

**UNIVERSITY OF KWAZULU-NATAL**

**DEVELOPING A COMPETITIVE MARKETING STRATEGY AND MODEL FOR THE  
PREMIUM BEER BRANDS IN SOUTH AFRICA**

**By**  
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Doctor of Philosophy**

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**2014**

**DECLARATION**

I Stewart Peter Kaupa declare that

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## **Abstract**

### **The Research Problem**

South African Breweries has been losing market share as a result of competition from international brands such as Heineken, Amstel, Windhoek and many more entering the local market. South African beer brands are finding it very difficult to compete for consumers' attention and secure a recognizable competitive market position. Given this background, this study attempted to develop a competitive marketing strategy and model aimed at assisting South African beer brands to re-gain their competitive position in the market and compete with international beer brands.

### **Key Research Question**

Most South African firms and organizations are struggling to keep their market share because of the presence in the market of multi-national corporations. This scenario begs the question: How can South African industries such as South African Breweries (SAB) best respond to the aggressive competition resulting from the continual entrance of international beer brands.

### **Research Methodology**

The study employed a mixed research approach whereby both qualitative and quantitative research methods were used. A total of 300 beer consumers and four liquor distributors participated in this study. Convenience sampling was used in the selection of consumers around Durban and Pietermaritzburg. Quantitative data was collected from consumers and qualitative data was collected from liquor distributors. The Statistical Package for Social Sciences (SPSS) and Principal Component Analysis (PCA) were used to create consumers' perception indices which were used to determine the main attributes of premium beer brands, the factors that attract

consumers to premium beer brands and the life style elements of premium beer brands consumers, which were then used to develop the competitive model and marketing strategies which addressed the main objective of this study.

### **Findings**

It was ascertained that there are attributes other than the alcohol content of the beer that attracts consumers to purchase and consume premium beer brands. Consumers are attracted to premium beer brands by the crispiness of the beer, and the superior quality of the beer. The life style of consumers has a major bearing on the beer brand choices. South African Breweries would outperform its competitors by developing its distribution network and by providing more customised services to its retailers such as financial packages in the form of sales discounts.

### **Recommendations:**

From the findings the study proposes the following recommendations: every effort must be made in the whole value creation chain of SAB to differentiate its activities from those of its competitors, as such differentiation becomes central to sustainable competitive advantage of the organisation; the SAB should make every effort to establish a good rapport with its customers and distribution members and offer them services that will strengthen their partnership; SAB should find a sustainable way of reducing the cost of doing business so that it can compete meaningfully in the market as the beer market has become more price competitive.

**Key words:** Competitive advantage, Branding, Strategy, Premium Beers, South African Breweries.

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## **Abbreviations**

AMA - American Marketing Association

CBBE – Consumer Based Brand Equity

BOP – Bottom of the Pyramid

DTI - Department of Trade and Industry

PCA- Principal Component Analysis

ROI – Return on Investment

RTD- Ready-To-Drink

SAB – South African Breweries

SPSS- Statistical Package for the Social Sciences

StatSA- Statistics South Africa

UKZN- University of KwaZulu-Natal

# **CHAPTER ONE**

## **NATURE AND SCOPE OF THE STUDY**

### **1:1 Introduction and Background**

Chapter one introduces the scope of the study by providing the primary objective and goal and the rationale for conducting the study. The chapter presents the background of the liquor industry with specific reference to the beer market and the role that is played by this industry in the South African economy. It then sets out the research problem and the conceptual framework upon which this study is based and concludes with a brief description of the research philosophies and methodologies that were employed in carrying out this study.

The beer sector in South Africa is highly competitive and contributes greatly to the social and economic development of the country (Department of Trade and Industry, 2011). Beer production has been incorporated into the South African culture and traditions for many years. Truen, Ramkolowan, Corrigall, and Matzopoulos (2011) assert that beer sales forms a large part of the South African liquor market which is the single most popular beverage among South African drinkers. The increased popularity of beer has earned South Africa being regarded as both a major beer consumer and manufacturer internationally, positioned 12<sup>th</sup> in 2008 for consumption and 13<sup>th</sup> in the production ranks (Kirin Institute Report, 2010). Shelves (2008) points that per head consumption of beer beverages averaged 51 litres in the year 2008. A well-developed liquor industry with a heavy drinking culture combined with a stable political and economic environment has seen the South African economy steadily grow and has made South Africa a hub for investment, attracting international companies in almost every sector of the

economy, and in the process intensifying competition between local and international firms (Department of Trade and Industry, 2005).

Kotler and Keller (2006) argue that competitive market conditions, where local companies are faced with stiff competition from international companies, the financial success and sustainability of a business venture depends on its marketing ability and its creativity. Marketing has thus emerged as a core function to business and is a process that involves the anticipation and satisfaction of customer needs where benefits are mutual. Kotler (2003), and Lamb, Hair, McDaniel, Boschoff, and Terblanche (2008), argue that creative marketing strategies and insightful and good planning are the key ingredients for the success of any business venture. Shimp and Andrews (2014) assert that designing a sustainable marketing strategy over time demands a blend of creativity, flexibility, and discipline that organisations need to abide by if they are to gain a sustainable competitive advantage

The globalization process has opened up markets which were once deemed closed and this has intensified competition amongst producers, and the beer market is no exception. In such a heavily contested market, to have a sustainable edge over competitors demands a solid knowledge of the market and its decision-making (Kotler and Armstrong, 2004). The position of the organisation and its products depends upon strategic formulation, implementation and monitoring of a brilliant and aggressive overall marketing strategy (Marcus, 2005). Pearce and Robinson (2005) assert that in order for an organisation that is operating in such a highly competitive market, like the beer market, to be successful these strategies need to be aligned to the overall business strategy to allow an organisation to gain a competitive edge. What would allow an organisation like SAB that is faced with aggressive competition, to hold onto its market share?

Developments currently taking place in the beer market have resulted in aggressive competition leading to a renewed effort by marketing practitioners and academics to investigate and try to better understand how best to attend to the market demands of diverse consumers in a competitive way. Kotler and Keller (2011), maintains that this approach and growth have led to the emergence of several marketing strategies for selling the products.

Lamb, et al., (2008) argue that to succeed in a modern aggressive economic environment, successful marketing programs require - now more than ever – a balance between creativity and knowledge, in designing a model that allows a firm to gain a sustainable competitive advantage. Hitt, Ireland, and Hoskisson (2003) assert that most of the marketing strategies that organisations are implementing in order to gain a competitive advantage are mostly relying on economic factors, cost leadership, differentiation and technological advancement as main sources that can lead to an organisation's success in the market. Such kind of an approach ignores socio-cognitive factors that accompany an organisation's success in the market. By using South African Breweries (SAB) beer market, this study is aimed at developing a competitive marketing model and strategy that can be used by South African industries to protect their market share from being eroded by the multinationals and gain a sustainable competitive edge in the market. The model integrates economic and social aspect of consumers and shows how the local beer producer and distributor, SAB can successfully compete and outperform international premium beer brands such as Heineken, Windhoek and Amstel, being produced and marketed by Brandhouse, who dominate the premium beer market, Truen et al., (2011).

## **1.2 South African Beer Market**

The marketing and distribution process of beer in South Africa is categorized into two types of customers, namely mainstream-comprising of lagers such as Castle Lager, Black Label, Hansa Pilsner and other beer brands and premium beer brands comprising Castle Lite, Heineken, Windhoek, Peroni, Amstel and others, with premium beer brands commanding a premium price of between 10% to 12% premium compared to the main stream beer brands, (SABMiller, 2009). With this kind of a market scenario and characteristics, the premium beer brands market is much more profitable than the lager beers market and is more attractive for producers and this has resulted in aggressive competition for market share. In the premium beer brands market, the main beer producer and distributor in South Africa, SAB, further differentiates and categorizes the premium beer brands into local and international premium beer brands with the international premium beer brands commanding a higher premium price than the local premium beer brands. The market size of the premium beer brands is estimated to be just over 20% of the overall beer market in South Africa, Truen et al., (2011). The aforementioned authors further indicate that the South African premium beer market has been showing the signs of the premium beer global market, in the period between 2002 and 2008 this market grew by 22%, this was a far much higher growth than the overall growth of the beer market in this same period. SAB has total control and dominance of the mainstream beer brands market with no visible competitor, and it has dominated this market with its flagship brands such as Castle Lager, Hansa Pilsener, and Carling Black Label however SAB faces an uphill battle in the premium beer market (SABMiller, 2008).

Clare, Ramatapa and Currin (2004) describe the South African beer categorization of main stream and premium beer brands as being strongly dependent on consumer perception, thus

marketing strategies, from advertising, sales promotion through to pricing and packaging, play a very important role in determining the beer categories as perceived by consumers. The differentiation of premium beer brands and mainstream brands is mostly based on how consumers perceive these beer brands in terms of price differences and marketing strategies.

### **1.3 Economic Contribution of the Beer Sector**

The beer sector plays a major role in the economic activities of South Africa, and it makes a big contribution in terms of unemployment reduction initiatives. Truen et al., (2011) and Clare et al., (2004) state that over half a million individuals are employed within the beer sector which is part of the liquor industry, with the majority employed in the informal sector referred to as “shebeen or tavern sector”

Table 1.1 presents the liquor industry’s contribution to the South African economy and the contribution that is made by each sector within the industry. The table illustrates the importance and the role that is played by the beer sector in the fight against unemployment and poverty in South Africa.



**Table 1.1: Economic Involvement of the Liquor Sector to the South African Economy**

**(R Billion)**

<b>Contribution</b>	<b>Direct employees</b>	<b>Direct</b>	<b>Indirect and induced</b>	<b>Total</b>
Value added				
Manufacturing	29 166	23.4	45.0	68.5
Excise		10.0		
Off-consumption retail	30 600	8.3		8.3
On-consumption retail	456 238	7.1		7.1
VAT		9.3		9.3
Total contribution of liquor industry	516 004	48.1	45.0	93.2

**Source:** Adapted from DNA Economics-Baseline Study of the liquor industry, (2011:4).

In the financial year of 2009/10, the total contribution of the retail and manufacturing sectors of the liquor industry to the economy was in the region of R93.2 billion or 3.9% of 2009 GDP (SABMiller, 2010). The manufacturing sector plays a huge role in the economic activities of South Africa and it was the biggest contributor to the economy, followed by the off-consumption retail. The total VAT and duty contributions from the liquor industry were estimated to be in the region of R19.3 billion in the 2009/10 financial year, which implies that 40% of the direct value added by industry accrues to the state, Truen et al., (2011). Hence SAB and the liquor industry is

a major economic player but the question remains as to how can SAB hold on to its market share which continues to decline under the threat of international breweries?

#### **1.4 Beer Production Landscape in South Africa**

SAB has a total brewing capacity of 3.1 billion litres per annum which is produced in the seven breweries that it owns and operates, producing both what is regarded as South African beer brands and imported brands which are either owned by SABMiller or manufactured under license (SABMiller, 2010). Until 2007, SAB had a contractual agreement with Heineken to produce and market Amstel. Whilst this contractual agreement was still in place SAB had an approximate market share of around 95% - 98%, with the Amstel brand accounting for around 8%-9% of this market share (Mail and Guardian, 2007). When Heineken cancelled the contractual agreement with SAB in 2007, Heineken had not yet established a brewery in South Africa and as such it had to service the local market through imports from its parent plant in Holland (Reuters, 2010).

#### **1.5 The Introduction of Premium Beer Brands in the South African Beer Market**

Truen et al., (2011) state that in 2010, three years after the cancellation of the contractual agreement between Heineken and SAB, Heineken joined forces with Diageo and invested R3.5 billion in a new brewery located at Sedibeng, in Gauteng province, an investment in which Heineken has a 75% stake and Diageo the remaining 25% (Shelves, 2010). The 450 million litres production capacity brewery manufactures Windhoek, Heineken, Amstel and other Ready-To-Drink (RTD) products for the South African market. The aggressive marketing strategies employed by Brandhouse have seen the marketing share of SAB declining from between 95% - 98% to just above 85% in a period of three years, from 2007 to 2010 (Reuters, 2010). The DTI (2011), estimates that SAB controls just over 85% of the beer market share; Brandhouse

controls about 13% and the 2% is held by small independent breweries that manufactures and distributes other brands.

Although SAB fully dominates the beer market, the attractive and profitable premium beer market is controlled and dominated by Brandhouse. Table 1.2 presents the outlook of the beer market as dominated by some of the popular beer brands in the South African beer market. The table presents market share by value, of some of the prominent beer brands in the beer market, as well as the manufacturers of these brands.

**Table 1.2: South African beer market (market share by value)**

<b>Brand owner</b>	<b>Brand</b>	<b>Overall</b>	<b>Premium</b>
SAB	Castle Lite	5% -7%	30%-32%
Heineken (Brandhouse)	Heineken	2%-4%	13%-15%
SAB	Peroni	3%-5%	9%-13%
Namibian Breweries (Brandhouse)	Windhoek	2%-4%	14%-16%
Heineken (Brandhouse)	Amstel	5%- 7%	30%-32%
SAB	Carling Black Label	34%-36%	Lager
SAB	Castle Lager	15%-17%	Lager
SAB	Hansa Pilsner	23%-25%	Lager

**Source:** Adapted from: Department of Trade and Industry (2003): Page 19.

Given the dominance of the premium beer market by Brandhouse and its aggressiveness in increasing the market penetration and coupled with the development of a brewery in South Africa and its aggressive marketing strategies to push its brands into the market predominantly occupied by SAB, it is evident that Brandhouse will intensify its distribution strategies taking an even greater share of the premium beer market of SAB. This is echoed and affirmed by SAB's

acknowledgement that Brandhouse joint venture is ever growing and reaching a wider range of customers, in both formal and informal beer markets, (Bleby, 2010).

## **1.6 Background to the Research Problem**

The brewery industry in South Africa enjoyed enormous growth and prosperity prior to 1994, dominating the local beer market with about 98% of the market share and SAB's market position as the only provider to the beer market remained practically uncontested until 1994 which marked the end of the apartheid regime and South Africa's incorporation into the international economy in 1994 (DTI, 2009). Recent developments in the brewing industry taking place globally coupled with the termination of the agreement between Heineken and SAB has threatened the market dominance of SAB more so in the premium beer sector where SAB has become a market follower of Brandhouse and continues to lose market share.

The separation of Heineken from SAB has meant a business partner has turned into a competitor necessitating SAB to revisit its entire business strategy and identify new ways of combating and containing market competition (Bleby, 2010).

The South African economy has experienced an economic boom since the dawn of democracy in 1994, attracting international companies into its market. One of the fastest growing sector or industry in the post-apartheid era has been the liquor industry and due to its high profit margins it has attracted a lot of attention from international breweries such as Heineken from the Netherlands and Windhoek from Namibia.

The beer market is now engulfed by different beer brand offerings, focusing on different brands, brand messages, distribution networks, product sizes, and advertising tactics combined with various price variations.

Faced with aggressive competition in the market, SAB is faced with a challenge of coming up with creative marketing strategies that can counter attack the invasion of the international brands that are continuously threatening its market share. Designing a competitive marketing strategy and a model that will give South African premium beer brands an edge over international brands and occupy a competitive position in the South African beer market has become a big task for marketing managers. The local premium beer brands have become less competitive in the market when it comes to competing for consumers' recognition and obtaining a desired competitive market position.

### **1.7 The Research Problem**

Given this background, this study aimed at developing a Competitive Marketing strategy and model that incorporated consumers' beer consumption culture, values and patterns. It is envisaged that using this (SAB) model with modification will help South African industries to re-gain their competitive position in the market place and compete with international brands in different sectors of the economy.

## **1.8 Research Objectives**

The overall aim of the study was to develop a Competitive Marketing Strategy and Model for the South African premium beer market by integrating economic and socio-cultural perspectives incorporating the local consumption culture, traditions and patterns and to show how SAB can create an environment in which local premium beer brands can successfully compete with international premium brands in the South African market. This was achieved by addressing the following specific research objectives:

- 1) To determine premium beer attributes which consumers consider to be important;
- 2) To investigate the factors which attract consumers to premium beer brands;
- 3) To explore the lifestyle elements that influence consumers' preference for premium beer brands; and
- 4) To examine the distribution channels and networks of premium beer brands.

## **1.9 Key Research Question**

Most South African firms and organizations are struggling to keep up their market share because of the presence of well established brands from multi-national corporations, most of which have attained economies of scale and are more efficient and effective with their production systems. The beer market has not been spared from this aggressive market scenario. This kind of market scenario calls for an answer to an important question: How can South African industries such as SAB best respond to the aggressive competition for market share that is resulting from the entrance and presence of international beer brands? The following questions have been generated for the purpose of directing the research and addressing the research objectives:

- 1) What are the main attributes that consumers consider to be important in premium beer brands?
- 2) What are the factors that attract consumers to premium beer brands?
- 3) How does the life style of consumers influence their beer brand choices?
- 4) How can SAB further develop distribution channels and networks that would increase market penetration and the market share of its premium beer brands?

### **1.10 Research Hypotheses**

Firms competing in the beer market must take various organizational and environmental factors into consideration when formulating competitive strategies. Given that the mode of business and industry, namely beer, is a factor that can influence how beer brands compete, one may assume that beer attributes, factors that attract consumers towards beers brands, the lifestyle of consumers, and the way the distribution network is structured, all have a great influence in the market especially on competition of premium beer brands Truen et al., (2011). Thus it can be hypothesized that:

- H: 1            There are certain attributes in premium beer brands other than the alcohol content, that attract consumers to patronize premium beer brands.
- H: 2            There are factors that attract consumers to premium beer brands apart from the actual alcohol content.
- H: 3            The life-style of premium brand beer consumers has a major bearing on their premium beer brand choices.
- H: 4            SAB can create competitive advantage through distribution network development



### 1.11 Key Definitions

In exploring the concepts of competitive advantage and the marketing strategies that are utilized by firms in the market the study provides the following definitions:

**Competitive advantage:** Competitive advantage is the edge that an organization has over other organizations, achieved through strategies such as lower costs, a wider range of product/service differentiation or a focus on a specific niche market segment, (Ehlers and Lazenby, 2012).

**Strategy:** A strategy is a company's plan of action for management's running of the business and conducting operations consisting of the competitive moves and business approaches that managers employ to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance (Hough, Thompson, Strickland and Gamble, 2008).

Ehlers and Lazenby, (2012) define strategy as an effort or deliberate action that an organization implements to outperform its rivals. Hough et al. (2008) citing Porter (1985), define differentiation strategy as a business strategy that aims at charging premium prices for unique services or superior quality products with an attracting brand image, that are valued by customers and that they perceive to be better than those of competitors. Cost leadership strategy is defined as a strategy whereby a firm concentrates on cutting expenses and reducing prices of its standardized products, while appealing to a wide range of market segments (Hough et al. 2008).

**Brand:** Keller (2008), defines a brand as a name, term, sign, symbol, or design or a combination of them, intended to differentiate a product from those of competitors. Brand attributes are those descriptive features that characterize a product or service (Keller 2008). Alreck and Settle (1999) define brand loyalty as the extent of faithfulness of consumers to a particular brand expressed through repeat purchases, irrespective of marketing pressure generated by competing brands.

**Brand equity:** Keller (2008), defines brand equity as when customers have a high level of awareness and familiarity with the brand and hold some strong, favourable, and unique brand associations in memory.

**Premium brands:** Premium brands are brands that are respected by consumers as holding greater brand value than well-known popular brands and charges a category appropriate premium price and meets customer expectations (Kotler and Keller, 2011).

## **1.12 Theoretical Framework**

The theoretical framework presented in this study outlines the theories and concepts that are related to the sources of sustainable competitive advantage in an organisation. These concepts and theories are critically analyzed and evaluated to determine their strength and weaknesses in modern competitive business environment.

### **1.12.1 Conceptual Model**

The conceptual model presented in figure 1.1 consists of forces and factors which are deemed to affect a firm's effort to better serve its customers and make a profit. Industry attractiveness and better performance implies that organisations are in a position to utilize their core business skills, competence, and creativity to attain above industry profit margins though not necessarily meaning that every business is returning the same profitability, Hough et al. (2008) , citing Porter

(1980). Hence, this study critically analyzed this model to identify the gaps which are making SAB less competitive in the premium beer market thus losing its market share.

### **1.12.2 Cost Advantage**

According to Ehlers and Lazenby (2012) to achieve a cost advantage, an organisation's cumulative costs across its overall value chain must be lower than its competitors' cumulative costs. Porter (1985) argues that differentiation is based on a firm offering a unique product or service which is appealing and is valuable to consumers beyond simply offering lower prices than competitors. Achieving a premium price that goes way beyond the cost of creating the differentiation gives an organisation a differentiation advantage.

Competing against international firms that have already achieved economies of scale and who are most efficient and effective in managing variable marketing and operational costs, can be a major challenge. Unlike local industries, one of the main competitive tools of multinational organisations is that they have become cost leaders, so how can South African industries attain this cost leadership position without compromising on the quality of products they offer in the market, and attain a sustainable competitive advantage?.

### **1.12.3 Differentiation Advantage**

All organisations are exposed to external business environmental factors that are ever changing and in some cases these changes have serious consequences for the organization (Pearce and Robinson, 2003). Any change in the business environment presents both opportunities and threats to the organisation and to the manner in which it interacts with its customers (Hough et al., 2008). In order to provide better customer service which can give it a sustainable and

competitive advantage SAB needs to continually monitor its environment in a strategic manner and find ways of creating products that are appealing to new and existing consumers.

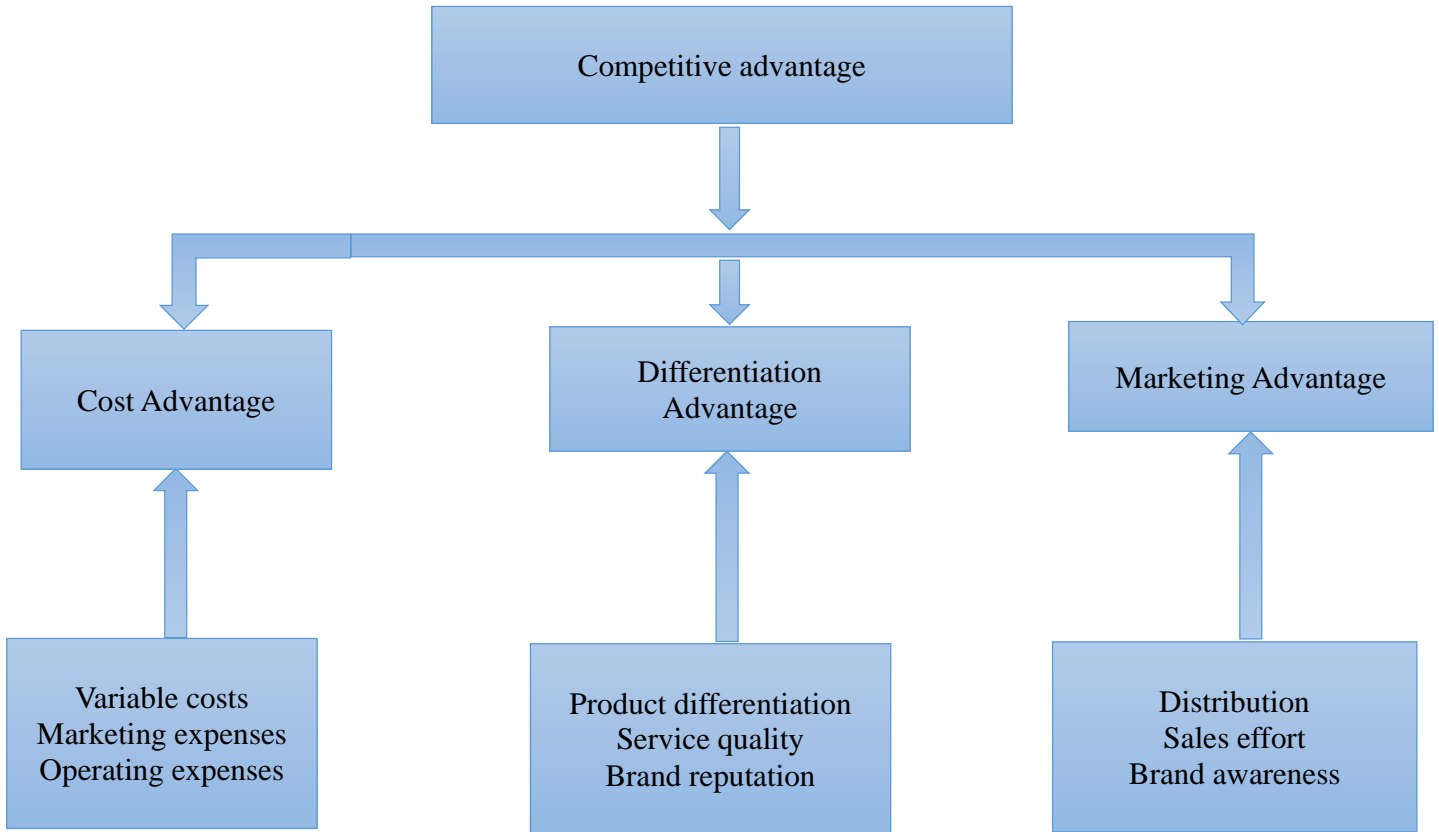
Competition and competitor analysis in the beer market in terms of product differentiation, the quality of services offered, and how international beer brands build reputation in the market, would help in determining how best SAB's premium beer brands are appealing and responding to consumer needs in comparison to that of its competitors.

#### **1.12.4 Market Advantage**

Strategic analysis of the market helps to understand more about the strategic position of SAB in the market and to provide responses to critical challenges and issues that the beer market is facing. Organizations competing in this industry ought to familiarize themselves with customer needs in the marketplace. Furthermore Pearce and Robinson (2005) point that if the organisation is to remain competitive it needs to have a plan of action to develop its strengths to meet the changes in the business environment.

From the research questions and hypotheses presented in this study, a conceptual model has been developed and illustrated in figure 1.1. The model presents a framework upon which the study is built and developed. The conceptual framework presents the main sources of competitive advantage for SAB and the factors that contribute to the attainment of each of the sources of competitive advantage. The conceptual framework illustrates that for SAB to attain a sustainable competitive advantage it has to achieve a cost leadership in its industry, it has to perform its key business functions in a different way from its competitors and it has to implement a superior and aggressive marketing strategy.

**Figure 1.1: Conceptual Research Framework**



### **1.13 Research Methodology**

The research methodology employed for this study is presented in detail in chapter four, and only an overview is provided here. The study employed a mixed research method as both quantitative and qualitative methods were used to gather the data. According to Zikmund (2000), a survey method is a research approach where by information is collected from a sample of the population by using a questionnaire, a method of data collection whereby the researcher interacts and communicates with a representative sample of the population. The use of surveys for this study

provided an accurate, efficient and inexpensive means of accessing data about premium beer consumers which was the target of this study.

#### **1.13.1 Sources of Information**

In order to address the research problem sufficiently the researcher used both secondary and primary data. Secondary data was gathered from relevant books and journals; primary data was gathered from beer consumers and beer distributors by administering two different questionnaires. Consumers were asked to answer questions on a selected number of premium beer brands that were presented to them, while distributors were asked to answer questions dealing with beer distribution.

#### **1.13.2. Selection of Premium Beer Brands for the Study**

A preliminary study was conducted to identify the most popular premium beer brands in the market. From the results of the pilot study a total of five most preferred premium beer brands were selected for the study two of which were SAB's brands namely Castle Lite and Peroni. The other three were international brands Heineken, Windhoek and Amstel produced and marketed by Brandhouse. The pilot study results also revealed the beer attributes, factors that attract consumers to premium beer brands as well as the life-style of consumers.

#### **1.13.3 Selection of Liquor Distributors**

Four liquor distributors located in the Durban and Pietermaritzburg CBDs, namely, Ultra Liquors, Liberty Liquors, Makro Liquors, and Tops Liquors, were selected on the basis of their distribution size and capacity. These four distributors collectively control about 80% of the alcohol distribution business in the KwaZulu-Natal Province (Department of Trade and Industry, 2011).

#### **1.13.4 Research Population and Location**

The study was conducted in the Durban CBD and the Pietermaritzburg area, targeting premium beer consumers and beer distributors. Due to the South African legal age restriction placed on alcohol consumption and the nature of this study only consumers above the age of 25 and have tasted all the premium beer brands included in the study were allowed to participate.

#### **1.13.5 Sample Size and Sampling**

Mouton and Babbie (2000) define sampling as the selection of a fraction of the total number of units of interest to decision-makers, for the ultimate purpose of being able to draw general conclusions about the entire body of units. McDaniel and Gates (1999) take the sampling issue further by stating that the process of designing a sample involves seven steps, namely: the definition of the population of interest, the choosing of the sampling frame, the choosing of data collection method, the selection of the sampling method, the determining of the size of the sample; the developing of the procedural operations for selecting sampling elements; and the implementation of operational sampling plan.

Convenience sampling method with emphasis on drawing a representative sample of the South African population was used in this study. A total of 300 premium beer consumers and four liquor distributors participated in this study.

#### **1.13.6 Data Collection**

According to Saunders, Lewis and Thornhill (2003) the selection of data collection method has a considerable impact on the subsequent steps in the sampling process. For this study data was

collected through two personally administered questionnaires, one was administered to consumers and another to beer distributors.

A structured five point Likert-scale was personally administered to willing beer consumers. The questionnaire that was administered to consumers was based on premium beer brand dimensions and attributes, such as beer quality and price worthiness measuring consumer satisfaction, customer loyalty and its antecedents (trust and commitment to the chosen brands), factors that attract consumers to premium beer brands and the life style of consumers together with a section on social demographic characteristics of consumers.

#### **1.13.7 Data Analysis**

Data gathered from the consumers was analyzed using suitable statistical methods of data analysis by using the Statistical Package for Social Sciences (SPSS). The SPSS was used to perform Principal Component Analysis (PCA) on the data and displayed perceptions of beer consumers towards each of the five premium beer brands. Principal Component Analysis showed the complex relationships between the beer brands and the criteria used by consumers in making premium beer brands purchase decisions. Dendograms were drawn to show the differences and similarities of the five beer brands.

#### **1.13.8 Interpretation of the Results**

The results of the empirical study were then used as dimensions in the development of the Marketing Competitive Model and strategies which was the primary objective of this study.

#### **1.14 Value and Originality of the Study**

The study contributed to building the knowledge base in the field of marketing management and strategic management through the development of a competitive marketing model and strategies.



The model presented in chapter six has been collectively assembled integrating economic and cognitive perspectives outlining the sources that can give the SAB and other firms a sustainable competitive advantage and out-perform international brands which are posing a great threat to the development and growth of local firms. The findings of this study are of great value to marketers and strategic planners in terms of adding new knowledge in the area of competitive advantage. The marketing model and strategies presented as a result of this study are of great value to marketers when considering brand positioning and marketing communication strategies.

### **1.15. Ethical Considerations**

Due to the sensitivity and the legalities of the subject matter under research, data was collected from willing beer consumers who were 25 years of age and above. The data collected from the respondents was kept and used in the strictest of confidence.

According to Smith and Quelch, (1992) human sciences research should be directed by fundamental ethical considerations. The moral and dignity dimensions of the respondents were respected and safeguarded. The study conformed to research etiquette and all written conventions as declared by Saunders et al., (2003). The etiquette included that literature used in the study was referenced clearly and the study was designed to ensure that respondents were not physically hurt, suffered no discomfort, pain, embarrassment or loss of privacy, Cooper and Schindler, (2001). Furthermore, scientifically sound and validated measures were employed throughout the study.

Following the dissemination of the findings in the form of this thesis, seminar presentations, and article publications; anonymity and privacy of the participants has been protected as no person

has been identified or named in the reported results. Information disclosed in the questionnaires has been kept confidential.

### **1.16 Limitations of the Study**

In total, the study used only five premium beer brands, two from SAB and three from Brandhouse in the beer industry excluding lager beer, wines and spirits which are also competing for the same market share as the premium beers brands hence the model will have to be generalized with this limitation in mind.

### **1.17 Structure of the Thesis**

Chapter one outlines the research problem and background, statement of the research problem, study objectives, value and, originality of the study to the discipline of marketing, and finally it presents the limitations of the study.

Chapter two reviews literature on the different marketing strategies and branding, it also looks at different consumer behaviour models outlining how consumers behave in the market.

Chapter three looks at different competitive advantage models, the sources as well as the strategic implications of each competitive advantage. The chapter also provides insight into the structure of the beer market in South Africa and the economic contribution that is made by the liquor industry. Finally the chapter looks at the nature of competition that SAB is facing in the market.

Chapter four describes the methodology employed in this study. It explains how the five premium beer brands were selected and how the data collection instruments were developed. It also explains the different statistical methods that were used in analyzing the data. It goes on to

explain the population sample for the study as well as the location where the study was conducted.

Chapter five was dedicated to the presentation and analysis of the empirical results. Using the principal component matrix analysis this chapter displays the main attributes of premium beer brands, the factors that attract consumers to premium beer brands as well as the influence of the life-style of consumers on the brand choices.

Chapter six presents the discussion of the main findings from the study and the main decisions taken from the study hypotheses.

Chapter seven presents the competitive marketing strategies and a model, which was the primary objective of this study.

## **1.18 Summary**

Chapter one presented the background and rationale of the study, defining the research problem and objectives, as well as outlining the conceptual model. A brief description of the methodology adopted in this study was presented in which the sources of information, population sample, beer distributors, questionnaire, data analyses and rationale of the study were presented. A sequential description of the structure of the study was briefly presented. The following chapter which is chapter two provides theoretical underpinnings of brands, branding, and consumer behaviour.

## **CHAPTER TWO**

### **BRANDING AND CONSUMER BEHAVIOUR**

#### **2.1 Introduction**

The concepts of consumer behaviour and branding have evoked much attention among marketing practitioners and academics, as they represent the most important factors that explain product choices among consumers (Jensen and Hansen, 2006). Marketing managers have discovered that the best strategy that an organisation can implement to attain sustainable competitive advantage is through building and managing customer loyalty and not price or bargain loyalty, as customer loyalty this leads to a competitive advantage in the market (Kapferer, 2008). Beer brand managers need to understand how beer consumers behave in the market and how consumers are influenced by their own behaviour, as well as the behaviour of others in their choice of beer brands. Alreck and Settle (1999) assert that understanding customer loyalty helps in designing marketing communication strategies as well as brand positioning strategies.

Keller, Aperia, and Georgson (2008) argue that in this modern money-oriented society consumers seek meaning in their consumption. Hence individual brands that add significant value to the product that understand the behaviour of consumers, that have a story to tell its buyers, or kindle its consumption in a ranking of immaterial values, can offer this meaning and attain a competitive advantage. South African Breweries needs a marketing strategy that can appeal to the emotions of consumers and stimulate their desires towards their premium beer brands.

Ambler (2000) points out that brand loyalty and consumer behaviour as the cornerstones of a competitive advantage are both complex and diverse subjects that demand attention from marketers. Keller (2002) maintains that to understand the intricacies of brand loyalty one has to first understand the fundamentals of branding and brand strategy.

In light of the above and considering that this study is aimed at developing a competitive marketing strategy and model, this chapter explores the nature of consumer behaviour to establish how consumers make their purchasing decisions, how they behave in the beer market and how branding and brand strategies affect their consumption of premium beer.

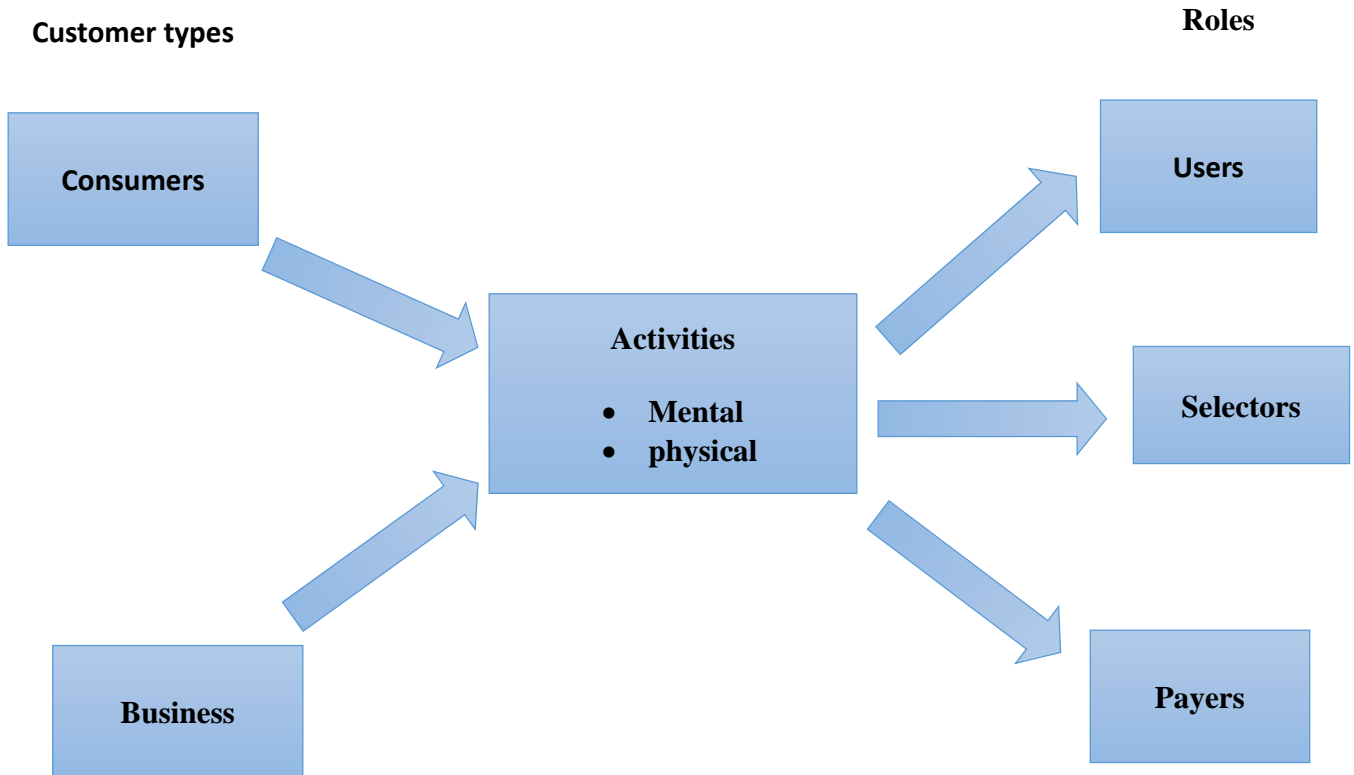
## **2.2 Consumer Behaviour**

According to Hanna and Wozniak (2001), consumer behavior explores the motives behind the powers and forces influencing the choice, purchase, usage, and disposal of goods and services in order to fulfill personal needs and wants. Davies and Cline (2005) stress that consumer behaviour is a subset of a great set of activities of human behaviour. Consumer behaviour embraces all that transpires as prospective consumers become actual consumers (Schiffman and Kanuk, 2002). It is not only concerned with purchasing, but also encompasses activities such as browsing through products, influencing others and complaining about and returning products, as well as exposure to the media (Cialdini, 2007). Any organisation aiming at building a strong consumer base and having a competitive advantage in the market needs to understand the behaviour of its targeted consumers.

Cant, Brink, and Brijball, (2002) define consumer behaviour as the study of individuals, groups, or organisations and the process they use to select, secure, use, and dispose of products, experience, services or ideas to satisfy needs and the impact that these processes have on the

consumer and society. The aforementioned authors further stress that this definition implies that other than the buyers and sellers themselves, there are some external factors that have an impact and that influence the decisions taken by buyers and sellers. Sheth and Mittal (2004) defines consumer behavior as the mental and physical activities undertaken by households and business customers to purchase and pay for goods and services. The aforementioned author further points out that consumer behaviour comprises a variety of actions people carry out and a number of functions and roles they play. Figure 2.1 presents two types of customers that deal with an organisation, the roles that are played by these customers and their rational and physical undertakings. Both consumers and business buyers of a product perform mental as well as physical activities in the market and fulfill the roles of users of the product, selectors of the product and payers for the product. Just like any other product the customers of beer brands can be categorized into individual consumers as well as organisations or companies, hence beer marketers need to understand what roles are played by each of these market participants, and how beer brands can be positioned so as to appeal to each market participant. Participants in the beer market can be broadly divided into two groups namely consumers and organisations. Each of these perform physical as well as mental functions in the market as they select the beer brands of their choice. Both of these groups are users of the product and they do perform the most important function in the market which is paying for the product.

**Figure 2.1: Customer Types, Roles and Behaviour**



**Source:** Adapted from: Cant, Brink, and Brijball, (2004:176)

According to Walters and Bergiel (1989) consumer behavior can be grouped into two sides: on one side is the consumer, and on the other side is the marketing team. The aforementioned author further states that all people are consumers, but the art of consuming is an inexact activity. Sexena (2009) adds that direct benefit from a clear understanding of consumer behavior is that it can improve marketers' ability of designing marketing strategies aimed at creating a strong bond with consumers. Operating in a highly contested market, beer marketers should strive for a clear understanding of how consumers behave in the market so as to design marketing strategies that will be appealing to them.

The relevance and importance of studying consumer behaviour is aptly summarized by Schiffman and Kanuk, (2007) in Cant (2002) who defines consumer behaviour as the study of how individuals and businesses make decisions on how to spend their available resources (time, money, effort) on consumption related items. Cant et al., (2002) emphasize that consumer behaviour includes the study of what one buys, why, where, when and how it is bought and how often it is used. Development of a sustainable marketing competitive strategy for premium beer brands requires an insight into the factors which are attracting consumers to premium beer brands and what attributes or benefits these consumers are seeking in premium beer brands.

Marketers are becoming more mindful and are gradually recognizing the significance of understanding how consumers make their decisions in the market and the important role that consumer behavior plays in the success of the brands in the market (Cant et al., 2002). Now more than ever, because of increased competition, understanding customers plays a fundamental role in the attainment of organisational goals and the survival of the organisation.

Epp and Price (2008) assert that consumer behaviour probes the way individuals create a perception about a product, how they buy, make use of products and finally dispose of goods and services in order to fulfill personal and household needs. Neal, Quester and Pettigrew (2007) add that consumer choices and tendencies are influenced and molded by internal developments, such as the consumer's own intelligence, feeling and desire. The aforementioned authors further add that influences arise from environmental factors such as societal forces (whether group or interpersonal) and, situational, economic retail and marketing deliberations. Therefore marketing strategies of premium beer brands need to have a holistic approach of consumers and their surroundings.



According to Hanna and Woziniak (2001) the term consumer behaviour differs from a similar term, buyer behaviour, in that buyer behaviour is an umbrella term often understood to encompass business to business purchasing as well as personal consumption. Business to business buying entails the procurement process and the activities of a product and intermediaries in the market channels, as well as the acquisition procedures of other organisations and institutions. Analysis of consumer behaviour entails surveying numerous theories and published research studies that offer insight into purchasing tendencies. The eventual goal is to aid marketers to a better understanding of the process and the undertakings of consumer behavior, and thus foresee how marketing strategies and campaigns will influence consumers and affect the premium beer brands that different groups of consumers will purchase; this is the main goal of this study. In other words, as marketers come to understand the behaviour of premium beer brands consumers, they are better able to predict how consumers will react. Marketers can thus design and fine-tune their approaches and tactics accordingly Hanna and Woziniak (2001). The aforementioned researcher argues that, in today's extremely competitive markets, a good understanding of buyer behavior helps marketers achieve a competitive advantage and create a positive and lasting relationship with consumers. The premium beer market is highly competitive and for a brand to stand out in the crowd there is a need for a sound understanding of both consumers and the market.

Cotte and Wood (2004) point out that generally, goods are manufactured and planned in expectation of future demand as consumers' preferences and tastes constantly change. It therefore becomes progressively important for marketers to recognize what customers need and want, how they use their resources, how they choose where to shop, when to buy, and what to

purchase. In short, timely knowledge of consumer behavior is a prerequisite for marketing success, Schiffman and Kanuk, (2007).

Monitoring consumer activities and behavior can give a business a competitive advantage that leads to an increase in the customer base resulting in improved profit margins and income growth (Bradford, 2009). The aforementioned researcher argues that a good understanding of consumers will lead to cost efficiency from repeat customers, as the business can enjoy the benefits of price premium from established customers as well as customer loyalty. The aforementioned researchers further argue that a good understanding of consumers can assist the business in developing strategies which can generate growth: when a product is more appealing to consumers, then consumers become ambassadors of the brand through word of mouth and one stop shopping which can help a business in its drive for new product innovation.

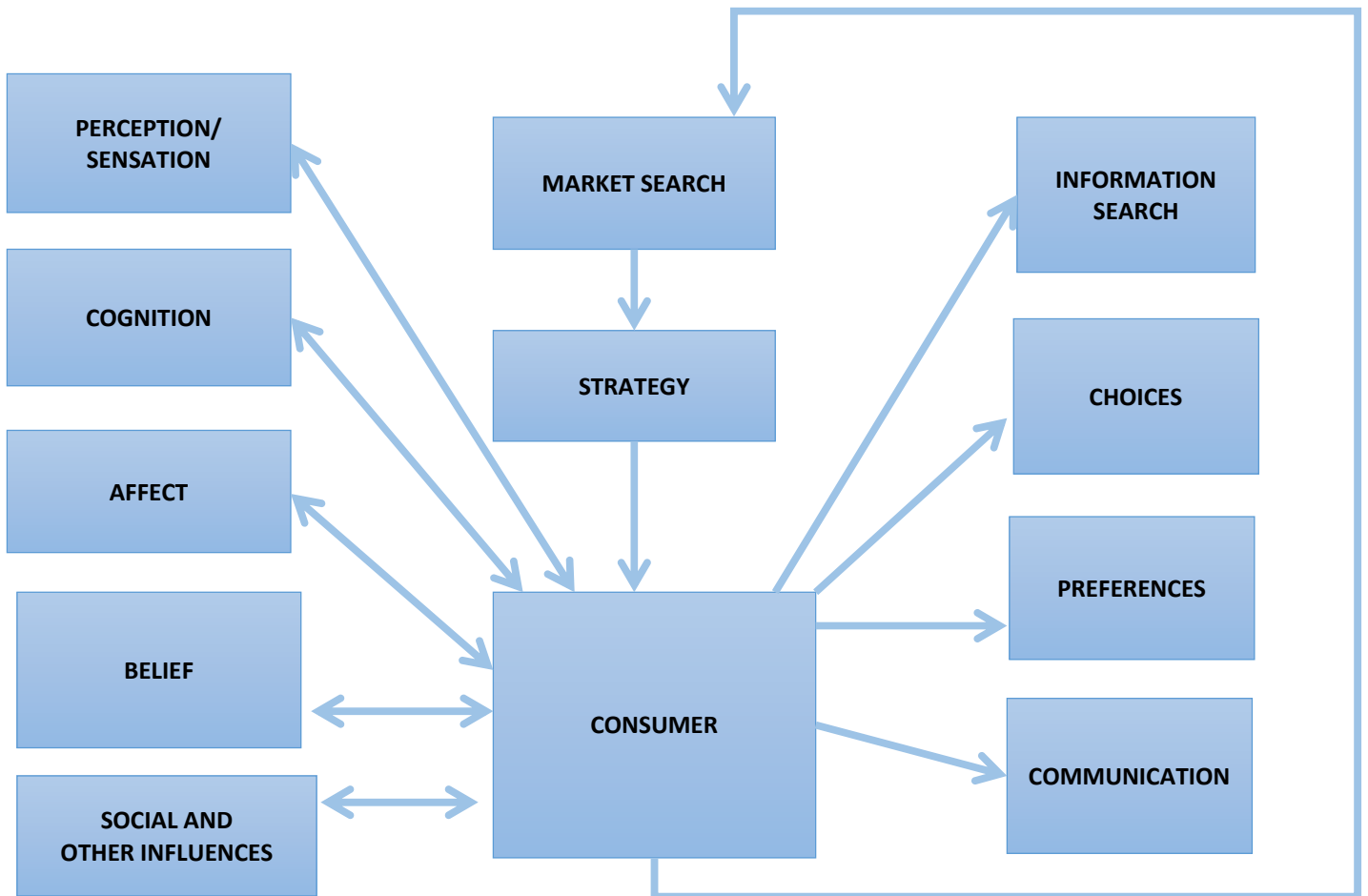
Schiffman and Kanuk (2007) argue that it is imperative for an organisation to be well informed of the needs and wants of consumers in order to be customer focused, these researchers indicate that it is the needs and wants of consumers that organisations strive to fulfill. Chaudhuri (2006) defines a need as an unsatisfactory state of the consumer that provokes an action that will improve the consumers' situation, while they consider a want as a yearning to obtain gratification that is completely required to increase an unsatisfactory state. A need differs from a want in such a way that a need emanates from discomfort from an individual's surrounding resulting in some discomfort, Sheth and Mittal (2004). The aforementioned authors classify the determinants of needs and wants into four groups showing how each defines consumers' needs and wants in the market place.

- ***Needs are market focused*** when both individual and environmental characteristics are physical, wholesome needs driving consumer actions,
- ***Personal wants and environmental needs*** are when the relevant environmental features are appropriate, the driver of consumer actions is an individual want but an environmental necessity,
- ***Personal need and environmental want***; when the relevant individual characteristics are physical but environmental are circumstantial, consumers pursue something that will fulfill a personal need but an environmental want and,
- ***Want driven markets***; when both, individual and environmental contexts are significant, consumer behavior is compelled by pure wants.

Lee and Beatty (2002) argue that the discipline of consumer behaviour can be approached in different ways. From the individual perspective, the aforementioned authors examine intra-personal influences on consumption such as perceptions, attitude, learning, motivation, and personality. Any strategy aimed at creating a sustainable competitive advantage as in the beer market should take into consideration the personality of the consumers involved, their motivation and the different perceptions that these consumers have about premium beer brands. The individual perspective of a consumer is further developed and broadened to examine groups, inter-personal cultures, and cross cultural influences. Focus is then turned to examining the cultural and social forces that influence consumption and then narrowed down to personal factors. Beer consumption is influenced heavily by cultural, economic and social factors that consumers are exposed to. Any meaningful marketing strategy that is aimed at creating a sustainable competitive advantage should take into consideration the social, cultural and economic factors that consumers are exposed to in their environment.

Blackwell and Miniard (2003) argue that a key element of consumer behaviour rests with the individual. As the decision to buy or not to buy is a personal decision, marketers cannot force an individual to buy a specific product; what happens is that an individual absorbs information from the environment and integrates it into a frame of reference. In comparison to Walter (1989), Hanna and Woziniak (2001) outlines six elementary end user variables that govern all internal thought processes namely; needs, motives, personality, learning, attitudes, and perceptions. Figure 2.2 presents variables that have an influence on how consumers behave in the market and the different variables that have an impact on consumer behaviour.

**Figure 2.2: Influences on and of Consumer Behaviour**



**Source:** Adapted from: Hanna (2001:117)

According to Maken, (2002) marketers need to understand who their customers are and what their roles are in the buying decision so that marketing strategy can be appropriately developed and targeted at the correct group of people. Kotler and Keller, (2006, in Maken, 2002), classified consumer buying roles into five groups as presented. Table 2.1 presents the five main roles of consumers in the market. Beer marketers need to understand the different roles that are performed by the different market participants.

**Table 2.1: Consumer Behaviour Roles**

<b>Roles</b>	<b>Description</b>
<b>Initiator</b>	This is the person that initially thinks of or suggests buying that particular product
<b>influencer</b>	A person whose opinion or advice affects the final buying decision
<b>Decider</b>	The person that is ultimately responsible for the buying decision
<b>Buyer</b>	The person who makes the actual purchase
<b>User service</b>	The person responsible for consuming the product or using the service

**Source:** Adapted from: Schiffman and Kanuk (2007: 212)

### **2.3 Trends in Consumer Behaviour**

Expecting developments in consumer behaviour can give businesses a key strategic advantage. Sheth and Mittal (2004) argue that anticipating the imminent inclinations in customers' needs and wants offers businesses the following advantages;

- A business that is first to realize market necessity can be the first to design a product or service to satisfy the need, as a result, it lessens the fulfillment time, making the investment pay back far quicker,
- By spotting a particular pattern that is happening amongst consumers an industry can create a market for that need or behavior and,
- Expecting developments in what consumers are currently buying in the market and reacting promptly to such developments creates excitement amongst consumers for the

business and the industry, depicting the business as innovative and responsive to consumer wants and needs.

Consumer tendencies are predictive as they start small and then gather momentum. Cateora (1996) suggests that if a business can connect the dots between the commencement of a trend and the influence it will have on profits, then attributes of the product can be appropriately fine-tuned to fit the trend. As each trend shapes and makes its way through the marketplace, it intensifies its hold on the consumer thus portraying the trend that marketers should follow in their research on customers. Organisations should however keep in mind that each trend is merely a fraction of the whole. A company should not veer too far in any one direction with only one or another trend. Schiffman and Kanuk (2007) argue that a company should think of the trends in the 'trends-bank' as a kind of data base of customers' moods, a rich source that it can tap into to solve any marketing problem. The aforementioned researcher further indicates that the company's vision is developed so it can grasp more clearly how future business prospects are going to look and how the business can take advantage of this unique outlook of the future.

Sheth and Mittal (2004) add that anticipating trends will bring about significant shifts in marketing strategies and practices. Continuing with the current trends, the economy will become more service oriented. This will occur not only because the current business sector will grow but also because customers' needs for anything; anywhere, as well as their purchasing and consumption will add a significant component of services to the marketing of physical products. Carpenter, Moore and Fairhurst (2005) assert that such a change from product oriented to one of service oriented will require organisations to make changes and adjustments: from supply focused to demand focused operations, from centrally compacted operations to more broadly

distributed sites, and from customer inaccessible to customer participative services and products. Alexandris, Douka, Papadopoulos and Kaltsatou (2008) assert that for businesses to benefit from changing consumer trends in the market they have to study how consumers value services and products in terms of time as well as monetary value, as customers continue to make trade-offs that save them time.

Expectations about consumer behaviour and a solid understanding of consumers' attitudes and intentions are essential requirements for business success in consumer goods and services sector. Cobb and Hoyer (2000) point out that businesses which recognize consumer necessities and lifestyles, which understand consumer's buying behaviour and usage a product and which can establish a rapport with consumers in a targeted way will have a sustainable competitive advantage. However research and understanding buyer behaviour remains more of an artificial endeavor or adds little to marketing of products if not well implemented. Companies seeking to understand consumer behaviour have to carry out consumer research. Holt (2002) argues that consumer research consists of diverse and systematic methods that marketers use to investigate the internal environment, and social factors that affect consumer decisions and exchange processes. The aforementioned researchers further outline the important areas of consumer research which include; perceptions, learning, memory, attitudes, motivations, lifestyles and influence patterns as well as the frequency of product use, where products are purchased, and consumer media habits.

In a competitive market environment such as the beer market with intensifying pressure on businesses to offer more for less, businesses that will survive will be those that research and understand their customers well, that know the values that their customers are looking for, and how they evaluate and find those values in the market place. Thus, it should be noted that



researching customer behavior is critical for market success (Cotte and Wood, 2004). Barnes, (2006) argues that, if a business desires to build a brand, it should return to basics and do research in the following areas: the company should find out whether it has the basics right and if so, how best they can be improved so as to remain competitive in the market, secondly businesses should ascertain whether or not customers see the company as the company sees itself, and thirdly the company should clearly identify its core values and products.

## **2.4 Foundations of Consumer Behaviour**

Understanding how consumers make their buying decisions is a key marketing consideration when designing marketing strategies. Churchill and Peter (1998) insist that successful marketing strategies should be aligned as to how consumers behave in the market so that brand managers can position their brands effectively. Kasper, Van Helsdingen and Gabbott (2006) point out that the consumer decision making process and buying situations are two major aspects of buyer behaviour with which companies need to be familiar with. Beer brand managers need to understand the different roles that consumers play in the buying and consumption process.

### **2.4.1 Consumer as a Perceiver**

Cant, and Van Heerden (2012) define perception as a way by which individuals select the information that they are exposed to, organizes that information, and interprets that information to form a meaningful picture of the world, through the five senses of sight, hearing, smell, touch and taste. Blackwell (2003) defines perception as the particular interpretation one gives to objects and ideas observed or otherwise brought to the customers' attention through the senses. The aforementioned researchers view perception as to how customers handle new information psychologically by organizing and interpreting the stimuli impinging on their senses. The senses

of smell, taste, hearing, vision, and touch, all yield effects that go further than immediate sensation.

Sheth and Mittal (2004) support the views of Walters and Bergiel, (1989) and go further by indicating three factors that shape consumer behavior namely:

**Stimulus characteristics** being the nature of the message from the environment (objects, brands, stores, marketers, friends and so forth),

**Context characteristics** being the background in which the message is received and processed; this includes social, cultural, and organisation contexts and,

**Customer characteristics** being personal understanding and proficiencies including customers' capabilities on the relevant topic and subsequent experience with similar stimuli.

It is the role of perception to provide a particular emphasis or flavor to the consumers' understanding of all considerations related to the decision process. The risk reduction concept views the perception of risk and consequence as fundamental as to how the decision is made Walters (1989). In the problem solver concept, the consumer's perception of a problem begins the process, and the perception of the alternatives, selection criteria, and what is responsible determines how the perceived problem is resolved. However to cope with the barrage of marketing information, consumers become selective and ignore stimuli and some possible interpretations of stimuli, thus biasing their perceptions (Reis 2005).

#### **2.4.2 Consumer as a Learner**

Consumers learn to acquire the skills which help them to respond better to the environment and learning results in a transformation in the context of long period memory. Consumers' education

is directed at obtaining skills for upcoming adaptive behaviour (Epp 2008). Hanna and Mittal (2001) assert that learning infiltrates nearly all customer behaviour and consumption of services and goods. Consumer behaviour includes learning as both an adaptive and problem solving activity. More precisely, learning is a process by which changes occur in the content or organisation of an individual's long term memory.

Baker and Hart (2007) suggest that consumers throughout their lives acquire numerous skills that enable them to manage their daily lives. They learn to recognize and to respond to symbols encountered in the environment such as packages and brand names. They also learn how to process information in order to solve problems and to think by manipulating symbols representing reality to form combinations of thinking. It is this thinking that Hanna and Mittal (2001). Hanna (2001), (Cotte 2004), argue that leads to insight and an enhanced comprehension of relationship in a problem. The aforementioned researchers further argue that, through a process known as consumer socialization, consumers obtain the understanding and skills that are essential to function in the market place. This is the knowledge that SAB premium beer marketers need to fully understand when developing a marketing strategy that can make premium beer brands highly competitive in the market.

Applied specifically to the field of consumer behavior, learning occurs in situations ranging from low to high levels of consumer behaviour. In low involvement learning situations, consumers have little or no motivation to process the material to be learned. On the other hand in high involvement learning situations, individuals are motivated to process the information to be learned. The degree of consumer involvement is a function of the interaction between an individual, a stimulus, and a situation (Davies and Cline, 2005).

Consumer decision making involves learning at two different levels, one essentially mental and the other essentially physical. On the first and more basic level the consumer must learn through processes which involve the consumer's beliefs, preferences, feelings, options, and mental associations that relate to attitude (Schiffman and Kanuk, 2007) . On the other hand, consumers learn attitudes towards specific physical behaviour. This behaviour may be in the form of a straight action to meet an inner desire or a specific response to unforeseen market inducement.

Sheth and Mittal (2004) indicate four different mechanisms of learning with which consumers can overcome this, namely:

- **Cognitive learning:** acquiring new facts from oral or written statements. Learning comes when facts are acquired about something, whether incidentally or passively or deliberately or actively.
- **Cognitive learning occurs on two levels:** rote memorization which results from active rehearsal or from passive, repeated exposure to the information, and problem solving which is a type of mental learning that takes place when the consumer is aggressively processing information to arrive at a particular decision.
- **Classical conditioning** is a method in which an individual learns the relationship between two inducements due to their persistent presence as a pair and because of the continuous contiguity (pairing), consumers tend to relate to the previously unidentified stimulus, whatever they consider or feel about the paired other stimulus and;
- **Modeling:** learning by observing others also known as learning by imitation or imitative behaviour, either by the person that is modeled or by others who admire that person.
-

## **2.5 Customer Motivation**

According to George and Jones (2010) motivation is the main driving force that leads individuals to behave in the way that they do. The aforementioned researchers define motivation as the extent or degree of the drive or provocation that impels individuals to take an action towards achieving a goal or objective. Chaudhuri (2006) emphasizes that motivation underlies the reason which impels individuals to undertake certain actions. The aforementioned researchers argue that motivation is a condition in which bodily energy is organized and directed in a discriminating way towards the state of undertakings in the external environment referred to as objectives.

Hanna and Woziniak (2001) further indicate that for motivation to occur, two conditions must prevail. However, the aforementioned author looks at conditions as arousal and direction, whereas Sheth and Mittal (2004) , presents the conditions as arousal or drive and goal –object. The aforementioned authors further define condition as an internal state of tension whereas a goal-object is a material that would have to be acquired in order to reduce the tension; a drive or arousal provides the motivation to act; goal-object channels the energy into the right direction, thus a person with goal-object but without the drive is regarded as a dreamer and one with energy but no goal-object as akin to a hyperactive person.

## **2.6 Branding and Brand Strategy**

The concept of branding has aroused enormous interest among academics as well as practitioners over the years, as branding is seen as being influential in consumers' purchasing decisions of goods and services Petty (2010).

Branding has existed for years as a means to identify the manufacturer of a particular product and at the same time as a means of differentiating products from different producers. