

SECTION TWO: APPROACH AND METHODOLOGY

Approach

The research was located in a process of reporting and consultation with the industry and the Counterpart Group (CPG) reporting to the FRIDGE committee. Research took place in a phased manner, with various milestones achieved at the end of each phase. Use was made of primary (statistical analysis and interviewing) and secondary research methods (case work, desk research, secondary data review). This final report contains all the specified deliverables as contained in the Terms of Reference.

- **Phase One** focused on a review of existing research and literature, as well as statistical sources, to establish what is already known about the South African and global TDM industries. (Refer bibliography in Appendices). Once this review had been conducted, a gap analysis, highlighting key information gaps, was developed and presented. Major gaps were identified in the area of detailed skills profiles for the industry, as well as quantitative information pertaining to production and costs of production for the industry.
- **Phase Two** involved undertaking the detailed secondary and primary research required to address the brief. This involved further detailed desk research and the implementation of an industry wide survey, as well as high-level interviews with major end users and major industry players and stakeholders.
- **Phase Three** extended and concluded the research phase, and implemented the preliminary analysis required.
- **Phase Four** concluded the analysis, and developed strategic recommendations for the industry. These recommendations are verified at a full workshop with the CPG and the final report was concluded after this workshop, held on June 14th 2006.

Approach Detail

The current state of the South African tooling industry demands a comprehensive and pragmatic strategy; and the full commitment in of those who have to implement it successfully. The research, analysis and strategy formulation must provide the platform of information, which all the parties must action. This must cover identifying and profiling markets, production, technology, competition, quality, support services, policy issues and ancillary economic opportunities. The strategy should be demand driven and developed on the basis of:

- 1 Defined and achievable market potential;
- 2 The creation of a commercially sustainable supply chain that links manufacturers and markets; and
- 3 Empowering Small Medium Micro Enterprises (SMMEs)s and Black Owned Enterprises (BOEs) to effectively participate in this sector so that the market works for them and enables them to generate reasonable and secure returns.

At the outset of the study it was considered particularly important to understand and map the industry value chains, through manufacturers and intermediaries, to the customer. This was undertaken in order to: define existing linkages, identify the real power structures and other relevant stakeholders and pinpoint the key aspects of the enabling environment. In order to influence the development of the industry and its markets, and to influence how these operations can be modified to encourage market development while still maintaining profitability and business growth within the sub-sector, it was necessary to understand how the economic and social infrastructure, the network of supplier firms, and the leading businesses and customers operate.

Analysis of existing clusters, where these existed (such as in the Eastern Cape, KZN and Gauteng) was important in analysing opportunities to add value and improve competitiveness of the sector. The competitive influence of new entrants and substitutes also needed to be taken into account. Mapping of the chain highlighted any regulatory barriers, economic pressures, social and skills issues and technology questions that need to be addressed.

The TDM supply chain is further comprised of sub-value chains involving the various players in the industry. The aim should be to move the industry SMMEs up the various value chains to the optimal (not necessarily the final) point in the value chain by removing access barriers and creating linkages.