

Marketing Analysis for a Footwear Company– Part 1

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ABSTRACT: *The purpose of this paper was to conduct a marketing analysis of a Footwear Company in Durban, South Africa. Environmental analysis tools such as PEST and SWOT were utilised in order to identify the factors that can impact the performance of this company. Porter's five forces that shape industry competition and consumer behaviour and decision making was also explored. The significant findings revealed that the Footwear Company is susceptible to threats from larger international brands and its market share is dependent mainly on the population of South Africa. A marketing plan to address these threats will be presented in a future paper.*

KEYWORDS: marketing, analysis, footwear, company

INTRODUCTION

This first paper will critically evaluate the current marketing strategy of a Footwear Company in the city of Durban, South Africa by undertaking a market analysis using environmental analysis tools such as PEST and SWOT in order to identify the factors that can impact the performance of this company. Porter's five forces that shape industry competition and consumer behaviour and decision making was also explored. This Footwear Company specialises in the designing and manufacturing of genuine leather sandals and shoes. It was established in 2001 because of the need for locally designed footwear that was upmarket, trendy, and exclusive, and because many existing outlets deemed it too risky to stock large quantities of locally designed footwear. The company is therefore unique in that it stocks an extensive selection of different local footwear, that is unmatched by other outlets. The company is backed by leading South African fashion designers that also serve as ambassadors to the brand and local celebrities are recruited to provide endorsement to aid sales and increase market share. It is a medium sized business with small suppliers in Durban, South Africa. There are plans in place to ensure that for a minimal fee delivery can be made to the customer's premise, which will be a change to the old practice of having customers pick up their footwear in-person from the store even when ordered online. Furthermore, there are also plans to expand the current customer base from mainly housewives to working professionals. At present, the

Footwear Company appeals to customers aged 45-60, but it is confident that its unique styles, shades, and quality of footwear can be marketed to attract a younger customer base.

CONSUMER BEHAVIOUR AND DECISION MAKING

Customer segments

The three customer segments applicable to the Footwear Company are geographic, demographic and behaviour patterns.

Geographic

The city of Durban has a population of 3 199 239 as of June 2022. The current geographic target is 2 175 543 which are employed of which 595 000 can be classified as high-income earners (World Population Review, 2022). A 30 miles radius is the target for the 24-hour delivery service for which there will be a minimal fee.

Demographic

The first spoken language in Durban is English in which approximately half of the residents speak. The other spoken languages are Xhosa, Zulu, and Afrikaans. Just over half of the residents identify as Black African. Almost a quarter identify as Asian, 15.3% identify as White, and 8.6% identify as Mixed. Zulus are the largest ethnic group. In terms of age, 38% of the people in Durban are below 19 years of age (World Population Review, 2022).

Behaviour patterns

The residents of Durban are fashion conscious, and attraction to local brands is not just a movement but a commitment towards supporting local, quality products (Naicker, 2017). The buying pattern analysis suggests that residents purchase a pair of shoes every few months (South Africa Footwear Market Report, 2022).

Value of Footwear Company for the customer segments

The Footwear Company is providing the market with a unique range of locally fashionable sandals and shoes. It has a wide selection of fashionable shoes in Durban. The central location helps to serve the needs of all people and demographics in Durban. The pricing is competitive and affordable for a working individual.

Current position of Footwear Company within the target market

The Footwear Company can respond to competitive threats from smaller companies but may find it difficult to compete with larger international brands because they can sell large volumes of footwear at a premium. The main competitors for the Footwear Company are Nike, Adidas, and Reebok.

METHODOLOGY

A marketing analysis using environmental analysis tools such as PEST, SWOT, and Porter's five forces.

PEST analysis

A PEST analysis is a measurement tool which is used to assess markets for a particular product or a business at a given time frame (Ho, 2014). PEST is an acronym for political, economic, social, and technological factors.

Political

The Footwear Company has a presence in the South African market since its inception in the city of Durban in 2001. It has also made some inroads within the African continent. The company has expansion plans to include the UK and Europe where the political systems are quite similar. The South African political system is largely stable, and its set-up involves democratic processes. The elected government is therefore unlikely to introduce impractical processes or impose unnecessary restrictions for businesses to follow blindly. Elections in South Africa take place every 4-5 years and to date the Footwear Company has not been affected by the elected political party.

Economic

COVID-19 and the rise in inflation worldwide have impacted the purchasing power of customers which has affected sales and revenues (Chetty, 2024). People began to lose their jobs, and many had to rely on their savings to pay their bills. The economic crisis in African countries contributed to a rise in manufacturing and labour costs thereby affecting revenue earnings for the Footwear Company.

Social

The Footwear Company has considered the lifestyles and spending habits of their target customers and has wisely capitalised on this knowledge. The company's famous slogan 'maximum comfort with a flair of style' adequately captures its fashion-conscious customer base. The increasing use of the internet in South Africa is now keeping pace with international trends whereby customers are beginning to shop online (Joubert and Erdis, 2019). The Footwear Company have seen an increase in sales through their online catalogue and have introduced changes to old practices of having customers pick up their footwear in-person from the store even when ordered online.

