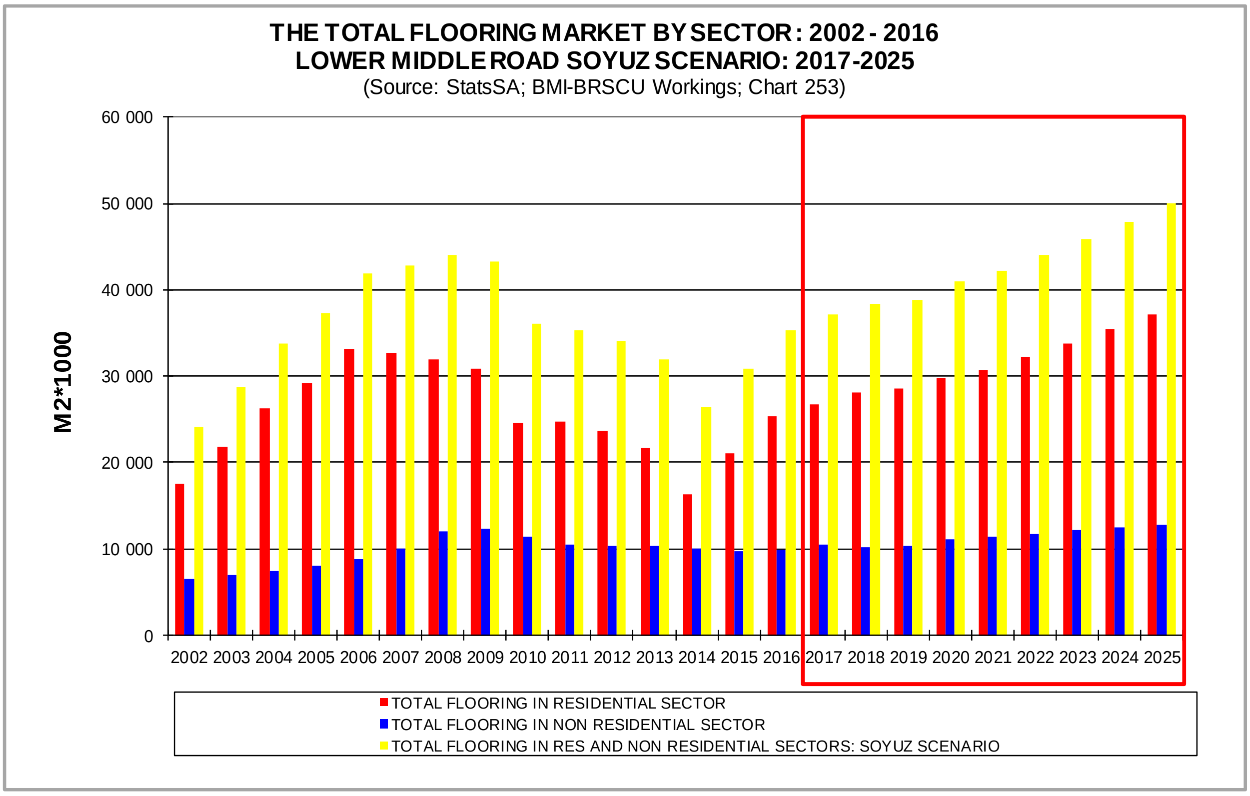


Figure 2.11:The size of the residential & non-residential flooring market: 2002 -2025 (Lewis (2019)

Table 2.6 shows a short summary of the mentioned local manufacturers and their competitive landscape. In one way or another, they are all involved in other types of flooring, apart from residential and commercial carpeting, such as rugs, laminate flooring, luxury vinyl tiles, vinyl sheeting, linoleum flooring, cushion vinyl, rubber, and synthetic turf.

Table 2.6: South African soft floor competitive landscape

Manufacturer	Headquarters / Year Founded	Manufacture Residential Carpets	Manufacture Commercial Carpets	Specialties
Belgotex	Pietermaritzburg 1983	Yes	Yes	Sustainability, innovation, product quality, trend-right design and performance, African brand showcase, custom design, BCF SDN yarn technology, artificial turf. tufted broadloom and tile carpets, needlepunch carpets, import cushion vinyl, LVT, vinyl sheeting and rubber products
Van Dyck Floors	Durban 1948	Yes	Yes	Tufted broadloom and tiles, needlepunch, importers of woven carpets, artificial turf and LVT ranges
Nouwens	Harrismith 1962	Yes	Yes	Wool and wool blend tufted broadloom carpets, carpet tiles, artificial turf
MONN	Harrismith 2012	Yes	Yes	Premium quality woven Axminster and luxury Wilton carpets, carpet tiles and rugs for commercial and hospitality spaces
Crossley South Africa	Durban 1947	No	Yes	Custom woven carpet manufacturing

The local soft flooring industry has also seen an increase of imported products from most of the mentioned global manufacturers, which accounts for 6% of annual local sales. Companies like, Interface, Shaw and Milliken have a significant impact in the high-end segment of the local commercial flooring space.

Belgotex contracted Dr Llewellyn Lewis from the BMI center of strategy, leadership- and organisational-reinvention in 2004, to conduct a survey regarding the then state and possible future of the industry. The study was never published and remained the property of Belgotex. As an industry insider, the researcher has access to this research, and comparisons can be drawn between the state of the soft floor industry today, and the findings of Dr Lewis in 2004.

Lewis (2004) noted in his report that trends in the general flooring market are inextricably responsive to, and influenced by key elements, such as service delivery, consumer consumption, and the integration of the flooring industry (Lewis, 2004). This would be achieved by reducing the number of players in the distribution channel, as well as by the factory having a closer connection with the end-user. Lewis (2004) suggested a Belgotex branded flooring solutions retailer network. Increased rivalry and multiple choices from other types of floorcoverings have led to liberated consumer culture, demanding added-value, trend-right flooring products, and excellent services. (Lewis, 2004). These factors also raised the question by Lewis (2004) of an integrated distribution system, whereby the manufacturer can have better control of the entire supply chain – from manufacturing to reaching the consumer directly. Consumers expect convenient access to well-located and user-friendly stores, where they can have access to superior customer service and shopping experience (Lewis, 2004).

Lewis' study (2004) identified the following issues facing the flooring market, post-2004:

- Growth in the refurbishment market, both residential and commercial, ushered in by lifestyle changes and consumer preferences. The modern flooring consumer is looking for low maintenance, easy to clean, yet durable flooring solutions that fit a busy lifestyle. Hence, the growth of hard flooring products, such as LVT's;
- Growth in the number of ceramic tile distributors;
- Marketing by ceramic tile distributors;
- Pricing pressure – particularly on carpeting versus ceramic tiles;
- Different methods of distribution via the traditional flooring retailers in the case of carpeting and the building industry, and an impressive distribution network in the case of ceramic tile distributors;
- The South African soft floor industry relies on 8 wholesalers, and three major local manufacturers to distribute the product to the retailer outlets;

- The retail outlets are the face of soft flooring to the residential consumers. Only 10% - 20% have well maintained, up to date showrooms located in relatively high visibility areas, where professionality and commitment to the business and industry is top priority. The remaining 80% - 90% retail activity is through the wholesale distribution channel. These stores are located in less visible areas or are home-based, with no showroom at all;
- Retailers with no showroom and who work from home, have very little overheads, and are termed by the industry as Kombi operators. They are an inextricable part of the retail environment. Their image is that of struggling operators, driving shabby vehicles and disrupting the market, by cutting costs and driving the profits of retailers with showrooms down.

A key issue, for all stakeholders, that Lewis identified within the industry was the fact that there are too many distributors and retailers in the market. He suggested that a dominant player like Belgotex should:

- Dominate the carpet flooring market by developing and leveraging a major Belgotex-branded flooring solution retailer;
- Dominate carpet distribution via the building materials distribution network, such as Cash Build, Spar Build-It and Builders warehouse;
- Dominate carpet distribution via the furniture distribution network;
- Dominate carpet distribution in the middle and luxury housing development market;
- Achieve annual turnover of R3 billion by 2010.

Fifteen years forward, local manufacturers face an even more unique set of intricate operational challenges. Apart from the acquisition of one major distributor by Belgotex, Pioneer carpet wholesaler in 2006, the industry did not record any other significant changes after Lewis's report. Belgotex only recorded their first R1 billion turnover in 2015. Builders warehouse is the only building industry distribution chain who sells and fits carpets. They only contribute to 3% of Belgotex annual sales. Both Ok furniture and House and Home furniture chain groups closed their flooring divisions in 2015. At the time they jointly contributed to less than 1.5% of the annual local Belgotex sales.

Housing developments have predominantly moved away from carpets to the installation of ceramic tiles. No branded Belgotex flooring solution retail chain materialised.

The flooring and manufacturing sector in South Africa have also not been immune to the economic turmoil in both the construction and manufacturing industry, over the past few years. With the added pressures of the global economic downturn, manufacturers are now looking for a fresh approach to doing business during these challenging times. Furthermore, unstable electricity supply, water shortages and labour unrest provide numerous headwinds for local flooring manufacturers to consider, notwithstanding the changing preferences of consumers and their impact on demand.

In March 2018, three of the largest flooring wholesalers, Fotakis Bros., Selborne, and MF Wholesale merged with the assistance and intervention of the owners of Belgotex – in their private capacity. Nouwens and Van Dyck Floors also announced a merger of their operations and manufacturing processes, on 8 April 2019. These mergers were driven by current difficult market conditions and challenges. They believe that these challenges can be overcome, and sustainability in the flooring manufacturing sector can be ensured through a more efficient and lean manufacturing operations strategy (Grobler, 2019).

Considering the current situation of the local South African residential and commercial soft floor industry, it is important to also provide cognitive clarity about the overall health or peril of the local industry through a SWOT analysis (Table 2.7).

Table 2.7: A SWOT analysis of the local soft floor industry

	Positive factors	Negative factors
Internal factors	**Strengths** • Belgotex' increased investments in state-of-the-art machinery and production facilities, shows growth prospects for custom broadloom carpets for the hospitality industry, as well as the production of tufted tiles for the growing commercial market – local and export • The Belgotex sustainability program, 6 Star building and Green Tag certification • Investments by stakeholders throughout the supply chain, such as manufacturers, buying groups and independent retailers and new Likewise wholesale distributor to grow the industry • The Belgotex floor fitter training academy • Belgotex, through BIG connected to global trends and initiatives and first mover strategies	**Weaknesses** • Maintenance concerns in both commercial & residential spaces • High manufacturing fixed costs • Lacking technology to implement the cradle-to-cradle effect. • Overall high perceived cost of carpeting, versus alternative flooring solutions such as entry level laminates and ceramic tiles. • Succession plans by flooring retailers
External possibilities	**Opportunities** • The drive for sustainability • A rise in the number of renovation and remodelling activities – commercial and residential • The growing interest of consumers towards interior decoration • Rapid urbanisation & globalisation • Rise in the number of construction activities in Sub-Sahara Africa • Exchange rate creating opportunities for exports • The growing importance of organised retailing and/or forward integration • The growing hospitality industry, opening up custom broadloom carpet growth opportunities • Alternative 100% recyclable tile backing systems and improved yarn systems • Nouwens and Van Dyck Carpets joining forces, showing intent to stabilise rising manufacturing costs and streamline production processes and logistics • Continuous technology and design innovation by manufacturers	**Threats** • Local political uncertainties, high unemployment rate, junk status economy, showing GDP growth of less than 1% in 2018. • Exchange rate fluctuations and import duties on raw materials and rising prices of raw materials • Increasingly high distribution costs • Existing distribution channels • Growth of alternative flooring, such as LVT's and laminates, in commercial and residential spaces • Increase of small businesses importing alternative flooring solutions concentrating on the main economic hubs, such as Gauteng and Cape Town • Affordable options from China

The local industry should follow the lead from the international soft flooring industry, and develop offensive strategies out of its internal strengths, as well as the external opportunities in the market to grow and maintain a competitive advantage. The Belgotex first mover strategy has enabled them to maintain their 60% market share in the past decade. They should continue to search for blue ocean strategies and opportunities through their machine capability strengths, and continue to search for a suitable strategy to streamline the current distribution channel.

Figure 2.12 shows the South African flooring market by volume and product for 2016 as documented by Lewis from BMI (Lewis, 2019).

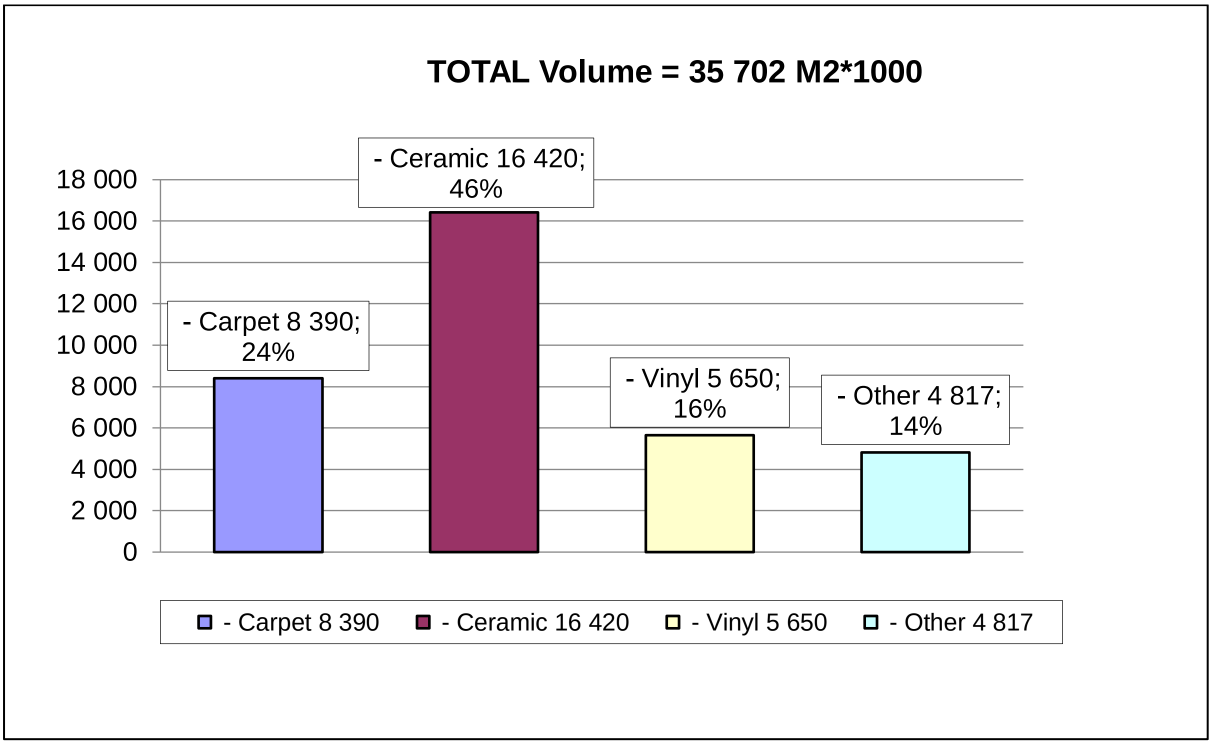


Figure 2.12: Total S.A. flooring market by volume and product: 2016 (Lewis, 2019)

Figure 2.13 shows the South African flooring market by major local manufacturers and Figure 2.14 shows the market size of carpets by province, based on data supplied by Lewis (2019). The picture has changed since 2016, with Nouwens and Van Dyck announcing that they joined forces in 2019 (Grobler, 2019), to streamline manufacturing processes, cut costs and weathering the current economic instability storm in the market place.

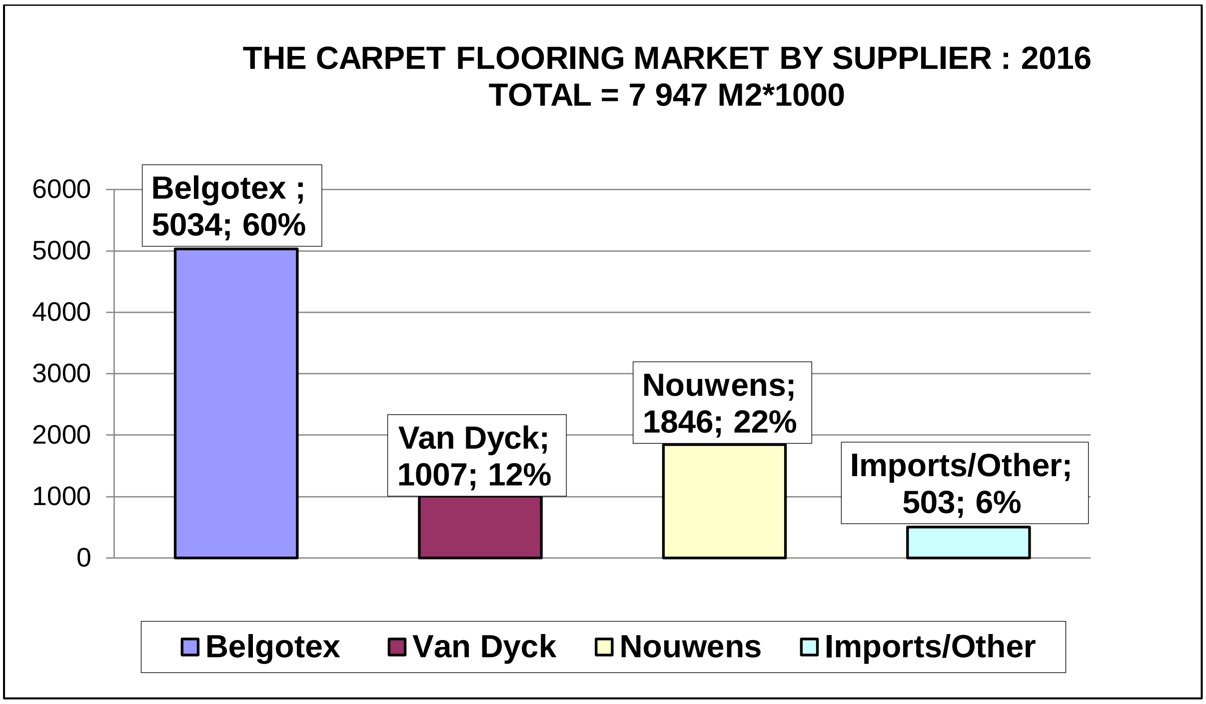


Figure 2.13: Carpet flooring market by supplier: 2016 (Lewis, 2019)

The graph (Figure 2.13) clearly shows that Belgotex is the major role player in the local carpet manufacturing industry. The Belgotex in depth stock holding and overnight distribution strategy, remains key to their market share and dominance.

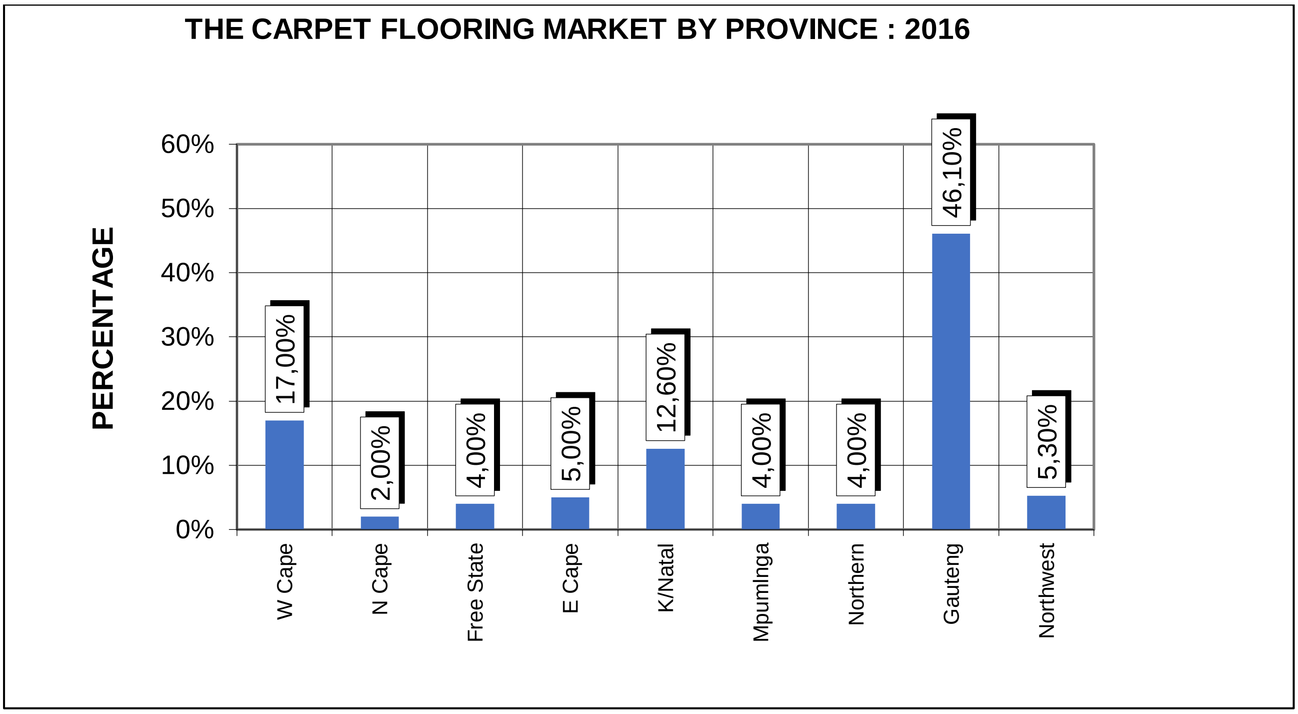


Figure 2.14: Carpet flooring market by province: 2016 (Lewis, 2019)

Gauteng and Western Cape are the two largest contributors by volume, in the carpet flooring market, as shown in Figure 2.14. Belgotex delivers overnight to Gauteng and have a warehouse facility based in Blackheath, Cape Town. This enables them to follow a differentiating speed-to-market strategy.

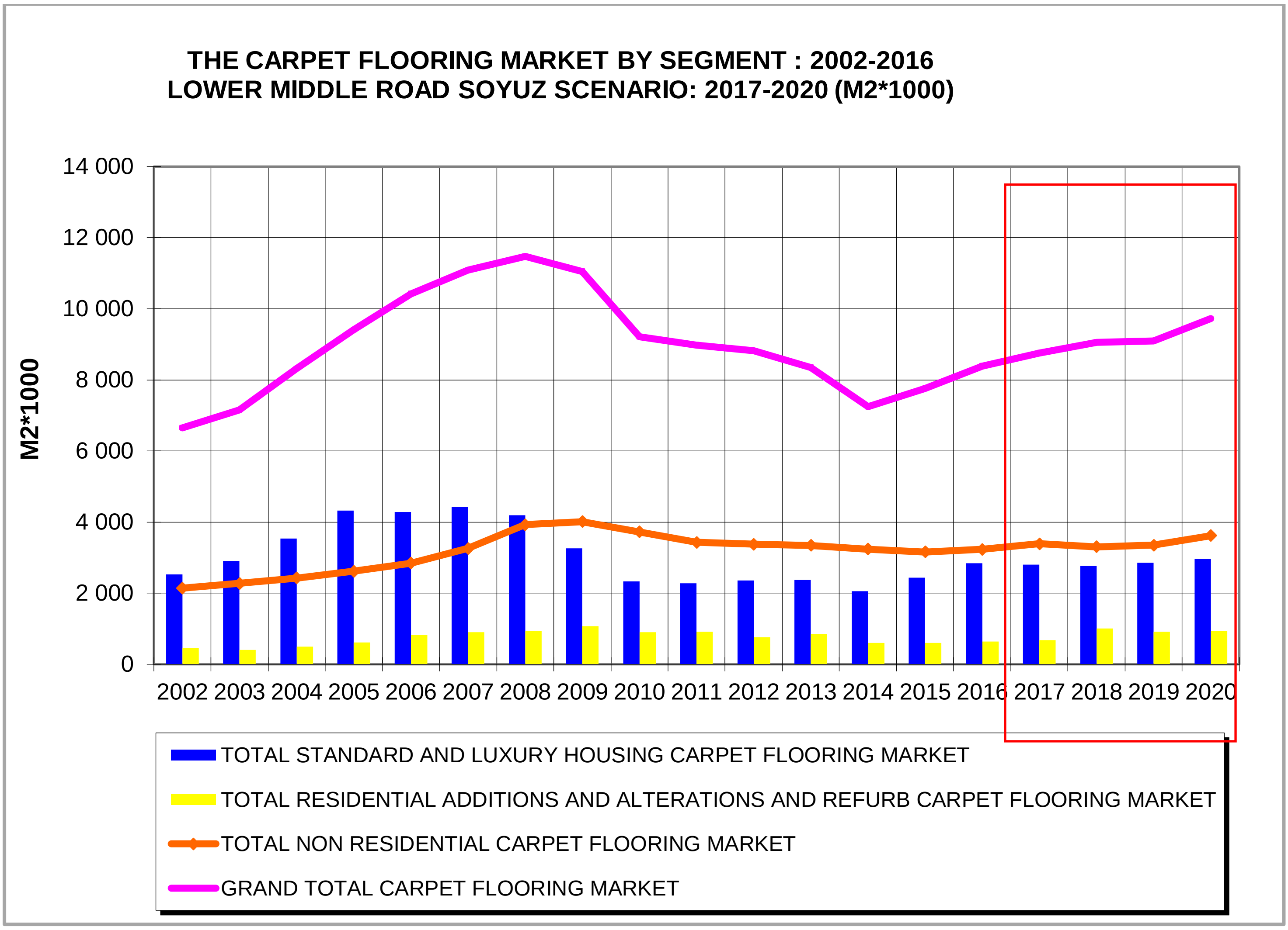


Figure 2.15: The South African carpet flooring market 2002-2020 (Lewis, 2019)

Figure 2.15 shows the South African flooring market by major segments over time in recent years, as documented by Lewis from BMI (2019), following the lower to middle road Soyuz scenario method. The Soyuz scenario can be described as steady, but average growth. For the purpose of this study, the Soyuz scenario is assumed for flooring as a forecasting method used by Lewis (2019), derived from the primary activity in the building industry.

In the case of carpeting the flooring choice is related to refurbishing and redecoration, with a major responsibility resting on manufacturers for promoting the use of carpets, whilst carpet retailers and contractors benefit from this generic promotion. The major market for carpeting is residential – additions, alterations and refurbishment segments. The market represented by the standard and luxury housing segments is small in comparison to the non-residential carpeting market and the residential additions, alterations and refurbishment carpeting market. The residential flooring market remains the largest portion of the total flooring market over time, as shown in Figure 2.15, which clearly shows the strategic implications for the different manufacturers of flooring products.

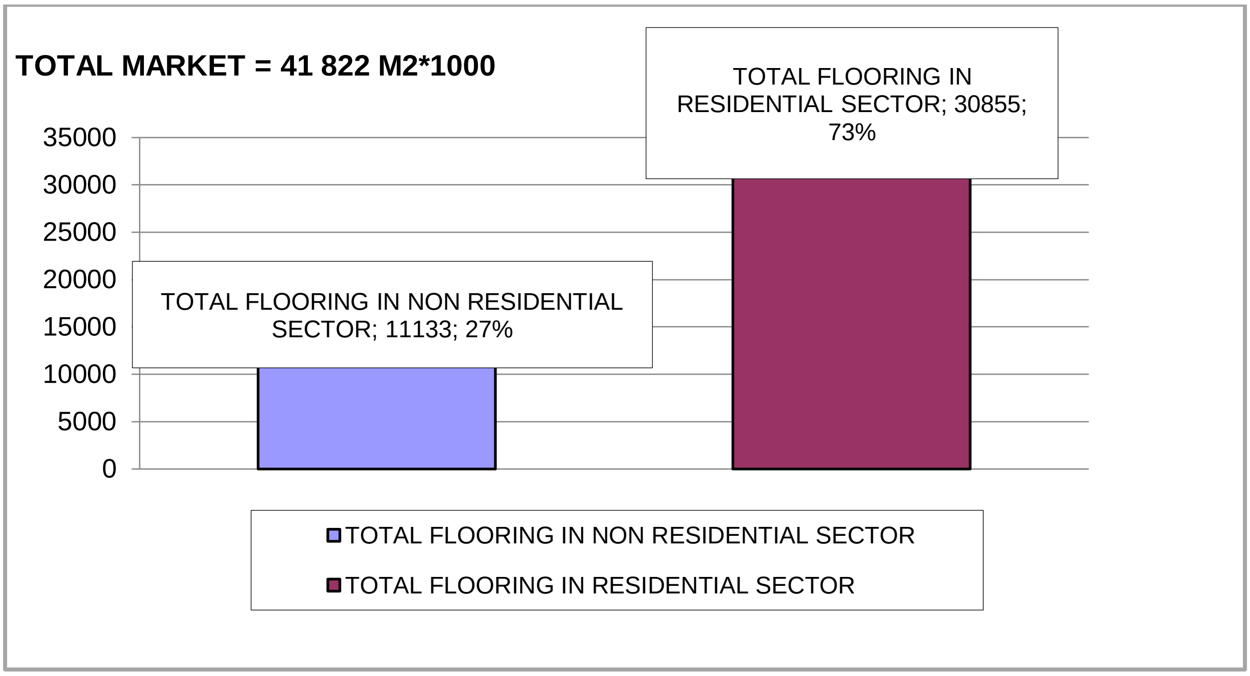


Figure 2.16: Total South African flooring market by sector: 2020: Soyuz scenario (Lewis, 2019)

The total flooring market is almost 42 million square meters (Figure 2.16), according to Lewis (2019), and the carpet market is predicted to be close to 10 million square meters by 2020. It is important to note that the carpet market is predominantly a price driven market. The market will often choose price over product functionality or durability. Developers will only allow for a total estimated fitted price of between R200 to R250 excluding VAT, per square meter. This amount will benefit the fitting of ceramic tiles, as the consumer can buy and install tiles at much lower price points, but can only afford entry level carpet at the same pricing allowance. This is true for both the residential and commercial markets.

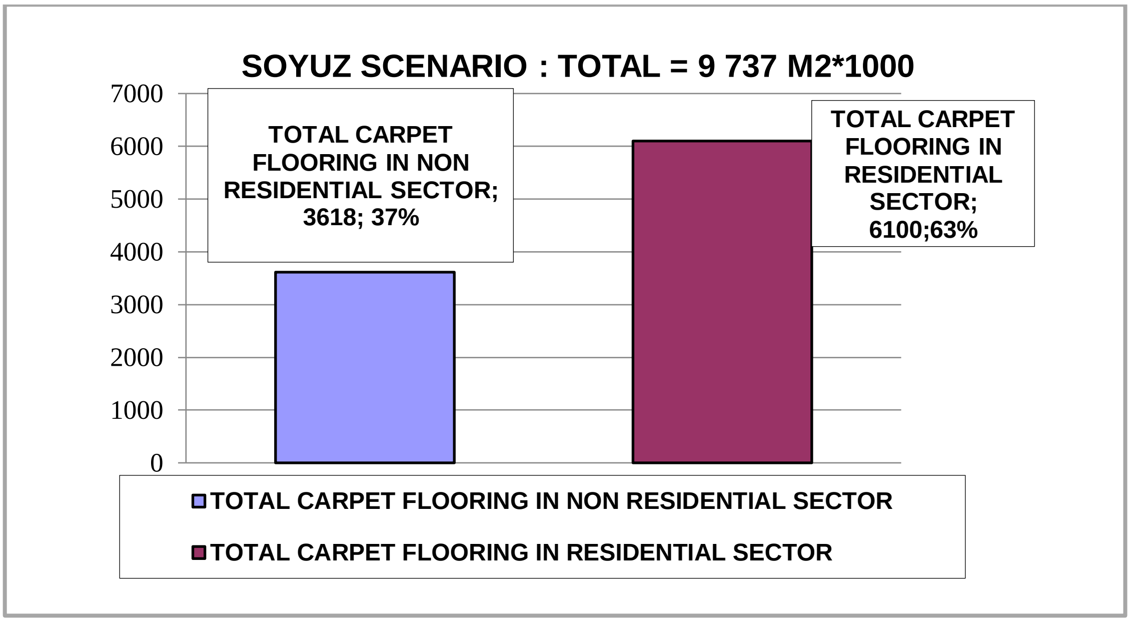


Figure 2.17: The Carpet flooring market by sector: 2020 (Lewis, 2019)

Figure 2.17 shows a possible scenario for the carpet market by 2020, and emphasises the importance of strategic decisions related to marketing, and the choice of distribution channels and outlets into the future. In particular, the importance of residential additions, alterations and refurbishments for the flooring market can be noted.

2.7 Drivers of change

2.7.1 Competitive forces within the industry

Figures 2.18 and 2.19 illustrate how the competitive forces, in the two major regions, differ for a carpet manufacturer like Belgotex. In Gauteng (Figure 2.18), the wholesalers are a dominant force. In the Western Cape (Figure 2.19), buying groups are the dominant force. and in a national context, contractors came to the fore in 2018. These are simplified diagrams of the current industry supply chain and channels used to reach the South African consumer.

The following are key players or stakeholders in the South African soft floor manufacturing environment, ranked from largest contributor to the smallest, for the national market:

- Commercial contractors
- Wholesalers
- Buying groups
- Independent national retail stores
- National retail chain stores

Since March 2016, after the OK furniture and House and Home group withdrew from the flooring trade, only Builders warehouse has remained part of the national retail chain. Builders warehouse trades seven days a week, and has showrooms nationwide. However, they form a small part of the national annual sales volumes, due to a lack of qualified sales staff.

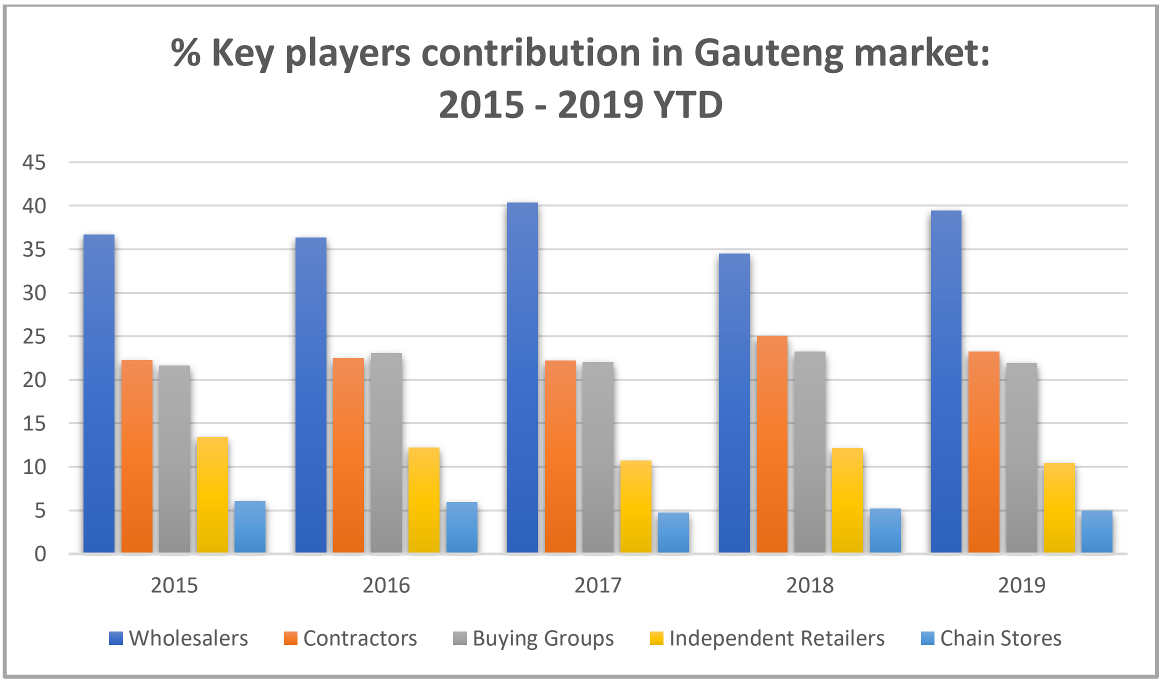


Figure 2.18: Belgotex supply chain contribution: Gauteng (Belgotex, 2019)

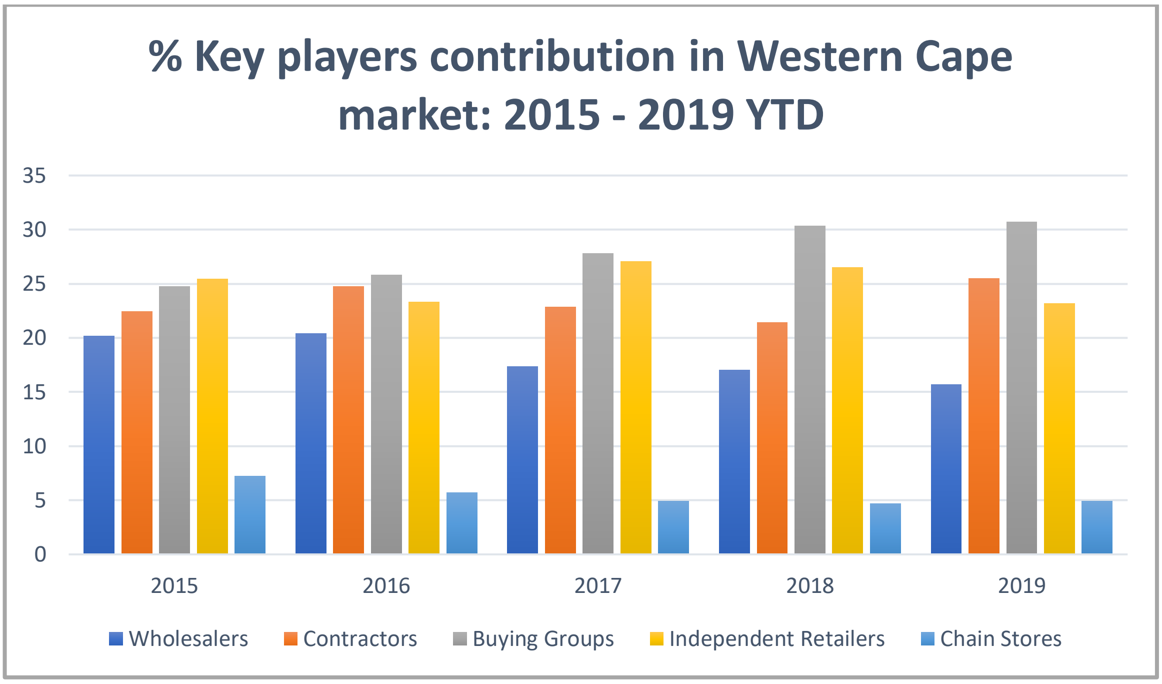


Figure 2.19: Belgotex supply chain contribution: Western Cape (Belgotex, 2019)

Figure 2.20 illustrates the competitive forces from a national point of view. In a national context, contractors came to the fore in 2018 above wholesalers who were past dominant players.

