

Cape union mart: digital transformation and customer experience during a crisis

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1. Introduction

In September 2020, Grant De Waal-Dubla watched as the boxes were loaded into the yellow delivery van. From the distribution centre (DC) in Montague Gardens, an industrial area in Cape Town, the courier would deliver the new backpacks, hiking boots, sun hats and other outdoor clothes that had been ordered from Cape Union Mart to customers across the country. Those living in the city would receive it within a day, and customers in remote areas would have it in less than a week. They would be ready to explore the mountain or bushveld in the coming summer holidays. As an executive of e-commerce and information technology (IT) at the Cape Union Mart Group, it was De Waal-Dubla's responsibility to make sure that they were happy with their online purchases – and he had no doubt that they would be delighted. He marvelled at the progress that the organisation had made in the past eight months. South African consumers had always been slow to adapt to online shopping, but the Covid-19 pandemic had left them with no choice. At the Cape Union Mart Group, the contribution of online sales to the Group's revenue increased from 2% to almost 7% (Exhibit 1) [1].

However, the journey had not been easy. Just a few months prior, the DC was in a much different state. No one was allowed inside due to Covid-19 lockdown regulations. Meanwhile, consumers were ordering more than ever before, causing an enormous backlog. De Waal-Dubla remembered sitting at his temporary makeshift office at home, doing the calculations and realising that chances were slim that all these orders would ever be fulfilled. How would they be able to pack as many orders as fast as possible once they were allowed to go back in? How would they handle the complaints from customers? How would they convince their colleagues in other departments to prioritise their e-commerce responsibilities?

Yet, the company had overcome these challenges only to find that there were new issues to face. As a result of the lockdown, they had already reached the turnover target for e-commerce for the 2020/2021 financial year. Based on this success during the pandemic, Philip Krawitz, the owner and chairman of the company, then set a new target for e-commerce. Mr Krawitz now had high expectations. They had to grow their e-commerce turnover by another 20% by the end of the financial year in March 2021 [2]. De Waal-Dubla took his phone from his pocket and started typing a name with his thumb.

Belinda, he said when Belinda Knol, the head of e-commerce, answered the phone.

I am driving back to the office now from the distribution centre. Can you meet me in my office in 20 minutes, please?

They had to devise a strategy to increase their revenue – and fast. Not only was there the challenge to increase the turnover, but how would they be able to maintain customer

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service levels with the increased volume, and avoid another “Black Friday[3]” and increasing complaints on Hellopeter [4], that could damage the reputation that had been built up online?

2. Background

Cape Union Mart was founded in 1933 by the late Philip Krawitz. It was a general dealer that sold anything “from the proverbial anchor to the toothpick” [5]. The shop was in a small street in Cape Town, close to the main shopping streets of the time, such as Plein Street and Adderley Street [6]. His son, Arthur J. Krawitz, served in the Second World War and when he came back from the war, his father was sick and the business was small and struggling.

Arthur realised that to be successful, he would have to find a niche. Otherwise, why would people leave Plein Street and Adderley Street to visit his store? Cape Union Mart started selling products that were difficult to find anywhere else. In summer, he sold winter clothes to South Africans preparing for trips overseas. He sold equipment to passing fishermen and he sold gumboots, oilskins and jackets to the whalers. As Arthur’s surname was difficult to remember for many, he was called “Mr K” and because he liked things being done his way, employees talked about doing things “Mr K’s way”. For Arthur and his wife Clare, it was important that friendliness and family-ness could permeate right through to their customers. The company thrived.

Mr Krawitz, the current chairman and grandson of the late Philip Krawitz, came into the business in the 1970s. Under his leadership, the company decided to refocus on the outdoor market, which was growing in South Africa. Their focus was specifically on clothing. This strategy was challenging as local manufacturers could not produce to their exact requirements, and to import would require them to buy large quantities. In 1983, it was decided that the problem should be addressed by buying a small manufacturer [7]. They named it: K-Way.

Not only did the factory achieve the objective of manufacturing clothing that could compete on a world stage but it also contributed to job creation. Mr Krawitz believed that fortunate people like himself had an obligation to contribute to the reduction of unemployment in South Africa.

In 2011, Andre Labuschagne took the helm as the first chief executive officer (CEO) outside of the family. After an extensive search for the best person, Labuschagne was appointed by the Krawitz family. Mr Krawitz was still the chairman of the company and the family, including two of his daughters, functioned as the board. Labuschagne was an accountant and a previous CEO of the South-African retailer Pep stores, but what really landed him the job was his coaching experience, his focus on people and the alignment of his values with the family’s values. Mr Krawitz wanted his family to be remembered for what they gave back to society.

By 2020, the Group employed 3,600 people and had more than 300 stores in South Africa, Botswana and Namibia. Cape Union Mart was still the largest chain. The second-largest chain was Old Khaki, a casual clothing brand for men and women that was launched in 2005. Poetry, a lifestyle brand for women, was launched in 2009. Tread + Miller, an urban footwear brand, was launched in 2015 [8]. Keedo, a kid’s clothing store, was acquired in 2016 and was the smallest of the chains [9].

3. Increased demand for e-commerce

3.1 Prologue to the pandemic

When De Waal-Dubla started at the Cape Union Mart Group in 2004, the company had only one chain – Cape Union Mart – with 27 stores. De Waal-Dubla joined the company as an accountant in the finance department. He soon moved to the IT department, was promoted

Figure 1 The logos of the five retail stores in the Cape Union Mart Group



a number of times and in June 2019 he was appointed as an executive of IT. He worked closely with Amanda Herson, one of the Krawitz daughters, who was executive of e-commerce. When it was announced that Herson would leave her executive role in March 2020, it made sense to combine the two roles, and De Waal-Dubla became the executive of both divisions. In addition, the team at the online DC also reported to him, bringing the total number of employees in his reporting line to 85.

What De Waal-Dubla's colleagues mentioned first when they spoke of him was his passion for his job. De Waal-Dubla attributed his long tenure at the company to the fact that he always had the opportunity to grow. The company had also grown from one chain to five in the past 16 years. As the company was not listed and it was still a relatively small organisation, employees had autonomy and were allowed to make decisions.

"The other part that excites me is that we are a niche business that can move quickly," De Waal-Dubla said.

This sentiment was echoed by Thomas, the executive of marketing.

As a senior leader, you get a lot of autonomy. We are really given so much scope. We are entrepreneurs in the business. The culture here is to do something quickly, fail and learn. To just pick up the pieces and go.

When De Waal-Dubla was appointed as an executive of IT, he realised that it was time to refresh the company's systems. He set out a roadmap for the upgrade that would take until 2022 to complete. Seamless integration of the IT systems across the various parts of the business became a necessity because the business was growing [10]. When the Covid-19 pandemic hit South Africa in March 2020, the Group was in the middle of moving their entire IT backbone to various cloud services. These systems would allow end-to-end reporting so that the Group could gain better customer insights and better visibility on its inventory.

They decided to opt for cloud software as a service, and for off-the-shelf software. Therefore, when the software was upgraded, Cape Union Mart's software would be automatically updated as well.