Technological

The Footwear Company has benefitted from the continuous advancements in technology and innovations within the footwear industry. With perforated technology the company has ensured that its footwear is not only more comfortable and provides better support but is also water-repellent and breathable by allowing for normal regulation of temperature. This not only creates a brand niche within the African market but also enables the company to market its products at a premium.

Porter's (2008) Five Forces Model

The five forces are a framework for understanding the competitive forces at work within an industry, which in turn drives the way economic value is divided among different industries (Porter, 2008).

Barriers to entry – High

In the footwear industry the loyalty to a brand is usually high. The footwear giants tend to dominate the industry and they reap significant economic benefits because of the volumes of products they can sell. This dominance can restrict entry and expansion for smaller or more locally focussed footwear brands such as the Footwear Company. The costs related to marketing and advertising for new entrants in addition to research and development costs make it difficult for them to compete with the likes of footwear giants such as Nike, Adidas, and Reebok.

Threats of substitutes – Low

The threat of substitution is low because it is not possible for high-heeled footwear to be replaced by sneakers or similarly replacing sneakers with high-heeled footwear. However, the footwear industry is not immune to counterfeit goods which is available everywhere (Cronje, 2022).

Bargaining power of buyers – High

In the footwear industry the options for customers to change to cheaper brands are endless, except where the customer has an extreme loyalty to the brand (Costa Filho et al., 2021). Access to the Footwear Company's products is easily available both in-store and online. The big footwear brands may dominate the price within the market, however they cannot do so by not considering the needs of customers. In this regard, millions are spent on market research, profiling customers, and understanding their patterns of buying. Therefore, the bargaining powers of buyers are high within the market.

Bargaining power of suppliers – Low

Footwear giants in the industry can ask for specific raw materials in which the suppliers must provide and comply with in order to maintain a quality product. The Footwear Company switches between suppliers as long as the materials are made locally. The power of supplier power is low, as most suppliers must provide materials at a competitive price otherwise, they risk losing business.

Rivalry among existing competitors – High

The competition between companies is high. Each company is dependent on the marking brand it creates. The Footwear Company has strong competition from the likes of Nike, Adidas, and Reebok despite its niche branding to the local market.

SWOT analysis

A SWOT analysis is a tool that can help analyse what a company does best now, and to devise a successful strategy for the future (Namugenyia et al., 2019). SWOT is an acronym for strengths, weaknesses, opportunities, and threats.

Strengths

Strong local brand

The Footwear Company has a strong local brand and presence in Durban, South Africa. The strong local brand has contributed to loyalty amongst its customers. Leading South African fashion designers serve as ambassadors to the brand and local celebrities provide endorsement to aid sales and increase market share.

Low production cost

Most of the products of the Footwear Company are manufactured locally in Durban and the surrounding areas such as Berea and Cato Manor. South Africa is a developing, third world country and therefore labour costs are low. Furthermore, the materials used to make the footwear are sourced locally and are relatively inexpensive. Thus, the combination of inexpensive material and labour costs allows the Footwear Company to produce its footwear at very low prices.

Diverse portfolio of brand

Although the Footwear Company brand is strong in South Africa, the company has a reputation within the African continent. This is mainly due to the growing online catalogue of the company which include women's, men's, and kid's collections. This diverse collection has laid the foundations for the Footwear Company to be a respected partner across the footwear industry.

Weaknesses

Dependent on the South African market

In the 2021-2022 financial year, over 80% of the Footwear Company ZAR 18 million (USD \$1.18 million) revenue came from the South African market (Dun and Bradstreet, 2022). Therefore, this places a very significant dependence on the South African market. If any significant developments occur to the South African market, it will leave the Footwear Company very susceptible in its ability to sell its products. This would significantly impact of the company's profit margins.

Solely footwear focussed

Although the Footwear Company has a diverse catalogue of footwear, it is still only part of the footwear industry. In this regard, the company has not diversified itself across other industries, for example clothing.

Opportunities

Growing and emerging markets

As the population in South Africa and around the world increases, the Footwear Company should capitalise on this growing market to increase its profits. As countries across the African continent and around the world become wealthier people will have more disposable income

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which creates an opportunity for the Footwear Company to enter these emerging markets and sell their products. This in turn will reduce its reliance on the South African market.

Threats

Increasing competition

The Footwear Company is competing in a very strong competitive footwear market with big international brands such as Nike, Adidas, and Reebok. These international brands have the financial resources to undertake large scale marketing campaigns which will allow them to seize any new opportunities quickly. The Footwear Company needs to thread very carefully to ensure that it is not lose out on potential revenue or even replaced by one of these international brands.

Dealing with counterfeits

The footwear industry is not immune to counterfeit goods which is available everywhere (Cronje, 2022). The Footwear Company must have a robust marketing plan in place to ensure sales of counterfeits do not impact their business model significantly. One core action is to take legal action with counterfeiters to encourage customers to buy the genuine product (Budeli, 2021).

CONCLUSION

The significant findings from the marketing analysis revealed that the Footwear Company is susceptible to threats from larger international brands. The company's market share is dependent mainly on the population of South Africa. There are plans to expand its online shopping presence which creates an opportunity to increase its customer base, however this will require investment and implementation of high-end technology. Therefore, a marketing plan and objectives needs to be set for The Footwear Company to sustain and improve it success and to meet the expectations of its stakeholders. The marketing plan and objectives will be discussed in a future paper.

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