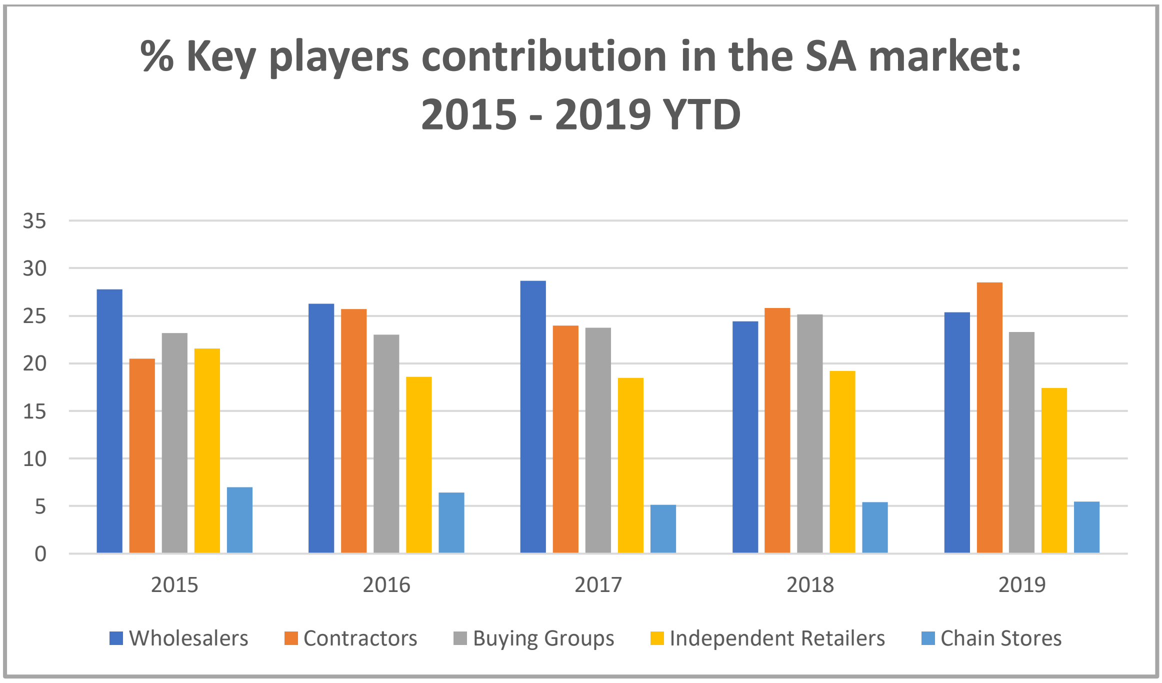


Figure 2.20: Belgotex supply chain contribution: South African (Belgotex, 2019)

Architects and designers also play a key role in the supply chain, as they are part of the professional trade who specify flooring products and are a valuable part of the procurement process. The hard flooring industry formed a governing body, SAWLFA (South African wood and laminate flooring association) in November 1998, to collectively address issues facing the South African wood, laminate and vinyl segments of the industry (SAWFLA, 2019). The carpet industry does not have a similar governing body and rely on industry stakeholders to uphold high industry and installation standards and practices. It is, therefore, important that the carpet industry also builds a collaborative culture with all stakeholders in future, and the feasibility of a governing body. Figure 2.20 above, shows the total South African market percentage contribution by key players, from 2015 to mid-year 2019.

As an industry leader in the South African market, Belgotex should continue to locate and exploit new product and market opportunities as they arise. Growth is through product innovation, the use of multiple technologies, and the development of the market through the constant monitoring of the environment, accompanied by a search for change – with the emphasis on flexibility. Multiple technologies could imply the use of smart phone technology to scan and measure a room, linked with applications to offer suggestions on product and colour, virtual reality technology and customer relations management systems (CRM), for example, to build close relationships with architects, designers, consumers and the general flooring retail trade. Belgotex follows a quality differentiation strategy based on product features that combine to make a better product than the standard industry offering, in the form of durability, reliability and performance. New equipment and technology, like their colour point machines, can assist them to strengthen their dominance in the carpet market place, through a strategy of design differentiation. This form of advantage, as explained by Thompson *et al.* (2017:169), is likely to produce products with features and designs that will be unique and even dissimilar to the dominant design in the industry. Figure 2.21 is a simplified diagram of the product path from manufacturer to consumer.

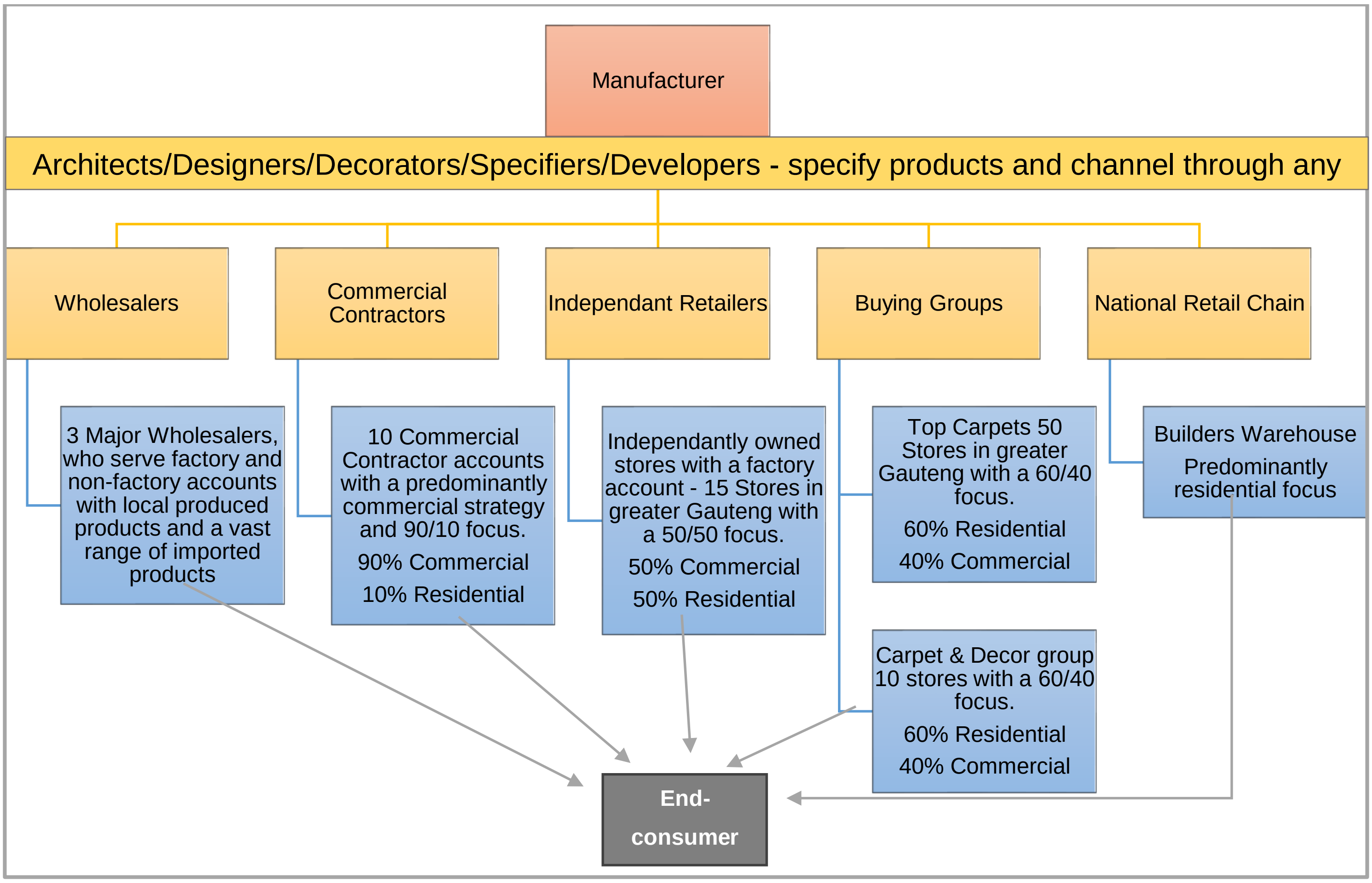


Figure 2.21: The South African Carpet manufacturer supply chain greater Gauteng

Figure 2.22 shows the current South African value chain, using the value chain model introduced by Michael Porter in 1984, and quoted and explained by Evans (2013:128). From this model it is clear how product is currently distributed through the various channels to the end-user. The use of technology is still seen as a support activity. This should, in all likelihood, become a primary activity by all stakeholders into the future.

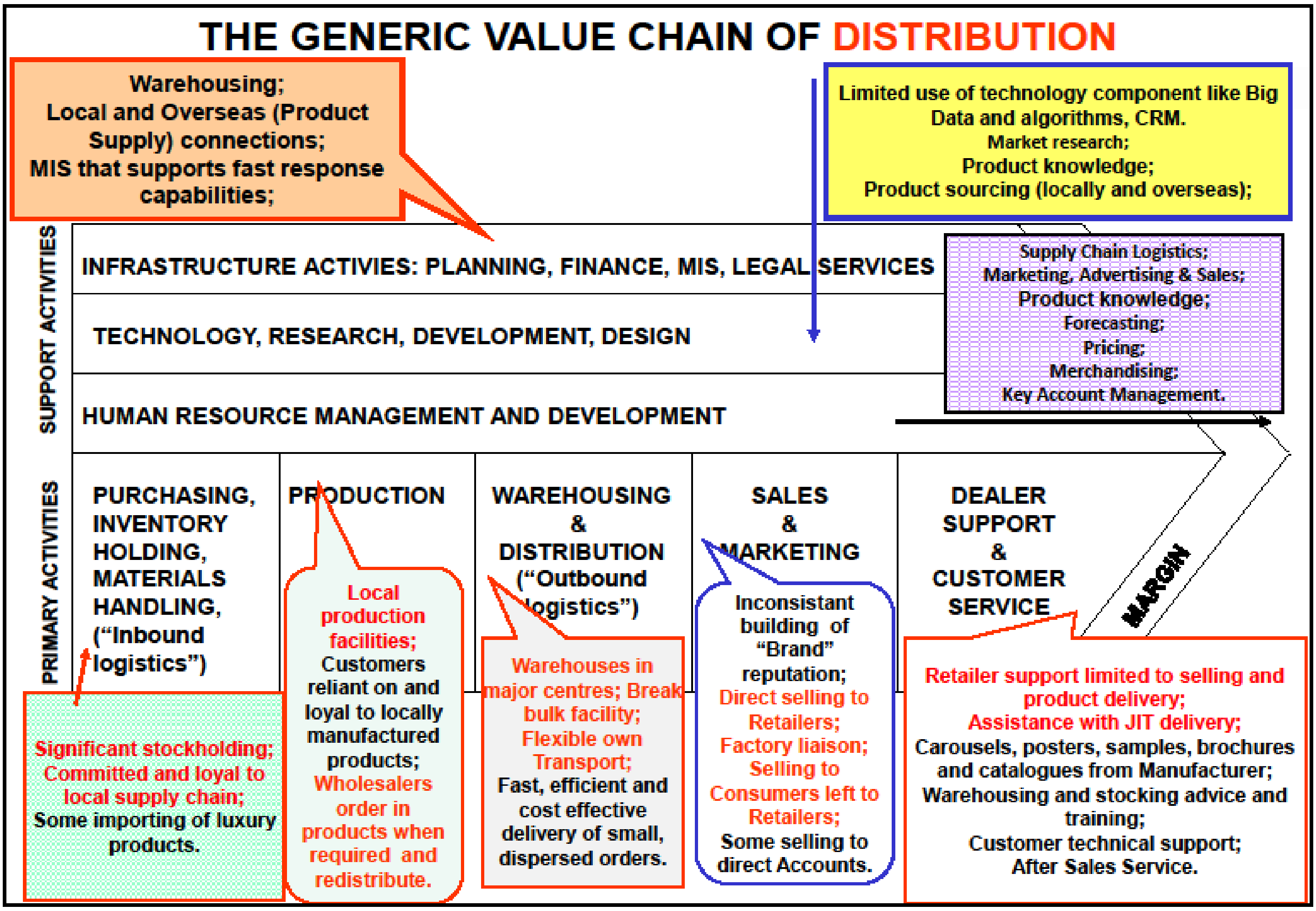


Figure 2.22: Porters value chain of distribution

Figure 2.23 below, shows how the five competitive forces shape the structure of the local soft flooring industry. The intensity of competitiveness determines the profitability of an industry or supply chain (Evans, 2013:92). The fundamentals of Michael Porter's five forces model, describe in detail what the forces are that drive competitive intensity, as illustrated in Figure 2.7, from a global perspective (Evans, 2013:92). Each industry has different structures, which result in different rules of the game, concerning competitive behaviour (Lamb *et al.*, 2017:137). Each of the five forces, as shown in Figure 2.13, consists of several elements that combine, in order to determine the strength of each force and its effect on the degree of competition (Evans, 2013:92).

If one applies a strength rating, out of ten, to each one of the forces, and add an importance weight factor to each determinant, one can ascertain how fierce the rivalry is in the market place.

Judging by the outcome of the analysis of the South African Flooring market, a 6.25 out of 10 rating based on a 10-point Likert scale, competition in the market is high. The soft flooring market also competes with many other flooring types in a competitive market space, as illustrated in Figure 2.23.

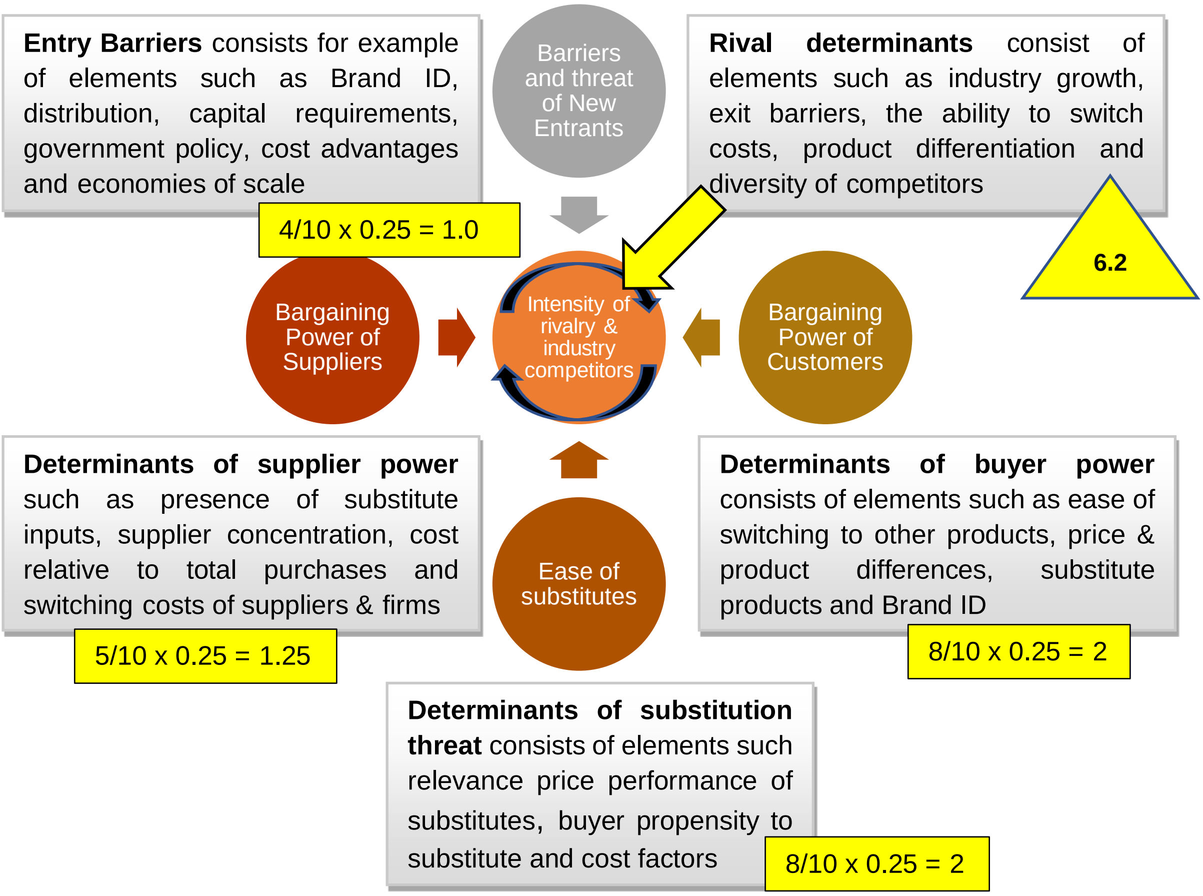


Figure 2.23: Five forces shaping competition in the South African soft flooring environment Source: Evans (2013:9) and Fahy & Jobber (2015:52)

Defending an organisation against the negative effects of these competitive forces, as well as shaping them is an integral part of developing strategic foresight (Ungerer *et al.*, 2016:100). If one considers the local soft floor market it is important to note the following:

- The threat of new entrants into the market, from a manufacturing point of view, is low, as the cost of setting up a new manufacturing plant and the import of machinery and equipment is too high. The recent Nouwens and Van Dyck merger is mainly due to old machinery and equipment, high rising electricity and labour costs, and an indication that economies of scale are not in favour of new manufacturing entrants into the market. Through the years, the Belgotex strategy has been a continuous investment in equipment, in order to improve efficiencies and stay ahead of the competition.

- The threat for local producers lies rather in the threat of imported substitute finished goods from global manufacturers, such as Mohawk, Shaw, Interface, Milliken, to only mention a few. This threat also increases when the exchange rate strengthens against major global currencies. Local customers are furthermore moderate in their brand loyalty. Economies of scale are often in favour of imported products, due to local labour policies and the rising costs of labour and production. These factors, therefore, create a climate for imported goods into the market. An example of this is the new Discovery Health head office in Sandton, where Kevin Bates and Alberts carpets (KBAC) fitted 47 200/m^2 of Interface carpeting, imported from the USA – to the disadvantage of local manufacturers (Anon, 2018).
- The bargaining power of suppliers is moderate, as manufacturers have options to bargain best deals from suppliers. Belgotex, for example, has been able to negotiate good tariffs from local polypropylene manufacturer, SASOL. This has enabled them to manufacture cost effective polypropylene products, with the latest technology and equipment. Belgotex is also a backwards integrated manufacturer, which makes it more difficult for rivals to compete with prices, as they control the manufacturing process and costs from raw materials to the finished product. Belgotex has also acquired colour point technology and equipment in recent years, enabling them to grow their tufted tile capabilities, and compete, on a more level playing field, with international rivals, such as Interface and Milliken.
- The bargaining power of buyers and competing firms is high, due to the fact that competitors are able to offer similar products to consumers, and engage in price cuts to boost volume. Van Dyck Flooring, for example, manufactures Floorpoint 980, which competes with the bread and butter line, Berberpoint 920, which is manufactured by Belgotex, and often undercut the Belgotex price, to boost their volume sales. Although Belgotex is a dominant player in the soft flooring market, it is the increase of alternative products such as laminates,

LVT’s and ceramics, in a changing consumer behaviour environment, that is threatening volume sales.

The current competitive environment of the local industry appears unattractive for earning good profits, as rivalry is vigorous from many alternative flooring product suppliers, such as LVT’s, laminates and ceramics, imported carpet substitutes, as well as price fighting amongst local manufacturers with similar products. Suppliers, such as Azura, Wanabi wood, LG Hausys LVT’s, Claassen laminates, Kronopol, Krono original, Kronotex, Traviata, Kaindl, Finfloor, to only name a few, offer seemingly attractive alternative, well priced flooring products to the market. Both Van Dyck and Nouwens have been falling behind the market leader, Belgotex, in recent years, forcing them to follow a strategy of price fighting and a downwards spiral of price points. As industry rivals, the focus should rather be on brand recognition and brand capital, than on a price war. The higher the competitive forces collective impact, the lower the profit potential of the industry, as is often seen in textile industries, for example (Ungerer *et al.,* 2016:101).

The merger of Nouwens and their tufted capabilities, coupled with Van Dyck’s needlepunch ranges is showing intent, from the opposition, to reposition themselves in the market as a much stronger force. The Nouwens factory has also invested in new technology, in recent years, which has allowed them to reposition themselves for the future (Todd, 2019). The factory is also situated in Harrismith, which is closer to the largest market, Gauteng, offering better logistic capabilities as a competitive advantage.

To be judged successful, attacks on a market leader, such as Belgotex, do not have to result in making the aggressor the new leader; a challenger may ‘win’ simply by becoming a stronger runner up (Thompson *et al.,* 2017:202). If one considers the local soft floor market, this will entail opposition to improve current product quality, distribution networks, and overall customer service for example. As shown in Figure 2.15, the industry still shows prospects of future carpet growth and opportunities, yet it will depend partly on how industry players capture these opportunities in various market segments. Winners in an industry do not engage in destructive value-destroying industry battles, but conceptualise win-win possibilities, in order to increase the potential profit pool (Ungerer *et al.,* 2016:101). Adjacent innovation initiatives, for example, leverage incremental product development and resources, that a company does well, into an adjacent market that is new to the organisation, which thereby serves new customers (Thompson *et al.,* 2017:292). This could be the development of a cost-effective solution dyed nylon tufted tile, created specifically for the growing private school market segment in South Africa. In this way, it would be using the hard wearing and acoustical benefits of carpeting in classrooms, above traditional hard flooring, for example.

2.7.2 Characteristics of independent retailers and buying groups

The independent flooring retail environment has remained stagnant in the way products are merchandised (Appendix D). The same black concave stands have been the go-to unit of display for years. Many flooring stores are not consumer and decorator friendly, when one considers overall store neatness, tidiness and flooring displays as shown in Appendix D. The industry has used waterfall stands to display carpet samples in a 69 x 34 size format for years, and attempts to introduce new methods of display and merchandising, by manufacturers such as Belgotex, have failed. Belgotex, for example, launched a new display concept in 2016 namely the Lifestyle collection (Appendix D). Customers could purchase a Lifestyle stand that showcased the five elements of life: namely; earth, water, fire, spirit and air, and used beautiful lifestyle images, combined with small postcard size take-home sample pieces. The Lifestyle stand, as shown in Appendix D, was developed in South Africa, and is completely unique to the local market. Internationally, most showrooms still display carpeting in the same 69 x 34 format. The idea was to develop a more cost-effective takeaway sample approach for the local market, and to be an industry leader in a new format of carpet merchandising. Table 2.8 summarises the best cost strategy that was followed to reach a price conscious market in a different and unique way.

Table 2.8: The Lifestyle Collection competitive product strategy focus from Belgotex (Thompson et al. (2017:185)

Best Cost Strategy	*Lifestyle Collection*
Strategic Target/Intent	Value-conscious buyers Middle market range
Basis of Competitive Strategy	Better goods at attractive prices
Product line	Appealing attributes, better quality, not best
Production emphasis	Appealing features, and better quality at lower costs than rivals
Marketing emphasis	Talk about the delivery of best value, better features and price
Keys to maintaining the strategy	Managing costs down, whilst incorporating upscale features and attributes
Resources and capabilities required	• Focus on delivering good quality at lower prices, or differentiated features • Unique merchandising and display features • Focus on: TQM practices, higher volumes lower costs

Together with the showroom stands, a large sample book was introduced for the first time in South Africa, offering customers the flexibility of eleven ranges in one sample book (Appendix D). Belgotex also introduced the use of technology with the Lifestyle collection. Consumers could complete a two-minute online quiz that would guide their personality and preferences towards one of the five elements, and accelerate the process of selecting a product and colour. Retailers unfortunately remained sold on the black concave stand type merchandising and sample sizes, which led to Belgotex relaunching the range in 2019, reverting to the old 69 x 34 sample sizes.

There is little differentiation between factory accounts and wholesale accounts. Independent retailers with factory accounts, such as the Top Carpets group with a national showroom footprint, are often at a price disadvantage on a day to day basis. The factory account mainly benefits from a below the line costing point of view, earning rebates payable annually in arrears. These rebates do not offer a competitive price advantage to factory account holders from a day-to-day operations point of view. Wholesaler customers can buy for prices similar to the direct trade, without having to deal with the overheads of the direct retail trade. Factories expect retailers with factory accounts to have their own showrooms, yet many of the non-direct retailers manage their businesses from home, giving them a price advantage as they have less overheads to deal with. Table 2.9 summarises some key aspect differences between factory and wholesale account holders.

Table 2.9: Variances between factory and wholesale accounts (Belgotex, 2019)

Factory account retailer	Wholesale account retailer
• Purchase and order direct from the factory • 24-hour deliveries service in main Sentra • Factory price list subject to factory rebates and discounts • Factory representation • Support with showroom material and point of sale material • Assistance with advertising and annual promotions • Payment due on last Friday of the month, and subject to 4% settlement discounts • Rebate sliding scale: starting at 1.5% from R0 and up to maximum of 10% for purchases over R3 million. • Larger account receives annual stretch targets • Training of fitters at no cost to the retailer through the Belgotex fitting academy and trade workshops • Must have showroom and premises that allow trucks to deliver	• Purchase from the wholesaler • 24-hour deliveries in main Sentra • Nett pricing system, settlement discounts of 2% and annual maximum rebates of 4% for larger accounts, no sliding scale • Only a 7.5% price difference between wholesale customer pricing and factory retail pricing • Anyone can purchase, no expertise criteria • Having a showroom is not compulsory, leading to less fixed costs than factory accounts • Have access through the wholesalers to showroom flooring material, point of sale, advertising assistance for larger accounts • Payment due last day of the month • Access to fitting training and trade workshops at no cost

Dr Lewis (2004) interviewed South African retailers, such as Top carpets members, Carpet and Décor group, as well as independent retailers like Lay-rite, National carpets, Kevin Bates flooring, HAV carpets, Intercarpets and others. These retailers have been part of the industry for longer than 30 years. HAV carpets celebrated their fiftieth birthday in 2018, Top carpets Vereeniging has been trading for more than 40 years with their owner nearing the age of seventy. Both owners from Intercarpets celebrated seventy-year birthdays in 2018 and the original founder of Kevin Bates flooring retired in 2018.

A future uncertainty stems also from the industry’s inability to attract a younger generation of flooring specialists, entrepreneurs, fitting teams, qualified sales people and to offer the consumer an innovative and vibrant shopping experience. Sales people in the flooring industry have a multi-faceted job, in the sense that they must be able to measure, calculate quantities, ensure that the job is successfully fitted and then collect the money. In recent years many retailers have moved to subcontracting fitting teams, since their retailer businesses are cash strapped. It is a matter of supply and demand. Subcontracted fitters must provide their own transportation and fitting tools. The industry is not profitable enough to reimburse fitting teams adequately, or to keep them profitable. In addition, due to the competitive nature of the industry and an average of four quotes per job, the first area of cutting cost is very often labour, which contributes to the above-mentioned scenario.

Satell (2017:150) points out that a business gains a competitive advantage when they can manage the transaction and informational costs that exist all along the path – from the acquisition of resources, to the point of sale. Any weaknesses in this chain could lead to a state of losing the ability to leverage your assets, and achieve a sustainable competitive advantage (Satell, 2017:150).

Figure 2.24 is a simplified flow diagram of the retail sales process from start to finish. There is first the initial contact with the consumer. This could either be in the retail showroom, through a website, or a phone-in customer requesting a sales person to visit them at home. Secondly, an official quotation must be issued, accepted and deposit paid by the consumer. Thirdly, chosen product is ordered, followed by the distribution process from the supplier to the retailer. The final process is that of arranging a fitting date, as well as the booking of a fitting team, followed by the installation of the product, and the receipt of the outstanding amount, once installation is completed.

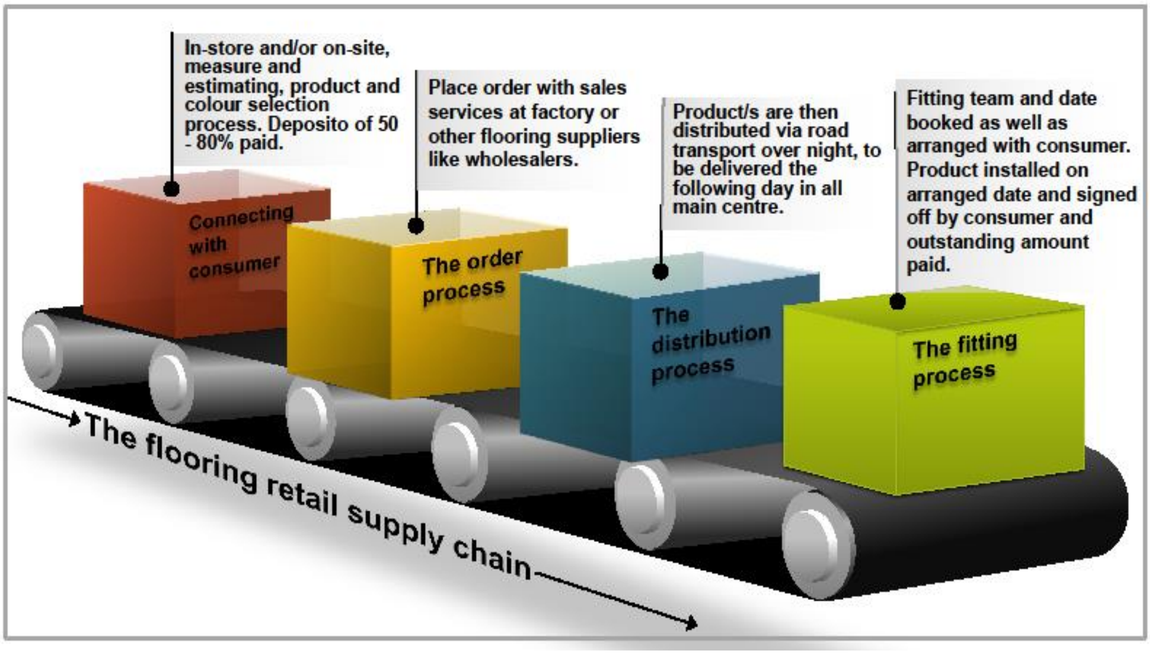


Figure 2.24: The flooring sales process

Disruption and a sustainable competitive advantage can be seen as a growing concern for the South African carpet manufacturing industry and its stakeholders. The aging of mostly privately-owned retailers and independently owned stores within buying groups, who are the backbone of the soft flooring industry's retail environment, and the continuous disengagement with floor fitting teams, is a cause of great concern and future uncertainty for manufacturers. The question remains as to why there is such a resistance to change, and why the final link to the consumer is still in the hands of business owners who are not moving with the times. There is no official standard or showroom policy in the industry. Manufacturers supply flooring material at no cost to retailers, and assist with general point of sale and housekeeping, but showroom standards remain a grey area, with each retailer accounting for his or her own store layout, and look and feel.

The South African soft flooring environment consists of three buying groups, namely Top Carpets, Carpet and Décor and John Dore. Many of the issues faced by the independent trade are also part and parcel of the buying group trade.

2.7.3 Top Carpets & Floors

The Top Carpets group has the following key characteristics as a buying group, compared to independent retailers:

- Each store is managed independently, with the major difference being a head office that is responsible for negotiating the best possible prices and deals, because of their buying power, as well as paying suppliers on time.
- They have a large regional and national retail footprint. Top Carpets have 120 stores across South Africa, Carpet and Décor 10 and John Dore 5.
- They have access through a national and regional footprint to secure contracts with insurance companies. Although this has given them some form of business security, changes in consumer behaviour, and lack of ongoing and stable flow of insurance work have forced them to diversify into other home related products, like blinds and security gates. Residential consumers often choose to cash settle with insurance companies, which results in the flooring company not receiving the go-ahead to install a new floor. The latest flooring trends have moved towards LVT’s and laminates, to the detriment of carpets. Some predominantly residential orientated businesses started testing commercial flooring markets as well, where profit margins are even more under pressure.
- Like the independent retailers, they also experience aging store owners, make use of subcontractors, operate from less visible, mostly neglected showrooms, and battle to maintain healthy profit margins, due to the wholesale trade adding pressure to profit margins.

In South Africa, Top Carpets and Floors is the largest buying group, with an annual turnover of more than R800 million, 120 mainly independently owned stores nationwide, and they celebrated their thirtieth anniversary in 2018 (Top Carpets & Floors, 2019). Like Carpet One, Top Carpets has formed partners with all local major manufacturers and suppliers of flooring products and accessories, and also import their own entry level LVT range. They undertake over 200 000 installations per year, servicing the local residential, commercial and insurance markets.

The following are key success factors according to the managing director, Barry Hatch, of the Top Carpets group (Top Carpets & Floors, 2019):

- A comprehensive selection of products, reliable installations with warranties, and competitive pricing;
- Pride themselves on the core values of excellence, transparency and professionalism;
- Offer experience and expertise to the market place on a national basis;
- Understand flexibility, and can provide unique solutions for individual needs.

It is evident that improving the downstream supply is a potential strategy for mitigating future supply chain risks within the South African carpet industry. In an industry where a product is sold, as well as a service rendered, it is important to maintain high quality standards from point of production all along the value chain, until the final installation and satisfied end-user.

2.7.4 Headlam Group PLC

If one benchmarks South African buying groups against global groups, the local market is small when compared to other markets. Europe's leading floor coverings distributor is the Headlam Group PLC, who provides a distribution channel between suppliers, and trades across Europe and the UK. Headlam distributed products, sourced from 199 global suppliers in 22 countries, to 71,384 customer accounts across Europe and the UK in 2018. The group declared an annual revenue of £708.4m and profit earnings before tax of £43.4m, according to their 2018 annual report (Headlam, 2018). The Headlam strategy focuses on offering manufacturers an outsourced distribution channel. In return, this enables them to focus on their core activities, incurring reduced costs associated with distribution, benefits from localised sales, marketing and distribution expertise that provide a more effective and greater route to market for their products.

The following are key success factors of the group (Headlam, 2019):

- Headlam leverage an extensive distribution network and dense geographic coverage to service a broad and diverse customer base;

- Work closely in partnerships with suppliers and customers to support their growth and development;
- Provide the broadest product offering, and back it up with next day delivery, with more than 67 million square feet of warehouse capacity and additional marketing support;
- Offering 26 years of operating expertise. More than 5.3 million orders were processed in 2018.

2.7.5 Carpet One Floor and Home

Carpet One Floor and Home is the largest floorcovering buying group in North America and has partnered with all the major brands, mills and manufacturers in North America and around the globe. They offer the following key unique value propositions to the North American consumer (Carpet One, 2019):

- More than a 1000 independently owned stores;
- The most competitive pricing, service and innovative flooring sourced from manufacturers in the US and globally;
- Offer a large selection of carpet, hardwood, laminate, ceramic tile, vinyl and area rugs, at the best possible prices to their stores nationwide.

2.7.6 Shaw Industries

Shaw Industries is a dominant manufacturer of carpeting products in the USA, and an example of a global carpet manufacturer who has successfully implemented strategies of both forward and backward integration in their supply chain (Dess *et al.,* 2012:252 -254). Shaw began to integrate backwards when they acquired Amoco's polypropylene fibre manufacturing facilities and could meet one-quarter of their carpet fibre needs in-house (Dess *et al.,* 2012:254). They integrated forward when they acquired seven floorcovering retailers, in a strategy to consolidate the fragmented industry and increase its influence over retailing pricing (Dess *et al.,* 2012:254). Today there are branded Shaw floors stores across the USA, that offer financing, installations, in-home measurements, floor care, cleaning, as well as design consultations to their consumers. Figure 2.25 is a simplified diagram of Shaw Industries vertical integration stages:

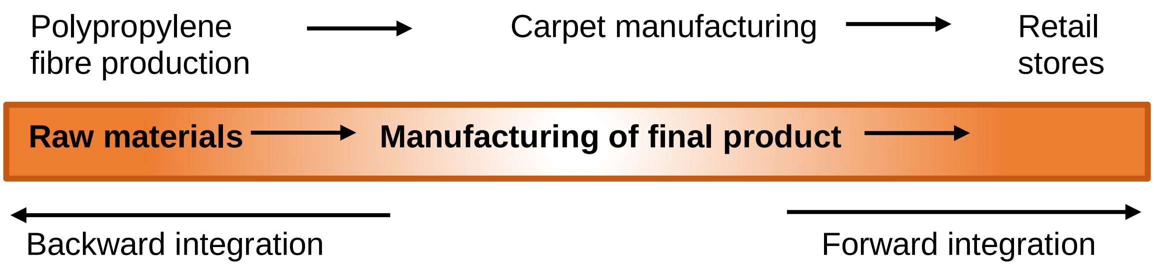


Figure 2.25: Vertical integration: Shaw Industries (Dess et al., 2012:253)

2.8 Trends going forward

2.8.1 Vertical integration in the flooring industry

Hellriegel *et al.* (2016:228) define forward integration as the expansion of an organisation's outputs into distribution. Thompson *et al.* (2017:215) define a vertically integrated organisation as a company that participates in multiple segments or stages of an industry's entire value chain. The core concept of forward integration involves the performing of industry value chain activities closer to the end-user. The forward integration process can, furthermore, lower costs of goods or services, by increasing efficiency and bargaining power. In addition, forward integrated manufacturers can gain a better access to its end-users, strengthen their brand awareness and increase product differentiation (Thompson *et al.*, 2017:217).

Vertical integration is a means for a manufacturer to reduce its dependence on suppliers, or its channels of distribution to the end-user (Dess *et al.,* 2012:252; Parnell, 2014:157). The risk of disruption within supply chains has increased in recent years, as a result of organisations having a too-narrow focus on supply chains efficiency, at the expense of efficacy (Slack *et al.,* 2010:400). This risk is compounded by globalisation and logistical complexity (Heizer *et al.,* 2017:488). As organisations increasingly operate on a global scale, shipping time may increase, logistics may be less reliable, and tariffs and quotas may block companies from doing business (Heizer *et al.,* 2017:488). In addition, international supply chains complicate information flows, and increase political and currency risks (Heizer *et al.,* 2017:488). It is the increased vulnerability of supply chains that has made many companies place more emphasis on understanding supply chain risks.

In these competitive and continuously growing markets, companies must strive to redesign their supply chains and find more efficient, effective and convenient ways to reach the consumer, yet ensure higher profits (Diabat & Al-Salem, 2014:330). Strategic concentration in the supply chain marks a key issue for the manufacturer (Guan & Rehme, 2012:187). It is about controlling the entire process; from design and production, to distribution and logistics, and finally reaching the consumer in a differentiated manner. A concentrated growth strategy is when a firm directs its resources to the profitable growth of a dominant product, in a dominant market, with dominant technology (Pearce & Robinson, 2011:188-189). The objective of a concentrated growth strategy, sometimes called a market penetration strategy, is that, by thoroughly developing and exploiting its expertise in a narrowly defined competitive arena, the company achieves superiority over competitors (Pearce & Robinson, 2011:188-189; Lamb *et al.,* 2015:506). Considering the South African soft flooring market, a manufacturer like Belgotex, with up to date machinery and technology can grow their carpet dominance further, by concentrating their competitive advantages through efficient production capabilities and/or streamlining their distribution channels.

Downstream or forward integration plays an important role in the manufacturing process. It first enables the manufacturer to secure the distribution channels of their products, especially in markets with increased uncertainty, such as the South African flooring industry. Secondly, it offers a way to control efficiency gains and costs reduction in the supply chain (Guan & Rehme, 2012:188). To capture the value downstream, the manufacturer needs to expand its focus from operational excellence, to more customer centric approaches, customer allegiance or collaboration, and rethink the meaning of vertical integration (Guan & Rehme, 2012:188).

Fierce competition, and continuous lower margins in the flooring space, places a huge burden on profits and lack of capital reinvestments in stores, leaving it to upstream suppliers to invest in store point of sale, sampling and general store upgrades. Businesses need to create a whole new ecosystem through value-creating partnerships along an entire value chain (Ismail *et al*., 2014:78). In a fast-changing retail environment, there is a case to be made for the soft floor industry to extend its value chain beyond the factory doors, into the retail space, hence forward integration.

There are many routes that a product can take to reach the final consumer, yet it remains important for companies to find the most efficient channel from the various alternatives available (Lamb *et al.*, 2017:340). The elimination of a channel intermediary is termed disintermediation by Lamb *et al.* (2017:343), and is a prime example of the new economy, and a move away from traditional manufacturer-retailer-consumer channels, to direct channels that eliminate the retailer. The bypassing of regular manufacture-wholesale-retail channels, in favour of direct sales and Internet retailing, can have advantages. This is only if it reinforces the brand and enhances consumer satisfaction, or if it lowers distribution costs, produces product cost advantages over certain rivals, and results in a lower selling price to the consumer (Thompson *et al.,* 2017:217). The business model canvas developed by Alex Osterwalder (Appendix D) seeks to depict the way that value is created and delivered to customers, and how revenue is generated (Ungerer *et al.,* 2016:251).

In the quest, by carpet manufacturers, to find the most efficient channel to reach the consumer downstream the business model canvas by Osterwalder *et al.* (2014) is a great tool to assist them in defining their value proposition. Channels are the pathways that a business uses to communicate, sell and distributes its products and services to customers. They involve the ways in which businesses reach and connect with customers, the way they make their products and services accessible, and all the other interactions that occur between them (Ungerer *et al.,* 2016:253). The following questions must be asked and answered:

- Through which channels does the business want to reach their customer segments?
- How do they reach them now?
- How are current channels integrated?
- Which ones work best?
- Which ones are most cost-efficient?
- How are these channels integrated with customer routines?

Customer channel phases are a business's interface, or touch point with customers, and play a vital role in the overall customer experience. Ungerer *et al.* (2016:151-153) list the following six generic customer channel phases:

- The awareness phase deals with how a company's products and services are brought to the attention of customers;
- The evaluation phase focuses on how customers evaluate an organisation's value proposition;
- The purchase phase deals with how a company allows a customer to purchase specific products and/or services;
- The delivery phase is interested in how services and/or product offerings are distributed or delivered to customers;
- The use phase deals with the actual use of the product, and how usability can be increased;
- The after-sales phase is concerned with additional post-purchase support provided to customers when they require it.

The danger and risk in disintermediation, or forward integration, lies in a manufacturer vigorously perusing a direct channel to reach the consumer in competition with its current distribution network of wholesalers and retailers, effectively competing directly with its distribution allies (Thompson *et al.*, 2017:217). The challenge is to find a strategy that will not constitute such distribution channel conflict. The strategic focus should be on creating a capability-based value chain. This means that the manufacturer should, over time, create one or two distinctive competences that will assist them in achieving a competitive advantage, based on better capabilities and competences than industry rivals (Ungerer *et al.,* 2016:175). Technology, for example, could play a vital part in achieving a competitive advantage.

In the flooring industry the cannibalisation of the dealer network, with their floor fitting expertise and networks, will have a negative impact and severe risk implications on the manufacturer. If not dealt with correctly, these functions that were traditionally carried out by the retailer are not eradicated, but instead shifted to the manufacturer (Lamb *et al.*, 2017:343). It is, therefore, important that the strategy should involve the retailer and their expertise. Shaw industries created Shaw Floors; an existing retailer can, for example, become a Shaw retailer when Shaw Industries criteria are met. The criteria are that a dealer must have a storefront and showroom to start the initiation process. Through this process, the manufacturer is taking an active role in the delivery phase, through an existing retail channel, which then ensures that their product is sold and installed correctly, and moving closer to the end-user.

2.8.2 The forward integration process

The process of forward integration can enable companies or manufacturers to make the consumer purchasing experience a differentiating feature (Thompson *et al.*, 2017:217). Ducati and Harley Davidson motorcycles both own retail stores, which provide an environment conducive to, not only the selling of motorcycles and gear, but also memorabilia, clothing and other items featuring the brand (Thompson *et al.*, 2017:217). Nike has successfully introduced Nike concept stores in South Africa, which ensures that Nike controls the distribution of its products right up to the point of consumer contact. In addition, they still distribute Nike products through other national chains, who are non-Nike-owned retailers, such as the Edgars chain (Hellriegel *et al.*, 2016:228).

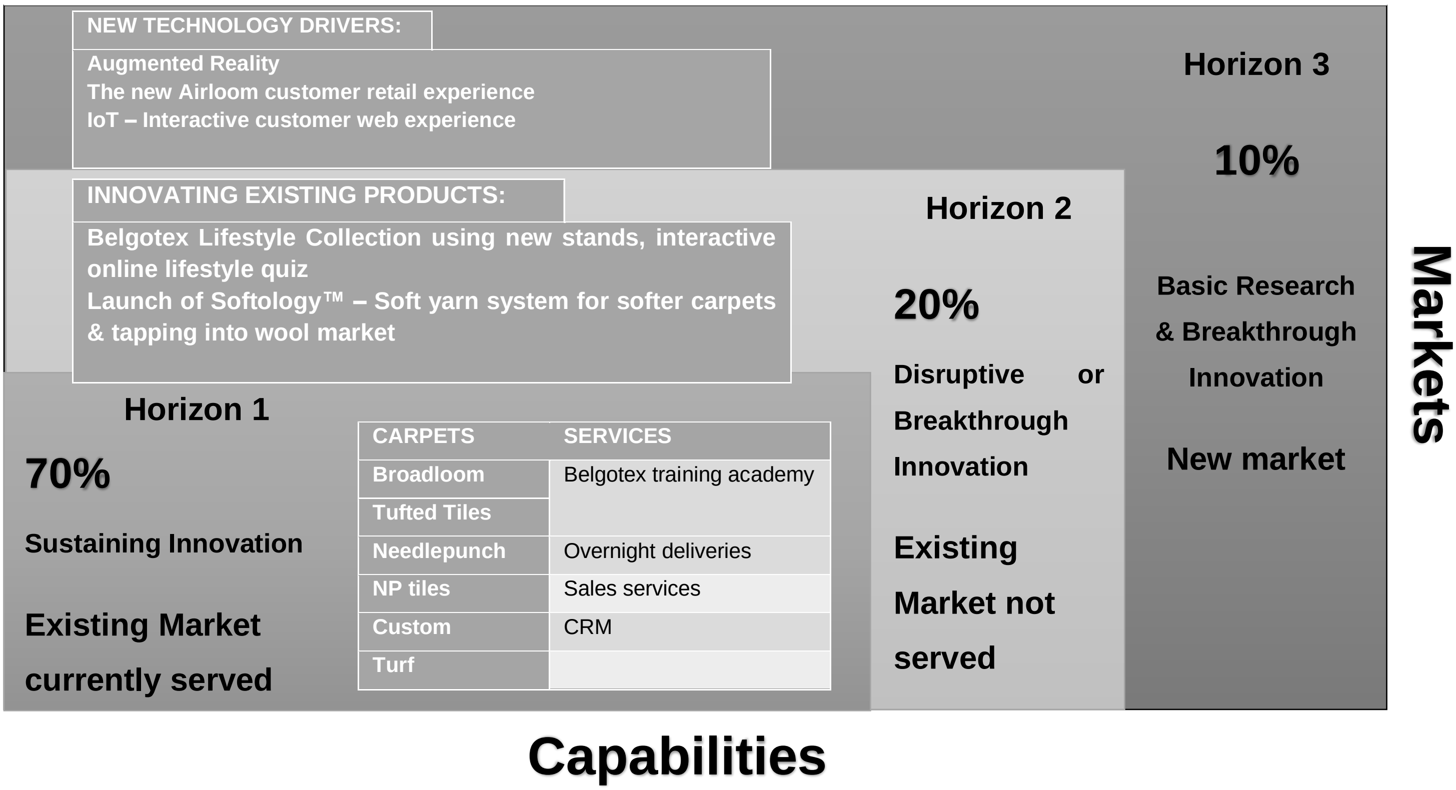
Teece (2010:279) points out that the Apple stores are perhaps the most successful recent example of forward integration into retailing. Apple's creation of "cool" retail stores, with their appealing designs in prime worldwide locations, has done much to enhance the brand, as well as the customer experience (Teece, 2010:279). These Apple stores allow the company to control the level of knowledge and services provided by sales staff at the retail level. The more advanced a product or product offering is, the more forward integration becomes an attractive option for educating consumers about the benefits, and achieving the right level of sales effort (Teece, 2010:279). When a business or manufacturer, therefore, continuously generates a stream of complex innovative products, or increased technical expertise is required to install specialised products, like LVT's or artificial turf, some level of forward integration must be considered (Teece, 2010:279).

Belgotex has opened factory showrooms in Umhlanga (KZN), Pietermaritzburg, Cape Town and Johannesburg in the past two years. These showrooms are open to the public for product viewing and expert advice on types of flooring, as well as referrals to a suitable flooring retailer and installer. This can be seen as the first steps of the manufacturer to having a more direct contact with the consumer.

The fact that the soft floor industry needs a blue ocean shift, is inevitable. Blue ocean shift is a systematic process of moving an organisation from cut throat markets with fierce competition, or red oceans, toward new markets or wide-open blue oceans devoid of competition (Kim & Mauborgne, 2017:7). It is possible to create a new market strategy, by redefining and solving an industry's existing problem (Kim & Mauborgne, 2017:36). A major industry challenge is retail showrooms, and reaching the consumer directly with the correct information and expertise. Shaw Floors has introduced a virtual reality tour on their web page, inviting potential customers to tour a virtual home, and experience the latest flooring trends, without leaving their own home (Shaw, 2019). The focus is on using a digital platform experience, to create a more customer-orientated marketing concept.

The core of Belgotex's current business is shown in Table 2.10 using the 70/20/10 rule, as explained by Satell (2017:112), and is a simple rule used for allocating resources between 'the core', 'the adjacent' and 'the innovative stuff', or as it is more often referred to 'the transformational'. The 70/20/10 proportions are intended to be general guidelines, and the primary insight is that businesses need to pursue all three horizons at once, albeit in different proportions (Satell, 2017:113).

Table 2.10: Three Horizons of Innovation for the flooring industry (Satell, 2017:112)



The use of augmented reality, a newer form of virtual reality, has the potential to superimpose digital data over real photos or images (Stair & Reynolds, 2016:530). The local manufacturer who can successfully introduce augmented reality technology to the market place, may create a blue ocean shift in the industry, by engaging with the consumer on a whole new level. Consumers will then be able to point their smart devices at specific rooms in their homes and receive instant information on what kinds of flooring could work best in that environment. Furthermore, they could receive superimposed digital images of products that can be placed onto real images of their homes. In time, this could be coupled with other décor images and advice, expanding the technology to industries, such as lounge suit manufacturers, paint companies, wall art and décor, and lighting.

Consumers can also use their own smart devices to scan and measure a room, upload it onto the manufacturer website, and receive quotes directly from the supplier for various options. The principle effect of a breakthrough solution to an existing industry problem, is the displacement of existing products and services as the old is disrupted by the new (Kim & Mauborgne, 2017:38). Growth occurs with this market re-creation and boundary expansion, as the breakthrough solution pulls in new demand, converting once non-customers into customers (Figure 2.26).

Kim and Mauborgne (2017:36) identified three basic ways in which blue ocean shifts are made:

- Offer a breakthrough solution to an existing industry problem;
- Redefine an industry's existing problem and find solutions to solve it;
- Identify and solve a brand-new problem or seize a new opportunity.

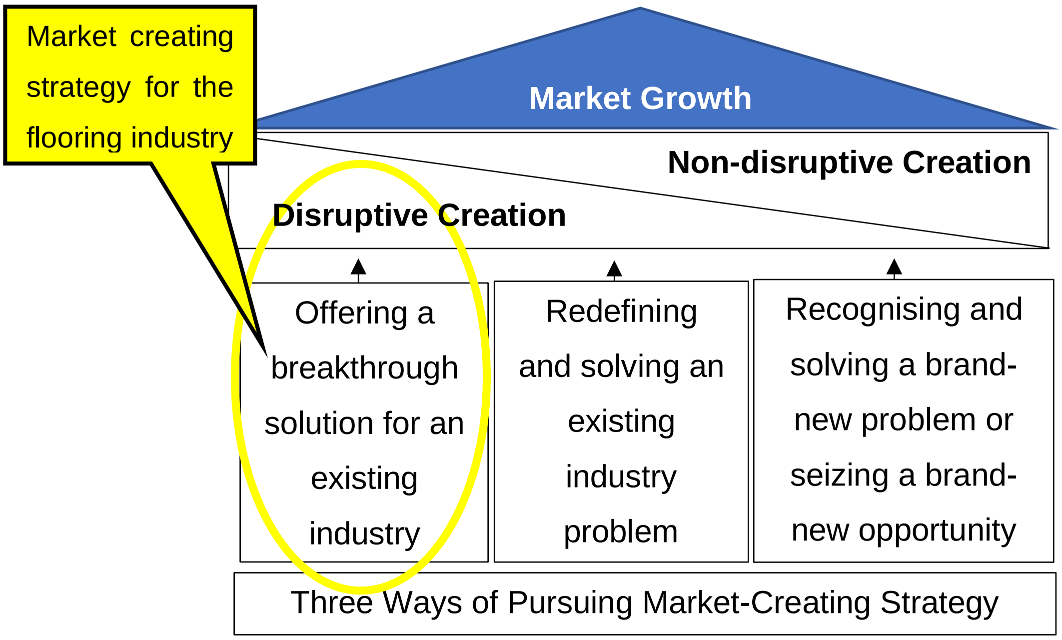


Figure 2.26: A growth model of market-creating strategy (Kim & Mauborgne, 2017:37)

One of the current industry challenges is around showrooms and in-house sales staff, as well as qualified estimators with the correct product knowledge of measure and estimation, who can meet the consumer at a convenient time on site, to measure and suggest products and flooring solutions. The manufacturer has no control or contact, at this point, with the consumer, or the possibility of suggesting their own products or solutions to the consumer. Exploring the creation of a virtual reality showroom is a solution to an existing industry problem, and the next step in creating a breakthrough solution.

2.8.3 Industry success factors

In the modern era of sustainability, it is important to realise that a market leaders' current competitive advantage will not remain stable for an unlimited period, and a market leader needs to adapt quickly to changing market trends, in order to remain relevant. Speed to market should be the market leaders' most important competitive advantage. Speed to market refers to the manufacturers' capabilities to innovate quickly. The launch of new products and designs and the ability to be in touch with market trends and consumer needs is the leading substance for a speed to market approach. Companies who seek static differentiator factors will lose out in these competitive market conditions, compared to those companies who can adapt to change in a short space of time. A manufacturer, like Belgotex, must be more proactive than reactive in current and future market conditions, if they want to remain a soft floor market leader in the future. Table 2.11 shows a key success factors (KSF) rating tool applied to the South African Soft Flooring environment. Six key success factors were considered, one being weak and five being dominant (Evans, 2013: 101 -104; Thompson *et al.,* 2017:139):

- Market Share (soft floor) – it is important that market share is considered since there are only three remaining soft floor locally-based manufacturers competing for market share, together with growing imported products. Belgotex continues to be the market leader in SA in the soft floor industry;
- Cost Factors - The South African market is a price conscious driven market in both the residential and commercial markets. In the commercial market, tenders are won or lost, based on price above other considerations, such as product design or quality differentiation factors, for example. Cost effective products, such as the Belgotex polypropylene products, continue to dominate the market. The popularity of these products has even led to Nouwens, a traditional wool and wool blend manufacturer, to launch their own polypropylene products.
- Differentiation factors are also important, and Belgotex, through their development of colourfast solution dyed nylon and polypropylene products, has set the tone for product differentiation.
- Product reliability - Although the market is very price conscious, product reliability demands remains high.

- Product service network and customer service - Supply chain (product service network), as well as a very personal customer service strategy, has always been the back bone of the soft floor industry. To be the market leader, customer service, as well as product service networks must be high. Through the years the trade has become accustomed to on-time overnight deliveries and accepts it as the norm. Suppliers who are able to raise their key success factors above industry and market expectations, will continue to dominate the market.

Table 2.11: Key success factors for the South African soft floor industry (Evans, 2013:120)

KSF:	Weighting	Belgotex	VDC	Nouwens	Imports
Market Share (soft floor)	15%	4	2	0.5	2
Cost Factors	30%	3	3	2	3
Differentiation factors	15%	4	2	2	3
Product Reliability	15%	4	3	4	3
Product Service network	15%	4.5	2.5	1	2.5
Customer Service	10%	4	3	1	2
Competitive Position	100%	3.92	2.58	1.75	2.58
Key: 1 = Weak, 2 = Tenable, 3 = Favourable, 4 = Strong, 5 = Dominant					

2.8.4 Benefits and risks of forward integration

A forward integration model can hold benefits, such as the reduction of transport costs, provide more opportunities to differentiate products because of the increased control over inputs, and provide access to distribution channels that would not otherwise be accessible to the manufacturer (Parnell, 2014:157). In the flooring industry this will imply that the manufacturer can plan distribution loads better, and more cost effectively to a single distribution point. A retailer can now place an order for a small roll of broadloom carpeting, and the factory must deliver it by close of business the following day.

The manufacturing of a selection of dealer-own or private brand for a specific retail chain will offer differentiation of products to a specific chain, as well as better control over product sales and installation expertise. The manufacturer can assist a retail chain, with a strong financial backup, and introduce technology, such as augmented reality, to a group of customers who could otherwise not afford the development of such technology (Lamb *et al.,* 2015: 286).

Risks of forward integration can include:

- Higher costs and expenses associated with increased overheads through the retail channel (Thompson et al., 2017:218 – 219);
- Additional administrative costs associated with managing a complex set of activities, in the retail channel, outside of the core manufacturing expertise and knowledge (Thompson et al., 2017:218 – 219);
- Forward integration can also lead to a loss of flexibility, resulting from large investments (Dess et al., 2012:254).
- The relentless march of specialisation continues to make it difficult for companies to have a doing-everything mind-set. The financial implications, cupped with rapid technology changes, increases the risks associated with one company trying to sustain leadership in every component of the supply chain (Heizer et al., 2017:486).

In the search for creating better value through the supply chain methods of forward integration, or value chain activities, the local soft floor industry must be investigated. Manufacturers must also carefully consider the impact that forward integration may have on existing and future customers, flooring retail channels, suppliers and competitors and fully understand the complexities of running a retail and fitting outlet.

2.9 Methods of forward integration for the South African soft flooring industry

Vertical integration is defined by Heizer *et al.* (2017:486) as the ability to produce goods or services previously purchased (backward integration), or to buy a supplier or distributor (forward integration). The rationale behind this type of strategy is the intent to improve upon and embrace logistics. Operations management, purchasing and supply management, industrial relationship marketing, service management and the interlocking of closer customer relationships can be a powerful lever for competitive advantage (Storey *et al.,* 2006:755).

In recent years, the flooring industry has seen an influx of technical products launched into the traditional carpet retail space. The introduction of luxury vinyl tiles (LVT's), modern cushion vinyl and artificial turf, for example, required different technical skills and installation expertise from retailers and installers, and require more sales support from manufacturers and distributers. The installation challenges that these products brought to the forefront and the continuous pressure of imported products, raises the question of forward integration, and challenges that local manufacturers face, to have control over the entire value chain from raw materials, manufacturing and reaching the consumer direct. However, with control, a number of supply chain complexities arise. Christopher (2016:174) identifies sources that are most common causes of supply chain complexity:

- Network and process complexities: the more links in the channel, the more complex and costly the supply chain becomes. In the flooring industry a consumer will either contact a retailer for a quote, or visit the shop. An estimator then needs to set an appointment and visit the consumer, at additional cost to the retailer. Once a final selection has been made, the order will be placed at the factory and material will be shipped from the factory to the transporter's depo, via long hall. It will then be transferred onto a distribution truck and delivered to the retailer. A fitting date then needs to be communicated with the consumer, as well as the fitting team. Depending on the type of flooring, anything from one day to two weeks needs to be scheduled. All these links add to additional costs and pressure on profit margins. In contrast, the ceramic market has cut out all these additional costs in their supply chain. They only sell the product. Measuring, installation and fitting teams are all in the hands of the consumer to arrange.
- Range and product complexities: In the flooring industry trends and designs change all the time, and factories need to stay in touch with latest trends and technologies to design and/or produce or source from overseas suppliers' trend-right products. The inability to adapt to technological or product design changes may have a negative effect on the competitiveness of a manufacturer.

Accurate forecasting, inventory management and product mix also cause complexities, if trends or consumer behaviour change ahead of time.

- Customer complexity: Retailers may have different needs concerning deliveries, ordering patterns, showroom designs and merchandising standards. In the flooring industry there is not a ‘one size fits all’ standard, and not one showroom looks the same. A national buying group, like Top Carpets, has also not enforced a uniform look and feel on store owners, and factories have no control over showroom standards, as the stores are independently owned, resulting in complexity.
- Supplier complexity: SASOL is, for example, a major supplier of polypropylene granules to the industry. They are listed on the American stock exchange, which means local pricing is measured in Dollars and not in local currency, adding pricing complexities.
- Organisational complexity: Organisations tend to become silo-orientated, with some departments even having their own agendas, and eventually they lose sight of the fundamental purpose of the business to win and keep profitable customers. In the carpet manufacturing environment this often happens with new product developments, where marketing, sales and manufacturing have their own time lines and agendas, and sales are often informed at the last minute of a new product launch, without having sufficient time to plan an effective launch campaign.

For firms with capital resources, managerial talent and required demand, forward integration may provide substantial opportunities for reaching the end-user more effectively. This strategy seems to work best when the organisation has a large market share and the management talent to operate an acquired vendor successfully (Heizer *et al.,* 2017:486). The question is whether forward integration will be the most effective way to market for the soft flooring industry into the future, and how the market will react to a manufacturer investigating a new way of supply and communication directly to the consumer. Can a forward integrated supply chain model effectively address some of these supply chain complexities as identified by Christopher?

2.9.1 Integrated supply chain model

An integrated supply chain can be defined as the activities that control the materials or product life cycle as they flow from suppliers, to production, to warehousing, to distribution, to the consumer (Heizer *et al.,* 2017:489). Heizer *et al.* (2017:497) refer to supply chain management as the critical process in the supply chain from the supplier of raw material to the final consumer. Good supply chain performance requires good downstream management, just as it requires good upstream management (Heizer *et al.,* 2017:497)

A firm's value proposition to the consumer is an important, intangible asset to their business model for a given market (Teece, 2010:280). Business model innovations are critical to the success of companies in these unsettled times and markets, where pricing and traditional revenue are no longer the only applicable elements of success (Teece, 2010:280). The process of planning, development, and the efficient control of materials, products and information from the place of manufacture to meeting the consumers' needs, is possible in an integrated supply chain model (Dadhich *et al,* 2015:272). Figure 2.27 shows a suggested model by Glock and Kim (2015:182) that suggests a multiple channel, or dual distribution supply route to the market.

The Glock and Kim (2015:182; Figure 2.27) model shows that a manufacturer, who delivers product to multiple retailers, can explore the option to merge with, or create a retail group to ensure sustainable growth opportunities into the future. The option is to merge with a retail group in the industry, like Top Carpets for example. One could even start an own retail chain, alongside existing retailers who continue to source product from them, but are not part of the new integrated supply chain, and who are not disadvantaged in any way. Shaw industries acquired seven retail stores and branded them Shaw Floors. They also created the opportunity for more industry role players to join the Shaw Floors Group. In the South African soft flooring environment, such a venture can address many of the mentioned issues and could bring innovation, capital, branding, expertise and management talent, to mention but a few, to the soft flooring retail chain.

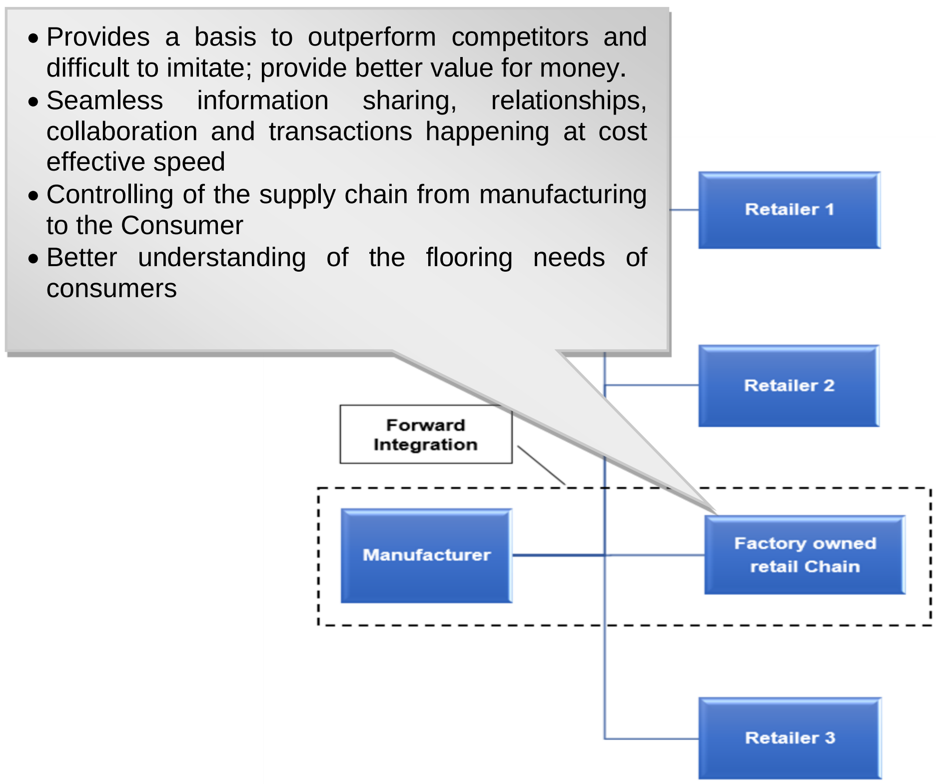


Figure 2.27: Forward integrated supply chain setting (Glock & Kim, 2015:182)

De Jong and Van Dijk (2015:2) explain that industries are often considered inviolable, until someone comes along and violates them, and most often from outside the specific industry. In the carpet industry, for example, woven carpets, such as Axminister, with beautiful designs was once the standard. Today tufted carpet manufacturing is the standard. New technology, such as ColorPoint tufting technology, can produce a sophisticated Axminister-type product, but with the agility and efficiency of a tufting machine. This means better performing construction with vivid colors, pinpoint accuracy, unmatched detail, and enhanced product durability at better price points, compared to the old woven Axminister-type carpet manufacturing technology.

It is, therefore, important for industry insiders, who have a clear sense of what drives profitability, and who are well positioned to recognise disruption, to also play the game of disruption, and consider external growth strategies. External growth strategies involve decision making processes, by manufacturers, whether to grow by getting involved in other stages of the value chain. Forward integration is a strategy that involves the expansion into the distribution of a manufacturers' output and can offer an entire value-creating system that could contribute to its future sustainability.

The understanding of the challenges that the identified supply chains might face into the future, can assist manufacturers with future decision making. This includes make-or-buy decisions. Make-or-buy decisions refers to a choice between producing a component or service in-house, or purchasing it from the outside (Heizer *et al.,* 2017:484-485). Is it for example wise for a manufacturer to control a highly specialised service, such as floor fitting, in-house, as well as all the logistical challenges that come with the retail aspect of the flooring industry? The outsourcing of the fitting part of a transaction to a few trained and skilled fitting companies with the correct floor fitting tools and expertise, can also offer a future solution. This strategy will bring the manufacturer in closer contact with the consumer, yet give them the flexibility to outsource the fitting expertise to a few fitting suppliers across the country, as explained by Heizer *et al.* (2017:485).

2.9.2 Technology and Supply Chain Integration

Supply chain integration is important in improving the overall performance of the business. This can be achieved through the reduction of cost, improving responsiveness, increasing service levels, and facilitating decision making processes (Haddud *et al.,* 2017:9). There is a case to be made for traditional retailers to embrace disruptive innovation technology, to survive in today's fierce competitive retail and multichannel environment (Willems *et al.,* 2017:228). The concept of 'smart retailing', referring to the use of technology to improve the entire quality of the retail experience, can switch the old-school retail stores back, from "off", to "on" (Willems *et al.,* 2017:229). Satell (2017:154-158) explains that software technology known as a 'vendor management system' can allow enterprises to manage their entire ecosystems of external suppliers, and give the term disintermediation a much deeper meaning. If one considers the soft floor industry problem of aging fitters, this system creates a platform for hiring freelance contractors and deepens the connection between a business and hiring valuable talent, expertise and technology. Heizer *et al.* (2017:487) refer to this form of outsourcing as virtual supplier relationships. Companies rely on a variety of supplier relationships, such as fitting teams, to provide services on demand.

Freelance contractors (fitters) can post their skills on the 'vendor management system' platform and retailers could post the jobs they needed done, and – more importantly – track and manage the work (Satell, 2017:156). In a forward integrated system, if the retail chain is owned or runs in partnership with the retail chain, the manufacturer can track and control the entire process, from manufacturing to final installation. Outcomes like timeliness, responsiveness, communication effectiveness, skills and experience can be linked to specific floor fitting outcomes that can allow the manufacturer to better match contractors to specific flooring installations. The manufacturer can also be part of the training and upskill of contractors. The use of only certified contractors can be treated confidentially in a private cloud format, whereby the opposition do not know that a talented freelance fitting team is frequently contracted by a specific supplier. Should the opposition wish to contract their services occasionally, the benefit of asking a higher rate as opposed to the retail chain who they get steady work from will assist skilled and talented fitting teams to become more profitable again, making the profession more attractive for a younger generation (Satell, 2017:156).

Being efficient means getting the product and service where it is needed, at the right time, right price, and right quality by having a responsive synchronised supply chain, underpinned by technology that enables this to happen (Hines, 2013:177). A leading South African manufacturer, Belgotex and a retailer, Airloom, have joined forces in creating a computer program that can accurately measures floor spaces, the amount of material needed, and calculate the most cost-effective cuts and installation methods. This has historically been the job of an estimator, who had to visit the consumers' house, and measure and calculate the material that will be needed to complete the job. By eliminating this function, the manufacturer can have direct contact with the consumer via a web-platform, or its own retail showroom, without the additional costs of estimators on the road. Innovation is never a single event, and even when innovation is introduced, the job is still not complete (Satell, 2017:16). For an idea to have impact, it needs to be commissioned, which means that it needs to replace an existing model already in use if it is to transform an entire industry.

A company without an innovation strategy will not be able to make trade-off decisions and choose all the elements of the innovative system (Pisano, 2015:2). To start mapping the innovation space, one needs to ask two crucial questions (Satell, 2017:43):

- How well is the problem defined?
- Who is best to solve it?

Once these questions are asked, they will clarify important issues quickly. After one has thought about how well defined both the problem and the domain are, options for an innovation strategy can be narrowed down to one of four quadrants: basic research, breakthrough innovation, sustaining innovation and disruptive innovation.

- The primary objective of basic research is exploration. Fundamental research is key to innovation. Basic research leads to knowledge and provides scientific capital (Satell, 2017:9). New products and processes are painstakingly developed through research in the purest realms of science;
- Breakthrough innovation combines deep skills in related areas to solve tough problems;
- Sustaining innovation focus on improving existing technologies, a continuous improvement of products or services;
- Distruptive innovation is not about adding new capabilities, but changing the fundamental basis of the competition.

Innovation has become like a religion in modern business, with an innovate or die mentality (Satell, 2017:41). The South African soft flooring industry needs a clear framework for defining innovation problems and find strategies most likely to resolve them. The objective is to redefine the current soft floor market, and more specifically the independent and buying group supply chains, the challenges the manufacturers face, as well as those experienced by the two mentioned key distribution channels, to identify a path to innovation and then to gather the tools needed to get there.

The innovation matrix for Belgotex could look like Table 2.12 and only illustrate a few examples of how a manufacturer, like Belgotex, can map out an innovation strategy.

Table 2.12: The innovation matrix for Belgotex (Satell, 2017:44)

PROBLEM DEFINITION		DOMAIN DEFINITION: NOT WELL DEFINED	DOMAIN DEFINITION: WELL DEFINED
	WELL DEFINED	**Breakthrough Innovation** Colourpoint machines using SDN yarn systems redefined product innovation in the hospitality space and opening doors previously only subject to imported products and woven technologies.	**Sustaining Innovation** Continue to build on the success of machine capabilities such as SDN, SDN Soft, PP, Green initiatives, customers service through technology, such as CRM, R&D and Acquisitions
	NOT WELL DEFINED	**Basic Research** How can technology redefine the future of the aging soft flooring supply chain into the future? Literature & Conferences Research Divisions	**Disruptive Innovation** New measuring Technology app that can cut out the entire current soft flooring distribution channel and open new possibilities for the factory to reach the consumer directly: Airloom

2.9.3 Implications of forward integration

One of the key challenges associated with supply chain length, as shown in Figure 2.27, is often the lack of visibility from a manufacturing point of view within the pipeline (Guan & Rehme, 2012:198). The manufacturer will, for example, design and create a brand new and innovative product and then rely on the entire supply chain to get its message from an architect or specifier to wholesaler to retailer and finally to the consumer. Often the message is not communicated to the end-user correctly and he or she only receives part of the manufacturer's original vision match. Sometimes no message of value reaches the consumer, which can even result in an alternative supplier's products being sold or specified. A framework (Figure 2.28) by Guan and Rehme (2012:197) shows the consequences and benefits of forward integration in supply chain management for a manufacturer.

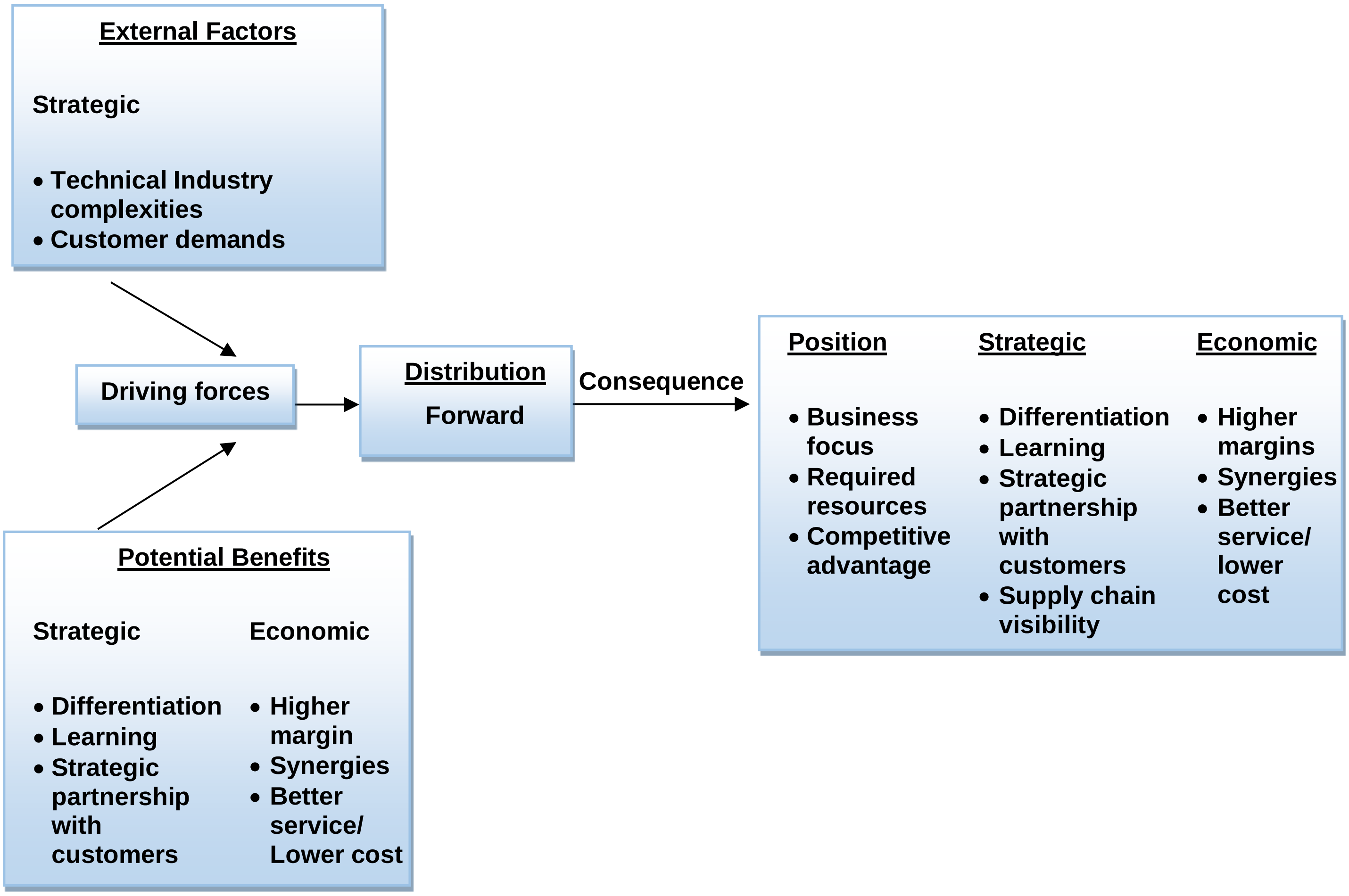


Figure 2.28: Driving forces and consequences of forward integration (Guan & Rehme, 2012:197)

Working directly with resellers or owning a retail channel provides opportunities to study consumers and to discover their needs and requirements in many regards, including goods, services and knowledge. The knowledge gained from interacting with consumers can improve the total value chain. which in turn, improves customer retention (Guan & Rehme, 2012:197). The change means that values, such as smart logistics, technical support, and after-sales service, have been assigned greater importance. Forward integration affects a company's functions and roles, required resources, added value, competitive advantages and carries the potential for selling more products (Guan & Rehme, 2012:196).

Table 2.13 shows three possible options of forward integration for the South African soft flooring industry. It could be possible to experiment with all three, in the quest of finding a strategic fit for a future sustainable soft flooring supply chain.

Table 2.13: Forward Integration strategies for the South African Soft Flooring Industry

Strategy	Explained
Retail Partnership/Franchise Model	Close partnership with a national retail chain or franchise, point of sale support, training of sales and fitting staff and sales support, brand building and customer education in new market, closer connection between manufacturer – retailer – consumer.
Factory owned Retail Chain	Focus on Brand identity, direct contact with consumer, controlling of entire supply chain from raw material to the final installed product, managing, controlling and training of installers.
The Internet of Things (IoT)	The use of a 'vendor management system' using cloud technology to manage and control flooring contractors. A fully integrated website that will enable consumers to interact with the manufacturer, ask questions, choose product, load room sizes and calculate quantities, and even order online. Create virtual showrooms, for consumers to view product installations.

Michael Porter's Five Forces Model (Figure 2.28) shows that the South African flooring industry is a highly competitive market space. A strategy of minimising threats of substitutes and new entrants, while at the same time maximising bargaining power with buyers and suppliers, is becoming increasingly difficult and companies need to find new strategies, in a new era of business and innovation. Strategy is no longer a game of chess, but a process of widening and deepening networks of connections (Satell, 2017:168). As mentioned, any weaknesses in the supply chain could lead to a state of losing the ability to leverage your assets and achieve a sustainable competitive advantage (Satell, 2017:150). It is important for manufacturers to realise that they must take responsibility for the future sustainability of their industry from manufacturing through distribution to retailer and finally through to the consumer.

A forward integrated business strategy can only be successfully implemented if management in the soft flooring industry intrinsically and extrinsically understands how the company intends to implement a strategy that will alter the very structure of the industry as it stands today (Pine & Gilmore, 2011:294). Satell (2017:168) states that companies need to give up the illusion of control and learn to use platforms, like forward integration, to access ecosystems of talent, technology, and information.

Thompson *et al.* (2017:20) refer to six critical dimensions of the strategic management process. Four elements, namely; diagnosis, direction, decisions and delivery, are fundamental to the core strategy process and two, namely; dynamism and disorder, set the context in which the process should be managed. Diagnosis refers to understanding the situation. The literature review clearly indicated that the South African soft floor industry is at a crossroad, and need to reassess its future. The empirical investigation in Chapter three will test this view and set the scene for a possible new direction to be considered by industry stakeholders. Making the right decision is a vital part of the strategic process.

In Table 2.13, three possible forward integration strategies were suggested. It is about choosing the correct option or approach or even combination of more than one, that could determine the future path. A successful strategy needs to be implemented, executed and it needs to deliver the expected outcomes or results (Thompson *et al.,* 2017:21). Figure 2.29 illustrates a possible strategy execution life cycle. Delivery needs to be against a set of goals and objectives that will lead through various inputs and outputs by all stakeholders, to the necessary results, as illustrated in Figure 2.29. This study proposes that the six critical dimensions of the strategic management process, as explained by Thompson *et al.* (2017:20), should be a cyclical, and not linear, process as management needs to continuously re-evaluate the process and outcomes of their decisions. The future strategy is in collaboration, forming close partnerships and in value co-creation. Value co-creation is defined by Zhao *et al.* (2018: 440) as a collaboration between a supplier (manufacturer) and its customers to jointly create value for the soft flooring industry.

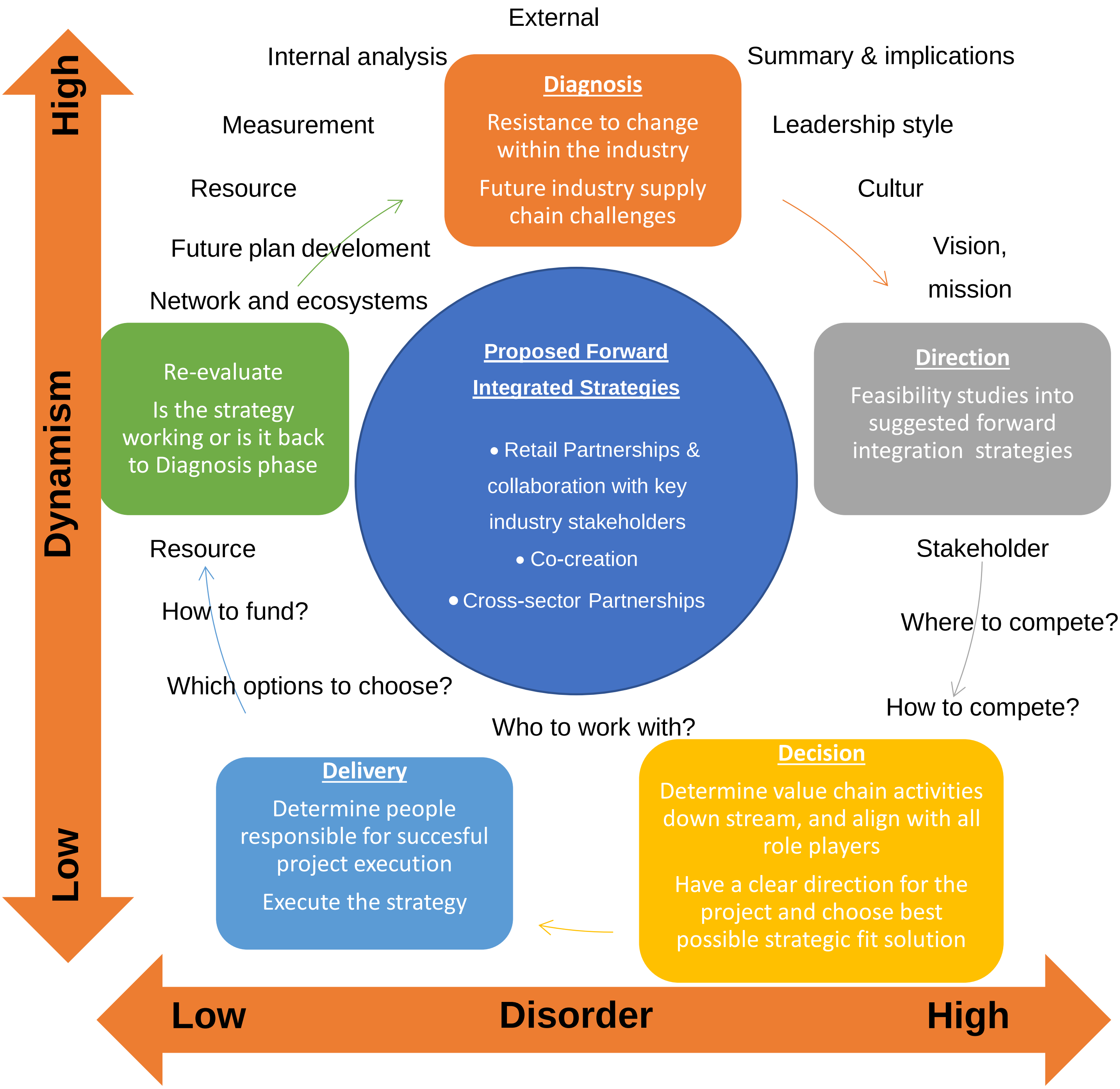


Figure 2.29: The 6Ds of strategic management as a tool to manage proposed forward integrated strategies (Thompson et al., 2017:20-23)

Technology has connected the world, and power no longer resides at the top of value chains, but rather at the centre of industry networks. The best way to remain a relevant dominant player in a specific industry, is to become an indispensable partner (Satell, 2017:168). It is in fact through this realisation that the researcher believes the future of the South African Soft flooring industry will be anchored. Innovation is a lengthy process, in that an idea or insight is discovered, and a solution is explored that results in the transformation of a field or industry (Satell, 2017:7). Innovation is seldom achieved by a single person or organisation. Innovation consists of 3 fundamental parts:

- Discovery
- Engineering
- Transformation

Through the balancing of the various factors shown in Figure 2.29, and taking into consideration the dynamism and disorder within the industry environment a new strategy can be crafted.

2.10 Chapter summary

The focus in this chapter was on the South African soft flooring industry and its current challenges. Through a literature review, the aim was to identify a forward integrated strategy as a possible supply chain strategy for the future that could address some of these current industry challenges for a soft flooring manufacturer. The aim was to determine a strategy that could ensure future growth for the soft floor industry and local manufacturers.

Innovation is never a single event and does not happen because someone came up with a big idea. To solve an important problem, it takes many ideas and requires a collective effort (Satell, 2017:xix). One can see this very clearly with Apple, who did not invent most of the technologies used in their core business, but what they did achieve is to improve on them smartly, and eventually they created icons over time.

In Chapter 3 the study focus will be on various parts of the soft flooring environment and the identified group of customers within the industry supply chain. The various methods of research will be discussed, as well as determining a demographic profile of the respondents who the researcher believes will be able to answer the research questions. Focus will be on the answers given by respondents to the questions in the questionnaire as well as interviews. The researcher will also make use of pie charts, tables and figures to assist in the analysis of the research data.

CHAPTER 3: EMPIRICAL INVESTIGATION

3.1 Introduction

The literature review in Chapter 2 of this study provided a short history and background into the carpet manufacturing process, as well as an overview of the soft floor industry – internationally and in the South African context. Attention was paid to the current challenges of the industry, with specific mention of the current supply chain of a leading soft floor manufacturer, as well as the likelihood of a forward integration supply chain strategy for the future. Numerous sources indicated the challenges of the South African soft floor industry and supply chain environment for example:

- The decline of soft flooring sales (Belgotex, 2019);
- The financial difficulties of Nouwens and Van Dyck and their intensions to merge (Grobler, 2019);
- The growth of hard flooring wood look vinyl and laminate trends globally with the South African market following the same trend (BMCW, 2019).

The aforementioned further indicated why it is important for a manufacturer like Belgotex to consider managing forward integration strategically, as part of a sustainable future growth solution. The core business for Belgotex has always been carpet manufacturing. Investments that were made, were on the growth of carpet manufacturing and sales into the residential and commercial divisions of the South African flooring market. As market trends shifted to new and trendy vinyl floorcoverings, wood laminates and ceramic tiles, carpet volumes declined in both the residential and commercial domains. It has, therefore, become increasingly important to look at new innovative ways to reach the consumer directly, with the soft floor product that Belgotex, and the like, have to offer. From a thorough literature review (Chapter 2), an empirical study was further conducted.

The research methodology and results of the study are presented in this chapter. The method in the design process of the questionnaire, data collection processes, as well as the statistical analyses are presented. The purpose of the chapter is to show how the empirical part of the study was approached. The study focused on a quantitative approach with a small-scale qualitative element, thus a mixed method approach, only to confirm and elaborate on the initial analysis of the study. The researcher based the inquiry on the assumption that collecting diverse types of data, best provides for the understanding of the research problem. The study began with a pilot study, in order to determine how well the research methods would work. From the pilot study followed, a qualitative phase, which focused on open-ended interview questions, to collect detailed views and perceptions from participants. A semi-structured approach was followed, in that there were set questions, but the researcher allowed for further probing and elaboration during the interview process. Observations were made by the researcher regarding their experiences and perceptions of the participating members of the South African soft flooring industry. Out of the interviews, a broad quantitative survey was conducted, in order to gather and analyse data from which the researcher could generalise results to the study population. Thus, a mixed method approach (Creswell, 2009:18).

Thus, the procedures of investigation, data analysis, as well as the results are described in this chapter. All statistical analyses were conducted by the Statistical Consultation Services at the North-West University of Potchefstroom Campus. Data were statistically analysed, using IBM SPSS. version 25 (SPSS, 2019). Microsoft Excel 2019, as well as the cloud-based QuestionPro.com software (QuestionPro, 2019), were also used to analyse data. The chapter will conclude with problems that were faced during the empirical research.

3.2 Research Methodology – Mixed Method

3.2.1 Qualitative Method

Qualitative research focuses on more complex questions that need to be answered, which are not always necessarily answered through a quantitative approach (Fouche & Delport, 2011). An advantage of this approach is that the focus is on the perspectives of the interviewees, and not from the view of the interviewer (Bryman *et al.,* 2017:65). Qualitative research is conducted, because a problem or issue needs to be explored in a particular level of detail. This exploration is needed, in turn, because of a need to explore a problem rather than to use predetermined information from the literature, or rely only on the results of the quantitative study, for example (Creswell, 2007:40-41).

For this reason, four other role players were interviewed, and research was consistent with a narrative research methodology (Creswell, 2007:126). In the narrative study, the researcher reflects more on who to sample (Creswell, 2007:128). The narrative qualitative research approach was first followed, as the researcher wanted to determine how well the data from the interviews supported the results from the quantitative study, as well as observations made from the literature review. Furthermore, it was followed to determine whether the observations from the literature in fact corresponded with the narrative from the expertise of the selected participants.

The participants in the sample group from the qualitative study are not part of the soft flooring manufacturing process, but are stakeholders in the broader South African flooring and soft flooring landscape. The sample is part of the industry ecosystem and could clarify, identify and elaborate on the initial analysis of the literature study, as well as on important variables within the broader industry landscape. Some of the challenges that the industry is facing going forward, and whether the statement that the soft flooring market in South Africa is in decline, formed part of a context-dependent inquiry.

Qualitative research offers the researcher the opportunity to view a specific situation in a new light (Bansal *et al., 2018;* Saunders *et al.,* 2009: 480). It was important for this study to counter-balance some of the views the researcher presented in Chapters 1 and 2. The sample population for the quantitative research was linked to the retailers, and the researcher needed to provide an objective view of the industry challenges through incorporating the viewpoints of experienced individuals, who form part of the larger flooring industry environment. For this purpose, a flooring distributor of all types of flooring (Likewise - wholesaler), an underfloor heating manufacturer (Warmup), an architect and an interior designer were interviewed, in order to obtain their perspective on the industry challenges and major changes foreseen in the future of the South African soft floor industry. The detailed information could only be established by talking directly with people, going to their places of work, and allowing them to share their views of the current industry climate and challenges unencumbered by what the researcher expected to find, or wrote in the literature review.

3.2.2 Quantitative Method

The empirical investigation focused mainly on the buying group segment of the South African soft flooring retail market, as this group has a national footprint and can provide the best possible picture of the current state of the industry. The quantitative part of the research was used to test the theory specifying narrow hypotheses, and the collection of data to support or refute said hypotheses (Creswell, 2009:16). The study attempted to establish a biographical background, after the demographic profile of the respondents were determined, as well as to present data about the respondents' value and supply chain activities. This was done to determine a better understanding of what the current nature of the South African soft flooring industry is, as well as whether or not it is important for a manufacturer of soft flooring to consider managing forward integration strategically as a sustainable future growth solution and to ensure superior end-user experiences. This was done by asking questions pertaining to flooring brands, the sales of hard flooring versus soft flooring, as well as questions relating to future challenges, disruption through technology, future diversification, and the biggest possible perceived threat to the South African flooring environment going forward.

3.3 Target population sample

The target population sample of a research study is the total group of potential participants in a research study, to whom a researcher would want to generalise the results of an empirical study, as shown in Figure 3.1 below (Welman *et al.,* 2005:55).

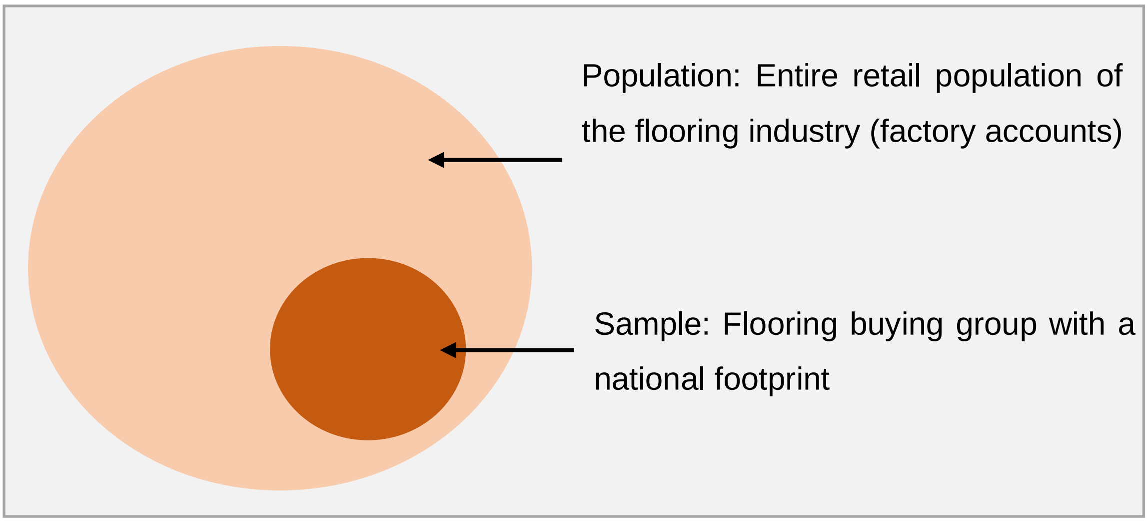


Figure 3.1: Research population and sample

For the purpose of this study the main population consists of store owners, managers and owner managers within the Top Carpets and Floors buying group, who are by volume sales, the largest buying group in the South African soft flooring industry. Figure 3.2 shows buying group's volume sales in all soft flooring types, in comparison to other role players in the market. At the end of August 2019, their total carpet purchases were 45% of their total sales (Top Carpets & Floors, 2019). The other 55% of the total sales were made up by other flooring types, such as vinyl, LVT and laminate purchases. This group was chosen, as chain stores form a small portion of total soft floor business. Wholesalers are distributors of all types of flooring, as well as importers of vinyl and laminate products. Independents are a small group of retailers, and do not have a national footprint. Similar to independents, contractors are also a small group and focus mainly on the commercial market division. A buying group like Top Carpets and Floors, with their national footprint is thus best suited to assist the researcher in the collection of valid data, in order to answer the research question.

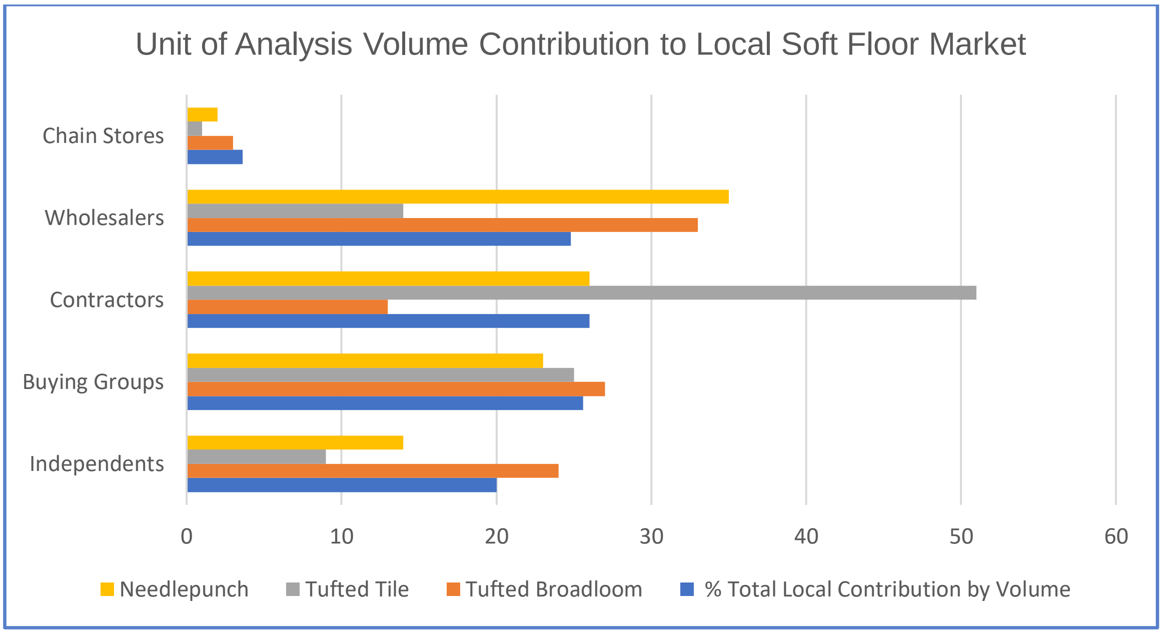


Figure 3.2: Unit of analysis contribution to local soft flooring sales (own compilation)

The study followed a sampling strategy of non-probability. Drawing from the non-probability strategy, the focus was on a purposive sampling method. The researcher wanted to sample participants in a strategic way, with the focus on the South African soft flooring retail environment, instead of sampling research participants on a random basis. The focus of purposive sampling is to consult with a population, that will best answer the main research question, in order to reach the objectives of this study. It was assumed that the targeted retailers are thus product or industry knowledgeable people. The empirical investigation, therefore, took a non-probability expert sample from the study population.

Expert sampling is a form of purposive sampling that focuses on the expertise of individuals (Bryman *et al.,* 2017:186; Creswell 2007:125-126). Bryman *et al.* (2017:178) explain that it is fairly common practice in business research surveys to approach one respondent, such as a senior manager or business owner to complete a questionnaire related to their organisation or workplace. A single respondent expert sampling will enable one to approach a larger number of retailers in the identified market segment, with less investment in time and resources. The population focus was on the soft floor industry segment, which is relatively homogeneous and, therefore, less sample variation. The overall response was satisfactory, as respondents answered all the questions and gave valuable feedback, by means of the hardcopy questionnaires that were complete. The online link proved to be problematic, as respondents followed the online link from QuestionPro.com to complete the survey, but 81 dropouts were reported out of 117 respondents who followed the online link, due to respondents not answering all the questions. All the questions were compulsory, and should a respondent choose to skip a question, the questionnaire would not be registered as complete. This problem led to the researcher having to send hardcopies of the questionnaire to the sample population, meaning that the 81 dropouts had a second opportunity to complete a hard copy of the questionnaire. Of the 120 questionnaires (Appendix A) 100 were completed, 34 online and 66 in hardcopy, signifying a usable response rate of 80% of the initial target population.

The researcher also expected non-responses which could have been due to:

- refusal of respondents to answer some of the questions, as they might have felt that some of the questions invaded their business' privacy;
- Respondents' inability to respond, due to being too busy in the daily running of the business;

- the nature of the QuestionPro.com questionnaire and all questions being compulsory, some participants might not have been willing to answer all the questions, for whatever reason.

3.4 Measuring instrument

In this study both the qualitative and quantitative approaches were followed, thus a mixed method approach. The mixed method research approach involves gathering data both numeric and text information, and employs strategies of inquiry that involve collecting data sets either simultaneously or sequentially, in order to best understand the research problems (Bryman *et al.,* 2017:62). The qualitative approach consists open-ended questions that are posed to the participants of the study. The quantitative approach is an objective approach that seeks precise measurement and analysis to the core research question and is less time consuming (Welman *et al.,* 2005:8). Both the qualitative and quantitative research approaches attempt to capture and understand the participants' point of view.

The researcher chose a narrative qualitative study approach, as well as a quantitative research approach. In a narrative study, the researcher reflects more on who to sample (Creswell, 2007:126). In a narrative study the focus is on people as tellers of stories, events, or challenges around them (Bryman *et al.,* 2017:380). Participants were selected based on the details and type of information that each individual could supply to the research question. In a narrative research approach, three to ten subjects would be a large enough sample to meet the research objectives. This researcher selected four participants, each individual with a unique angle and lived experiences in the soft flooring industry. These individuals were critical to illustrate the types of challenges surrounding the soft flooring industry. Both approaches were followed to meet the research objective, as set out in Chapter 1. The qualitative approach followed a semi-structured interview approach, as explained by Bryman *et al.* (2017:65). This approach was followed with other flooring related expert stakeholders such as Likewise and Warm-up to obtain information relevant to the current state of the flooring, and more specifically the soft flooring industry, from their perspective.

The quantitative survey instrument that was used, was a questionnaire, as it was inexpensive, easy to administer, quick to deliver, and the respondents could answer at their convenience. Ethical clearance was obtained from the Ethics Committee in the North-West University Research Support Office (see Appendix B). The questionnaire was developed using QuestionPro.com to ensure ease of use and anonymity. Hard copies of the questionnaire were also completed by respondents who did not complete the online version. QuestionPro.com is an online survey development cloud-based software service (QuestionPro.com, 2019). The survey was distributed electronically, by the researcher, via e-mail which included a link to the web address of the relevant web form, as well as a QR code link to the online questionnaire. The Top Carpets group also included the link in their weekly members' update newsletter. A letter including the ethical clearance and code with an explanation of the purpose of the study was also attached (refer to Appendix B).

The questionnaire was drafted by the researcher and drew from a comprehensive literature study conducted in Chapter 2. A pilot study was conducted with both the quantitative, as well as the qualitative data collection processes, to determine how well the research instruments work. A focus group was established to ensure the questionnaire is consistent, logical and user friendly. The focus group consisted of three people, two senior managers working within the soft flooring environment, who collectively have 50 years of experience in the South African, as well as international flooring environment. The fourth individual holds a doctorate in strategy, and more than 30 years' experience as a consultant and analyst of the South African building supply industry. The questionnaire was updated with the input of the focus group and then sent to the Statistical Consultation Services at the North-West University of Potchefstroom Campus, to obtain their expert input on the format and layout of the questionnaire.

The questionnaire consisted of 47 questions that were divided into 3 sections. The target population was mainly the Top Carpets group, as they have the largest national footprint and could assist the researcher in answering the research question, within the limited time frame. The first section contained 13 questions relating to the biographical information of the respondents. Respondents had to choose the option that would best describe them and their business. The second section incorporated 19 questions pertaining to value and supply chain data. Participants had to answer questions, varying from choosing the best option from several possibilities, five-point Likert scale questions, as well as ranking and sliding scale type questions. Provision was also made for respondents to add additional information pertaining to the previous question (refer to sections: 2.8, 2.10, 2.13, 2.18 of the questionnaires – Appendix A). Section 3 consisted of 11 questions related to the future flooring industry, and again provision was made for respondents to add their own thoughts and ideas. The questionnaire is included in Appendix A.

3.5 Discussion of Research Findings

The qualitative research focused on a limited sample approach, as discussed. The primary objective was to determine the viewpoints of four identified stakeholders who are linked to the broader flooring industry, referred to as participants one to four (Appendix C). The researcher focussed on key subjects and themes. Computer-aided software was not necessary for this approach as only four interviews were conducted, and the researcher could identify the recurring themes without computer-aided assistance.

3.5.1 Qualitative analysis

The open-ended questions from the pilot study that were posed to four counterpart industry stakeholders were analysed qualitatively, based on the following:

- Type of business and how it is related to soft flooring.
- Current trading climate.
- Challenges and burning issues currently experienced in the industry.
- Future business vision and mission.
- Core business strategy and why change is inevitable for the next 5 years.
- Personal experience and thoughts why change needs to be embraced.
- Any foreseeable changes in the South African soft floor industry.

3.5.1.1 Question one: Summarise your type of business

The respondents gave the following answers describing the type of business in which they are involved:

- Multi Product Flooring Distributor to the Flooring Industry (Likewise). Likewise has an estimated flooring wholesale and distribution market share of 40%. This includes the distribution of soft flooring products, LVT, Laminates, cushion vinyl, grass and accessories to the entire flooring trade.
- Manufacturer of floor heating products, such as undercarpet, underlaminate, undervinyl, LVT, undertile and underfloor heating systems, as well as a supplier of hydronic water based underfloor heating systems, and related accessories for all the mentioned products (Warmup). Warmup is an established under floor heating manufacturer in South Africa, with an estimated 70% market share in the floor heating market segment.
- Simon’s & Lee is an architectural firm that has been in existence for more than 50 years in the Vaal Triangle (architect).
- Different Strokes Interior Design, an interior design business focusing on corporate clients, as well as doing some decorating work (Designer).

All four business owners who were interviewed form part of the wider building and flooring related industry. The respondents reinforced some the flooring and soft floor related challenges further explored in the quantitative research approach.

3.5.1.2 Question two: Describe the current trading climate

The respondents expressed that they experience the current trading climate as extremely challenging, due to several reasons:

- Consumers are facing tough economic times, which brings about reduced spending habits on home improvement products.
- Current escalation in the price of electricity having a negative effect in the purchasing of floor heating products.
- Lack of knowledge by consumers as to the cost saving benefits of floor heating products.
- Due to reduced consumer expenditure, building and housing projects are smaller and less profitable.

- Commercial projects are more profitable in the current business environment, as they normally have quantity surveyors and more realistic budgets to work with, where the home owner building a new home, has a small budget with unrealistic expectations.

The correspondents agreed that the current business environment is difficult, as consumers are financially under pressure, which makes trading very challenging from all aspects – including the building, distribution and design industries.

3.5.1.3 Question three: Some of the challenges and burning issues you currently experience in your industry

The respondents identified the following industry challenges:

- Distributors and Flooring Contractors alike are discounting products, to secure orders putting pressure on margins.
- The trade still seeing Likewise as a predominantly carpet wholesaler, and not a complete flooring solutions distributor.
- To educate and train the flooring industry regarding floor heating as the least expensive and most efficient way to warm a room, office or entire home.
- From an architectural point of view, technology and visuals in abundance on social media make the task of designing the dream home or office very intense, yet people are not always prepared to remunerate for services rendered.
- From a designer point of view, budgets not being realistic, workmanship not up to standard, and inexperienced contractors doing the work, as well as customers with unrealistic dreams and requests remains challenging.

Similar to answers received from the quantitative analysis (to be discussed later), price and lower operating margins are symptoms of an industry in distress. These challenges will only subside once the economy gains momentum, and the consumer has more disposable income to renovate.

3.5.1.4 Question four: Future vision and mission for your business

The respondents shared the following ideas regarding their future business vision and mission:

- Actively diversifying our product offering to capitalise and maximise the ability to secure orders on a bigger spread of products, and not just relying on carpet sales.
- Continue to provide easy to install, top quality, new and existing heating and insulation products and systems to the South African market.
- Warmup must provide educated product knowledge to the flooring industry, in order to achieve a professional, purposeful result for the home owner or customer.
- Use technology more efficiently, in the future, in architectural and design practices.

In line with global trends, product diversification is an important future trend with carpets losing market share to hard flooring. Product knowledge and training was mentioned as important factors in the quantitative study, as well as during the interviews. The future role of technology in the industry was mentioned in both studies, and recommendations regarding the future role of technology, will be presented in Chapter 4.

3.5.1.5 Question five: Core business strategy for the next five years.

The respondents shared the following core business strategies:

- Focus on all aspects of the Likewise-wholesale business, including sales, marketing, distribution capacity and credit control to ensure maximum efficiency.
- To provide new innovative energy efficient heating solutions for all flooring types, which includes floor and wall insulation.
- Appoint younger, professional, new blood into my architectural business, as a succession plan.

- As designer, the aim is to continue producing high quality workmanship and serve happy customers with a creative end-result.

Sustainability should be a core strategic element of all businesses in the flooring and broader building and design industries. This should be addressed through collaboration with all stakeholders, and is not so much reliant on the consumer as it is on the sharing of information between various experts within the broader industry environment.

3.5.1.6 Question six: Your personal experience on change and why it is inevitable

The respondents discussed the following change management initiatives and challenges:

- The wholesale business needs to remain current to achieve and maintain good market share, as well as stay with the times with products and technology. The saying "adapt or die" is very relevant, especially with a young emerging consumer who has information at their fingertips, and they are not the "loyal customer" or consumers from yesteryear, with different motivation factors and decision-making ideas.
- Today's consumers will change their brand loyalty at the next paragraph they read on social media, and buy another product or brand.
- Warmup strives to be the company that can introduce new and exciting energy saving initiative changes to the industry. We see ourselves as an important link in the chain of the flooring industry from industrial development to the home owner.
- *"I personally have spent many years in the flooring industry and have seen many changes. From hand stitching carpets, and using carpet tacks. From tar backed lino to our modern LVT vinyl. From real floor underfloor heating elements as thick as a cigarette made of pure copper that would take three to four days to heat, because it was installed 300mm to 400mm into the slab, to smart heating systems that lay just under your flooring surface, which literally heats up in minutes."* (Participant 2).

- Yes, change will always happen, because of new technology and businesses want change. Yet, human nature will fight against it, because change means we have to do it differently. Change is hopefully for the betterment of our environment, our health and living conditions.
- Warmup applies change management techniques in line with current market and flooring trends.
- Technology will continue to transform our lives and businesses. In the future we need to stay in touch and manage technology better in our businesses.
- The designing environment forms part of the fashion world and is a very dynamic, ever-changing environment with trends always changing, and one needs to adapt to this ever-changing environment.
- Change also has an impact on the lives of the sub-contractors. Labour laws, and the completion of jobs, as well as rules and regulations enforced by government on employers have made it very difficult for sub-contractors to do business. This will make it very difficult in the future to do business, be competitive and meet deadlines.

Change is something that cannot be avoided. Business must continue to innovate. To stay in touch with technology and new developments that could impact the future of the industry, is pertinent. New technologies and business will continue to shape each other. Understanding technology, and the impact it has on change in the business realm, will be important to determine how best to incorporate new technologies in the flooring environment.

3.5.1.7 Question seven: Any foreseeable changes to the South African soft floor industry in the next five years

The respondents are aware of the following changes that will continue to impact the soft flooring industry in future:

- "*Soft flooring has been a declining market internationally for years. In South Africa we are experiencing a volatile soft flooring market, with Belgotex as a dominant player. Van Dyck and Nouwens being no. 2 and no. 3 respectively as soft flooring manufacturers are in the process of merging, and at the same time,* *the rivalry between these local manufacturing power houses could make room for a company like MONN, or other importers, to steal market share. It is a market that is shifting away from soft flooring, towards alternative and trendy hard flooring solutions.*" (Participant 1).

- "*We have seen a major drop in the soft floor market (domestic and commercial) over the last ten years. If carpet manufacturers such as Belgotex, Van Dyck and Nouwens do not actively start to market the benefits of carpeting (soft flooring) in South Africa, to correct target market, the product category will continue to decline.*" (Participant 1).
- "*The decline of carpeting has been visible for me, for the past three-plus years. In my personal experience as an architect, the decline has been as much as 85%. Most of my clients do not even consider soft flooring*." (Participant 3).
- I do believe technology will drive new products and product innovation, but I do believe that we will not see carpets in the same format as they are today in the future.
- *"From a designer point of view, customers choosing carpets as a flooring décor item is declining. They do enjoy the under-foot comfort of a carpet, but they do not enjoy the hygienic and maintenance challenges carpets bring to the fore in the residential environment*". (Participant 4).
- Vinyl do (sic) bring its own challenges though, when a customer is revamping due to expensive floor preparation. A carpet is quick to install. Within a few hours you could have a whole new look and feel to your home or room, where tiles and LVT's bring other challenges, but people prefer the latter due to the maintenance aspect, and will then buy a loose rug or loose carpet to lay over their hard floor for softness under foot.
- Carpets are also not affordable anymore, it has become an expensive item for the homeowner, and when weighing up the positives and negatives they choose hard flooring instead.

A declining soft flooring market, continuous rising of soft flooring price points, an increase in the demand for hard flooring solutions, change and the future impact of technology, as well as consumer buying behaviour changes and preferences, were all themes that were mentioned by participants. This correlates with the researcher's own observations and conclusions made from the literature review in Chapter 2, as well as findings from the quantitative data, that will be analysed and discussed in the next section.

3.5.2 Quantitative findings

3.5.2.1 Section one: Biographical data

A quantitative study questionnaire was circulated to store owners, store managers and staff of the identified sample group. Figure 3.3 shows the following biographical and demographic results:

- Business profile based on province.
- Respondents' age group profile.
- Years' experience by respondents in the flooring industry.

In Figure 3.3, the abovementioned results will be presented and further discussed.

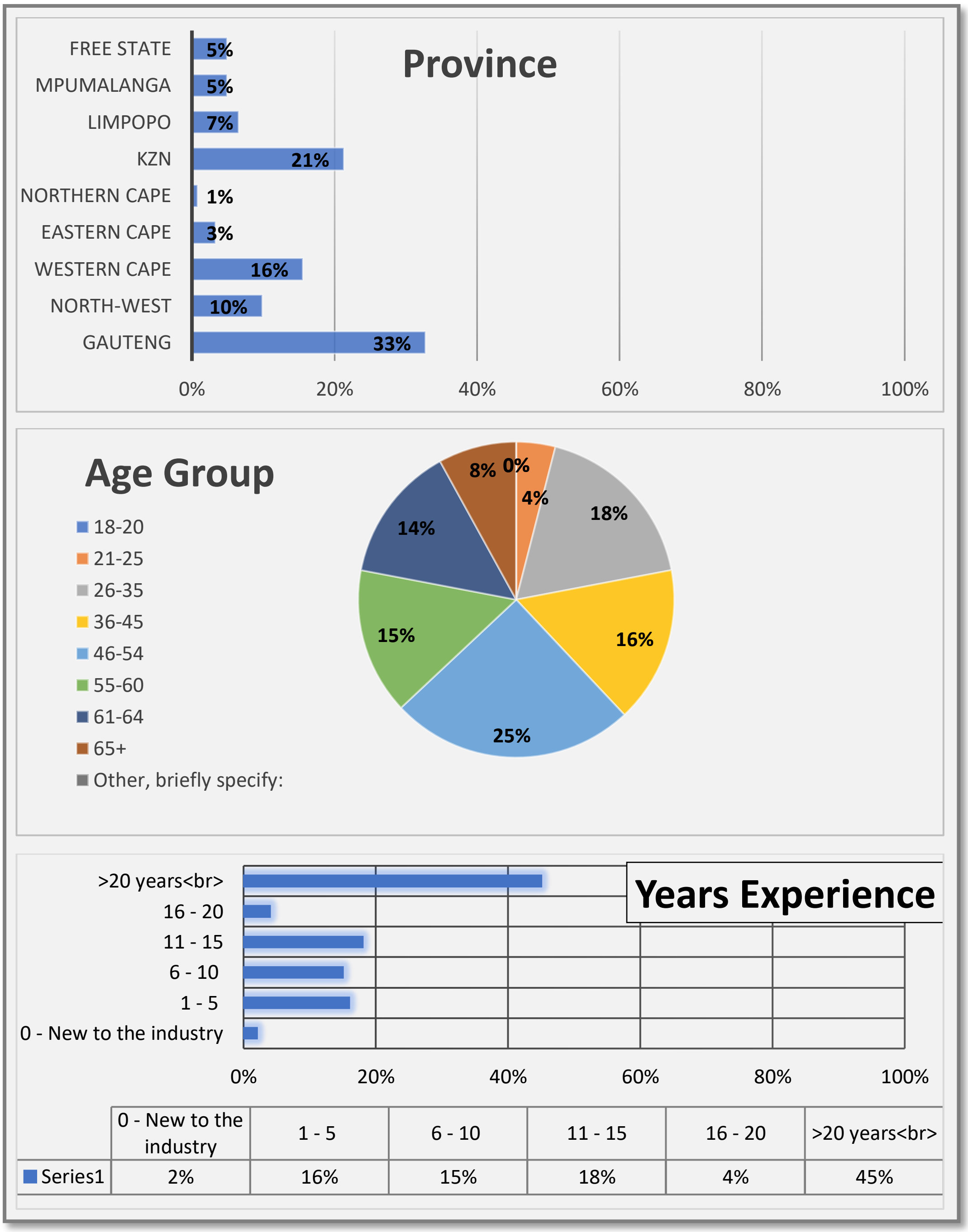


Figure 3.3: Demographic profile based on province, age and experience

Gauteng remains the largest province. More than 60% of sales are from the greater Gauteng region. The second largest region for the industry is the Western Cape. The number of respondents for the region is, therefore, not a true reflection of the actual size of the Cape region, and could be revisited in a follow-up study.

Of the 100 respondents who completed the survey, 62% were in the age group of between 46 and 65+ years old, and 67% had more than 10 years of experience in the flooring industry. It can, therefore, be concluded that the demographic profile of the sample corresponds with the South African flooring industry landscape, as indicated in Figure 1.3 in Chapter 1.

The high percentage of correspondents who fall in the 46 to 65+ categories, also corresponds with the research problem of an aging industry with only 2% who are new to the industry and 0% between the age of 18 and 20 and only 4% between the ages 21 and 25. The 46 to 65+ group also holds most of the experience in a very technical industry, which indicates that the industry could experience a shortage of expertise in the next five to ten years, if not addressed correctly with a higher percentage of the younger generation entering the flooring arena. Should a large number of experienced retailers all exit the industry within the next five years, the industry could find itself in an expertise predicament, which could even result in further decline of sales and volumes. From the responses received, 45% of participants indicated that they have more than 20 years' experience in the industry, which emphasises this fact. It is crucial that industry stakeholders protect an exodus of knowledge and expertise within the foreseeable future. A strategy should be put in place to develop a new generation of knowledge and expertise.

In Figure 3.4, the following demographic dimensions are discussed:

- Gender;
- store manager of a store, or store owner;
- independent or buying group; and
- type of buying group.

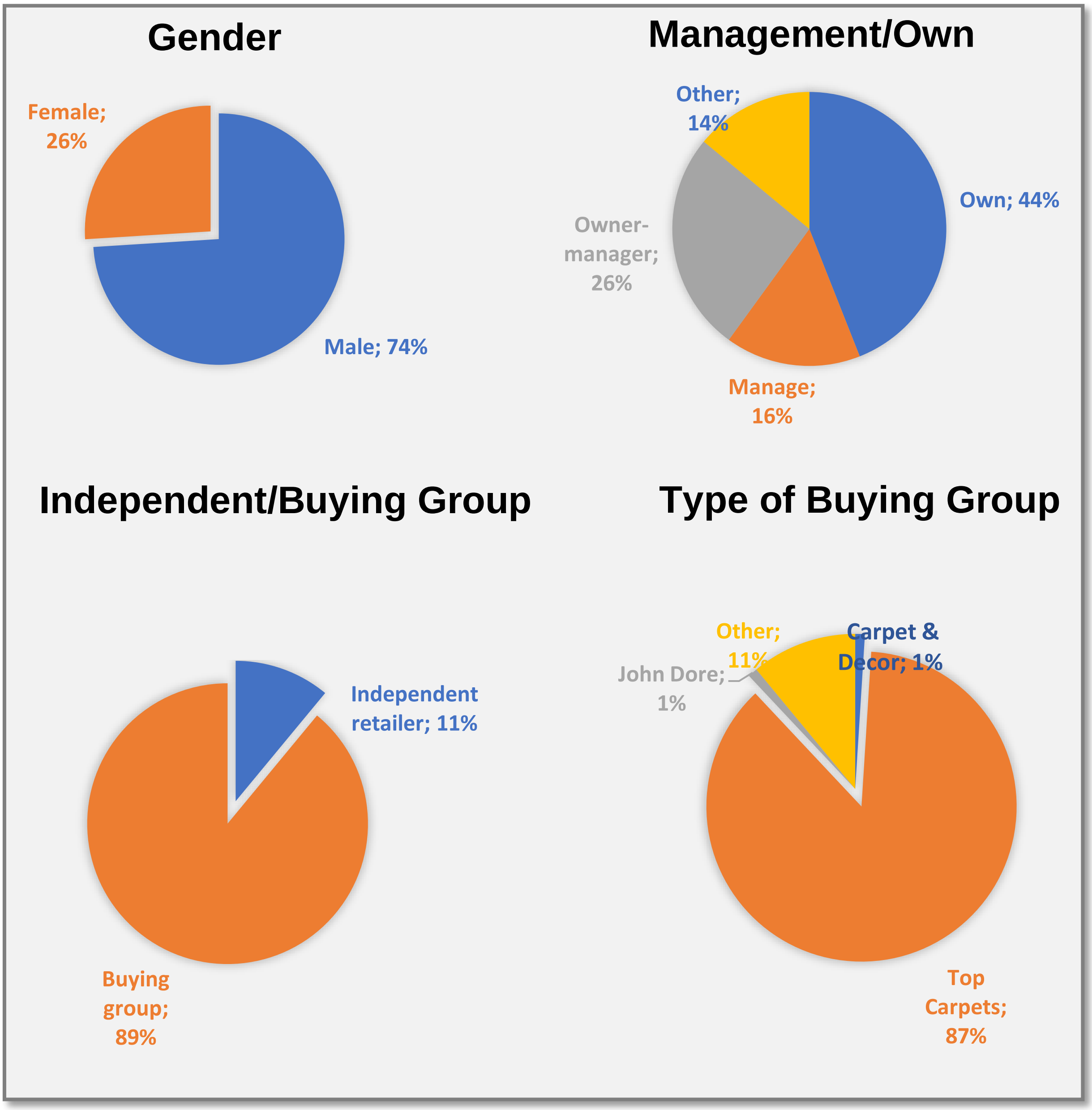


Figure 3.4: Demographic profiles based on gender, management or owner, type of retailer

The flooring industry is a male dominated industry. As shown in Figure 3.4, in the daily running of the business, 74% of the respondents are male and 26% are female. It is important to note that the questionnaire was distributed exclusively to individuals who own, manage or are involved in the daily running of a flooring retail store, and that the scope of the study did not include representatives, estimators or fitters. This was due to the cost aspect, as well as the timeframe aspect for the completion of the survey. It is further important to note that 70% of the respondents, combined, either own or own and manage their stores. This high percentage, combined with the 62% age group

(46-65+ years of age), also corresponds with the research problem of finding a future strategy that will ensure a sustainable future growth solution for a manufacturer like Belgotex.

The next set of questions dealt with the current issues within the flooring retail environment. This relates to the amount of staff employed per store, full time or subcontracting fitting teams, number of members per team, their average age, training received, as well as possible succession plans for the business (refer to questions 1.5, 1.6, 1.7, 1.8, 1.9, 1.10,1.11).

Table 3.1: Number of employees

	Category	Frequency	Valid Percent
Valid	1. 0 – 5	17	17,0
	2. 6 – 10	40	40,0
	3. 11 – 15	22	22,0
	4. 16 – 20	8	8,0
	5. >20	13	13,0
	Total	100	100,0

Table 3.1 indicates that the majority of respondents employ between 6 and 15 full time staff members, which indicates the importance of sustainable solutions for the flooring industry, in a country that has an unemployment rate of 29% (StatsSA, 2019).

The employment of fitting teams is a controversial topic in the industry. Due to strict labour laws, introduced by government in recent years, many retailers started to move away from full-time fitter employment to employing only one or two full time teams, and then call on sub-contractors during busy times. This tendency adds to the research problem, as retailers do not have the same influence in the skills sets, as well as the skills improvement of fitters, should sub-contractors be used. Sub-contractors are only paid for days of work performed, and need to be occupied with work all the time. They will not take time off to attend training workshops arranged by manufacturers or suppliers, unless the retailer reimburse them for the time spent attending skills development workshops.

Table 3.2: Full-time employed fitting teams' analysis

	Category	Frequency	Valid Percent
Valid	1. 0	22	22,0
	2. 1	24	24,0
	3. 2	19	19,0
	4. 3	10	10,0
	5. 4	15	15,0
	6. 5	7	7,0
	7. 6+	3	3,0
	Total	100	100,0

Table 3.2 shows 22% of respondents do not employ any fitting teams on a full-time basis, 24% employ one team and 19% employ a maximum of two teams. It is thus clear that the majority, 43% of respondents, employ between one and two teams. This keeps the amount of full-time staff small and flexible. Margins are under pressure in the flooring industry, and reducing fixed costs is an important consideration for most *flooring retailers.

Table 3.3: Sub-contract fitting teams' analysis

	Category	Frequency	Valid Percent
Valid	1. 0	18	18,0
	2. 1	27	27,0
	3. 2	25	25,0
	4. 3	14	14,0
	5. 4	11	11,0
	6. 5	3	3,0
	7. 6+	2	2,0
	Total	100	100,0

Table 3.3 indicates that a total of 52% of the respondents make use of between one and two sub-contracting teams. There is a concern that the percentage of sub-

contractors will rise in the future, which will make it very difficult for suppliers to regulate quality workmanship, as well as fair labour rates.

Table 3.4: Number of members within a fitting team

	Category	Frequency	Valid Percent
Valid	1. 2 – 4	88	88,0
	2. 5 - 6	12	12,0
	Total	100	100,0

A total of 88% of respondents indicated that they keep their fitting teams small – between two to four members only (Table 3.4). Respondents indicated that 65% of their main business is still residential business. Residential sites require smaller and more flexible fitting teams, hence the indication by most respondents that their fitting teams typically consist of between two to four members only.

Table 3.5: Fitter age group analysis

	Category	Frequency	Valid Percent
Valid	1. Mostly younger than 30	5	5,0
	2. Mostly between 30 - 40	60	60,0
	3. Mostly between 41 – 50	32	32,0
	4. Mostly between 51 - 60	3	3,0
	5. Mostly between 61 - 65	-	-
	Total	100	100,0

An encouraging sign was the fact that 60% of the correspondents indicated that their fitters are between 30 and 40 years old (Table 3.5). The problem statement of this study indicated an aging industry, which was supported by the results from the survey, which showed aging store owners and managers, with respondents indicating either no succession plan to limited succession plans implemented. The above results regarding fitting teams, however, show a higher youth rate. However, continuous training and upskilling must still remain a priority.

Table 3.6: Formal training analysis

	Category	Frequency	Valid Percent
Valid	1. Yes	62	62,0
	2. No	38	38,0
	Total	100	100,0

A further positive point is that 62% of participants confirmed that their fitters received formal fitting training (Table 3.6). It is clear that respondents are aware of the fact that fitting skills and training are an essential part of the business, and should be an ongoing process.

Table 3.7: Cross-tabulation owner/manager versus succession plans

Owner/Manager vs. succession plan for the business					
	Own	Manager	Owner-manager	Other	Total
1.1 Own or manage the store	27,3%	31,8%	36,4%	4,5%	100%
1.11 No succession plan	48,0%	53,8%	38,1%	28,6%	44,0%
1.1 Own or manage the store	18,8%	25,0%	50%	6,3%	100%
1.11 Introductory stage	12,0%	15,4%	19,0%	14,3%	16%
1.1 Own or manage the store	26,9%	30,8%	34,6%	7,7%	100%
1.11 Implementation & growth stage	28,0%	30,8%	21,4%	28,6%	26,0%
1.1 Own or manage the store	21,4%	0,0%	64,3%	14,3%	100%
1.11 Completed stage	12,0%	0,0%	21,4%	28,6%	14,0%
Count	25,0%	26,0%	42,0%	7,0%	100%

A cross-tabulation was conducted between owner and manager respondents, in order to determine the significant differences in their responses to the question of succession plans for the business (Table 3.7). This was important, as the literature review indicated that privately-owned retailers and independently-owned stores, within buying groups are aging, with only a few who have a succession plan that is being implemented. The results showed that 27,3% of respondents who own a store have no succession plan. 31,8% of respondents indicated that they manage a store with no succession plan, and 36%,4 respondents, who are both store owner and manager, had no succession plan. The total stores without a succession plan, made up 44% of the sample population. 26% were in implementation and growth stage, and only 14% indicated the completed implementation of a succession plan. This confirms the problem statement of an aging industry with little succession plans in progress. The Chi-square test p-value equals 0,443 and Cramér's V equals 0,73. The closer a coefficient is to 1, the higher the agreement, and the better the inter-observer consistency. A coefficient between 0.4 and 0.6 is considered fair and 0.6 to 0.75 is considered good (Bryman *et al.,* 2017:260). These calculations are based on the cross-tabulation of two variables as applied in Table 3.7. Both the Chi-square and Cramér's V tests established whether the two variables are independent or dependent (Bryman *et al.,* 2017:324-327). Table 3.7 above, shows a strong relationship between the two variables, as well as an inter-observer consistency of between 0,443 (Chi-square) and 0,73 (Cramér's V), which is regarded as fair to good.

The researcher can thus conclude that the results from the questionnaires proves the research problem of an aging industry, with flooring retail store owners having limited succession plans in place, and must be flagged as a problem that should be addressed.

In Figure 3.5, the results from the Broad-Based Black Economic Empowerment question will be presented and discussed.

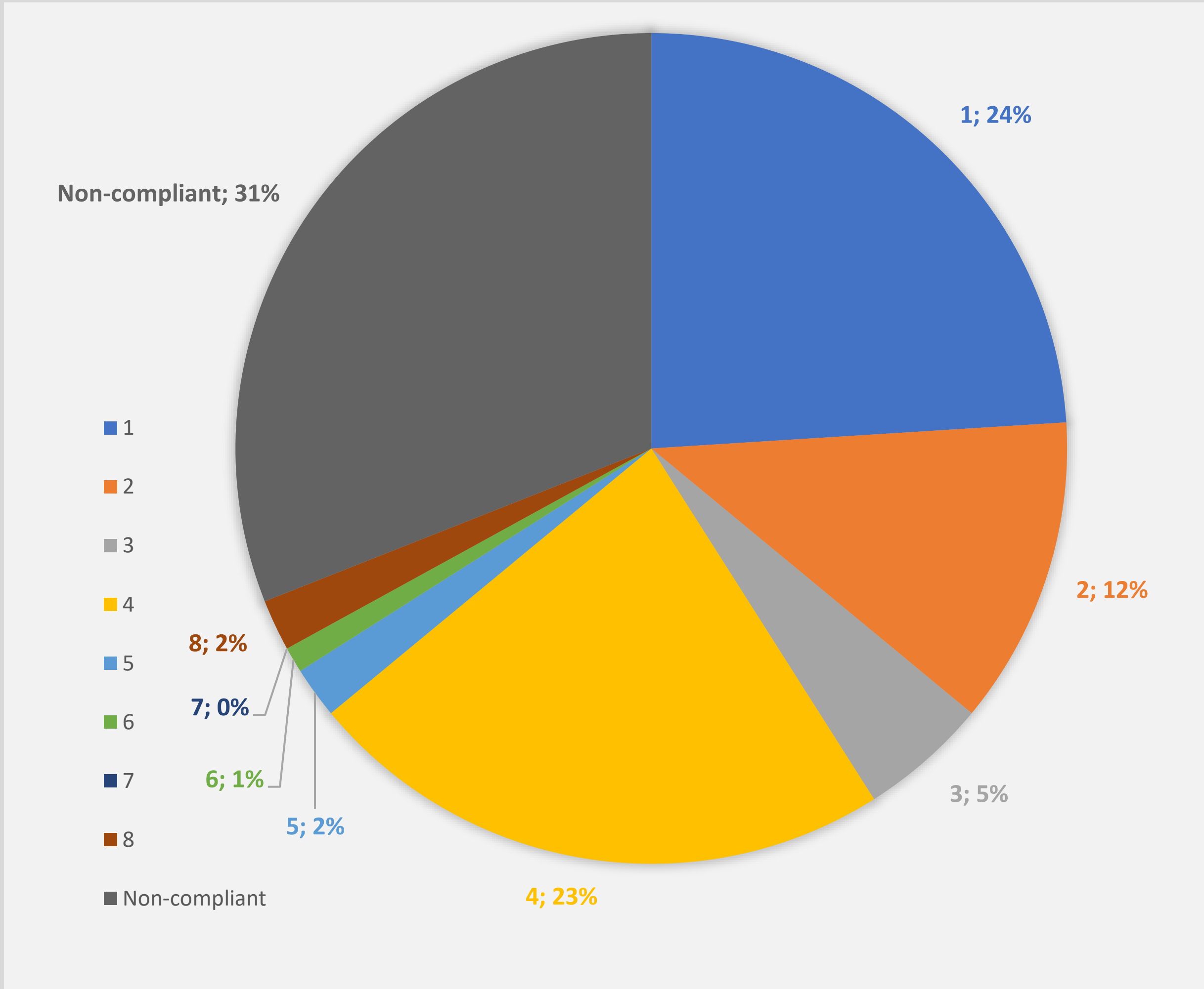


Figure 3.5: Indicate the level of B-BBEE compliance of your business

B-BBEE refers to Broad-Based Black Economic Empowerment, which is a policy of the South African government, which encourages companies to help transform the country. In short B-BBEE is about broad-based economic activities that benefit black people (Friedman, 2017). A company that has an annual turnover of less than R10 million, is classified as a micro enterprise and, therefore, exempt from the B-BBEE scorecard. These companies are automatically given a B-BBEE score of 65 points (level 4); if majority black owned, level 2; and if 100% black owned, level 1. The B-BBEE scorecard considers the following factors as important for business development and business transformation in the country (Friedman, 2017):

- Ownership – this measures the percentage of shares in the business that is owned by black people (as per the definition above);

- Management Control – the directors, top management and the employees in the business;
- Skills development – this measures the amount of money spent on the training of black employees;
- Enterprise and Supplier development – Procurement (your suppliers and their scores) and Development – business expenditure on helping other black owned enterprises grow, both suppliers to you and non-suppliers;
- Socio-Economic Development – business expenditure on assisting charitable organisations.

Most business owners who participated in the survey do not have an annual turnover of more than R10 million per annum, which confirms the amount of uncertainty in the flooring industry towards B-BBEE legislation. This means that most of the 31% non-compliant respondents are unaware of their correct B-BBEE status, and should most probably form part of the level 4 category, as per the mentioned criteria. It is encouraging to notice that 59% (Figure 3.4) of the respondents' businesses are between a one and four compliance level, which is proof that the industry indeed embraces transformation.

3.5.2.2 Section two: Value and supply chain data

Section 2 of the questionnaire focused on value added and supply chain data. The researcher wanted to establish the type of retailer (2.1, 2.2, 2.3), and gather store location information (Figures 3.6 and 3.7). The Top Carpets and Floors group, with their national footprint, could best assist within the limited timeframe of the study. Although each store is part of a group, they are not a franchise, but a buying group. The Top Carpets and Floors head office, thus, supply the members with services and goods, and negotiate the best prices and deals with suppliers. However, they do not have jurisdiction over the day to day running of each store. The views provided by the store owners or managers are, thus, very much an individual point of view and not necessarily the view of a collective group, groupthink, or the Top Carpets and Floors head office. The term groupthink refers to a group of people who start to think collectively with one mind (Greyling, 2016:95). The group is, thus, more concerned with maintaining unity than with objectively evaluating their situation, alternatives and/or options. The intention of this research was to collect data that will reflect individual responses, that could then answer the research question most accurately.

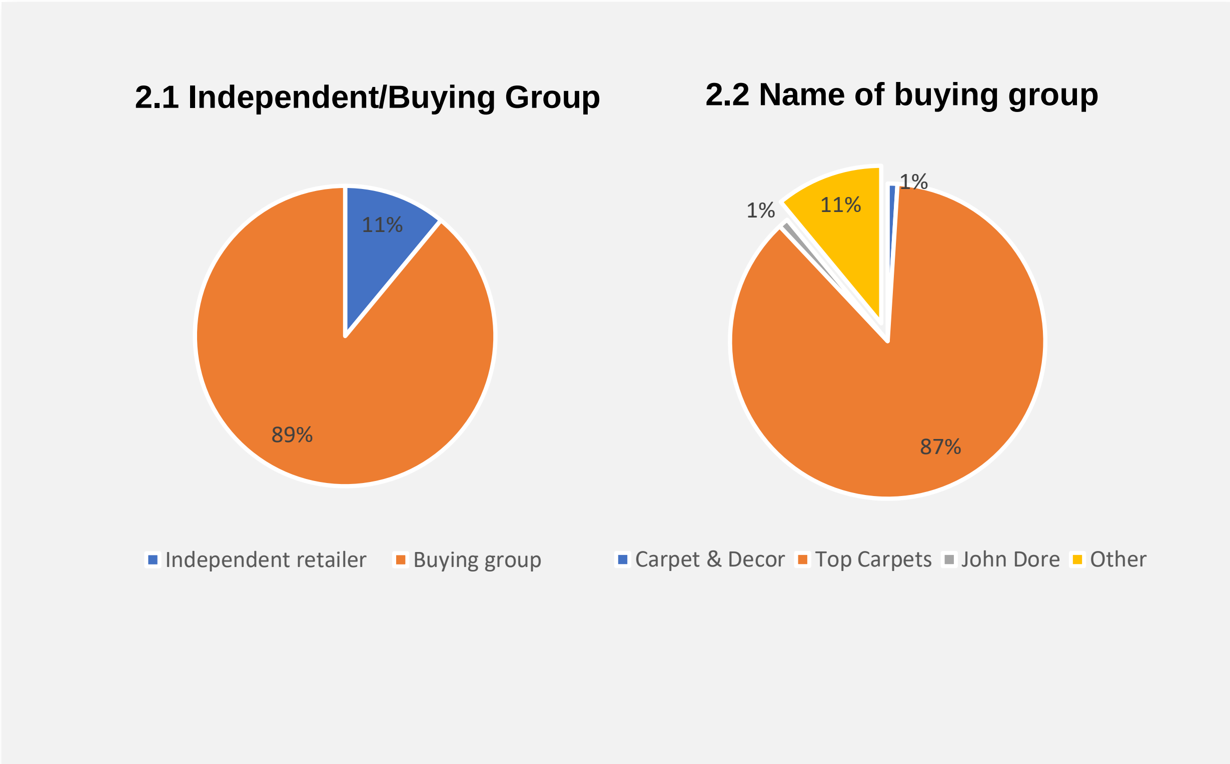


Figure 3.6: Independent retailer or buying group analysis

Figure 3.6 shows that 89% of respondents are from buying groups and 87% from the Top Carpets group, as the researcher was allowed the best access to this group and its members, through an agreement with their head office and directors in Pinetown, KwaZulu-Natal.

Figure 3.7 shows showroom location data, and results are thereafter discussed.

Figure 3.7: Location of showroom analysis

In recent years, the rising cost of overheads and labour costs have forced many retailers, especially from the wholesale trade, to either work from industrial or back street areas, instead of main street areas. This led to a manufacturer, like Belgotex's, investment in opening visible showrooms across the country. From the data collected, it is encouraging to notice that 70% of respondents indicated that their store location is main street (Figure 3.7). This is a significant factor for the soft floor industry, as opposition, such as CTM (Ceramic Tile Market), Tile Africa, Italtile and Builders Warehouse all have very visible main street stores, that draw consumers' feet and attention. Jaravaza and Chitando (2013:302) define store location as the physical space occupied by a shop, it is the catchment area of a shop which experiences intense economic and commercial activities. If a retailer has the best location, that is, the location that is most attractive to its customers, its immediate competitors are automatically relegated to occupy the second-best location. This provides the business with a sustainable competitive advantage.

The flooring retailers' core business is the selling and fitment of flooring products, such as residential and commercial broadloom carpeting, as well as carpet tiles, vinyl sheeting, cushion vinyl, vinyl tiles, LVT, laminates, solid wood and artificial grass (2.7), to the market place. The service of fitting the product is an important factor and differentiator, when compared to ceramic tile outlets who only sell the product and do not offer a fully installed solution to the customer. The key challenge for the flooring trade in current world market trends, is to have a direct communication channel to consumers and professionals. People must have the opportunity to view the products in a showroom environment, and have access to specialised advice, service and guidance directly from the flooring retail professional.

Table 3.8 shows key industry success factors, and results from the data analysis. Results are in ranking order from most important to least, using the mean factor.

Table 3.8: Industry key success factors

2.4 How important are the following factors to your business?	Not Important	Of little importance	Of average importance	Fairly important	Very important	Mean	SD
Quality of product	1	2	3	5	89	**2,94**	0,51
Consistant product quality	0	2	4	7	87	**2,89**	0,55
Durability of product	2	1	2	14	81	**2,86**	0,51
Buying group brand recognition	4	5	5	18	68	**2,86**	0,78
Quality of promotional materials & sample	0	5	5	15	75	**2,85**	0,73
Availability of promotional materials & samples	0	4	5	13	78	**2,85**	0,69
Technical support	1	3	5	13	78	2,84	0,66
Showroom tidiness	1	2	2	19	76	2,82	0,58
National buying group strength & head office support	4	2	5	16	73	2,82	0,67
Leading supplier brand visibility in-store	4	11	15	16	54	2,80	1,10
Product innovation	1	3	8	14	74	2,77	0,74
Supplier showroom support and point of sale material	3	2	6	19	70	2,76	0,70
Supplier annual rebate structure	1	3	8	16	72	2,75	0,74
Showroom ease of access by target market	2	5	8	22	63	2,74	0,84
Showroom visibilty	4	2	5	16	73	2.69	0.94
Display sample size	2	1	13	19	65	2,59	0,78
State of the art technology	1	3	14	25	57	2,54	0,86
Multiple competitive suppliers	1	5	18	23	53	2,52	0,70
Supplier product diversification	0	2	11	33	54	**2,49**	0,77

Table 3.8 shows results that relate to the important factors that allow the flooring retail business to function in a professional manner. Important factors from showroom visibility importance, to quality products and showroom support by manufacturers were

listed. Respondents had to rate their importance on a 5-point Likert scale from Not at all important (1) to Very important (5). The majority agreed (average mean of 2.75) that the listed factors were indeed important in their business. A correlation can, thus, be drawn between the importance of showroom visibility, brand recognition, product quality and availability, as well as good supplier support and relationship, and a positive business outlook by store owners and managers. These key success factors leaned towards the fairly important area of the scale. Supplier product diversification was the lowest mean score, and could be ascribed to the fact that retailers can source products from various suppliers. Retailers, therefore, focus on their own product diversification within the business. It is not necessarily requested from their supplier.

In the soft floor industry quality, consistency and durability are very important key success factors, as their counter parts are hard flooring, which are perceived by consumers as very durable. As indicated by retailers, the soft floor manufacturer should be consistent with product quality and durability, should they seek to protect the product segment. The industry is still very much focussed around showrooms, product showcasing, product quality and showroom support by suppliers, in order to effectively reach the consumer.

Table 3.9: Pattern Matrix[a] for important showroom key success factors

2.4 Important showroom factors					
Statement	Factor 1	Factor 2	Factor 3	Factor 4	Communalities
	Supplier Brand visibility	Product quality & innovation	Supplier support	Showroom location	
Buying group brand recognition	0,671				0,586
Supplier showroom support & POS	0,633				0,784
National buying group strength & H/O support	0,587				0,571
Leading supplier brand visibility in-store	0,443				0,427
Display sample size					
Consistent product quality	0,418				0,607
Supplier annual rebate structure		-0,908			0,752
Quality of products		-0,807			0,653
Product innovation		-0,719			0,743
Durability of products		-0,692			0,582
Supplier product diversification		-0,674			0,685
State of the art technology		-0,566			0,682
Quality of promotional materials & samples		-0,484			0,441
Availability of promotional materials & samples			-0,941		0,884
Technical support					
Showroom tidiness			-0,788		0,801
Multiple competitive suppliers			-0,629		0,658
Showroom visibility			-0,569		0,677
Showroom ease of access by target market			-0,477		0,502
				-0,768	0,770
				-0,745	0,693
Cronbach's Alpha	0,833	0,788	0,791		
Factor Mean	2,7660	2,7486	2,7760	2,7150	
Factor Standard Deviation	0,58882	0,50318	0,57015	0,80796	

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, measured 0.854. Values between 0.8 and 0.9 are considered to be great values and, therefore an exploratory factor analysis can be seen as appropriate for the above data sets according to Field (2009:647). A p-value of Bartlett's test of sphericity was calculated to be smaller than 0.05, which is an indication of a sufficiently large correlation between the statements and, thus, an exploratory factor analysis is suitable to perform.

Four factors were extracted (Table 3.9). A calculation of Cronbach's Alpha correlation coefficient varies between 0 (no correlation and, therefore, no consistency) and 1 (perfect correlation and consistency). As a result, 0.8 and above typically implies an acceptable level of reliability (Bryman *et al.,* 2017:38). The Cronbach Alpha correlation coefficient (Table 3.9) for the three main factors were between 0.788 and 0,833 which confirms acceptable level of reliability and consistency.

From Table 3.9, the means of Factors 1, 2 and 3 are all 2.7, leaning towards the positive side of the scale, which means that the respondents agree that supplier brand visibility, support, product quality and innovation are important factors.

The measured SD for Factors 1,2 and 3, as indicated in Table 3.9, are small. This indicates that the respondents did not differ significantly in their responses to the questions that were posed regarding important key showroom success factors, and thus, correlates with the findings and discussion from Table 3.8. This is an indication that the respondents have relatively similar perceptions of aspects relating to their showrooms and important factors to consider.

The determinant correlation matrix measured 0.000, which indicates that multi-collinearity can be present in the data. These factors explain an acceptable cumulative variance of 65,77%.

Table 3.10: Distribution and supplier services key success factors

2.5 How important are the following distributor/supplier service factors in your business?	Not Important	Of little importance	Of average importance	Fairly important	Very important	Mean	SD
Social responsibility	6	6	22	30	36	**2,24**	1,18
Corporate image	1	4	13	34	48	**2,00**	1,11
Supplier values employees	1	5	13	30	51	1,96	1,15
Quality of advertising	5	1	10	27	57	1,83	1,06
Supplier values customers	2	1	6	22	69	1,60	0,96
Forward thinking supplier	1	1	8	21	69	**1,57**	0,92

Drawing from question 2.4, it was also important to determine other supplier or distributor factors, such as corporate image, forward thinking, quality of advertising, social responsibility and supplier values, employees and customers (Table 3.10). This was assessed by means of a 5-point Likert scale from Not at all important (1) to Very important (5). The scale varied from fairly to very important, and confirmed the previous conclusion of supplier and retailer needing to work together for the benefit of the industry. The average mean factor was 1.86, leaning towards the 'of little importance' side of the scale, which indicates that these are side issues that are not as important to respondents, as issues relating to product and product quality. Sustainability was top of the rankings, leaning towards average importance. In future, this factor should become more important in all business activities, due to the fact that all businesses should focus on sustainable business practises. The Pattern Matrix[a] for important supplier/distributor service key success factors, extracted only one factor, therefore, a table is not reported here.

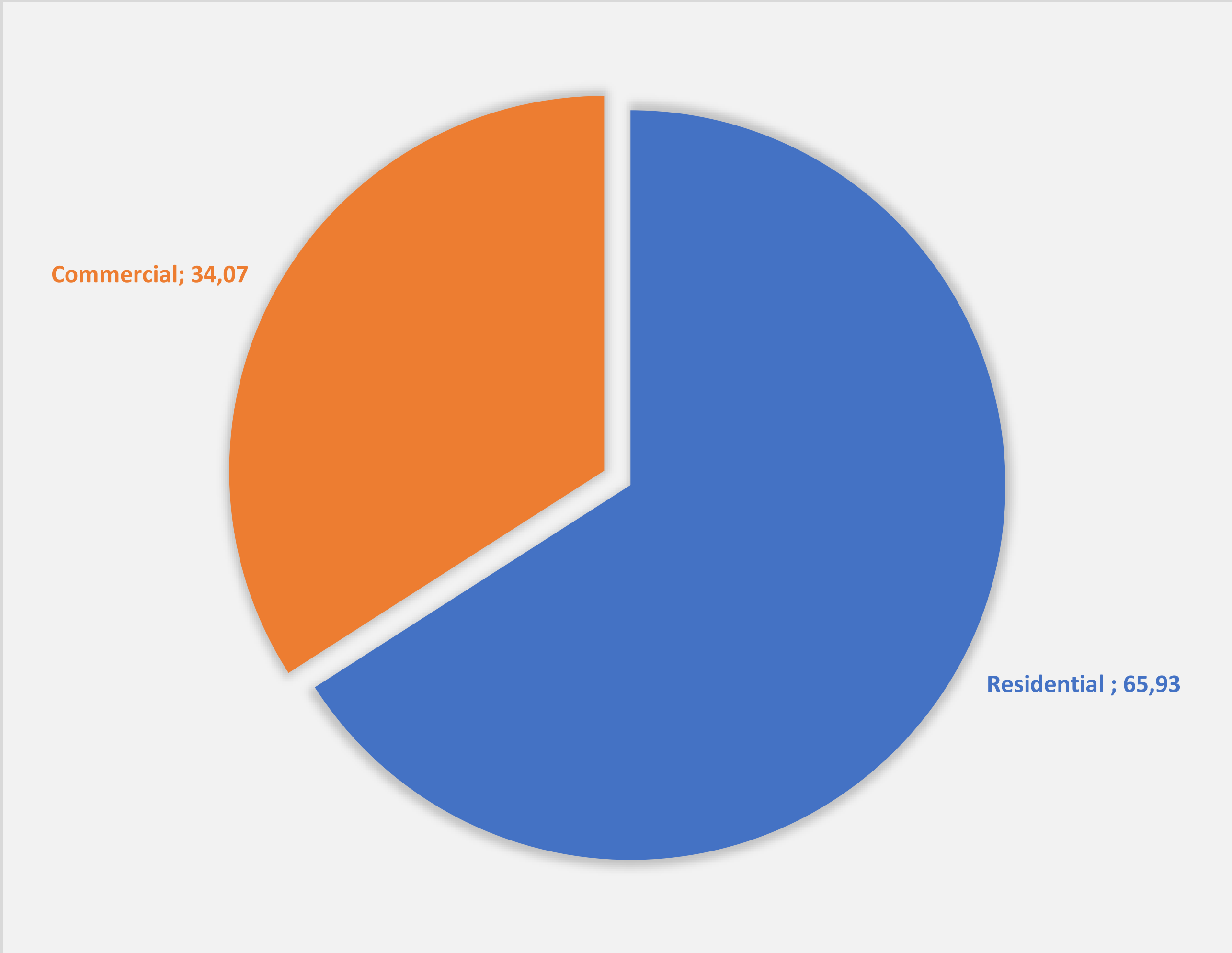


Figure 3.8: Sales percentage split residential versus commercial products

Question 2.6 related to the percentage split, as illustrated in Figure 3.8, in the business between residential and commercial sales. The outcome of an average of 65.93% residential and 34.07% commercial sales, shows similar results to Lewis' (2019) forecast of a 73% residential and 27% commercial split for 2020, shown Figure 2.16 in the literature review (Chapter 2). The residential sales and market are still, by volume, the larger market, and cannot be neglected by retailers or manufacturers. It is important that market trends and product development continue to focus on this market as well, and not only on the commercial market, where lower volumes, but higher price point sales are possible. The commercial market can afford higher price point products, but increased risk factors, such as retentions on large sites, and ambiguity within the building contractor sector, do not always appeal to the smaller flooring retail market segment. As is indicated in the results, the residential market is, therefore, an attractive market for the respondents of this study to pursue.

Table 3.11: Types of flooring solution focussed on by respondents

2.7 Please indicate what types of flooring solutions your business focuses on (<u>Choose all applicable</u>)	Yes	No
Broadloom Carpets	100	0
Carpet Tiles	97	3
Needlepunch Broadloom	98	2
Needlepunch Tiles	98	2
Cushion Vinyl	74	26
Vinyl Sheeting	61	39
Vinyl Tiles	79	21
Laminates	97	3
LVT	98	2
Solid Wood	38	62
Ceramics	38	62
Engineerd Wood	54	46
Grass	78	22
Other:	31	69
Predominantly:		
Blinds	14%	
Security doors & systems	6%	
Shutters	6%	
Decking and wood floor restouration	4%	

In question 2.7, respondents were asked to select the flooring types they mainly sell and fit in their businesses. A list of all the main flooring product categories was supplied (Table 3.11), and respondents could choose between yes or no, with provision for respondents to add additional products or service offerings. 14% indicated that they also specialise in blind sales and 6% for both shutters and security systems.

As retailers have seen a decline in carpet volume sales in the past decade, they have been forced to diversify into also selling and installing other products. Table 3.11 shows that although respondents indicated that they still all sell and fit carpets, they have almost equally diversified into related hard flooring solutions. This correlates with findings from the literature review, as well as comments from participants during the interviews phase, that the consumer buying behaviour has changed.

The outcome of the answers, therefore, provided a true reflection of the flooring retail environment, as very few retailers specialise in one flooring type only. The market does not allow them to only fit carpets for example, they must diversify in as many flooring types as possible, including complimentary products and services, such as blinds, security systems, shutters and even decking, as presented in Table 3.11.

In Figure 3.9, the focus is on the percentage split between hard flooring and soft flooring sales. Thereafter, findings are discussed.

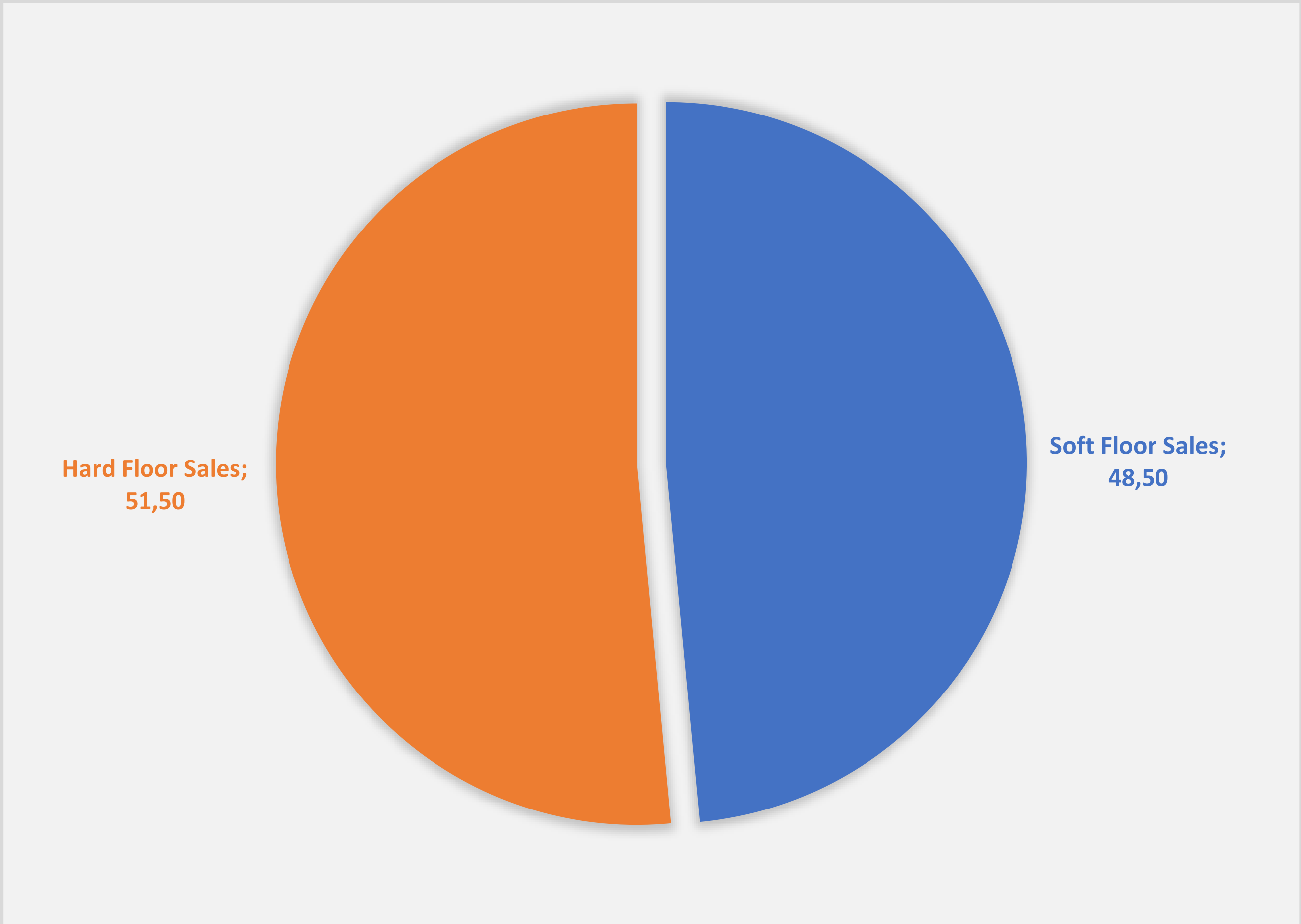


Figure 3.9: Sales percentage split hard floor vs soft floor solution analysis

The industry has also seen a major shift in the past decade from predominantly soft flooring sales, towards hard flooring sales. Question 2.9 sought to test this statement, by requiring respondents to indicate the percentage split in their business between soft and hard flooring sales. As shown in Figure 3.9, the shift has been from predominantly soft flooring sales by retailers in the past, to an almost even split of 51.50% hard flooring versus 48.50% soft flooring sales. These results correlate closely with the Top Carpets and Floors year to date sales statics, in which they present carpets to be 45% of overall total purchases (Top Carpets and Floors, 2019). The shift also confirms the primary objective of the study; namely: to gain insight and a better understanding of the current South African soft floor environment, and issues facing the soft floor industry in the future. It is clear, with a market shifting towards hard flooring sales, that the soft flooring market will continue to be under pressure from a retail and manufacturing perspective. The industry should form partnerships with role players, to stop the downward trend of soft flooring sales.

Table 3.12: Ratio change in past 5 – 10 years between soft and hard floor sales.

	Category	Frequency	Valid Percent
Valid	1. Hard floor sales increased	51	51,0
	2. LVT, Laminates and Cushion vinyl sales increased	26	26,0
	3. Hard flooring grew, because of ease of maintenance	7	7,0
	4. No significant change in sales	3	3,0
	5. Did not answer the question	13	7,0
	Total	100	100,0

Provision was made for respondents to include additional information regarding their answer in question 2.9. Illustrated in Table 3.12, most respondents indicated that they have experienced a shift from predominantly soft floor sales, towards consumers seeking hard flooring solutions. The market has the perception that hard flooring is easier to maintain in today's busy lifestyle, and is more durable than soft floor coverings, in high traffic areas. Carpets have, therefore, been reduced to mainly bedroom areas. As seen in Table 3.12 answers varied from hard floor sales increased, to consumers seeking LVT's, laminates, cushion vinyl and ceramics, as alternative flooring solutions. Ease of maintenance was also mentioned as an important reason for seeking hard flooring. These factors totalled 80% of the response rate. This is a clear indication and confirmation of statements made in Chapters 1 and 2, that market trends and consumer buying behaviour are shifting towards alternatives to soft floor solutions.

Table 3.13: Important factors in selling and promoting various types of flooring products

2.11 How important are the following selling and or promoting factors in your business?	Not Important	Of little importance	Of average importance	Fairly important	Very important	Mean	SD
Availability	1	0	3	18	78	**3,77**	0,51
Durability	0	0	5	19	76	**3,71**	0,56
Competitive pricing	0	70	1	6	23	**3,62**	0,65
Colour range	1	0	7	31	61	3,56	0,64
Ease of maintenance	1	2	10	38	49	3,37	0,76
Aesthetics	3	4	12	37	44	3,32	0,87
Ease of installation	2	1	18	35	44	3,28	0,82
Texure/warmth	1	5	15	38	41	3,18	0,88
Hygiene/Health	1	9	19	28	43	3,08	1,01
Safety	3	10	22	34	31	2,95	1,03
Natural product	12	27	27	28	6	**2,49**	1,28

The results shown in Table 3.13 also correlate with the results from question 2.11 (Table 3.14), where respondents needed to indicate how important product features, such as aesthetics, ease of maintenance, durability, colour, pricing, health and hygiene, texture and warmth are on a 5-point Likert scale, with a scale starting from Not important (1) to Very important (5). Product availability, durability and competitive pricing were ranked as important, and natural product was ranked as the least important factor. Respondents believe that hard flooring offers better maintenance and durability characteristics than soft flooring.

These factors indicate that the consumers' perception is that hard flooring has better cleanability properties, and is harder wearing and more durable than soft flooring. Another important factor is availability, as all LVT, and laminate products are imported, and stock availability by suppliers is often an important differentiating factor. The mean average of 3.30 indicates that these factors are indeed fairly to very important for the participants.

Table 3.14: Pattern Matrix[a] for important factors relating to selling and promotion of flooring products

2.11 Important factors in selling and promoting a flooring product				
Statement	Factor 1	Factor 2	Factor 3	Communalities
	Product benefits & price	Product attributes	Product type	
Ease of installation	0,895			0,715
Safety	0,717			0,638
Texture/warmth	0,663			0,649
Hygiene/health	0,632			0,677
Competitive pricing	0,611			0,462
Aesthetics		0,814		0,617
Ease of maintenance		0,718		0,597
Durability		0,603		0,593
Availability		0,548		0,411
Colour range		0,533		0,454
Natural product			0,865	0,756
Cronbach's Alpha	0,822	0,716		
Factor Mean	3,2220	3,5420		
Factor Standard Deviation	0,67862	0,46562		

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, measured 0.750 for Table 3.14. The values of between 0.8 and 0.9 were considered to be great values and, appropriate for the data sets according to Field (2009:647). A KMO measure of 0.750 is therefore slightly on the low side. A p-value of Bartlett's test of sphericity was calculated to be smaller than 0.05, which was an indication of a sufficiently large correlation between the statements and, therefore, an exploratory factor analysis could be performed (Table 3.14).

Three factors were extracted. A calculation of Cronbach's Alpha correlation coefficient varies between 0 (no correlation and, therefore, no consistency) and 1 (perfect correlation and consistency). As a result, 0.8 and above usually implies acceptable level of reliability (Bryman *et al.,* 2017:38). The Cronbach Alpha correlation coefficient Table 3.14) for the two main factors were between 0.715 and 0,822, which confirms acceptable level of reliability and consistency.

From Table 3.14, the means of Factors 1 and 2 are 3,22 and 3,54, respectively, leaning towards the positive side of the scale. This means that the respondents agree with the importance of the mentioned selling and promoting factors of flooring products. Soft floor manufacturers need to be aware of these changing market conditions, and should seek solutions to address the consumers' perceived ideas about the durability and ease of maintenance factors.

The measured SD for Factors 1 and 2, as indicated in Table 3.14, are small. This shows that the respondents did not differ significantly in their responses to the questions regarding important selling and promoting factors. This is an indication that the respondents have relatively similar perceptions of aspects relating to what the focus should be on when selling a flooring product.

The determinant correlation matrix measured 0.016, which indicates that multi-collinearity can be present in the data. These factors explain an acceptable cumulative variance of 59,72%.

Table 3.15 shows frequency of social media use by respondents. It is clear from results that business could be using various social platforms more effectively to promote their businesses. As pointed out in the literature review, technology should play a larger role in the soft floor sales environment in future.

Table 3.15: Frequency of social media platform use

2.12 State the frequency of use in your business of the following social media platforms	Frequent Daily	Frequent Bi-weekly	Moderate Monthly	Average Quarterly	Do not use at all	Mean	SD
Website	38	26	25	5	6	2,40	1,08
Facebook	26	30	18	11	15	2,71	1,24
Instagram	8	16	12	9	55	3,33	1,21
Twitter	2	2	10	10	76	3,74	1,02
WhatsApp	47	14	11	3	25	2,95	0,98
LinkedIn	4	5	0	10	81	3,87	0,84
YouTube	2	6	3	14	75	3,91	0,82

Today, no marketing strategy is complete if it does not incorporate a digital strategy (Stokes, 2013:4-5). Reaching the consumer via social media and other digital platforms is essential for engaging with the consumer in a meaningful way. Ultimately, the aim is to keep customers, and stimulate sales in the future. Question 2.12 (Table 3.15) tested the frequency of use of various digital platforms that could be beneficial for the flooring retail environment to reach the consumer, other than via the traditional showroom experience. Frequency of use of various digital platforms were tested through the implementation of a 5-point Likert-scale, with a scale starting from Frequent daily (1) to Do not use at all (5). From the results, it is evident that this medium of communication and marketing is still underutilised, with WhatsApp (47%) the most frequently used social media platform. One could also argue that WhatsApp might not only be used to promote business, which is a further indication of the significance of exploring digitalisation to promote business in the future. For the promotion of flooring, the visual aspect of social media should be explored. However, according to results shown in Table 3.15, platforms, such as Instagram, Facebook, LinkedIn and YouTube are underutilised. No respondent added additional information on other media platforms, such as telegram, being used (question 2.13).

Figure 3.10 shows the five top floor supplier brands. Findings corresponds with the literature review in Chapter 2.

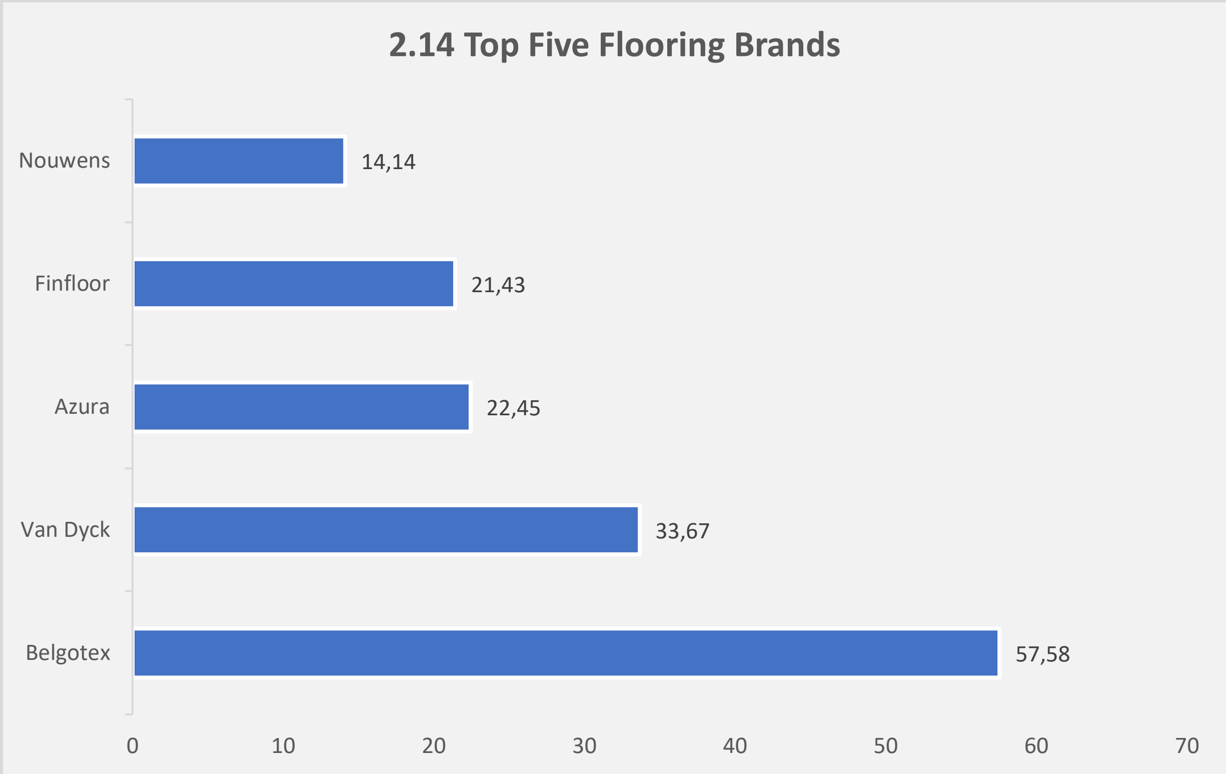


Figure 3.10: Top five flooring brands rankings analysis

The literature review reported that Belgotex is the market leader, according to statistics supplied by Lewis (2019). Figure 2.12 (Chapter 2) indicates a 60% market share for Belgotex in the soft flooring market. Figure 3.10 shows results from the survey (question 2.14) and suggests that Belgotex still has a similar market share, according to respondents and their buying preferences. Respondents were asked to rank their top five brands. These results included all types of floorcoverings – not only carpets. Belgotex supplies the market with carpets, various underlays, vinyl's (LVT, cushion, vinyl sheeting and vinyl tiles) as well as artificial turf. Van Dyck currently supplies the market with carpets, LVT, laminates and artificial turf. Azura is a laminate and LVT importer and supplier only, as well the supply of various trimmings for their products. Finfloor imports and supplies laminates, LVT and trimmings, and Nouwens is a carpet and artificial turf manufacturer.

Table 3.16: Frequency of orders from various suppliers

2.15 How often do you order from the following suppliers?	Weekly	Monthly	Bi-monthly	Quarterly	Every 6 months	Once a year	Not aplicable	Mean	SD
Belgotex	78	12	3	4	2	1	0	1,43	0,99
Carpet Brokers	2	11	6	7	6	8	60	5,68	1,92
Fotakis Bros. Cape/KZN	2	13	4	11	6	3	61	5,59	1,98
Global Stream	9	8	1	2	1	7	72	5,87	2,11
ITE	24	31	7	2	3	3	30	3,58	2,49
Likewise	9	25	16	8	2	4	36	4,25	2,32
Nouwens	17	23	16	16	12	6	10	3,41	1,87
Qualichem	10	20	14	8	7	11	30	4,35	2,23
TAL	5	10	6	8	2	8	61	5,60	2,06
Van Dyck	66	19	6	4	0	1	4	1,72	1,41
Warmup	1	8	16	14	8	13	40	5,19	1,84
Wonder Flooring	0	0	2	1	5	10	82	6,69	0,79

In correlation with question 2.14, respondents had to indicate how often they would order from various suppliers, by using a 6-point Likert scale, starting from Weekly (1) to Not applicable (6) (question 2.15, Table 3.16). Local manufacturers (Belgotex, Van Dyck, Nouwens), wholesalers (Carpet Brokers, Fotakis, Likewise, Wonderflooring), adhesive-, and screed and self-level manufacturers (ITE, Qualichem, TAL), as well as an underfloor heating manufacturer were listed as choices. Belgotex, Van Dyck Nouwens, and ITE (Self-levelling and adhesive manufacturer) were preferred suppliers on a weekly basis. Wholesalers like Carpet Brokers, Fotakis (Cape and KwaZulu-Natal), and Wonder Flooring were all rated with high ‘Not applicable ratings’. The reason for this is because the respondents to the survey all hold factory accounts, and would prefer to buy directly from the supplier, than buy via a wholesaler. Belgotex still remained the supplier of choice on a weekly basis, confirming statistics quoted in the literature study. The leading advantage that Belgotex has in the market place, also confirms the research question of why it is necessary for a leading manufacturer, such as Belgotex, to consider a future forward integration strategy, as a sustainable future growth solution for their soft flooring product segment, and to ensure superior end-user experiences. The market is dominated by hard flooring today, and fierce industry rivalry exists between hard flooring importers, as the quantitative study results have shown. There are two dedicated hard floor suppliers in the top five suppliers listed, as well as two manufacturers who also import and distribute their own hard flooring brands. This is, in fact, a clear indication of shifting flooring market trends.

Table 3.17: Supplier/distributor focus in the market place

2.16 Your supplier/distributor must focus on:	Strongly disagree	Somewhat Disagree	Disagree	Agree	Strongly agree	Mean	SD
Distribution	1	1	1	31	66	**3,65**	0,58
Manufacturing	0	4	0	39	57	**3,53**	0,79
B2B relationships	1	3	0	43	53	**3,52**	0,58
Traning of fitters	1	5	0	41	53	3,50	0,61
Upliftment of industry standards	0	4	0	43	53	3,49	0,58
B2B sales	3	1	1	51	44	3,47	0,63
B2C advertising and marketing	3	10	1	44	42	3,36	0,75
B2C relationships	4	11	1	44	40	3,35	0,77
B2B advertising and marketing	2	8	0	52	38	3,34	0,66
Both B2B and B2C advertsining and marketing	3	9	1	49	38	3,33	0,73
B2C sales	46	4	25	16	9	**3,47**	1,67

Question 2.16 (Table 3.17) continued to investigate the role and relationship between manufacturer or supplier, in the flooring retail business, and the end-user. This was accomplished through the use of a 5-point Likert scale, starting with Strongly Disagree (1) to Strongly Agree (5). There was a strong consensus that suppliers should continue to play an important role in manufacturing and distribution, as well as in customer and consumer marketing and relationships (Table 3.17). The average mean was 3.45, leaning towards agree and strongly agree. Most correspondents strongly agreed that the focus of manufacturers and suppliers should be on manufacturing (57%), distribution (66%), and the training of fitters and general improvement of industry standards (both 53%). Manufacturing, distribution, and manufacturer to retailer

relationships were indicated as very important. This fact will be taken into consideration when recommendations are made in Chapter 4.

There was, however, a very strong consensus that manufacturers and/or suppliers should not be involved in direct sales to the consumer (B2C, 75%), presenting a tendency, ranging from strongly disagree to disagree. A very strong mean of 3,47 indicated a consensus between respondents that manufacturers should not be involved in direct sales. This is an important factor for this study, as the researcher wanted to investigate the possibility of a forward integrated strategy for a soft floor manufacturer. Three possibilities were suggested, and one will, therefore, need to investigate forward integrated strategies that would not necessarily imply selling directly to the consumer, but rather working in close relationships with retail partners.

Table 3.18: Important service delivery factors

2.17 How important are the following service delivery factors displayed by your supplier to your business?	Not Important	Off little importance	Off average	Very important	Absolutely essential	Mean	SD
Following day delivery & reliability of deliveries	0	3	13	64	20	**2,16**	0,76
Service quality & speed with which errors are corrected	1	0	7	73	19	**2,14**	0,53
Customer/supplier relationships	1	5	19	60	15	**2,13**	0,91
Customer/supplier support	0	2	10	71	17	2,13	0,66
Flexibility in meeting emergency orders	1	6	28	47	18	2,10	1,02
Product knowledge supplier staff	1	0	13	67	19	2,08	0,60
Substitute products	1	9	33	50	7	**2,03**	1,12

The modern consumer seeks instant gratification, and the flooring industry is not excluded from this reality. Question 2.17 explored important service delivery factors, through using a 5-point Likert scale, which started from Not important (1) to Absolutely essential (5, Table 3.18). Provision was also made for respondents to add additional comments, or other important service delivery factors. None of the participants provided additional information.

The industry is known for its fierce industry rivalry, as indicated by the five forces model in Chapter 2 (Figure 2.22). Speed to market and product knowledge assistance was very important for participants, with service quality and speed – of which errors are corrected – proved to be important (73%), followed by customer support from suppliers (71%). The importance of the mentioned service delivery factors proved to be essential for a healthy future customer and supplier relationship, as well as business growth, as only a small group of participants chose the not important or of little importance options (Table 3.18). The highest mean was 2.16, leaning to the lower level of the scale, which indicates that these factors are of average to little important for retailers. Retailers typically schedule their installations two weeks in advance, which means that factors, such as following day deliveries are not always important. As seen from previous results, product quality is also more important than the offering of substitute products.

Table 3.19: Pattern Matrix[a] for important service delivery factors

2.17 Important service delivery factors			
Statement	Factor 1	Factor 2	Communalities
	Market services	Service delivery	
Service quality & speed with which errors are corrected	0,847		0,735
Product knowledge supplier staff	0,749		0,675
Customer/supplier relationships	0,725		0,511
Flexibility in meeting emergency orders	0,541		0,276
Following day delivery service and delivery reliability		0,843	0,648
Customer/supplier support		0,705	0,692
Substitute products		0,645	0,441
Cronbach's Alpha	0,643	0,580	
Factor Mean	2,1125	2,1067	
Factor Standard Deviation	0,54975	0,64246	

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, measured 0.762. According to Field (2009:647) values between 0.8 and 0.9 can be considered to be great values and, and therefore an exploratory factor analysis is appropriate for the data sets. The measured value of 0.762 was slightly below par as explained by Field

(2009:647). A p-value of Bartlett's test of sphericity was calculated to be smaller than 0.05, which is an indication of a sufficiently large correlation between the statements and therefore an exploratory factor analysis is suitable to perform.

Factor loadings for both Factor 1 and 2 are above 0.5, and communalities for all the statements had values above 0.4 (Table 3.19). The factor mean for both Factor 1 and 2 is 2.1, which is a clear indication towards the moderately important to negative side of the scale. This can be seen as a result of owners and managers answering the questionnaire with different viewpoints about what should be seen as acceptable market services and service delivery levels.

The measure SD for both factors, as indicated in Table 3.19, is relatively small. This shows the respondents did not differ significantly in their responses to the research questions.

The determinant correlation matrix measured 0.149, which indicates that multi-collinearity can be present in the data. These factors explain an acceptable cumulative variance of 56,84%.

Table 3.20: Possibility of supply chain distribution in the South African flooring industry

2.19 The potential for the carpet supply chain in the South African soft flooring industry to be disrupted is high due to:	Strongly disagree	Somewhat Disagree	Disagree	Agree	Strongly agree	Mean	SD
Influx of more affordable imported residential carpets	3	16	8	52	21	2,35	1,05
Influx of more affordable imported commercial carpets	5	16	9	49	21	2,42	1,10
Laminates sales continue to grow to the detriment of carpets	1	12	2	56	29	2,25	0,76
Luxury vinyl tiles (LVT) sales continue to grow the detriment of carpets	1	11	1	52	35	2,29	0,71
Consumers buying behaviour moving completely away from carpets	2	34	11	35	18	2,21	1,25
Flooring and décor trends moving away from carpets	0	26	15	42	17	2,36	1,29

Most participants somewhat agreed to agreed that the industry could be disrupted by factors, such as an influx of imported residential and commercial carpets, or the continuous growth of LVT and laminate volumes, or a shift in décor trends, to the detriment of soft flooring sales (Table 3.20). The average mean of the various constructs was 2.31, which indicates an average approach to the idea of the industry supply chain being disrupted. A closer partnership between all stakeholders could be deemed necessary, as both retailer and manufacturer or distributor must be aware of the dangers of supply chain disruption. These results reflect a very naïve mindset from key industry role players.

3.5.1.4 Section three: The future

Section three of the questionnaire purposefully asked closed and open-ended questions pertaining to the future of the industry.

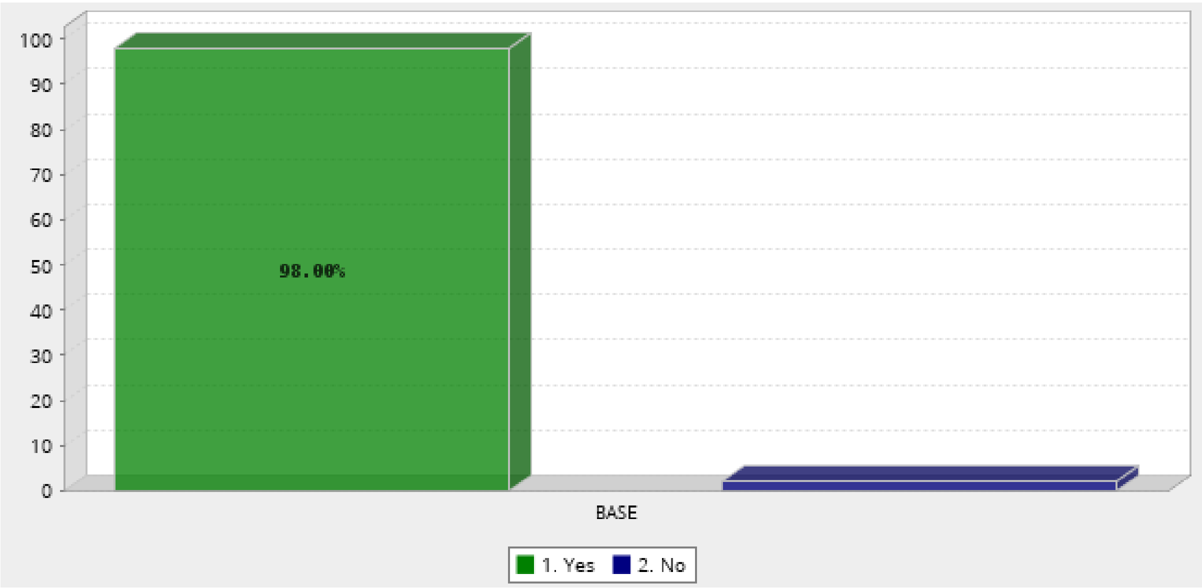


Figure 3.11: Do you see a future for your business in the current flooring environment?

Question 3.1 started with a closed ended question regarding whether or not respondents see a future for their business in the current flooring environment, with the provision of also explaining why they would or would not see a future for themselves in the industry. An astonishing 98% (Figure 3.11) of the participants were positive about the future of the flooring industry, stating that there will always be a need for flooring. A key challenge, however, would be to remain relevant as a business, and to stay in touch with market and décor trends, such as the consumer preference to wood-look hard flooring alternatives. Carpet should reposition itself as a complimentary product to hard flooring in bedrooms, adding additional comfort and ambiance to the most intimate rooms of the home, for example.

Table 3.21: Three major challenges that the industry needs to address in the foreseeable future

	Category	Frequency	Valid Percent
Valid	1. Pricing and rising cost factors	58	19,33
	2. Training of staff and fitting teams	42	14
	3. Direct selling and online selling by suppliers	35	11,66
	4. The threat of ceramic sales	25	8,33
	5. Influx of imported products	25	8,33
	6. New flooring trends	18	6
	7. Not sure	17	5,66
	8. Political and economic challenges	15	5
	9. Did not complete the question	65	21,66
	Total	300	100,0

Table 3.21 indicates that pricing and rising product cost, and training of fitters and staff are challenges that industry stakeholders should address in the foreseeable future. The threats of imported products, online trading and ceramics were also a concern for respondents.

The high frequency of participants not answering question 3.3 could be due to the following reasons:

- Participants not willing to write long, thought-provoking comments, and prefer to choose options supplied to them;
- Participants not clear on what challenges the industry might face in the future, and chose not to comment at all.

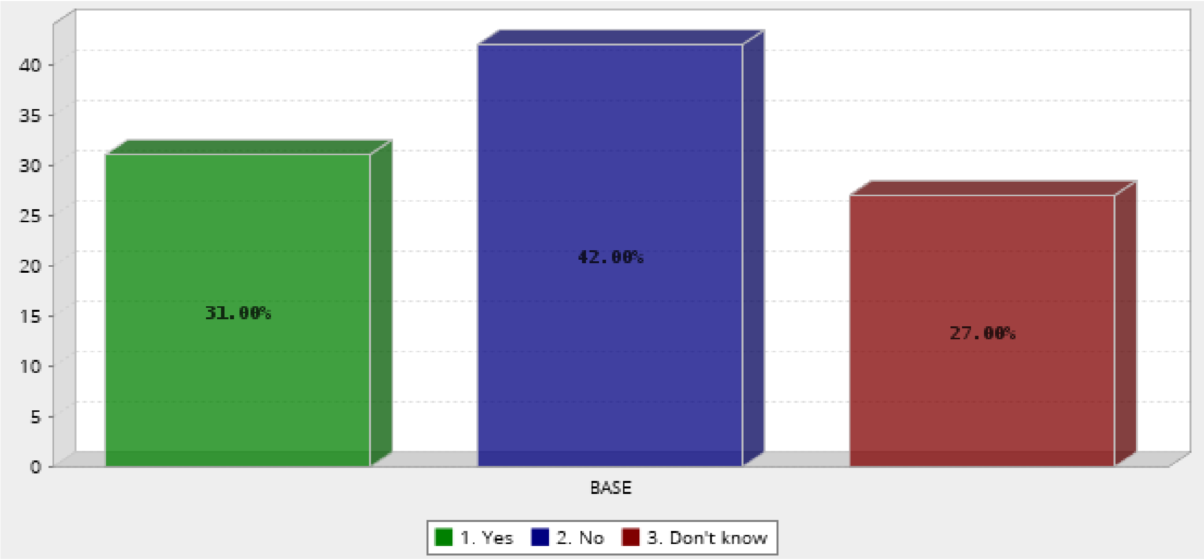


Figure 3.12: The possibility of technology disrupting your current business in the future

Question 3.4 was a close-ended question that inquired about participants' sentiments regarding technology disrupting their business in future. Participants thinking that technology will not have an impact on their business formed 42%, with a further 27% not sure. Only 31% reported that they think that technology could interrupt their business in future. The industry, being a hands-on type of industry, shows an unawareness to the positive and/or negative impact that technology can have on business going forward. Innovation is far more complex than most people give it credit (Satell, 2017:187). It never results from a single event, but arises from a confluence of factors, which often involves numerous individuals. However, the fact of the matter is, we always overestimate the change that will occure in the next two years, and underestimate the change that will occur in the next ten (Bill Gates sited by Satell, 2017:187).

Table 3.22: Technology disrupting your business

	Category	Frequency	Valid Percent
Valid	1. Technology can only improve the business in the future and is the way forward	31	31,0
	2. No, cannot see technology being a threat to the business	42	42,0
	3. Not sure, online shopping maybe replacing the face to face retail experience	27	27,0
	Total	100	100,0

Table 3.22 summarises the three key factors around participants' idea on whether or not technology could disrupt their business. Key codes were around technology improving business to participants not believing that technology will have an impact on their businesses. Participants' thought processes regarding the idea that technology will not impact their business in future, does not correlate with the fact that companies need to establish, sooner rather than later, how to embrace technology and innovation in their businesses, as was indicated in the literature review (Chapter 2). Management and leadership must understand that innovation strategies will be essential for sustainable future growth (Satell, 2017). Satell (2017:124) mentions that even innovative companies, such as Google, must be aware of disruptive technology having an impact on their future core business. This study, therefore, cannot stress the importance of the possible impact that disruptive technology could have on the future growth of the industry, enough. A strategy of value co-creation between retailers and suppliers should identify unresolved problems, such as aging retailers, rising costs of local manufactured goods, and shifting market trends, for example, and stakeholders should get to work on resolving these problems with local resources.

Table 3.23: Substitute products & services

	Category	Frequency	Percent
Valid	1. Blinds & shutters	53	53,0
	2. Security systems	23	23,0
	3. Ceilings, partitioning and general home improvement	13	13,0
	4. Interior design and home décor	7	7,0
	6. Did not answer	4	4,0
	Total	100	100,0

Most participants who completed the survey indicated that their businesses do offer other products and services to the home owner. Table 3.23 depicts that blinds, shutters and security systems are the most popular substitute products, followed by home improvement and small building alterations, and home décor and design. Thus, when flooring sales are slow, the business has alternative products to sell.

Table 3.24: Complementary products & services

	Category	Frequency	Percent
Valid	1. Fitting of ceramics, quarts carpets, concrete floors, epoxy floors	38	38,0
	2. Cleaning services & cleaning product sales	20	20,0
	3. Rug Sales	16	16,0
	4. Floor heating systems	15	15,0
	5. Over Locking	6	6,0
	6. Sand and sealing of wooden floors	5	5,0
	Total	100	100,0

The flooring retailer does not only focus on the selling and fitting of soft flooring, LVT, laminates or wood related products, but also offers complementary products and services. Floor retailers did not fit ceramic tiles, stone floor finishes (Quartz Carpets), epoxy floors, and/or concrete floors in the past, as they saw it as opposition to their core business. This mind-set has changed in recent years, and Table 3.11 reflects a rise in retailers offering a full fitting service, for all types of flooring. The sale of rugs, floor heating systems and cleaning services were also indicated by participants as complementary products and services in their businesses. It is, for this reason, clear that the flooring retail environment has diversified to a great extent in recent years, to adapt to changing market conditions and consumer buying behaviour.

Question 3.8 related to the South African soft flooring industry, and what the future will hold for the industry in the view of the participants. The following repeated themes out of the survey were populated and depicts the current market sentiment by the correspondents:

Table 3.25: Recurring Themes

Recurring Themes	Frequency
• The industry will remain under pressure due to the negative economic outlook in the country.	14
• The threat of wholesalers supplying retailers who work from home, lower margins and driving industry profitability down.	12
• The continuous growth of hard flooring sales will have a negative impact on soft flooring sales.	10
• Traditional carpet businesses will continue to diversify into other types of hard flooring solution for future growth.	10
• Although carpet sales are declining, there is still a need for carpets and consumers will always have a need for some form of carpeting.	9
• Carpets for the hospitality and large commercial offices will still be in demand.	8
• The carpet industry also needs to keep up with new trends and designs as a younger generation of buyers will always be looking for new trends.	8
• The trend is moving back towards, colourful patterned carpets.	7
• The soft flooring industry must address consumer concerns relation to cleaning and maintenance in a meaningful way.	7
• Nothing matches the comfort of soft flooring.	6
• Carpet sales will mainly be reduced to bedroom areas in a residential environment.	5
• The soft flooring industry needs to be more innovative.	4

The consensus from participants were that the impact of political uncertainty, wholesalers, pricing and low margins on carpet sales, the continuous growth of hard flooring to the detriment of soft flooring, are all threats for the soft floor industry. Consensus was also evident in the perceptions of the participants, that sales will not completely stop, but will be reduced to bedroom areas and smaller office spaces, such as call centres and boardrooms. Participants, however, also leaned towards the perception that carpets will remain a floorcovering of choice for consumers.

Table 3.26: Challenges for the soft floor industry

	Category	Frequency	Percent
Valid	1. Continuous growth of hard flooring sales	30	30,0
	2. Price and rising cost of soft flooring products	24	24,0
	3. Continuous growth of hard flooring sales	14	14.0
	4. Training and fitting skills	12	12,0
	5. Maintenance	10	10,0
	6. Cheap Imports	10	10,0
	Total	100	100,0

The greatest challenges for the soft flooring industry were identified by participants as the continuous rising costs of soft flooring products and the growth of hard flooring sales (Table 3.26). People would rather spend more on the purchase of hard flooring solutions, that will offer better cleaning and durability capabilities, than on soft flooring.

Lastly (question 3.10), participants expressed their belief that hard flooring sales and product innovation in the hard flooring division, such as the launch of second-generation rigid core products, for example, will continue to be the biggest threat to the South African soft flooring industry. The cost of soft flooring products, coupled with maintenance and durability, compared to hard flooring solutions is also contributing to the decline of soft floor volumes, according to the reported data. New LVT designs, simulating cement and stone floors, have also become increasingly popular. Participants perceive technology (question 3.11) as a major contributor to new opportunities in the soft floor industry. Technology could contribute in reaching new and emerging markets more effectively, and assist retailers in getting their message across more effectively.

3.7 Chapter summary

This chapter focussed on the research methodology, and the findings of the empirical study were reported and discussed. The procedures and scope of the quantitative, as well as qualitative research conducted in this chapter, as well as the sample size and survey instrument (a questionnaire), were discussed. The validity of the data was presented, followed by the descriptive statistics for each statement, as well as the different dimensions thereof.

Respondents from the qualitative narrative research confirmed the results gained from the quantitative approach, that the soft flooring industry is changing with soft floor volumes declining, as consumer buying behaviour has changed. New products, new trend-right vinyl, and wood laminate flooring solutions have entered the market. The themes of rising costs of soft flooring products, hard flooring sales that continue to increase, fitter training, and a fear of an influx of cheap imported products, were consistent throughout both the quantitative and the qualitative study results. As the study was conducted, the researcher continued to ask what strategy would best offer future opportunities to all industry stakeholders for sustainable growth and profitability. Both the test results, as well as the interviews confirmed that a new downstream strategy could offer better opportunities of reaching the consumer with the correct message.

The final chapter will cover the conclusions, future strategy framework, recommendations and limitations of the study, as well as possible future research.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

This chapter summarises the findings of the study, as well as their link to the research objectives and the research findings, both literature and empirical. Based on the results obtained from the study, a discussion of the academic and doable implications is presented. The recommendations that are offered in this chapter are a result of the conclusions drawn from the research. The chapter aims to provide a strategic framework to assist in the management and possible improvement of the current state of the South African soft floor industry.

4.2 Main findings regarding the study

4.2.1 The literature review

The literature review, as well as the empirical research indicated that the current nature of the South African soft floor industry is not in a healthy state. Figure 2.1, in the literature study (Chapter 2), showed a 40% decline in soft floor volume sales for Belgotex in the full trading year period 2015 – 2018. An increase of imported hard floor products, and imported tufted carpet tiles for the commercial market added to the decrease of locally manufactured soft floor products. Carpet prices have risen above those of hard flooring alternatives. In a price-conscious market, the consumer can buy and install tiles at a lower price than that of an entry level carpet. The literature review furthermore suggested a future uncertainty in the soft floor retail environment. This stems from the industry's inability to attract a younger generation of flooring specialists, entrepreneurs, fitting teams, and qualified sales people, as well as the inability to offer the consumer an innovative and vibrant shopping experience. These factors confirm the primary research question that a leading soft floor manufacturer, like Belgotex, should re-evaluate their current supply chain strategy for future direction and growth.

The literature review also described a South African soft floor market that is not only volatile, but has mainly one dominant player, Belgotex. The literature review also discussed plans of a merger between Van Dyck and Nouwens, no. 2 and no. 3 respectively, as soft flooring manufacturers in South Africa. This was mainly due to financial constraints by both manufacturers, as a result of declining soft flooring sales and a clear indication of a market that is shifting away from soft flooring, towards alternative and trendy hard flooring solutions.

Key soft floor industry success factors were identified as market share, cost factors, differentiation factors, product reliability, product service network and customer service. Three possible options for a forward integrated strategy, that involves the expansion of product distribution from manufacturer to consumer, was suggested. The decorating attributes, as well as luxurious softness under foot were highlighted as some of the differentiating factors that continues to make the soft floor industry an important market segment. The literature review also indicated that LVT and carpet tile product categories complement each other in the commercial sector. The aesthetic appeal of an office, hospitality or educational environment, as well as sound and thermal insulation were elements mentioned as differentiating factors for soft flooring. The continuous growth of the hard floor sector, rising manufacturing costs, a greater demand for sustainable manufacturing processes, local political uncertainties, and high unemployment were some of the risk factors that were mentioned and discussed. Technology, as a future disrupter for the industry and the sustainability of the soft floor supply chain, was assigned greater importance.

4.2.2 Main findings regarding the empirical study

The empirical research indicated that respondents strongly disagreed with a manufacturer selling direct to the consumer. The research also confirmed the industry challenges, such as aging store owners and future fitting skills shortages, and indicated a need for closer collaboration between retailers and factories or suppliers in the future. A concerning factor revealed by the study, was that 100% of the respondents indicated that they, in fact, do sell and install carpets, but confirmed that in recent years they have moved from a predominantly soft floor solutions business to hard flooring – an overall 51,50% split. Soft flooring has thus lost volume sales and market share. Both the quantitative and qualitative research indicated that respondents are concerned about the rising costs of soft flooring compared to hard flooring solutions. Themes of continued increase of hard flooring sales, fitter training, and a fear of an influx of cheap imported products, were consistent throughout both the quantitative and the qualitative study results.

From the qualitative study, the main issues that were raised by participants and flagged by the researcher were the following:

- Soft flooring product category has been declining for the past decade.
- If carpet manufacturers, such as Belgotex, Van Dyck and Nouwens, do not actively start to market the benefits of carpeting (soft flooring) in South Africa, to the correct target market, the product category will continue to decline.
- From a design point of view, the choice for carpets as a flooring décor item, is declining. Customers enjoy the under-foot comfort of a carpet, but they do not enjoy the hygienic and maintenance challenges that carpets bring to the fore, in the residential environment.
- Vinyl brings its own challenges when a customer is revamping, due to expensive floor preparation. A carpet is quick to install. Within a few hours one could have a whole new look and feel to a home or room, where tiles and LVT’s bring other challenges. However, people still prefer the latter, due to the maintenance aspect, and will then buy a loose rug or loose carpet to lay over their hard floor for softness under foot.
- Carpets are also not affordable anymore, it has become an expensive item for the homeowner, and when weighing up the pros and cons they choose hard flooring instead.

Main findings from the quantitative part of the empirical study that was flagged by the researcher:

- High percentage of respondents fall in the 46 – 65+ age category.
- A shift towards retailers who make use of sub-contractors, and moving away from a large, full-time staff compliment.
- A raised concern regarding the hand skills of fitters and future training programs.
- A lack of succession plan activities by store owners.

- The industry is still very focused on showrooms, product showcasing, product quality, product availability, and showroom support from suppliers, to reach the consumer in a bricks and mortar environment, rather than an online experience.
- The residential market is still a dominant market segment for the soft flooring industry.
- A definite shift from soft flooring (48.50%) sales to hard flooring sales (51.50%).
- Ease of maintenance, competitive pricing and durability were predominant reason for the shift towards hard flooring.
- The industry will remain under pressure due to the negative economic outlook in the country.
- The threat of wholesalers supplying retailers who work from home, lower margins and driving industry profitability down.
- The continuous growth of hard flooring sales will have a negative impact on soft flooring sales.
- Traditional carpet businesses will continue to diversify into other types of hard flooring solution for future growth.
- Although carpet sales are declining, there is still a need for carpets, and consumers will always have a need for some form of carpeting, but mainly reduced to bedroom areas.
- Carpets for the hospitality and large commercial offices will still be in demand.
- The carpet industry also needs to keep up with new trends and designs, as a younger generation of buyers will always be looking for new trends.

It was clear that a declining soft flooring market, continuous rising of soft flooring price points, an increase in the demand for hard flooring solutions, change and the future impact of technology, as well as consumer buying behaviour changes and preferences, were all themes that came out of both the qualitative, as well as the quantitative data. This correlates with the researcher’s own observations and conclusions made from the literature review in Chapter 2.

4.2.3 Findings regarding the primary and secondary objectives of the study

The South African soft floor environment was predominantly dominated by three local manufacturers in the past twenty years, namely: Van Dyck, Nouwens and Belgotex. Although the soft floor market was dominated by the mentioned three manufacturers, an influx of imported hard flooring products was triggered by the wood laminate trend. The wood look became a fashionable trend with consumers. Laminates possessed their positive and negative attributes, which opened the door for luxury vinyl tiles (LVT) to enter the South African market. During all these trend changes, the ceramic tile industry continued to grow their own market share, to the detriment of the carpet or soft floor market, which started to experience declining volumes, as discussed in Chapter 2. Due to these infliction points, and a consumer buying behaviour shift, the departing point was to provide insight into the soft floor industry, globally and locally, as well as the current supply chain challenges that could further lead to the decline of carpet volumes, as the primary objective. Belgotex made investments into machinery and equipment geared for the manufacturing of soft flooring over the past thirty years. The first secondary objective was to clarify the key challenges, and the impact they may have on Belgotex's soft floor manufacturing investments in the future. These challenges were discussed in sub-sections 2.6 and 2.7, and indicated that the industry rivalry is high, with the real threat of imported hard flooring solutions increasing. Both the quantitative and qualitative study results also confirmed an increase in hard floor sales and specifications.

A SWOT analysis (Table 2.7) highlighted areas of strengths, weaknesses, opportunities and threats. From the SWOT analysis the following threats raised concerns:

- Imports of inexpensive Chinese soft flooring products, as well as LVT's and laminates.
- The growth of alternative hard flooring products, as well as the increased number of small businesses importing vinyl and laminate products were highlighted.

Weaknesses that were identified:

- The perceived maintenance concerns by consumers pertaining to soft flooring.
- High fixed costs of soft floor manufacturing and overall high perceived costs of carpeting versus alternative easier to clean hard flooring.
- A lack of succession plans in the soft flooring retail environment.

Opportunities were as follows:

- The rise of renovation and remodelling activities within the commercial and residential environments, as well as a rapid rise of urbanisation, and the growing interest by consumers towards interior decorating.
- Globalisation, coupled with increased export opportunities in the commercial and hospitality market segments, as well as the rise of construction activities in Sub-Saharan Africa.
- Continuous technology and design innovation by manufacturers.

Strengths that were highlighted:

- Local soft flooring manufacturer's sustainability programs, for example the 6-star Green Building certification achieved by Belgotex.
- Machine capabilities to produce world class designs and quality carpets for both the retail and commercial market segments.

The SWOT analysis was a clear indicator of the challenges, as well as opportunities within the South African soft floor industry, and also assisted the researcher with various focus points for the empirical study. It showed key aspects of the current state of the industry, which formed part of the primary research objective. From the SWOT analysis, the researcher could begin to assemble a strategy framework for the future.

With regard to the third objective, it was clear from the empirical study that the training of fitters and skills development was a concern for respondents. Without the hand skills to install the various carpet products, the industry will continue to decline. Fourthly, were the option of a forward integration strategy discussed. Three forward integration strategies were suggested. The literature review lastly emphasised the need for industry stakeholders to realise their own important role for a sustainable future. The risk implications for both the dealer network, as well as the manufacturer are high, if the supply chain challenges are not dealt with correctly. A new strategy should involve both retailer and manufacturer expertise.

4.3 Proposed Framework

The primary objective of the study was to offer a possible strategic framework that could offer significant improvements and performances for the industry in the future. The study set out to investigate the possibility of a forward integration strategy for a leading soft floor manufacturer, Belgotex. The literature review indicated the importance of a forward integrated strategic framework, to access ecosystems of talent, technology and information in order to reach the end-user efficiently. A strategy of disintermediation was considered. Disintermediation refers to the elimination of a channel intermediary, such as the traditional manufacturer-retailer-consumer channels, to a direct online channel that eliminate the retailer (Lamb *et al.,* 2015:343). A second option that was suggested, was for the manufacturer to control the entire supply chain, from manufacturing to owning a retail chain. However, the functions that were carried out by the retailer were not eradicated, but instead shifted to the manufacturer. Traditional retailer flooring specialist functions, such as floor fitting expertise for various floor types, and staying in touch with the latest floor fitting trends and technology, attracting customers to the website or store showroom, merchandising, order fulfilment, credit checks, and so forth, become the responsibility of the manufacturer (Lamb *et al.,* 2015:343).

Controlling the entire supply chain will also be a costly exercise, as the manufacturer needs to carry all the costs incurred by the retailer, such as wage bills, rent of property, and the maintenance of the vehicles, for example, as the flooring industry remains a labour intense, hands-on industry. The literature study showed the intense rivalry within the industry, as well as the wide variety of choice that retailers experience from various flooring manufacturers. The dangers of retailers eliminating a specific manufacturer, who is seen as competition, could lead to further decline of soft flooring sales. The empirical study also showed the sentiment of retailers who prefer closer relationship between retailer and manufacturer, and a reluctance of a direct manufacturer-consumer relationship.

The suggested framework that this research study would thus like to propose, as a solution to the key industry challenges, as set out in Chapter 2, is a closer retail partnership between manufacturer and retailers or retail buying groups. Nobody, no matter what assets they control, and in line with the contemporary narrative of a "borderless ecosystem" (market place), can afford to go at it alone anymore (Satell, 2017: 194). Organisations now need to be designed around interconnectedness, rather than scale, dominance, and efficiency (Satell, 2017:194). The main challenge for industry leaders, as postulated by Ismail *et al.* (2014: 77), is for industry leaders to enable, foster, organise galvanise and act on that fundamental human capacity, to contribute and work with others.

Appendix D shows the market divisions and product mix of the industry for carpets, underlay, artificial turf and vinyl ranges, and is a clear indication of the magnitude of factors the manufacturer would have to control should they choose the option of eliminating the retailer. Putting the consumer's experience first, rather than aiming to control the entire chain, must be considered first – as shown in Figure 4.1. All structure, people, technology and process strategies must be built around the consumer experience. Today, collaboration is no longer an option, but an absolute necessity, as is explained by Satell (2017:172). The Internet of Things continues to democratise manufacturers, suppliers, retailers and consumers. Furthermore, it accelerates the ability for all to connect to ecosystems of talent, products, services, and information through various platforms. One has to treat collaboration as a competitive advantage in the future. The future is not about who can control the entire supply chain the best, but who can collaborate with all stakeholders, in order to gain the competitive advantage. The best way to remain a relevant dominant player in the soft floor industry, is to become an indispensable partner (Satell, 2017: 168).

The strategy development process framework, as illustrated in Figures 4.1, 4.2 and 4.3, is a guide that could lead the manufacturer through the process of finding the right strategy for the current industry challenges. From the probing questionnaire and literature study, a new strategy is guided through a funnel, which starts with an industry analysis and understanding the current reality. A new strategic intent can then be realised through a process of understanding the driving forces and core competencies required for the future, and a new supply chain structure can be crafted alongside performance guidelines to arrive at a clear statement of strategy that can be easily retained. Figure 4.3 illustrates how a strategy of collaboration between structure, people, technology and processes (Leavitt's Diamond Model) could lead from the funnel framework, and put the consumers experience in the centre.

Figure 4.1 is a graphic illustration that summarises the entire study. The researcher started with probing questions about the current nature of the soft floor industry, and wanted to suggest a strategy for the future. The literature review and strategic reading did not only reveal key challenges for the industry going forward, but also showed opportunities for growth in sectors such as the hospitality industry. The study started with a wide study of the global soft flooring environment, and then started to develop foresight into a strategy for the local industry. The current realty was investigated, and areas of concern, such aging store owners and a possible skills shortage in the future, were raised. Driving forces for change, such as flooring trends shifting to hard flooring, were discussed and forward integration was suggested as a possible solution for the soft flooring supply chain. The study finally concluded that a strategy of value co-creation, collaboration, and close partnerships between manufacturer and retailer should be perused and further developed, for the future success of the soft flooring industry.

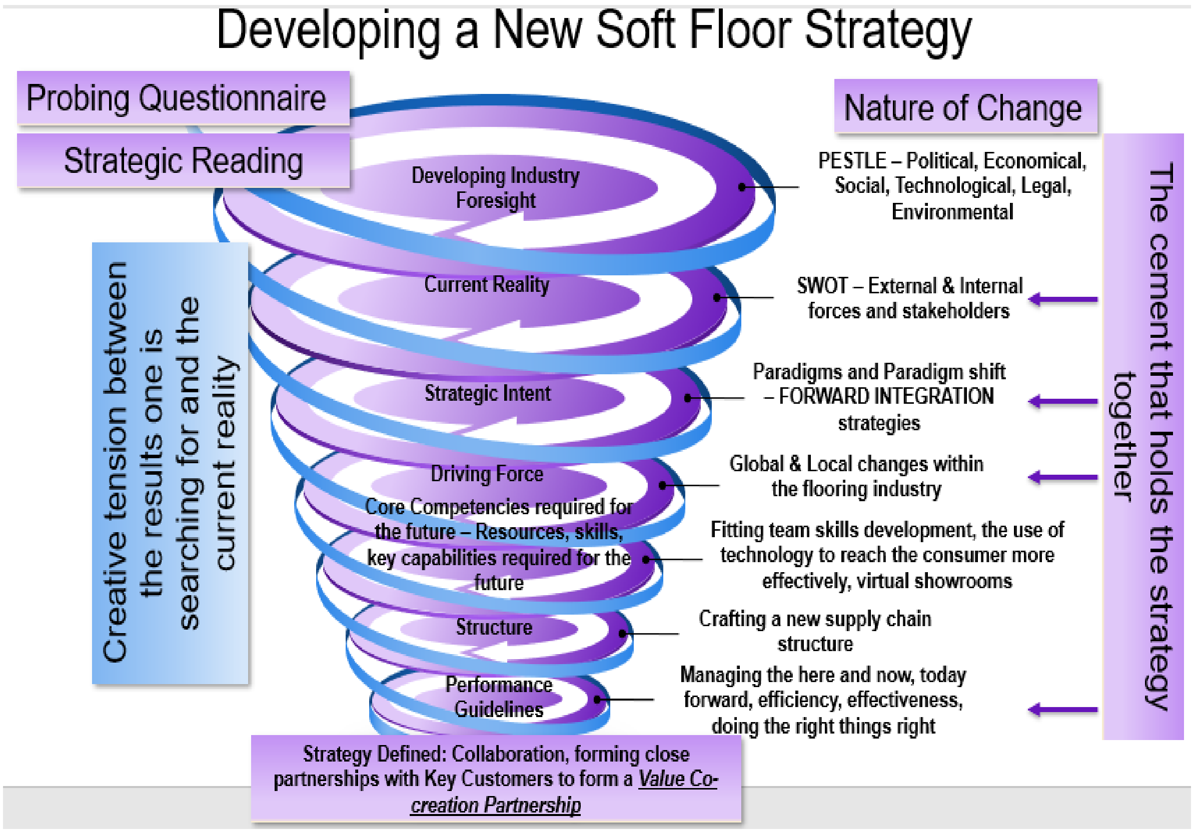


Figure 4.1: Framework for developing a new soft floor industry structure

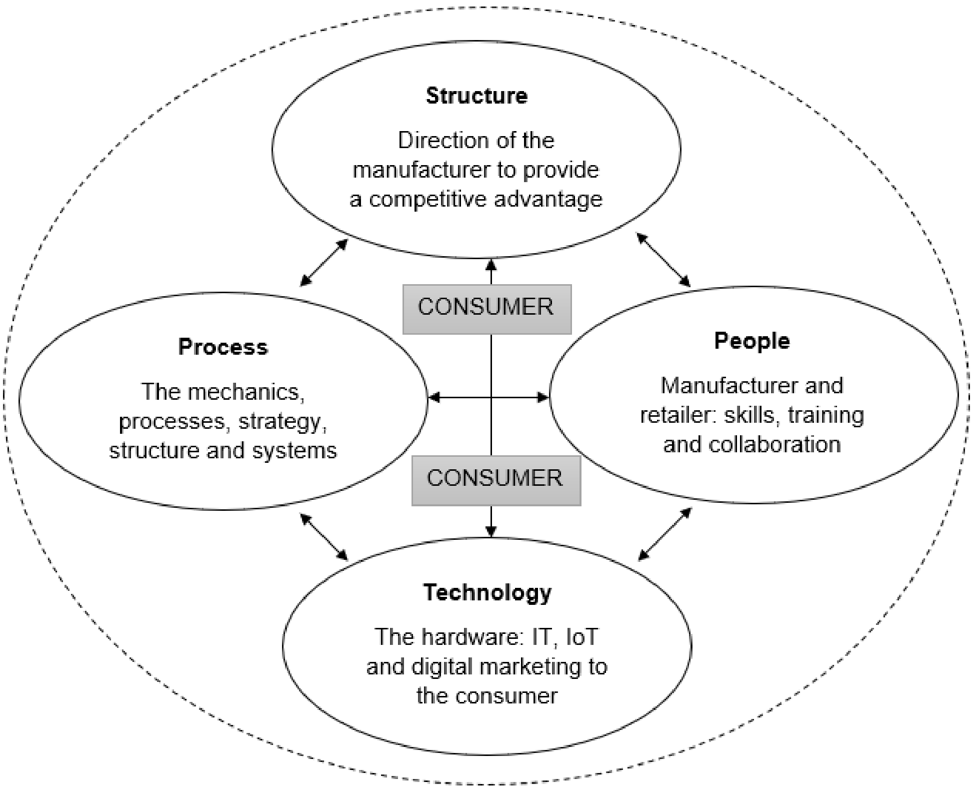


Figure 4.2: Application of the Leavitt's Diamond Model for the industry (Stanford, 2015:307)

The researcher then narrowed the strategy down to five driving forces that should ensure a winning strategy, based on the Diamond Model developed by Leavitt (cited by Stanford, 2015:307). The five driving forces are:

- Structure – Both manufacturer and retail group, or soft flooring stakeholders, should join forces to provide a competitive advantage for soft flooring in a changing and dynamic flooring industry.
- People – From the manufacturing, as well as the retail industry side, close collaboration partnerships should be formed on all levels. Cross-sector partnerships, between other role players in the industry, such as architects, decorators, designers and skills development initiatives, should form part of the strategy.
- Technology – Technology will become an even bigger force in the future. This study suggested the possibilities of virtual reality showrooms to be investigated as a driver for change in the way carpets will be sold in the future. Technology development is expensive. Again, industry stakeholders should combine financial forces to fund such developments.
- Process – The process of crafting strategies, systems and structures were shown in Figure 4.1, and forms a vital part of the entire Model.
- Consumer – The entire model is built around the consumer experience, and in reaching the consumer effectively with the right message, right product, and right price point, as well as through ensuring a sustainable future for the industry.

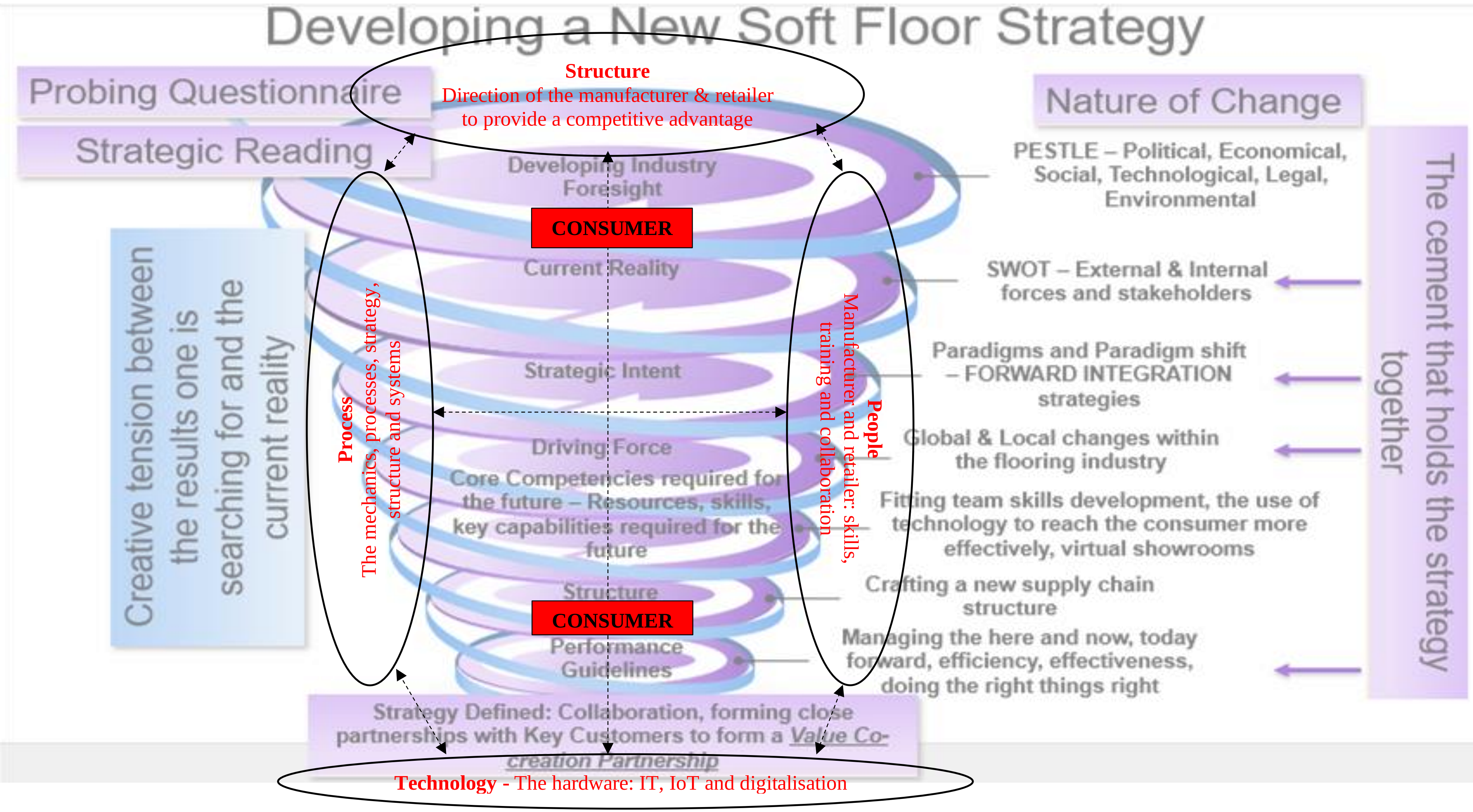


Figure 4.3: Proposed consolidated manufacturing collaboration framework for the industry (own compilation)

Figure 4.3 finally shows how both the framework for a new strategy and the concepts from the Diamond Model overlap. The funnel framework can be described as the foundation and cement on which the Diamond Model is built. Effective industry structures, people partnerships, the effective use of technology and processes will eventually create a winning strategy, that will reach the consumer on a different level.

The strategy that is suggested consists of the overarching direction that this study believes a soft floor manufacturer should consider, as well as showing the competitive moves and business approaches that they should be employing to compete successfully, improve performance and grow the business, as also explained by Thompson *et al.* (2017:7).

A further consideration towards a strategy of close partnership and collaboration is the model of cross-sector partnerships. Cross-sector partnerships (CSPs) can be defined as close collaborations between, private business and non-profit organisations, or government departments with the main focus on sustainability, social developments and social enterprises (Rey-García *et al.,* 2018:1415). A cross-sector model is thus a collaboration amongst similar, as well as diverse businesses for the purpose of applying business principles from various perspectives, to solve a social problem (Rey-García *et al.,* 2018: 1415). The popularity of a cross-sector model, internationally, is the theory surrounding non-profit organisations, private businesses and government agencies as a partnership (Almog-Bar & Schmid, 2018:120). The cross-sector approach underlines the interdependence between potential partners, the need for collaboration, as well as the advantage such a partnership holds for each of the partners. Smuts (2017:4) explains that cross-sectional partnerships are usually driven by the following factors:

- The challenges that companies face are too big or too complex to take on by themselves.
- They might not have the skills set or resources to address the problem on their own.
- They chose to spread the risk involved in taking on a specific problem.

Smuts (2017:4) mentions that key benefits to a cross-sector partnership are:

- enhanced efficiency between businesses or sectors;
- the avoidance of duplicating certain tasks or function that might be expensive; and
- businesses in South Africa have begun to wake up to the idea that a cross-sector partnership might be a vital investment in their own future prosperity.

4.4 Evaluation of the study

The researcher wanted to determine the current state of the South African soft flooring industry, and to seek answers to current issues the industry is facing. The study indicated that the local soft floor market is a shrinking market, by volume sales in recent years. Therefore, the aim was to identify a possible and sustainable future supply chain strategy for an aging industry, from a retailer and fitting team point of view.

The primary objective of this study was, therefore, to conduct a strategic analysis of the South African soft floor industry supply chain, in order to establish what the current nature of the South African soft floor industry is, and why a leading manufacturer, like Belgotex, should consider a new strategy for future direction and growth. The secondary objectives to be realised, in order to achieve the primary objective, were first to clarify, by means of a literature review, the key challenges in the industry and the impact that these challenges may have on key industry stakeholders in the future. Secondly, the study outlined areas of industry weaknesses and threats for future improvement, as well as opportunities for sustained growth. Thirdly, it was necessary to determine the impact that a skills shortage could have on future growth opportunities within the industry, and fourthly to create a possible, new supply chain strategies for the industry. The last objective was to emphasise the importance of collaboration between various industry stakeholders, and to identify recommendations for future research and practices that can unlock new opportunities for the industry.

The literature review in Chapter 2, first provided a short history and background into the carpet manufacturing process, as well as a macro global overview of the international soft floor industry. Secondly, the situation within the South African soft floor industry was discussed, with mention to all the major role-players within the local soft floor market. Thirdly, closer inspection of the competitive forces within the industry value and supply chain activities, as well as insight into the industry rivalry were considered. Fourthly, a view was taken on the South African soft floor retail supply chain, with special mention of independent retailers and buying groups, and benchmarked against global retail groups and distributors. Fifth, trends going forward were assessed, with specific focus on a forward integration strategy, followed by an investigation into the impact and likelihood of technology.

The final aspect of the literature study was the proposal of three new, possible forward integration strategies for future investigation, based on the six critical dimensions of the strategic management process. Four elements, namely: diagnosis, direction decisions and delivery are fundamental to the core strategy and dynamism, and disorder set the context in which the process should be managed. The findings regarding the empirical study, as described in Chapter 3, were presented in relation to the literature studied in Chapter 2.

In Chapter 1, Section 1.10.4, it was stated that Chapter 4 would be devoted to drawing conclusions from the literature review (discussed in Chapter 2) and the empirical study (reported on in Chapter 3). Chapter 4 will conclude whether the primary and secondary objectives of the study were achieved, and the research question successfully answered. The research limitations that have been identified throughout the course of the study will also be discussed. Recommendations that emerged from the strategic analysis of the South African soft floor industry, as well as a suggested way forward were also presented. Subsequent recommendations were put forward for the establishment of a forward integration strategy, as a sustainable future growth solution for Belgotex, as a leading South African soft floor manufacturer. Further suggestions are presented on future research.

The empirical study showed that the current retailers fall mostly in the 45 to 65 age categories with only a few participants of the study who have started to implement a succession plan that is in the implementation and/or growth stage. This was alarming as most participants formed part of a large national retail group, who can offer the industry future expertise and stability.

Participants also indicated that most of their fitting team members ranged between the ages of 30 and 40. This proved to be a positive indicator for the future, but also indicated warning signs for industry stakeholders to invest in training programs that will ensure the future of fitting expertise. The study lastly investigated a future supply chain solution between manufacturer and retail ecosystems, and suggested a closer partnership with key industry stakeholders, a reintermediation strategy, rather than a disintermediation strategy was suggested, as it was clear that the retail chain offers added value to the consumer outside of the manufacturer's control. It was recommended that an increased basket of private brand soft floor products to key stake holders could increase volumes, and assist in stopping the volume decline.

4.4.1 Primary objective

The primary objective was achieved through a thorough investigation and literature review of the international and local soft flooring industry. Industry challenges were raised, and possible solutions suggested. Through an analysis of industry opportunities, competitive forces, as well as the general growth scenario within the building industry, it was clear that the industry still offers good prospects for attractive profits and growth in the future. The crucial factor though would be to understand that nobody can afford to go at it alone anymore. The future is all about an interconnectedness within the flooring ecosystem.

4.4.2 Secondary objectives

From the secondary objectives, it was clear that Belgotex should form close partnerships with key industry stakeholders, such as Top Carpets & Floors and others, in the strategic implementation process. It was clear that in an industry where soft floor products are closely linked to a floor fitting service, as well as a sale and specifying service, the competitive advantage generally comes from industry stakeholders who can meet the consumers' needs more effectively, with products and services. These products and services should offer the consumer more value, be more efficient and offer a best value for money cost structure.

The greatest challenges for the soft flooring industry were identified by participants of the survey as the continuous rising costs of soft flooring products, and the growth of hard flooring sales. People would rather spend more on the purchase of hard flooring solutions that will offer better cleaning and durability capabilities, than on soft flooring. Participants were also against the fact that a manufacturer should sell directly to the consumer. The study confirmed an aging industry, with key stakeholders needing to address industry challenges as a collaborative, close partnership effort, and co-creating value between manufacturer and retailer for the benefit of the consumer.

4.5 Recommendations and managerial implications

The research in this study has shown that the soft floor industry is indeed in need of a new supply chain strategy. Technology has connected the world, and industry leaders could easily fall in the trap of thinking that they could fully control their own destiny, from manufacturer to consumer. However, this study indicated that the flooring industry is reliant on the hand skills and expertise of fitters, as well as knowledgeable sales staff and showrooms to deliver the manufactured product, perfectly installed, to the consumer.

The proposed strategy design framework (Figure 4.3) is structured for meeting continuous change, while simultaneously keeping the business operations running successfully. A close partnership with a national retail chain and other key industry leaders can lead to better point of sale support, training of sales and fitting staff, as well as sales support. A closer connection between manufacturer and retailer will lead to a sustainable future for the industry. The following four principles could align a soft floor manufacturer with a new supplier-retailer-consumer strategy, as set out by Stanford (2015:257):

- Collaborate and form close partnerships with a national retail chain, like Top Carpets & Floors, as well as other key industry role-players and retail chains with different industry focus points, and align interests and share understanding about the context and what is changing in the industry.
- Balance the manufacturer-branded products interests, and priorities alongside the key advantages of a private brand. A private brand is a brand owned by a retailer, as the retailer can earn more profits on its own brand (Lamb et al., 2015:286). A buying group, like Top Carpets & Floors, has no control over the intensity of the distribution of the manufacturer’s brand, but can control their own private brand. In supplying private brand soft flooring products to a national retail group like Top Carpets, could increase soft floor volumes through the

carpet mill, as the retailer has control over their own house brand, earns higher profits, has differentiating properties, due to the exclusivity of their private brand, and has less pressure to mark the price down to meet the competition.

- Focus on the whole flooring ecosystem to recognise risks and opportunities as they arise, and develop capabilities to meet changing business settings within the soft floor industry.
- Continuously seek feedback from key role-players and stakeholders in the industry, and use the information gained to evolve.

Thus, this study would not like to propose a strategy of full forward integration, as depicted in Figure 2.27. The answer rather lies in understanding the driving forces and consequences of forward integration, as shown in Figure 2.28, and to develop strategic partnerships with customers and create a more visible supplier value chain through such a partnership. The motivation of this strategy is the added value offered to the customer. A closer link between manufacturer and retailer can provide added benefits to the consumer. The retailer will offer the personal sales and floor fitting expertise, and the manufacturer could offer differentiating capabilities, such as private branded products, and even assist in achieving a competitive advantage using technology. A manufacturer and retail group could join forces to develop a virtual reality showroom experience for the consumer, which will not only benefit both parties and lighten the financial burden of the venture, but also create a closer link with the end-user in the process.

The cannibalisation of the dealer network will have major implications on the current industry supply chain, as the functions that were traditionally carried out by the retailer are not eradicated, but instead shifted to the manufacturer. Further recommendations are thus:

- The implementation of a soft floor industry governing body, similar to the hard flooring industry body (SAWFLA, 2019). A soft flooring governing body would bring all stakeholders together, protect their interests and build a collaborative culture within the soft flooring ecosystem.

- The use of technology should become a primary activity by all stakeholders, and costs should be a combined effort by all parties, to the benefit of creating an added value experience for the consumer.
- Consumers are value driven, and with soft flooring costs continuing to rise, external growth strategies should focus on value-creating through improving existing technologies, and a continuous improvement of products and services.
- The retail channel also needs to take note of the possible future risk of a supplier or manufacturer by eliminating a channel intermediary and working on indispensable strategies within the soft floor supply chain.
- The model of cross-sector partnerships should be considered. Although the theory suggests this type of partnerships should be formed between business and non-profit organisations or government, it could also be an option in the flooring industry. The soft flooring manufacturing side of the business could form close partnerships with the retail side of the business, to address vital problems, such as the skills development of fitters, the assistance of retailers without succession plans, and work closer on addressing the decline of soft floor volumes.

The Business Model Canvas, designed by Osterwalder *et al.* (2014), recommends that both the manufacturer and retailer, or retail group, re-evaluate their value proposition. The value proposition is defined by Osterwalder *et al.* (2014), as the bundle of products or services that create value for a specific customer segment. The value proposition is the main reason why customers prefer one company above another. The value proposition is a combination of benefits that a company can offer their customers, and consists of a selected group of products or services that caters for the requirements of a specific customer segment. It is important that both the retailer and the manufacturer find a perfect fit that would put the end-user experience first. Figure 4.4 illustrates this concept.

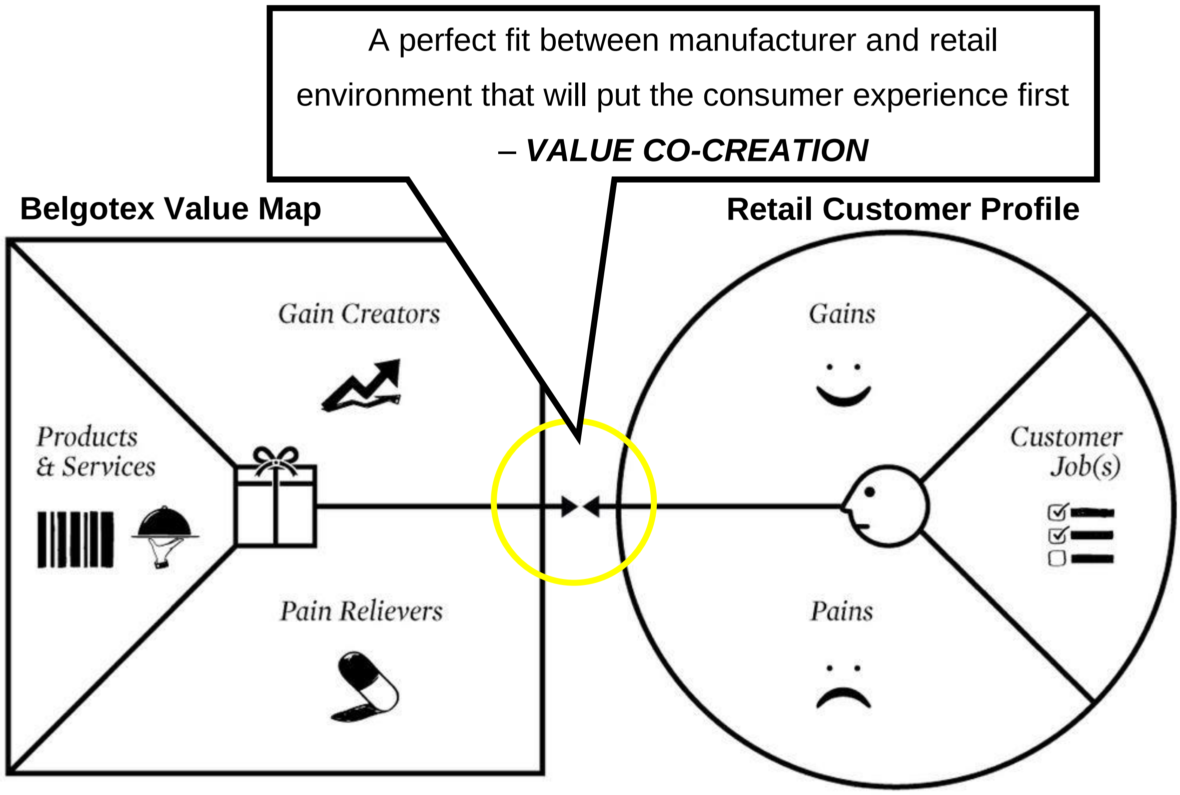


Figure 4.4: Applied Business Value Map for the soft floor industry (Osterwalder et al., 2014: 6 – 9)

The Value (Proposition) Map applied to the industry, is a business tool that describes the features of a specific value proposition in a business model, in a more structured and detailed way. It breaks the business value proposition down into products and services, pain relievers, and gain creators (Osterwalder *et al.*, 2014:8). The Customer (Segment) Profile describes a specific customer segment in a business model, in a more structured and detailed way. It breaks the customer down into jobs, pains, and gains (Osterwalder *et al.,* 2014:9). A fit is created when customers get excited about the value proposition that a business offers and which addresses important jobs, alleviate extreme pains, and create essential gains that customers care about (Osterwalder *et al.,* 2014:42).

Table 4.1: Business Value Proposition and Customer Segment Profile

Business Value Proposition	*Customer Segment Profile*
1. *A manufacturer like Belgotex offers services and soft floor products, which the industry needs and adds value through the entire supply chain, in close relations with key industry partners.*	1. Customer jobs – The retailer offers specific jobs, such as fitting skills, sales expertise, showroom visibility and direct contact with the consumer, and is in need of soft floor products that will meet the need of the consumer.
2. *Pain Relievers describe how exactly the products and services will alleviate specific customer pains.*	2. Customer pains – The retailer seeks a relationship with the supplier or manufacturer that that will decrease the day to day difficulties of the flooring retail environment.
3. *Gain creators - explicitly outline how a collaborative network of produce and service outcomes between manufacturer and retailers will benefit the customers' expectations and desires, and lead to a satisfied end-user.*	3. Customer Gains – The flooring retailer is seeking a win-win relationship with the supplier or manufacturer, that would lead to the manufacturing of trend right products sales, profitability and a satisfied end-user.

To summarise, the value proposition shows how the manufacturer can offer the retailer products and services that will help flooring retail professionals to build or improve their business, by manufacturing sustainable, value for money soft floor products, and create clear indicators to measure future performance and customer relations. In a similar fashion, the retailer seeks a perfect fit with the supplier, in order to offer the end-user a product-service-market fit. The key is value co-creation between manufacturer and retailer, to jointly create value for the end-user (Appendix D – Strategy framework).

The Carlsberg Group established what they call five winning behaviours for employees as a guidance on how to work with customers and consumers (Tench & Yeomans, 2014: 187). These winning behaviours suggested that as a manufacturer, relationships with each other, their customers and finally the consumer should:

- make them stronger together;
- drive them all towards a winning culture;
- ensure that their customers and consumers are at the heart of every decision they make;
- empower the entire ecosystem (value and supply chain) to make a difference, and
- enable engagement with society as a whole.

This performance culture is at the heart of what the researcher of this study is leaning towards when a strategy of close partnerships between manufacturer and retail customer is suggested. It is about the close fit of the value propositions of both the manufacturer and the retail community to best meet the need of the consumer.

This research lastly recommends that a soft floor manufacturer, like Belgotex, should apply the following three tests, to determine whether a future strategy has the potential to be a winning strategy, as described by Thompson *et al.* (2017:16 – 17):

- The fit test – The manufacturer must determine whether the suggested strategy of a close partnership with a national retail group and other key industry stakeholders fits the organisation's and industry's current situation, and whether it will be able to match industry and competitive conditions.
- The competitive test – Can the suggested strategy assist the manufacturer to achieve a sustainable competitive advantage for the foreseeable future?
- The performance test – Will the strategy be able to produce good organisational performance from a finance, sales and customer satisfaction point of view, and assure superior consumer experiences?

4.6 Limitations of the study

The main limitation of the study was that the study was conducted using mainly a sample of respondents from one large buying group. Although the sample represented a national footprint, and retailers are mostly involved in all flooring market segments, it could still be possible that their view points are not representative of the industry, as a whole. A flooring contractor, who focusses predominantly on the commercial market compared to a general flooring retailer, could offer additional insight into industry challenges and possible future supply chain strategies.

In this study, the respondents' participation was voluntary and respondents were store owners or managers only. A limited number of independent retailers participated, and only one wholesaler agreed to be interviewed. These factors limit the possibility of generalising from study findings. The study may, however, serve as a foundation for future studies and research in the South African flooring industry. The results of such studies can be very helpful for developing new strategies for the flooring industry, from a retail, as well as a manufacturing point of view.

4.7 Recommendations for future research

It is recommended that further research also includes the fitting, labour and estimating segments of the industry. Finding a workable solution for the shift of full-time fitting teams to sub-contract teams, and the problem of up-skilling should be a future study. It is recommended that larger samples be used to enable generalisability of the findings, in the broader spectrum of the flooring industry. For an even more comprehensive understanding of the industry challenges, a comparison could also be drawn between various role-players in the industry, such as different buying groups, buying groups versus independents, factory account retailers versus retailers holding wholesale accounts only, and lastly, predominantly commercial focused businesses versus the general retail segment. Future research should also accommodate research managerial approaches on how to address the industry challenges effectively. A leadership and organisational design study, specifically focussed on the soft flooring industry, could assist all stakeholders in addressing the identified challenges effectively.

A feasibility study of manufacturers who invest in other types of equipment, as well as the possibility of the manufacturing of LVT's locally, apart from soft floor manufacturing, is also recommended.

The buying behaviour of consumers has changed, as is shown in this study; however, so did the consumer demographics in South Africa, with a new emerging middle class. It will also be important to better understand new consumer buying behaviour patterns in the flooring industry, as well as how the soft flooring industry should approach marketing, to include new markets and consumer demographics. Further research is needed to determine exactly which attitudes a new middle-class possess, at this stage, to manufacturers, suppliers and retailers of the flooring industry.

Lastly, research in understanding the technologies of the forth industrial revolution and how it will shape the industry in the future is recommended. This could include understanding how technologies impact human choices, behaviour and decision-making on a daily basis, as well as determining how to best influence technological development, with specific focus on the flooring industry. The role of augmented reality in the customer showroom experience, must also be investigated.

4.11 Conclusion

The general research objective was to gain insight into, and a better understanding of the current South African soft floor industry, the current issues that the industry is facing, the possible future impact should the latter not be addressed, as well as future key success factors. The primary research question focussed on determining why a new direction for a soft floor manufacturer, like Belgotex, for future growth must be considered.

The general objective was achieved by the process of successful execution of the specific objectives of the study. This was done by conducting an in-depth literature review of both the international and local soft floor markets. The study found that the South African soft floor market segment is indeed declining, with a sense of disengagement between retailers and manufacturers. The soft floor industry has furthermore been under siege from hard flooring solutions and trends in the past decade. The research survey questionnaire was administered electronically, as well as in hard copy, to store owners and managers in the retail environment of the flooring industry. Interviews were further conducted with stakeholders from various segments of the industry.

The primary data that was obtained from the questionnaires and interviews were statistically analysed, to determine the impact the current industry climate has on the soft floor industry in general, and the possible future impact for both manufacturer and retailer. The empirical research was assessed, and recommendations included the need to create a whole new ecosystem, through value creating partnerships along the entire value chain of the South African soft floor industry.

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APPENDIX A

- **QuestionPro Questionnaire**

South African Soft Floor Industry Questionnaire

SCHOOL OF BUSINESS
BESIGHEIDSKOOL
SEKOLO SA KGWEBO

Ethics clearance number: NWU-00737-19-A4 (NWU Student number: 10211063)

I am a student under the direction of the NWU MBA school of business. The purpose of this study is to conduct academic research into the current state of the South African Soft Flooring environment and finding new ways of supply chain management strategy for a sustainable industry growth path. A better understanding of the industry can assist local soft flooring manufacturers, distributors and industry stakeholders in finding a sustainable strategic-fit solution for their supply chain into the future.

I am requesting your participation, which will involve completing the following questionnaire. The questionnaire should only take 30 minutes to complete. Even though no confidential information is required, your responses will be treated with the strictest confidentiality. Names of individuals will not appear in the research report. Only aggregated data and summary statistics will be reported.

Thanking you in advance for your willingness to contribute to the success of this important research project.

Please contact the researcher [Jan Hofmeyr] on [067 404 2823] or via email [jhhofmeyr@outlook.com] should you have any questions regarding the survey.

Click on Next to start your survey

Section 1: Biographical Data

1.1 Do you own or manage the store?

1.	**Own**	
2.	Manage	
3.	Owner-Manager	
4.	Other	

1.2 Indicate your age:

1.	**18-20**	
2.	21-25	
3.	26-35	
4.	36-45	
5.	46-54	
6.	55-60	
7.	61-64	
8.	65+	
9.	Other	

1.3 Indicate your gender

1.	**Male**	
2.	Female	

1.4 How many years' experience does you have in the flooring industry?

1.	**0 – New to the industry**	
2.	1 – 5 years	
3.	6 – 10 years	
4.	11 – 15 years	
5.	16 -20 years	
6.	> 20 years	

1.5 Approximately how many employees work at your company?

1.	**0 – 5 years**	
2.	6 – 10 years	
3.	11 – 15 years	
4.	16 -20 years	
5.	> 20 years	

1.6 How many fitting teams do you employ full time?

1.	**0**	
2.	1	
3.	2	
4.	3	
5.	4	
6.	5	
7.	6+	

1.7 How many fitting teams do you sub-contract?

1.	**0**	
2.	1	
3.	2	
4.	3	
5.	4	
6.	5	
7.	6+	

1.8 How many members in one fitting team?

1.	**2 – 4**	
2.	5 - 6	
3.	More than 6	

1.9 My fitters are all:

1.	**Mostly younger than 30**	
2.	Mostly between 30 and 40	
3.	Mostly between 41 and 50	
4.	Mostly between 51 and 60	
5.	Mostly between 61 and 65	

1.10 Did your fitters receive formal accredited training?

1.	**Yes**	
2.	No	

1.11 To what extend do you have a succession plan for your business?

1.	**No plan**	
2.	Introductory stage	
3.	Implementation & growth stage	
4.	Completed stage	

1.12 Indicate the level of BEE compliance of your business:

1.	**Level 1**	
2.	Level 2	
3.	Level 3	
4.	Level 4	
5.	Level 5	
6.	Level 6	
7.	Level 7	
8.	Level 8	
9.	Non-compliant	

1.13 In which province/s do you mainly operate? Select all applicable options

1.	**Gauteng**	
2.	North-west	
3.	Western Cape	
4.	Eastern Cape	
5.	Northern Cape	

6.	KZN	
7.	Limpopo	
8.	Mpumalanga	
9.	Free State	

Section 2: Value & Supply Chain Data

2.1 State if you are an Independent retailer or part of a Buying Group

1.	**Independent**	
2.	Buying Group	

2.2 If your answer in 2.1 was BUYING GROUP, indicate which buying group:

1.	**Carpet & Décor**	
2.	Top Carpets	
3.	John Dore	
4.	Other	

2.3 Select the option that best describe the location of your showroom:

1.	**Main Street**	
2.	Back Street	
3.	Industrial Area	
4.	No showroom, work from home	

2.4 How important are the following factors to your business?

	Average important	Fairly important	Very important	Not at all important	Slightly important
Showroom visibility	❑	❑	❑	❑	❑
Showroom ease of access by target market	❑	❑	❑	❑	❑
Buying group brand recognition	❑	❑	❑	❑	❑
National buying group strength & head office support	❑	❑	❑	❑	❑
Leading supplier brand visibility in-store	❑	❑	❑	❑	❑
Showroom tidiness	❑	❑	❑	❑	❑
Supplier showroom support and point of sale material	❑	❑	❑	❑	❑
Multiple competitive suppliers	❑	❑	❑	❑	❑
Supplier product diversification	❑	❑	❑	❑	❑
Supplier annual rebate structure	❑	❑	❑	❑	❑
Quality of promotional materials and samples	❑	❑	❑	❑	❑
Availability of promotional materials and samples	❑	❑	❑	❑	❑
Display sample size	❑	❑	❑	❑	❑
Consistent product quality	❑	❑	❑	❑	❑
Technical support	❑	❑	❑	❑	❑
Product innovation	❑	❑	❑	❑	❑
State of the art technology	❑	❑	❑	❑	❑
Quality of product/s	❑	❑	❑	❑	❑
Durability of product/s	❑	❑	❑	❑	❑

2.5 How important are the following distributor/supplier service factors in your business?

	Very important	Average importance	Fairly important	Not at all important	Slightly important
Corporate image	❑	❑	❑	❑	❑
Forward thinking supplier	❑	❑	❑	❑	❑
Quality of advertising	❑	❑	❑	❑	❑
Social responsibility	❑	❑	❑	❑	❑
Supplier values employees	❑	❑	❑	❑	❑
Supplier values customers	❑	❑	❑	❑	❑

2.6 What is the percentage split residential versus commercial products, in your business? (select the best fit for your business - for example 40% residential / 60% commercial)

	%
% Residential flooring	❑
% Commercial flooring	❑

2.7 Please indicate what types of flooring solutions your business focuses on (Choose all applicable)

	Yes	No
Broadloom Carpets	❑	❑
Carpet Tiles	❑	❑
Needlepunch Broadloom	❑	❑
Needlepunch Tiles	❑	❑
Cushion Vinyl	❑	❑

Vinyl Sheeting	❏	❏
Vinyl Tiles	❏	❏
Laminates	❏	❏
LVT	❏	❏
Solid Wood	❏	❏
Ceramics	❏	❏
Engineered Wood	❏	❏
Grass	❏	❏
Other (please specify in 2.8)	❏	❏

2.8 If other in 2.7, briefly specify:

2.9 What is the percentage split soft floor versus hard floor solutions, in your business? (for example, 40% carpets vs 60% wood)

	%
Soft floor solutions	❏
Hard floor solutions	❏

2.10 Has the ratio in 2.9 changed in the past 5 - 10 years in your business? if yes, how?

2.11 Important factors in selling and promoting a flooring product in your business are:

	Slightly important	Average important	Fairly important	Very important	Not at all important
Aesthetics	❑	❑	❑	❑	❑
Ease of maintenance	❑	❑	❑	❑	❑
Durability	❑	❑	❑	❑	❑
Colour range	❑	❑	❑	❑	❑
Competitive pricing	❑	❑	❑	❑	❑
Safety	❑	❑	❑	❑	❑
Availability	❑	❑	❑	❑	❑
Hygiene/health	❑	❑	❑	❑	❑
Texture/warmth	❑	❑	❑	❑	❑
Ease of installation	❑	❑	❑	❑	❑
Natural product	❑	❑	❑	❑	❑

2.12 State the frequency of use in your business of the following social media platforms:

	Moderate - Monthly	Frequently - Bi-weekly	Frequent - Daily	Do not use at all	Average - Quarterly
Website	❑	❑	❑	❑	❑
Facebook	❑	❑	❑	❑	❑
Instagram	❑	❑	❑	❑	❑
Twitter	❑	❑	❑	❑	❑
WhatsApp	❑	❑	❑	❑	❑

LinkedIn	❑	❑	❑	❑	❑
YouTube	❑	❑	❑	❑	❑

2.13 Any other social media platforms not mentioned in 2.12?

2.14 Rank your <u>top five</u> flooring brands in your business:

	Brand	Rank
1.	Azura	
2.	Belgotex	
3.	Easigrass	
4.	Finfloor	
5.	Floorworx	
6.	Gerflor	
7.	Interface	
8.	Kronopol	
9.	Kronoswiss	
10.	Milliken	
11.	Mohawk	
12.	Nouwens	
13.	Polyflor	
14.	Quartz Carpet	
16.	Quick Step	

17.	Shaw	
18.	Traviata	
19.	Van Dyck	
20.	Wanabiwood	
21.	Global Stream	
22.	Kalahari Floor Tiles	

2.15 How often do you order from:

	Weekly	Monthly	Bi-monthly	Quarterly	Every 6 months	Once a year	N/A
Belgotex	❑	❑	❑	❑	❑	❑	❑
Carpet Brokers	❑	❑	❑	❑	❑	❑	❑
Fotakis Cape/Durban	❑	❑	❑	❑	❑	❑	❑
Global Stream	❑	❑	❑	❑	❑	❑	❑
ITE	❑	❑	❑	❑	❑	❑	❑
Likewise	❑	❑	❑	❑	❑	❑	❑
Nouwens	❑	❑	❑	❑	❑	❑	❑
QualiChem	❑	❑	❑	❑	❑	❑	❑
Tal	❑	❑	❑	❑	❑	❑	❑
Van Dyck	❑	❑	❑	❑	❑	❑	❑
Warmup	❑	❑	❑	❑	❑	❑	❑
Wonder Flooring	❑	❑	❑	❑	❑	❑	❑

2.16 Your supplier/distributor must focus on:

	Disagree	Somewhat disagree	Agree	Strongly agree	Strongly disagree
Manufacturing	❑	❑	❑	❑	❑
Distribution	❑	❑	❑	❑	❑
Business to business advertising and marketing (B2B)	❑	❑	❑	❑	❑
Business to consumer advertising and marketing (B2C)	❑	❑	❑	❑	❑
Both B2B and B2C advertising and marketing	❑	❑	❑	❑	❑
Business to business relationships	❑	❑	❑	❑	❑
Business to business sales	❑	❑	❑	❑	❑
Training of fitters and sales staff	❑	❑	❑	❑	❑
Upliftment of industry standards	❑	❑	❑	❑	❑
Business to consumer relationships	❑	❑	❑	❑	❑
Business to consumer sales	❑	❑	❑	❑	❑

2.17 How important are the following service delivery factors to your business?

	Moderately important	Very important	Extremely important	Not at all important	Slightly important
Following day delivery service & delivery reliability	❑	❑	❑	❑	❑
Flexibility in meeting emergency orders	❑	❑	❑	❑	❑

Customer/supplier relationships	❑	❑	❑	❑	❑
Product knowledge supplier staff	❑	❑	❑	❑	❑
Customer/supplier support	❑	❑	❑	❑	❑
Service quality & speed with which errors are corrected	❑	❑	❑	❑	❑
Substitute products	❑	❑	❑	❑	❑

2.18 Any other important service delivery factors not mentioned in 2.17? Briefly name them:

2.19 The potential for the carpet supply chain in the South African flooring industry to be disrupted is high due to:

	Somewhat disagree	Agree	Strongly agree	Strongly disagree	Disagree
Influx of more affordable imported residential carpets	❑	❑	❑	❑	❑
Influx of more affordable imported commercial carpets	❑	❑	❑	❑	❑
Laminates sales continue to grow to the detriment of carpets	❑	❑	❑	❑	❑
Luxury vinyl tiles (LVT) continue to grow to the detriment of carpets	❑	❑	❑	❑	❑
Consumers buying behaviour moving completely away from carpets	❑	❑	❑	❑	❑
Flooring and decor trends moving away from carpets	❑	❑	❑	❑	❑

Section 3: The Future

3.1 Do you see a future for your business in the current flooring environment?

1.	**Yes**	
2.	No	

3.2 Briefly explain your answer in 3.1:

3.3 Which 3 major challenges do you believe the industry will need to address in the foreseeable future to assure sustainable growth? - First Challenge

- Second Challenge:

- Third Challenge

3.4 Do you see technology disrupting your current business in the future?

1.	**Yes**	
2.	No	
3.	Don’t know	

3.5 Briefly explain your answer in 3.4:

3.6 What substitute products or services does your business offer, or will you consider in future?

3.7 What complimentary products or services (accessories) does your business offer or will you consider in future?

3.8 In your view, what does the future hold for the South African soft flooring industry? How will carpet businesses look like and what will they be doing or not be doing?

3.9 What is the greatest challenge for the South African soft floor industry in South Africa?

3.10 What is the biggest threat to the soft floor industry in South Africa?

3.11 What is the ONE big opportunity in the South African soft floor industry going forward?

THANK YOU

APPENDIX B

- **Letters of approval to conduct academic research**

NORTH-WEST UNIVERSITY ®
YUNIBESITI YA BOKONE-BOPHIRIMA
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Economic and Management Sciences Research
Ethics Committee (EMS-REC)
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Email: Bennie.Linde@nwu.ac.za

31 May 2019

Prof R Lotriet
Per e-mail

Dear Prof Lotriet,

FEEDBACK – ETHICS APPLICATION 31052019 – J H Hofmeyr (10211063)(NWU-00737-19-A4) MBA – Prof R Lotriet

Your ethics application on*, A strategic analysis of the South African soft floor industry supply chain,* that served on the EMS-REC meeting of 31 May 2019 refers.

Outcome:

The study is approved as minimal risk and registered with the following ethics clearance number: NWU-00737-19-A4. Please note that this registration is valid for three years.

Kind regards,

X

Prof Mark Rathbone
Deputy Chairperson: Economic and Management Sciences Research Ethics Committee (EMS-REC)Potchefstroom

NWU®

ASSOCIATION OF MBAs ACCREDITED

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1 February 2019

To whom it may concern

Dear Belgotex,

Your permission is herewith requested to allow Jan Hendrik Hofmeyr, an MBA student at the NWU School of Business, to conduct academic research within your industry.

Belgotex has been selected as it plays a vital role and has a major stake in the South African soft flooring industry. The company's input in the field of strategic supply chain management can assist the researcher with a strategic analysis of the South African Soft floor industry.

The purpose of the study is to gain insight and better understanding of the current South African soft floor industry, the issues the industry is facing and the possible future impact if not addressed. Only once the industry challenges have been strategically analyzed, will it be possible to redefine the boundaries and suggest a strategy that could offer significant improvements and performances going forward. Questionnaires and interviews are some of the methods and forms that will be used to obtain information for analysis. The study will entail a survey of the current landscape of the retail environment of the industry as well as interviews with key role players and stakeholders.

As a major player in the soft floor industry It is very important that Belgotex do participate in this study. The results of the study will be used for academic purposes only. You will be provided with a final copy of the study.

Please contact the study leader, Professor Ronnie Lotriet (ronnie.lotriet@nwu.ac.za) if you have any questions or comments regarding the study. Please sign below to indicate your willingness to participate in the study.

Yours sincerely

J.H.Hofmeyr

Nigel du Trevou

Date: 15 February 2019

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Tel: 011 380 9300
E-mail: jhhofmeyr@outlook.com
Cell: 067 404 2823

February 2019

Dear Respondent

RESEARCH PROJECT: A Strategic Analysis of the South African Soft Floor Industry

I am a student under the direction of the NWU MBA school of business. The purpose of this study is to conduct academic research into the current state of the South African Soft Flooring environment and finding new ways of supply chain management strategy for a sustainable industry growth path. A better understanding of the industry can assist local soft flooring manufacturers in finding a sustainable strategic-fit solution for their supply chain into the future.

I am requesting your participation, which will involve completing the attached questionnaire. The questionnaire should only take 15 minutes to complete. Even though no confidential information is required, your responses will be treated with the strictest confidentiality. Names of individuals will not appear in the research report, your anonymity will be guaranteed and you can also withdraw voluntarily at any time. Only aggregated data and summary statistics will be reported.

Thanking you in advance for your willingness to contribute to the success of this important research project.

Yours faithfully

J.H. Hofmeyr

APPENDIX C

- Qualitative Research – Semi-structured Interviews

In terms of an interview with key stakeholders the following qualitative, open-ended research questions were asked:

- Please give a summary of your type of business.
- How would you describe the current trading climate?
- Does your business industry offer attractive opportunities?
- Does your industry offer good prospects for attractive profits?
- What are some of the challenges and burning issues you currently experience in your industry?
- What is your future vision and mission for your business?
- What is your core business strategy for the next 5 years?
- Change – why it is inevitable in today's business world?
- Your personal experience and thoughts on change, managing change and conflict and why change needs to be embraced?
- Do you foresee any major changes in the South African soft floor industry in the next 5 years? Please explain.
- How would you describe your personal vision and style of leadership/ management?
- Please summarize, in short, your business strategy for the next 5 years to address the burning issues you mentioned in your industry?

- Letters of approval to conduct semi-structured interviews

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E-mail: jhhofmeyr@outlook.com
Cell: 082 927 8599

September 2019

Dear Interviewee

This **Informed Consent Statement** serves to confirm the following information as it relates to the MBA mini-dissertation on the topic of Supply chain management strategy and **a Strategic Analysis of the South African Soft Floor Industry.**

1. The sole purpose of this study is to obtain information from experts (such as yourself) employed and/or operating in the flooring, building or decorating industry in an attempt to determine the nature of your everyday experience related to the research topic.
2. The procedure to be followed is a mixture between qualitative and quantitative research design, which includes structured, controlled and prescriptive questions but also open-ended questions where you will have the opportunity to communicate your views on the relevant topic during a face-to-face in-depth interview. Basic background information related will be asked e.g. your name, academic qualifications and related experience to the topic.
3. The duration of the interview will take no longer than a maximum of 2 hours.
4. If at any point during the interview you should feel uncomfortable, you will be provided with the opportunity to make your discomfort known or immediately have the option to end your participation.
5. This interview takes place on a voluntary basis.
6. The confidentiality of the interview data is guaranteed. Fictitious names will be utilised when quoting statements in the dissertation.
7. Any confidential information that prohibits the researcher to publish it in the final dissertation should be communicated during the interview.
8. A list of questions to be asked in the interview will be made available to the interviewee prior to the interview. This is done to ensure a mutual understanding of what will be asked to avoid confusion during the interview.
9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, Jaco Vermeulen (name and surname), hereby declare that I have read and understand the contents of the Informed Consent Statement, and give my full consent to JH Hofmeyr to progress with the interview on 17/10/17 (date) and use the information communicated by myself to him in his MBA dissertation.

Name and designation	Signature	Date
Jaco Vermeulen G.M		17/10/17
Interviewee		

RESEARCHER: ____________ (J.H. Hofmeyr)

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September 2019

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9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, Carry Atkins (name and surname), hereby declare that I have read and understand the contents of the Informed Consent Statement, and give my full consent to JH Hofmeyr to progress with the interview on 17 Oct 2019 (date) and use the information communicated by myself to him in his MBA dissertation.

Name and designation	Signature	Date
Carly		17 October 2019
Technical Consultant		
Interviewee		

RESEARCHER: ____________ (J.H. Hofmeyr)

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September 2019

Dear Interviewee

This **Informed Consent Statement** serves to confirm the following information as it relates to the MBA mini-dissertation on the topic of Supply chain management strategy and **a Strategic Analysis of the South African Soft Floor Industry.**

1. The sole purpose of this study is to obtain information from experts (such as yourself) employed and/or operating in the flooring, building or decorating industry in an attempt to determine the nature of your everyday experience related to the research topic.
2. The procedure to be followed is a mixture between qualitative and quantitative research design, which includes structured, controlled and prescriptive questions but also open-ended questions where you will have the opportunity to communicate your views on the relevant topic during a face-to-face in-depth interview. Basic background information related will be asked e.g. your name, academic qualifications and related experience to the topic.
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9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, Marian Church (name and surname), hereby declare that I have read and understand the contents of the Informed Consent Statement, and give my full consent to JH Hofmeyr to progress with the interview on 19.10.19 (date) and use the information communicated by myself to him in his MBA dissertation.

Name and designation	**Signature**	**Date**
M. Church. Int Design	MChurch	19.10.19
Interviewee		

RESEARCHER: ______________ (J.H. Hofmeyr)

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E-mail: jan.hofmeyr@belgotex.co.za
Cell: 083 257 5775

February 2019

Dear Interviewee

This **Informed Consent Statement** serves to confirm the following information as it relates to the MBA mini-dissertation on the topic of Supply chain management strategy and **a Strategic Analysis of the South African Soft Floor Industry.**

1. The sole purpose of this study is to obtain information from experts (such as yourself) employed and/or operating in the energy industry in an attempt to determine the nature of your everyday experience related to the research topic.
2. The procedure to be followed is a mixture between qualitative and quantitative research design, which includes structured, controlled and prescriptive questions but also open-ended questions where you will have the opportunity to communicate your views on the relevant topic during a face-to-face in-depth interview. Basic background information related will be asked e.g. your name, academic qualifications and related experience to the topic.
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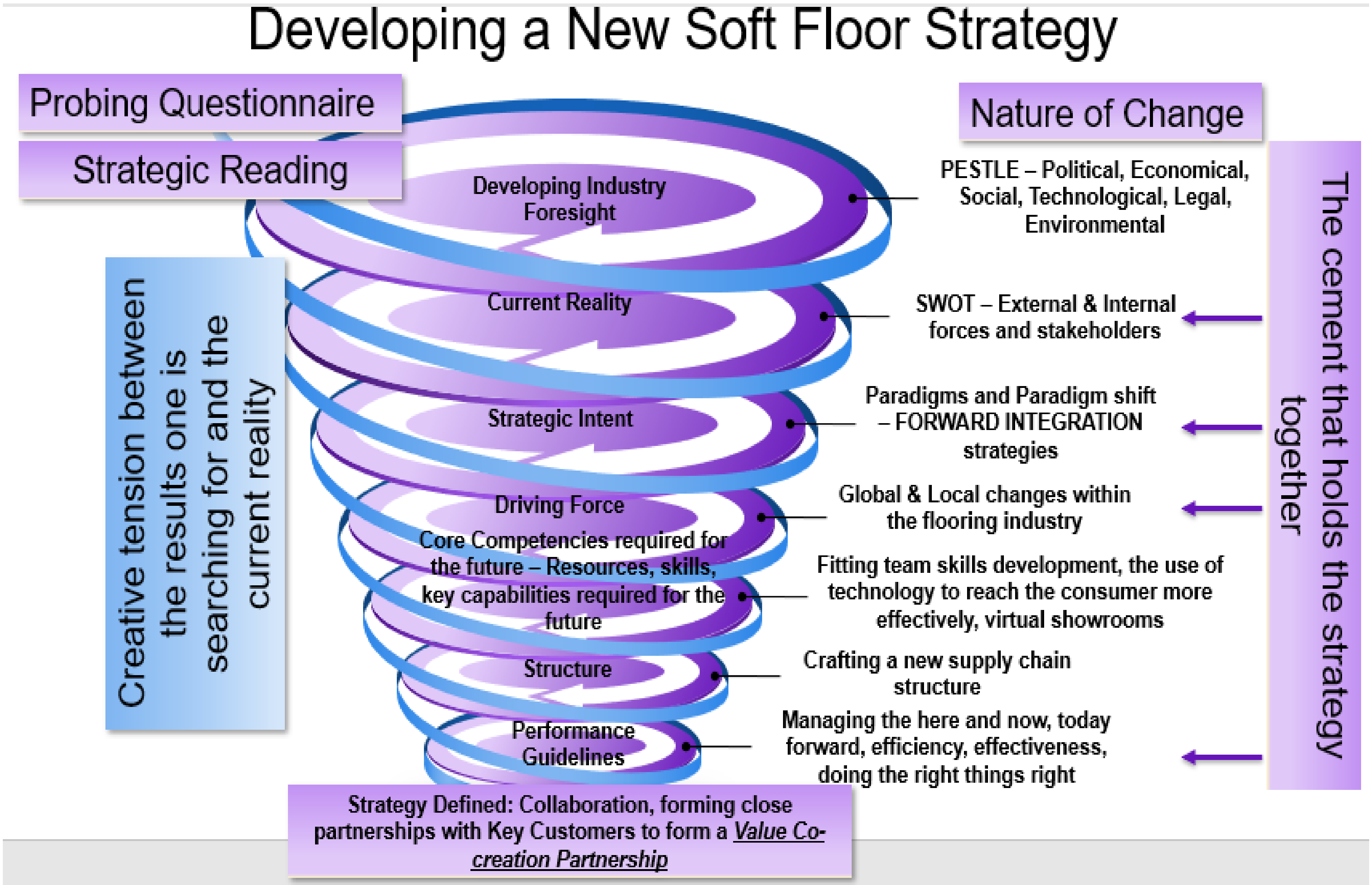
9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, Alan Lee (name and surname), hereby declare that I have read and understand the contents of the Informed Consent Statement, and give my full consent to Jan Hofmeyr progress with the interview on 21/10/2019 (date) and use the information communicated by myself to him in his MBA dissertation.

Name and designation	Signature	Date
Alan Lee Owner S&L. Interviewee		21/10/2019

RESEARCHER: ____________ (J.H. Hofmeyr)

APPENDIX D: Soft floor industry displays units, strategic framework, business model canvas, and market segmentation summary



Developing a New Soft Floor Strategy
Probing Questionnaire
Strategic Reading
Nature of Change
Developing Industry Foresight
Current Reality
Strategic Intent
Driving Force
Core Competencies required for the future – Resources, skills, key capabilities required for the future
Structure
Performance Guidelines
PESTLE – Political, Economical, Social, Technological, Legal, Environmental
SWOT – External & Internal forces and stakeholders
Paradigms and Paradigm shift – FORWARD INTEGRATION strategies
Global & Local changes within the flooring industry
Fitting team skills development, the use of technology to reach the consumer more effectively, virtual showrooms
Crafting a new supply chain structure
Managing the here and now, today forward, efficiency, effectiveness, doing the right things right
Creative tension between the results one is searching for and the current reality
The cement that holds the strategy together
Strategy Defined: Collaboration, forming close partnerships with Key Customers to form a Value Co-creation Partnership

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
Defined as the key partners you will need, to create, deliver and capture value.	Activities needed to successfully engage & execute your business model.	The benefits that your business model will deliver to your customers.	Relationships that you have with your customers.	Your Target Market i.e. your market for a or service
Belgotex: Raw material suppliers Logistics and transport Customer supply chain down stream **Retailer:** Manufacturer/s Importers and flooring distributors Designers Architects Specifiers Building Contractors Corporates i.e. insurance	**Belgotex:** Design, create, manufacture and distribution of flooring products **Retailer:** Sell, specifying, fitting and after sales services to consumer/end-user	**Belgotex:** The manufacturing and distribution of quality trend right products to the South African and global flooring industry **Retailer:** Offering floor fitting expertise to the manufacturer/importer/ distributor Offer showrooms as well as nationwide floor fitting solutions Create a platform where the consumer can view products and engage with experts on the right product for the right application	**Belgotex:** Close partnerships, collaboration and value co-creation with the retailers **Retailers:** Close partnerships, collaboration and value co-creation with manufacturer	**Belgotex:** Target key retail chains and groups as well as flooring contractors with the right skill set to sell and install their products correctly Supportive role in the specifying and professional trade **Retailer:** Form close partnerships with manufacturers and target both the commercial and residential segments of the flooring mart segments Target flooring eco systems such as the hospitality, health, education, insurance and retail sectors
	Key Resources		**Channels**	
	The resources you will need to gain access to resources.		The way you will interact with your customers.	
	• Intellectual resources • Product development • Warehousing, Factory, retail showroom & outlets • Fitting and flooring skills & expertise		• Web presence • Advertisements • Web Integration • Co-create value through online engagements with consumers	

Cost Structure		Revenue Streams	
Defined as the costs you will incur to get your key partners, resources, activities and relationships		Defined as the various ways you will capture R-value.	
• Fixed costs through owning a factory or running a retail outlet or showroom	• R&D Costs (Mainly Staff) • Wage bills incl. Fitters & sales staff, reps etc. • Advertising and Promotion	**Belgotex:** Carpet and imported product sales	**Retailer:** Sales of all types of flooring, fitting and installation and after sales services

Market segmentation & Product Mix	Broadloom (wall-to-wall) Carpeting				Carpet Tiles Types			Underlay Products			Grass	Vinyl Ranges			
Product / Market Segments	Tufted Polypropylene	Tufted Solution Dyed Nylon	Broadloom Needlepunch	Custom	Needlepunch Plain Bac	Needlpunch Nexbac	Custom	Orange	Green	Blue	Turf	Luxury Vinyl Tiles Commercial	Cushion Vinyl Commercial	Luxury Vinyl Tiles Residential	Cushion Vinyl Residential
HOSPITALITY															
B & B	x	x	x		x	x		x	x	x	x	x	x		
Game reserves		x	x	x	x	x		x	x	x	x	x	x		
Lodges		x	x		x	x			x	x	x	x	x		
Hotels new & refurbs (chains/boutique)		x	x	x	x	x	x		x	x	x	x	x		
restaurants		x	x	x	x	x			x	x	x	x	x		
coffee houses		x	x		x	x			x	x	x	x	x		
pubs & clubs		x	x	x	x	x			x	x	x	x	x		
conference venues		x		x	x	x	x		x	x	x	x	x		
Casino				x	x	x	x		x	x	x	x	x		
time share		x	x		x	x		x	x	x	x	x	x		
RELIGIOUS INSTITUSION		x	x	x	x	x	x		x	x	x	x	x		
HEALTH															
hospitals			x		x	x					x	x	x		
clinics			x		x	x					x	x	x		
fixed & mobiles													x		
RETAIL															
chains		x	x	x	x	x	x		x	x	x	x	x		
local		x	x	x	x	x			x	x	x	x	x		
independents		x	x	x	x	x			x	x	x	x	x		
Malls		x	x	x	x	x	x		x	x	x	x	x		
franchises		x	x	x	x	x	x		x	x	x	x	x		
Retail groups		x	x	x	x	x	x		x	x	x	x	x		
GOVERNMENT															
Local		x	x		x	x			x	x	x	x	x		
Central		x	x	x	x	x	x			x	x	x	x		
Housing	x	x	x						x		x			x	
educations		x	x	x	x	x	x		x	x	x	x	x		
Tertiary		x	x	x	x	x	x		x	x	x	x	x		
Sports															
CORPORATE ACCOUNTS															
Banks		x	x	x	x	x	x		x	x	x	x	x		
Insurance		x	x	x	x	x	x		x	x	x	x	x		
Blue chips		x	x	x	x	x	x		x	x	x	x	x		
Air lines		x	x	x	x	x	x		x	x	x	x	x		
Private Education		x	x	x	x	x	x		x	x	x	x	x		
Automotive dealerships															
LEISURE															
Cinemas		x	x	x	x	x									
Sport stadia											x	x	x		
Sports clubs											x	x	x		
Theatre		x	x	x	x	x						x	x		
Health clubs			x		x	x						x	x		
DEVELOPERS															
residential	x	x						x	x		x			x	x
commercial		x	x	x	x	x	x		x	x	x	x	x		
CUSTOMER SEGMENTATION															
direct residential	x	x	x		x	x		x	x	x	x	x	x	x	x
direct commercial		x	x	x	x	x	x	x	x	x	x	x	x		
BUY GROUPS															
Carpet & Décor Group	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
John Dore Group	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Top Carpets Group	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
CHAINS	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Massmart	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
WHOLESALERS	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Likewise	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Carpet Brokers	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Wonder Flooring	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Architects	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Designers	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Specifiers	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

APPENDIX E: Language confirmation letter

Stephanie Mostert
Editor and Proofreader
BA Hons. (English) Cum Laude, NWU
MA (English), NWU

20 November 2019

EDITING CERTIFICATE

Mr J. Hofmeyr

This certificate serves to confirm that I am a qualified and certified editor and translator. I confirm that the Master of Business Administration mini-dissertation with the title **A STRATEGIC ANALYSIS OF THE SOUTH AFRICAN SOFT FLOOR INDUSTRY SUPPLY CHAIN** has undergone a professional language edit (including the checking of spelling, grammar, register and punctuation, as well as cross referencing and references). The onus rests on the client to work through the proposed changes after the edit and accept or reject these changes.

Yours faithfully

Stephanie Mostert