"That means we can move faster", De Waal-Dubla said. Technology was the forte of software companies, and it was important to use the best technology to support the business.

But what must differentiate us, should be our product and our customer service – not our technology.

De Waal-Dubla thought back to the beginning of 2020. All the customer-facing parts of the technology, including the CRM (customer relationship management) system, had been successfully implemented by the end of 2019. There were two big priorities for 2020. The first priority was the websites. In the first half of the year, the five retail stores' websites

would be moved to a new service platform, and integrated with the new CRM and other customer-facing technology. The redesigned websites would also be launched.

The e-commerce team would work with other teams to show more products online, with better photographs and more detailed product information. For a product to be shown online, many different pieces of the puzzle had to be in place. The merchandise team had to give the online DC stock, there had to be a picture of the product and the product description had to be complete.

E-commerce is very demanding in terms of what information we need from merchandise teams," said Knol. "You can put a product in the store, and a customer can come in and pick it up and walk to the till. The fact that the label says its black, while it is actually white, is irrelevant because you are holding it in your hand. But on the website, if you tell someone it is black, and they order it, and it is white, it is a little bit of a problem when they are getting it because they are not getting what they are expecting. And so the attention to detail in the information that gets captured and information that gets shared is really important.

The second priority, De Waal-Dubla remembered, was to move the DC and merchandise systems to the Oracle Retail Cloud and to integrate that with the rest of the IT backbone. This was expected to be the hardest part of the project ([Exhibit 2](#)).

3.2 Unprecedented times

The websites were due to be rolled out at the start of 2020.

"In January, we had a few stumbling blocks in the testing phase of the websites. We had to make a few changes and postpone the piloting of our first site to the first week of March," De Waal-Dubla said.

When this decision was taken, the pandemic was already spreading to Europe and the UK [11], but it was not yet clear how severely South Africa would be affected.

"At that point, we thought it wouldn't really impact us that much, as the previous diseases didn't really impact South Africa," De Waal-Dubla said.

They decided that the websites would go live in March and April so that they could be stabilised in May and June. In July, the merchandise and DC management systems would be moved to the Oracle Retail Cloud.

However, then came the curved ball.

"When we realised that things were going to decline quickly, we resolved that we were going to have to fast track the websites," said De Waal-Dubla. *"We decided, 'Let's work a few late nights and push this out.' They weren't perfect. There were definitely things that we would have done differently – but they were live."*

Keedo went live first, as it was the smallest website. After that, Poetry, Tread + Miller and Old Khaki went live. Cape Union Mart, the most profitable of the websites, went live on Monday 23 March. That evening, President Cyril Ramaphosa announced a national lockdown starting at midnight on Thursday 26 March 2020 ([Exhibit 3](#)).

"Normally," said Knol, *"you would launch a new system or a new website, and you would give it a couple of weeks to stabilise quietly."*

Any issues would be sorted out before customers were told about it. However, this time was different. All stores were going to be closed for the lockdown, and they only had three days to try to make up for some of the revenue that would be lost. It was decided that Cape Union Mart, Keedo and Old Khaki would offer sales of up to 30% off all home brands. Cape Union Mart knew there would be good traction. The sale ran online for the three days before

lockdown. *Customers went crazy, Knol recalled. Absolutely crazy. Our growth was insane. We had so many orders.*

People worked around the clock, from home, to make sure that the business stayed afloat. The biggest motivator for this was the philosophy of their chairman, Mr Krawitz. *Saving jobs and saving families has always been at the very core of what he does. So, you know, for him, we just fought,* said Thomas.

The lockdown imminence meant that all the stores would be closed.

“With all the stores closed, we have to generate as much money as possible from e-commerce to pay salaries and costs still,” De Waal-Dubla reckoned.

3.3 The lockdown

Cape Union Mart managed to deliver a third of the orders before the lockdown started, and the DC had to close. Sales continued to run for the next three weeks. Usually, online orders were fulfilled by the e-commerce DC. However, because this stock would become depleted quickly, a decision was taken to make stock in the main DC also available for online purchases. Meanwhile, the orders were building up and no one could get into the DC to start packing the orders.

“I started running reporting around how much we were able to fulfil on an average day in the previous year, and how many orders we had and how many days that would have meant to catch up,” De Waal-Dubla said. *“The first time we did the calculation, we were tracking about two months behind what we would have been able to deliver, and that just kept getting worse and worse.”*

To save money, the marketing budget was significantly reduced. As a result, no advertisements were placed in traditional media, whilst only a small cut was made to the digital marketing budget. The digital marketing team continued with their campaigns as planned, but changed their message.

“We were no longer trying to drive traffic to stores. Our messaging became more about inspiring and less about the brand. There was obviously an opportunity for us to connect with people on a different level, and people needed to feel that they were not in this alone,” said Thomas.

It was difficult to find the right tone because, on the one hand, they did not want to be perceived as taking advantage of the situation, but on the other hand, they were under pressure to sell products so that the business would stay afloat. Every message was assessed by the marketing team to see if it was adding value to the customer or if it would have been perceived as “tone-deaf”.

“We didn’t want to do things that we were not allowed to do, but at the same time we wanted to do as much as we could to help the business,” said Knol.

It soon became clear that the lockdown would last much longer than the initial three weeks. On 9 April 2020, it was announced that the lockdown would be extended until the first day of May. A phased approach to the reopening of the economy was adopted, and there was much uncertainty about what retailers would be permitted to sell and what not.

As an example of the confusion, on Friday 10 April, the following exchange took place on Keedo’s Facebook page:

“Hi, will your store be open on Monday?” wrote Sphephelo Shange (Shange, 2020).

“Hi Sphephelo, thank you for your inquiry! We cannot wait to get our baby clothes into the hands of our loyal customers. Please know that we are currently working hard to understand what is possible to make sure we look after all our customers and all those in our supply chain. Sadly, we will not be opening during the lockdown. Government has clarified that the

exception for baby clothes is only for those stores that are currently open for the sale of other essential goods. We look forward to serving our customers very soon”, replied Keedo (Keedo, 2020).

In disappointment, Sphephelo Shange responded.

Thanks, Keedo. My 24-month-old baby needs winter clothes. This is sad. Hopefully, Covid-19 will end soon. Our snookums need warm clothes, and I only trust Keedo clothing (Shange, 2020)

Whilst the e-commerce and marketing teams were trying to save the business by getting revenue from online sales, other departments were trying to save the business by cutting costs. Part of that was negotiating temporary rent relief in line with the industry norm. When the sale of baby clothing was permitted on 9 April, it would have been technically possible to get some staff into the DC to start packing those orders. However, the decision was made to wait until the initial rent relief negotiations had stabilised.

“De Waal-Dubla was the one saying: ‘We need to open the DC [12]! We need to open the DC,’ Thomas said.

In the end, the DC was only opened in the last week of April. That gave them a week to prepare for the day that they were finally able to start delivering some goods.

3.4 Black Friday in May

On 1 May, retail stores were permitted to open and sell a limited variety of goods, such as winter clothing and bedding. It was the first time that people could go shopping in physical stores, and the physical stores did reasonably well, according to De Waal-Dubla. However, the online store experienced an unprecedented increase in orders. Many consumers avoided the malls and decided to order what they needed from online stores.

“We ended up doing more online that one day, on 1 May, than we did on Black Friday the year before,” De Waal-Dubla said.

In fact, it was their biggest single day of online sales in the history of e-commerce at Cape Union Mart.

That just compounded everything. By that time, we had literally started picking orders from March, and we suddenly had our biggest day ever on the first of May.

3.5 More delays

Two more obstacles added to the delays. The main DC did a stocktake just before the lockdown. Due to the lockdown, the result of the stocktake had not yet been fully consolidated with the system. This caused the e-commerce store to sell stock during the lockdown, which was not actually available. These orders were later refunded to customers.

Courier capacity was also limited, as courier companies were overwhelmed by the number of orders due to backlogs from all their clients during the lockdown. There was also a curfew in place, which reduced the number of hours they were allowed to work. Courier delays added up to two weeks to the already delayed delivery time at Cape Union Mart. This added to customers’ frustrations, as Cape Union Mart would send customers a message when their package was picked up at the DC by the courier, but then delivery would be delayed on the courier’s end and customers would not receive communication about that.

A Poetry customer wrote on Facebook on 4 May,

I am really disappointed with the service I am getting from your courier company. I was on the phone four times yesterday, holding on for more than 45 minutes! I keep getting a message that delivery will take place and then a message saying ‘Contact not available, unsuccessful’. Today,

the message said 'Unavailable businesses.' It is a home address! I have been waiting for more than a month. I know it is lockdown, but this is ridiculous (Erasmus, 2020).

Packages were also lost due to hijackings. *Hijackings had become unreasonably high in comparison to previous years*, De Waal-Dubla said. *Courier company vans are guaranteed to have something in them that can be sold.*

Cape Union Mart decided to switch to another courier company, as the company they had been using had other clients that sold highly valuable goods and was a particularly high target for hijackings.

"We had to get out of their vehicles. We were collateral damage," De Waal-Dubla said.

4. Response to the pressure

4.1 Over the mountain

After "Black Friday in May", De Waal-Dubla realised that there was no way that they were going to be able to deliver all the orders. They decided to limit the stock that they showed in their online store to decrease the number of orders they were receiving. Stock from the main DC was also not shown online anymore. They also added a red banner on all their websites to communicate that delays should be expected. In some cases, it was decided to simply refund customers who complained about the delay. Around 10% of all orders received during the lockdown were refunded, including customers who ordered stock that was not available and packages that were lost by the couriers. Despite their attempts to reduce the number of orders, the volume that came in per day was still more than the volume they were able to pack per day. They had to do more.

At the time, they had five fulfilment pods in the DC – one for each of the retail chains. At each pod, the stock would be picked and processed manually. They had already bought scanners to speed up this process and the plan was to start using the scanners when the system was changed to Oracle in July. To speed up the picking process, De Waal-Dubla decided to start using the scanners with the old system. The vendor of the old system came in and helped to onboard the team to using the scanners with that system. The team was also enlarged from 11 to 40 staff members. For two weeks, employees from the stores and the main office, who could not go to work yet due to lockdown regulations, were used to supplement the DC staff. The staff were divided into two teams who worked in shifts – the Springboks and the Proteas [13].

The distribution pods were increased from five to 14. Finally, they were able to start clearing the backlog. De Waal-Dubla estimated that they would be up to date by 15 July. It was decided that Cape Union Mart would be prioritised so that customers could buy online from Cape Union Mart for Fathers' Day on 21 June.

4.2 Customer complaints

But, by this time, customer complaints were all over social media.

"I asked to remove a non-essential item, so I can get my boots and coat. I got an email saying sorry, we don't do that. Then I asked about cancelling my order, and I've had no response. Poetry Stores were greedy and kept selling without enough stock or delivery. I ordered clothing from Superbalist last week and got it in three days. Takealot delivers within two days. This is unacceptable." (Ferreira, 2020)

Poetry customer (Facebook, 9 May)

By the second week of May, there were 17,000 unanswered e-mails in the customer service inbox. Whilst some customers were understanding, many turned to the individual brands'

Facebook and Instagram pages, as well as the customer service website, Hello Peter, to voice their frustration. On 4 May, a Poetry customer wrote on Facebook:

I have been trying to get hold of someone from your customer services department. I have sent three emails, but have not received a response. I have placed an order online, and the funds were deducted from my account, but there was no order confirmation or order number sent to me. Please can someone get back to me to let me know what is going on? (Gonsalves, 2020a)

The same customer received her package the following day and turned to Facebook again. *I got my first lockdown delivery today, from all the way back in April. I really appreciate a gift to me, from me, from what feels like months ago! Thanks so much and good luck with the rest of the deliveries* (Gonsalves, 2020b).

Some supportive customers also started defending the company against the complaining customers, saying they should understand that everyone was going through a hard time.

“Like the Poetry consumer, some of them would get upset. But because there is such a love for the brand, other people would protect us,” De Waal-Dubla said.

It was Cape Union Mart’s policy to never hide comments unless they were spam.

“But the problem is we had 30,000 negative mentions within three weeks because it just spiralled. It was amazing how many consumers, when they placed an order on the first of May, in their mind, it meant that they were getting it in the normal three to five days.”

Knol said, *I think they were actually frustrated with Covid in general and this was a place for them to moan.*

“Customers were annoyed that they were in lockdown, and they had to do this. You know, you find pleasure in shopping online and then you don’t get your order. It ruins it for them. You’ve also got to kind of empathise with that side of the customer,” said Thomas.

The employees felt heartened by the support they received from some customers, but what could be done about the continuing stream of complaints?

Another Poetry customer wrote on Facebook on 6 May,

So disappointed with your customer service! It is one thing having a backlog of orders, but you are blatantly ignoring your customers! Not even an auto-reply! (Van der Westhuizen, 2020)

On the same day, a Cape Union Mart customer commented:

So disappointed. I placed an order weeks ago, and people who have placed an order a few days ago have already received their parcels. I wanted to cancel my order and rather go into the store, but you are truly rubbish at replying to mail. I will NEVER support your company again! Disgraceful. (Rhodes, 2020)

4.3 The customer service desk

De Waal-Dubla asked Janine Bezuidenhout, head of the IT service desk, to take on the position as head of the customer service in addition to her IT service desk role. When she jumped in to help in the second week of May, there were 17,000 unopened e-mails. Her team of six agents were overwhelmed, so she asked for help from other departments. The team was supplemented with 10 additional employees from the human resources department, payroll and the buying department.

“It took us two weeks to get through 17,000 emails,” Bezuidenhout said.

In addition to supplementing the customer service team, Bezuidenhout also ensured that a dashboard was created where progress with queries could be tracked. At its height in June, the ticket resolution time was almost 12 days. This was gradually brought down to less than

four days in July and less than two days by September. The customer service agents came back to work on 25 May and the phones were switched on.

She became aware of how difficult it was for the customer service agents to get the correct information to provide fast and clear feedback to customers. Bezuidenhout met with the heads of departments and explained to them that they had to respond to the customer service agents when they came looking for answers – and they had to do it promptly. *They had to come to the party and help us to help our customers*, she said.

The challenge was compounded by the fact that there were no systems in place to allow the company an overview of the entire journey of the package from the DC to the point that it was delivered by the courier – a third party. The digital marketing team assisted by extracting customer data manually for people that ordered within a specific range of dates, but had not received their orders yet. These customers received messages from the marketing team, explaining that their orders were still coming. However, as there was no granular data about exactly why the order had not been delivered yet, the messages were vague. The messages were sent with the intention of only letting customers know that the company understood that customers felt let down.

When the DC refunded customers, customers would phone the customer service department to find out why. The customer service agents had no way of knowing why customers had been refunded and had to tell customers that they would find out. Some customers got angry and asked, *Do not you know your own company?*

As there was no shared system, the DC was encouraged to send the customer service team a message when a customer was refunded so that the customer service team could notify the customer before the money was reflected in their account.

“Those kinds of comments go home with you,” said Bezuidenhout. *“It actually affects you personally. The longer I’m doing it, the more I realise that thick skin is definitely the word.”*

However, still, the company was dealing with many unknowns.

“Covid-19 threw us in the deep end with no floaties, no snorkel. You literally just had to figure your way out. And that’s what we did,” said Thomas.

4.4 Crisis is also an opportunity

In the past, the merchandise teams were “nervous” about giving the e-commerce store stock because they were not sure if it would be sold, according to Knol.

“When Covid came along they couldn’t sell in stores, so they gave us a lot of stock. And we sold it.”

Employees who had not bought online before also started shopping online, and we gained a better understanding of what kind of information and experience customers wanted from an online store. As a result, there is now an improved understanding of why the e-commerce team asks for detailed product information.

“The process of making sure that everything has a photograph is also taken more seriously now because they realise that the stock is going to sit in the distribution centre and no-one can buy it because they can’t see what it is.”

E-commerce is, by nature, cross-functional, Knol explained. She has always spent much of her time working with the IT department and the marketing department in particular, but sometimes also the merchandise teams and DCs.

“You are completely dependent on other people doing what they are doing. If a product does not get photographed, it can’t be put online. If there is no product information, it can’t be put online. If there is a system issue, it can’t be put online. And we are held accountable for sales

online. Following up and making sure that other departments are going to deliver what they need to for e-commerce, has always been very important.”

An executive task team from different departments was set up to attend to how the relationship with customers should be managed, and this team met daily. The benefit of working in cross-functional teams was that they could make changes and adjust their plans very quickly. De Waal-Dubla found that the colleagues who understood the urgency of the matter were easier to work with. Whilst considered decision-making was required in normal circumstances, the crisis required rapid response.

The experience made it clear to Thomas that e-commerce depended on streamlined systems and processes.

“The beauty in it was that we thought we were only going to get to this point in e-commerce in a few years and what Covid did was it accelerated us getting there,” said Thomas.

5. South African context and competitors’ response

The pandemic and the lockdown had two serious consequences for retailers, namely, revenue declined significantly and large numbers of South African consumers made online purchases for the first time. These pressures had to be dealt with in a constantly changing environment. For the first nine weeks of the lockdown, communication around what retailers were allowed to sell was ambiguous. At first, only “essential goods” were allowed. It was not clear what was included in this category. The food retailers Woolworths, Pick n Pay and Checkers sold food, but Woolworths did not sell magazines, Pick n Pay did not sell toys, appliances and do-it-yourself products and Checkers did not sell stationery [14]. From 1 May, retailers were allowed to sell “winter clothing”. Two weeks later, the definition of “winter clothing” was clarified by the government. The definition included t-shirts, but only if it was “promoted and displayed as undergarments for warmth” and “crop-bottoms” but only if worn with leggings [15].

Retail sales were 49.8% lower in April 2020 compared to April 2019 (Exhibit 4). Rent was typically 10% to 15% of costs for retailers [16]. The retail clothing groups, The Foschini Group (TFG), Truworths, Mr Price Group, Woolworths and Pepkor, offered to pay 20% of their normal rental in the period that they were not allowed to trade [17]. TFG, Truworths and Woolworths’ clothing departments are regarded as close competitors to Cape Union Mart’s clothing stores. These stores also continued trading during the lockdown, with no deliveries and experienced tremendous growth in e-commerce.

By the end of 2018, online represented only 1.4% of retail. Before the pandemic, online retail was expected to represent 2% of total retail in South Africa by 2022 [18]. As a result of the pandemic, 29% of South African respondents in a Nielsen survey said they were doing more shopping online during the pandemic than before the pandemic [19]. Due to the overwhelming demand, delivery times were extended by at least two to three weeks.

According to a report on South African customer experience, other pain points reported by customers were a lack of online help, insufficient product descriptions, slow websites and apps and high delivery fees [20].

TFG reported a growth of e-commerce turnover of 88% in April and May 2020, compared to the previous year [21]. In the period from April to August, e-commerce turnover increased by 29.7% compared to the same period in 2019. When the company was allowed to start delivery orders from May, they notified customers with a banner across its website that delivery of online orders would be delayed. Customers with unresolved queries resorted to the independent consumer complaint website, Hellopeter. Complaints in June and July included grievances about late deliveries, orders being cancelled due to unavailability of stock, payment not being refunded immediately, call centre staff being unable to assist and a lack of communication.

Woolworths Fashion, Beauty and Home reported online sales growth of 41.3% from January to June 2020, compared to the same period in 2019 [22]. As with TFG, complaints on Hellopeter included late deliveries and unavailability of stock. Their return policy was criticised by some customers. Customers who ordered online had to return clothes that did not fit to physical stores [23].

South Africa's largest online store, Takealot, which traded exclusively online, was allowed to sell "essentials" such as food and hygiene products during the first part of the lockdown but also experienced delays when they were allowed to sell more products. There were complaints about delays in deliveries, slow response times to customer queries and cancellation of orders [24]. Instead of refunding customers, their accounts were credited. Takealot chose this strategy because the store credit can be allocated immediately. Although credit card refunds are processed immediately, funds are only reflected in the customers' accounts after several business days [25].

Yuppiechef, which was regarded as the gold standard of digital customer experience in South Africa, experienced delays of 7 to 14 days [26]. Yuppiechef sells mainly cookware and kitchen equipment and continued selling these goods during the lockdown with a promise that they would be delivered when the lockdown was over [27]. It also expanded its products to include more of what was listed as "essential" during the first part of the lockdown. The company apologised about the delays to customers with an explanation on their website and on Facebook.

Julia Ahlfeldt, a certified customer experience professional, said that companies that were agile and responded quickly fared the best. Some companies could not respond quickly because their systems were old.

"In the past, many businesses treated e-commerce as a strategic afterthought. Investments and decisions that may have been made long in advance, impacted their ability to be agile," (Ahlfeldt, 2020) she said.

Some organisations were more prepared because their systems were newer and could be changed. Some industry experts believe that 5% of purchases now happen online. However, according to Ahlfeldt, up to three quarters of the customer journey could have happened online.

"Good companies are now recognising that 'online experience' and 'in-person experience' isn't an 'or' – it is an 'and'," (Ahlfeldt, 2020) said Ahlfeldt.

Kerry Littlewood, a digital transformation expert, said that many of the large retailers had legacy systems in place when the pandemic hit.

"To change that, is a massive challenge for the large retailers," (Littlewood, 2020) she said.

Another challenge was to recognise that digital transformation was about more than just new technology. It also meant new business models, new operating models and finding new revenue streams.

6. Current situation at cape union mart

6.1 Growth and targets

When the lockdown was over and the backlog had been cleared, the company could pick up the trail again where it had been interrupted in March. They continued with their plans to use the new systems to improve reporting and ultimately improve the customer experience. However, this time, they were going to take a slightly different route. For one, they had more tools at their disposal and more employees had an appreciation for e-commerce and its unique opportunities. However, their financial targets were higher and the expectations from customers had changed.

The new financial year started in April, and it became clear early on that the e-commerce turnover for the 2020/2021 financial year would far exceed the original goals for that year. The turnover for the first six weeks of the lockdown was equal to the turnover from e-commerce in the entire previous year. E-commerce was expected to contribute 7% to the total revenue of the business for the year. It was up from 2% in the previous year, but the owners were convinced that e-commerce could contribute even more by March 2021. And so they had set a new target – e-commerce would now have to contribute 8.4% of the total revenue.

“It is quite a large number,” said De Waal-Dubla “The big driving force for me now is to think of ways to get that through new growth, rather than organic growth.”

De Waal-Dubla knew that to keep the momentum, the e-commerce offering had to improve further.

“Where my responsibility lies now, is understanding how you do online differently. It is not just another store that you sell stock in.”

6.2 Friends and family

The Group re-launched their Friends and Family programme at the end of October. It was a loyalty programme that was focussed on retention.

“We want to retain customers and increase their basket size,” said Thomas.

The programme allowed the Group to collect customer information to build and enrich their customer database.

“At the moment, our role in marketing is being ‘the informed’. We have a big drive to build our customer database so that we can be ‘the informers’ that will drive merchandise decisions.”

The purpose of the programme was to encourage loyalty by giving exclusive offers. The first offer was R200 off at each of the stores for all existing and new friends and family members. Delivery for online orders was also free for members. Thomas’ marketing team planned to offer experiences such as hiking events for Cape Union Mart customers or styling events with a well-known stylist for Poetry customers. These events would be free for customers. With an enriched database, it would be increasingly possible to offer discounts and experiences that were highly relevant to individual customers or segments of customers.

6.3 New technology

De Waal-Dubla believed that the new technology would set them apart from competitors. The technology was world-class, and it was on a standard upgrade path, which meant they did not need a big IT department.

“My team becomes business enablement instead of IT specialists,” De Waal-Dubla said.
“Because their responsibility is more about making sure that we get the best out of tech rather than putting it through testing and development phases.”

The integration with Oracle would improve their merchandise insights. This would enable them to speed up the process of getting the right product to the customer. There were now three clouds, namely, the marketing cloud, the service cloud and the commerce cloud. In theory, these three clouds should talk to each other and provide a 360-degree view of the customer. In the past, it was a very labour-intensive process to extract customer data from different platforms and collate it in a way that would make sense.

The benefit of having the two local factories in Paarden Island and Ottery was that products could be changed quickly according to customer demands. For example, Poetry used to

sell dresses for special occasions, but that became obsolete due to the pandemic. What people needed were comfortable clothes to wear at home. When goods were imported, it took up to six months from the time that a dress was designed to the point where the customer got the dress. The dresses that were made locally in Paarden Island could be changed from being fitted dresses for special occasions to softer dresses that were comfortable to wear at home.

Another improvement that De Waal-Dubla was excited about was the new cameras that were bought to photograph clothes for e-commerce. In the past, the cameras had to be set up each time they wanted to photograph something. It was a challenge to get consistency in terms of how far the object was placed from the camera and to get exactly the same lighting. The new cameras allowed them to store the settings for a specific type of product, such as dresses, handbags or shoes. Anyone could go to the camera room, press the setting that was stored for “poetry dresses”, for example, and would get photos that were exactly consistent with all other photographs for Poetry dresses. This would also allow them to shoot more images, and customers would be able to see the products from all different angles.

6.4 Current issues

One of the immediate challenges for the e-commerce and marketing teams was to create a seamless customer experience. If, for example, a mailer was sent out, it was important that the customers saw what they expected to see when they clicked through to the site. If, for instance, the customer expected to see a particular dress, they should not land on the page with the entire new summer collection. Another example was photography. If the images were shot for a marketing campaign, the lighting was different from the lighting that was used for the “mugshots” for the websites. Customers ended up seeing the products in slightly different colours in the mailer and the website. The product information also needed to be sufficient and there needed to be enough stock available.

The communication between the DC and the customer service team had improved but could improve even further. Ideally, if a customer had to be refunded because the item was out of stock, the customer service team should have had the opportunity to source stock from the store before customers were refunded. This process was expected to be automated.

Collaboration with the e-commerce team, in general, could also improve, according to Knol.

“There is a lot more collaboration in the sense that we update each other a lot more often and there’s a lot more awareness of what’s happening in each other’s spaces, but I think it could become more proactive.”

7. Where to next?

Although the lockdown restrictions had been lifted, retail was still under pressure. Given the success of e-commerce during the pandemic, the expectations of this department were higher than ever before. In addition, the owners wanted to see a return on their investment in the technology upgrades that were propagated by De Waal-Dubla. De Waal-Dubla knew this was simply the beginning of a new journey with its own challenges.

The owners had set an ambitious growth target. However, De Waal-Dubla wondered – could this be achieved by improving the customer experience? What other services could they offer to attract new customers rather than simply cannibalising sales from physical stores? Should they start selling products online that were not available in the physical stores?

Keywords:
Strategy,
Marketing,
Crisis management,
E-commerce,
Digital marketing

De Waal-Dubla pulled into the parking lot of Cape Union Mart's head office in the Cape Town CBD. He put on his face mask and headed up the stairs to his office. Knol was at the door of his office.

"It sounded urgent, what's happened?" she asked when she saw him.

"Come in," De Waal-Dubla replied. He closed the door behind him.

"We have been set a massive growth target for online. 8.4% of total turnover by March 2021! How on earth are we going to reach that in six months? We need to put our heads together and start coming up with innovative and creative ideas," he said.

Notes

1. The figures in this case are disguised and not reflective of true turnover results. However, if e-commerce is 7% of total turnover for the year and total turnover, for example, is R1bn, then e-commerce turnover would be R70m.
2. The figures in this case are disguised and not reflective of true turnover results.
3. Black Friday is an American colloquial term used for the sales on the Friday following Thanksgiving. It is synonymous with largely discounted sales and highly promoted. South Africa has recently adopted this approach.
4. Hellopeter (www.hellopeter.com/) is a South African platform connecting consumers and businesses. It promotes consumers to share good or bad experiences.
5. History of the company: www.news24.com/fin24/Entrepreneurs/My-Business/Cape-Union-Mart-turns-80-years-old-20131101
6. Interview with Philip Krawitz: www.youtube.com/watch?v=fqeLsYInAnM.
7. The birth of K-Way: www.businessinsider.co.za/why-is-it-called-k-way-2019-6.
8. The birth of Old Khaki, Poetry and Tread + Miller: www.bizcommunity.com/Article/196/430/143559.html.
9. The acquisition of Keedo: <https://businesstech.co.za/news/business/141829/cape-union-mart-acquires-childrens-clothing-retailer-keedo/>
10. Oracle Retail Cloud: www.oracle.com/corporate/pressrelease/cape-union-mart-boosts-agility-with-oracle-111419.html.
11. How the pandemic spread across the world: <https://edition.cnn.com/interactive/2020/health/coronavirus-maps-and-cases/>
12. DC stands for distribution centre.
13. The Springboks and Proteas are the names of the South African national rugby and cricket teams.
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Exhibit 1. E-commerce growth at the cape union mart group

Figure E1 Year-on-year growth in e-commerce revenue

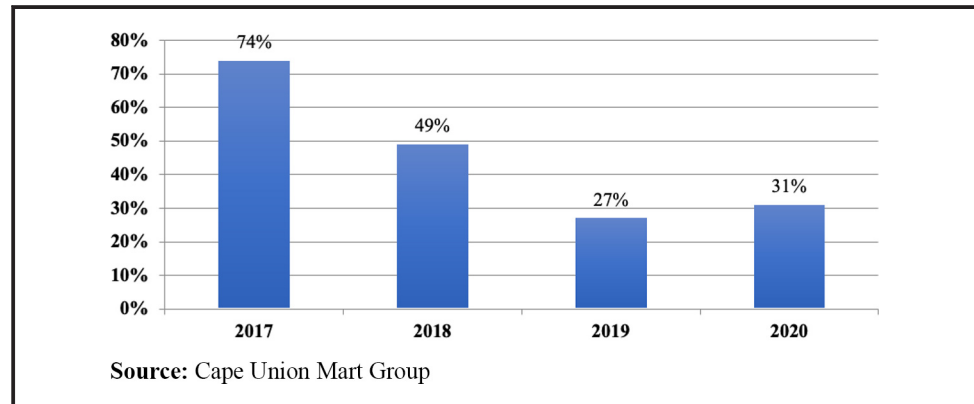


Figure E2 Contribution of revenue from e-commerce to total turnover

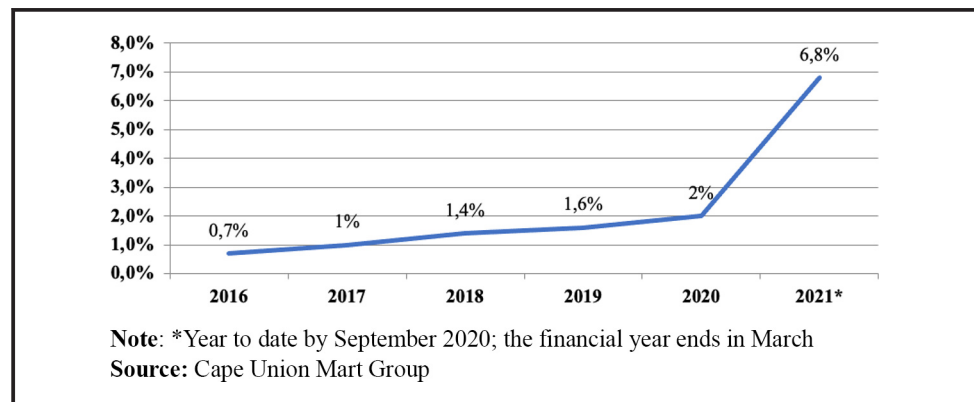
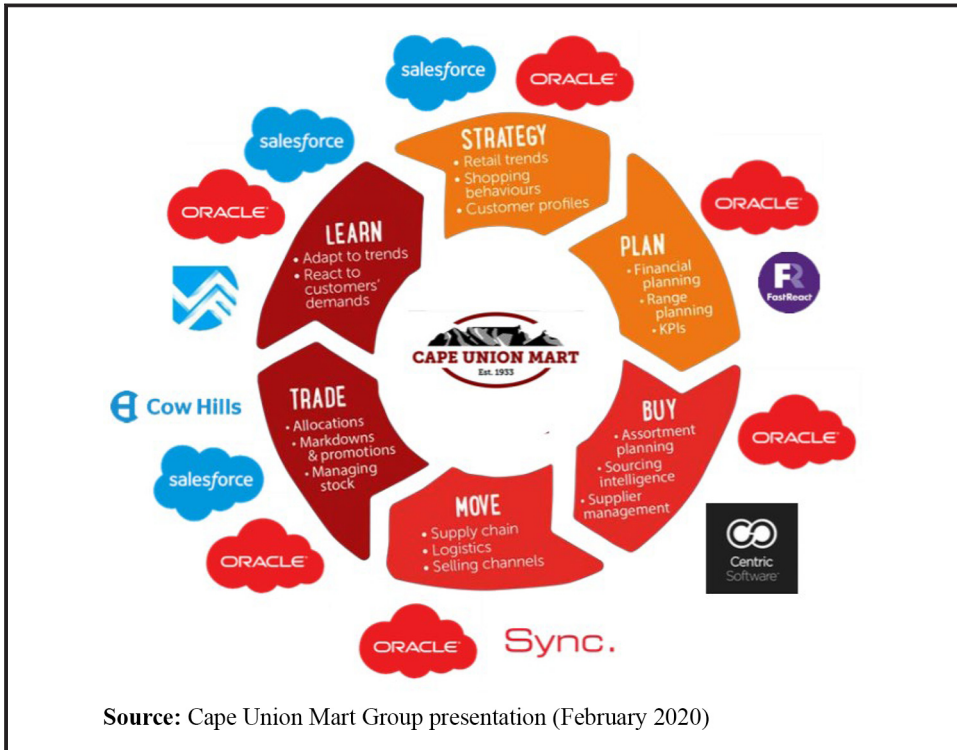


Exhibit 2. The Cape Union Mart Group's retail product cycle

Figure E3



Source: Cape Union Mart Group presentation (February 2020)

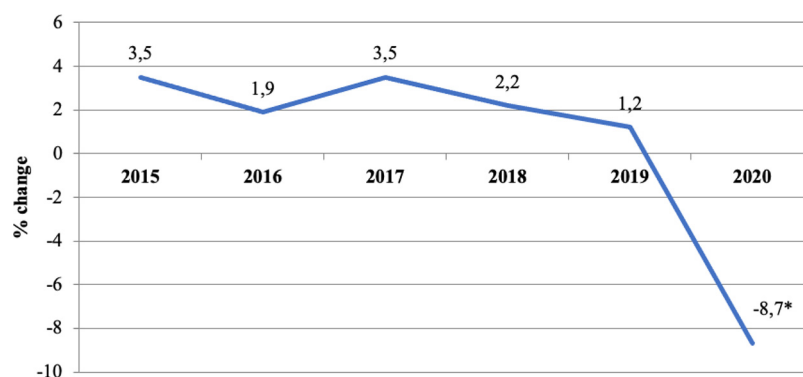
Exhibit 3. Timeline of lockdown regulations in South Africa

Table E1	
Monday 23 March Lockdown announced	South African President Cyril Ramaphosa announces a nationwide lockdown of 21 days, starting midnight on Thursday 26 March and ending on Thursday 16 April
Thursday 27 March National lockdown begins	Only essential service workers are allowed to work outside of their homes. Citizens are allowed to buy food, collect social grants and seek medical care. All other retail is banned. Online retailers are permitted to sell goods online, but not allowed to deliver the goods yet
Thursday 9 April Lockdown extended	Ramaphosa extends the lockdown with two weeks until the end of April. Retailers are permitted to sell baby clothes
Thursday 23 April Phased approach announced	Ramaphosa announces a phased approach to the lifting of lockdown restrictions. The five lockdown levels are announced, with five being the current, most restrictive, level
Friday 1 May Stores may open to sell "winter essentials"	The list of items that retailers are allowed to sell expands. The Cape Union Mart can now sell winter clothing and all children's clothing. Online retailers are permitted to deliver only these goods
Tuesday 12 May List of permitted goods published	Government publishes a detailed list of the items that retailers are permitted to sell
Thursday 14 May All online sales permitted	Online retailers are allowed to sell and deliver all goods, except alcohol and tobacco. For Cape Union Mart, this means they are allowed to deliver all orders. Restrictions remain for physical stores
Monday 1 June More retail sales permitted	Physical stores are also allowed to sell all goods, except alcohol and tobacco. For Cape Union Mart, this means the end of all restrictions

Exhibit 4. Retail figures in South Africa

Table E2 Year-on-year percentage change in retail trade sales							
Month	2015	2016	2017	2018	2019	2020	
Jan	1.8	3.6	-1.5	3.9	1	1.3	
Feb	3.6	4	-0.6	5.1	1.3	1.9	
Mar	2.6	2.9	1.1	5.9	0	2.9	
Apr	3.6	1.6	2.8	1.1	2.7	-49.9	
May	2	3.4	2.2	3.1	1.5	-11.9	
Jun	3.7	1.8	3.6	2.2	2.4	-7.2	
Jul	3.4	2.2	2.4	1.6	2	-8.6	
Aug	4	0.3	5.9	2.3	1	-4.1	
Sep	3.3	1.4	6.2	0.5	0.4	-2.7	
Oct	4	0	4	2.2	0.4	Not available	
Nov	4.5	2.1	8.4	2.8	2.6	Not available	
Dec	4.6	0.8	5.6	-1.7	-0.5	Not available	

Source: Retail Trade Sales September 2020, Statistics South Africa[28]

Figure E4 Total year-on-year percentage change in retail trade sales

Note: *Year to date by September 2020

Source: Adapted from Retail Trade Sales September 2020, Statistics South Africa

Table E3 Year-on-year percentage change in retail trade sales by type of retailer

Type of retailer	April	May	June	July	August	September
General dealers	-15.3	-4.9	-1.1	-2.8	-1.7	1.6
Food, beverages and tobacco in specialised stores	-37.6	-32.1	-12.1	-17.4	-6.3	2.6
Pharmaceuticals and medical goods, cosmetics and toiletries	-15.7	-4.7	-1.5	2	11.4	-4.1
Textiles, clothing, footwear and leather goods	-94.5	2.6	-6.7	-13.3	-8.2	-7.8
Household furniture, appliances and equipment	-86.7	-22.4	15.2	12.8	14.4	7.8
Hardware, paint and glass	-88.4	0.3	5.3	10.1	13.9	13
All other retailers	-89.4	-55.9	-45.5	-29.3	-31.8	-27.2
Total	-49.9	-11.9	-7.2	-8.6	-4.1	-2.7

Source: Retail Trade Sales September 2020, Statistics South Africa

Exhibit 5. Online purchases encouraged

Figure E5

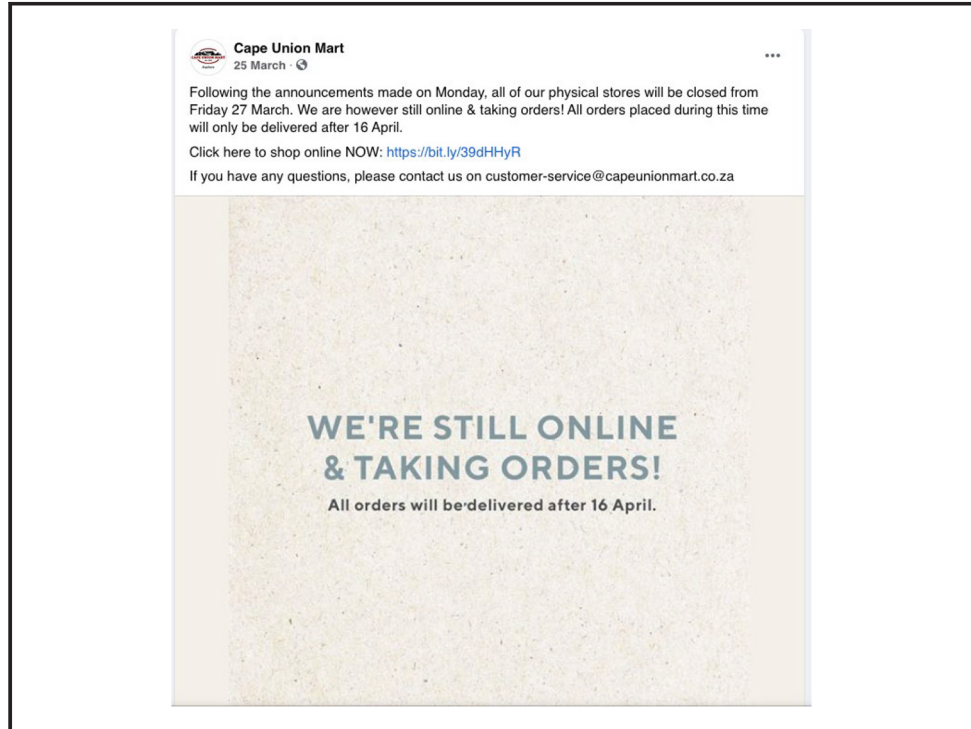


Exhibit 6. Social media messages during lockdown

Figure E6

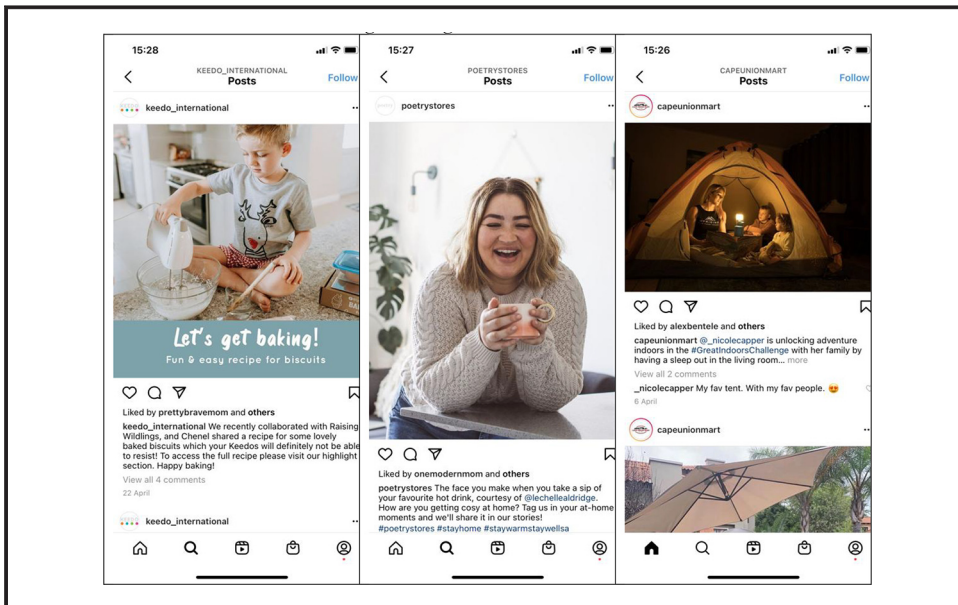


Exhibit 7. Online retail growth in South Africa

Figure E7

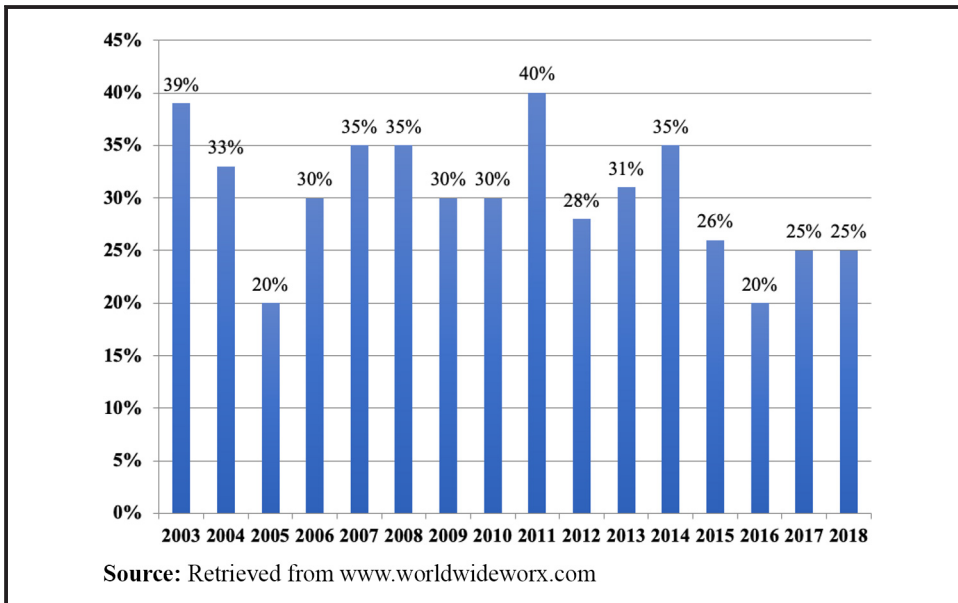


Exhibit 8. The Cape Union Mart Group retail brands

Figure E8

	<p>Cape Union Mart is an adventure store that sells clothing, gear and gadgets for outdoor activities such as hiking, camping and trail running. More women than men buy from this store, but the merchandise that is sold is 70% for men and 30% for women.</p>	
	<p>Old Khaki is for the free spirited and young at heart. This chain sells casual wear and accessories. Customers are skewed 60% to men and they are aged between 28 and 35.</p>	
<p>poetry</p>	<p>Poetry is an escape for women. It is considered feminine and contemporary. Homely clothing, cookbooks, crockery, footwear, accessories, bath and beauty products are sold here. Customers are exclusively female and between the ages of 30 and 50.</p>	
	<p>Tread and Miller sells urban footwear. Their shoes are formal, with an increasing focus on sneakers and sandals. The female range is also currently being broadened. Customers are 70% male and 30% female.</p>	
	<p>Keedo sells fun clothing for children aged 0 to 7.</p>	

Exhibit 9. The landing page of the e-commerce store

Figure E9

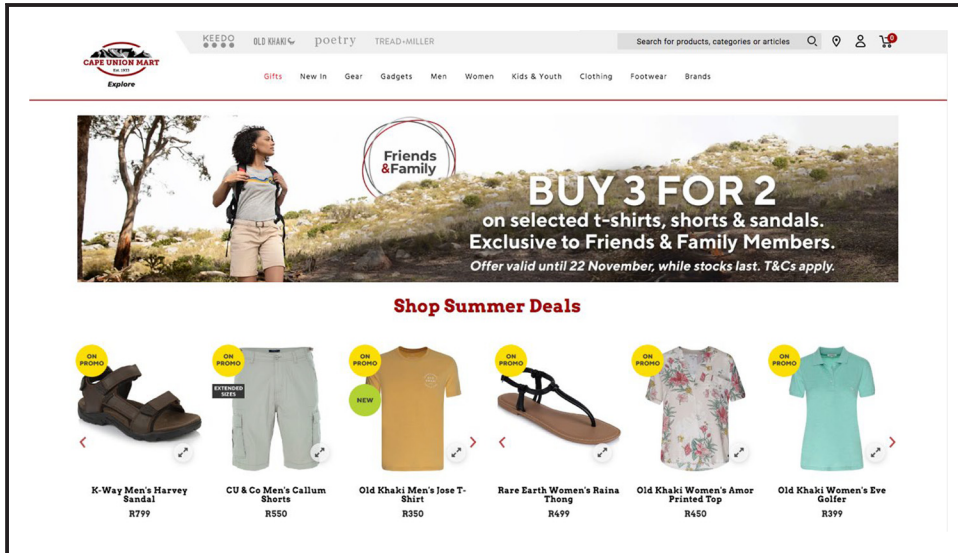
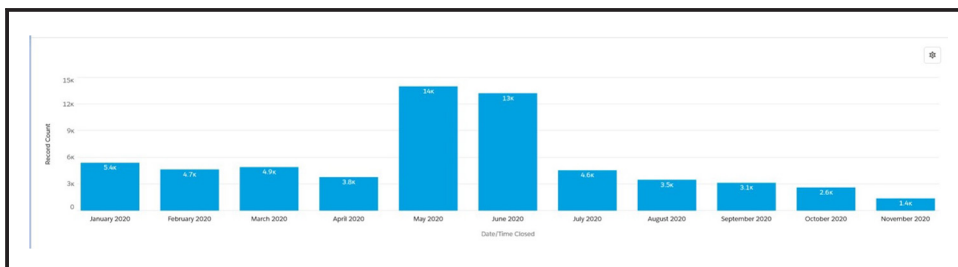


Exhibit 10. The number of customer query tickets closed each month

Figure E10



About the authors

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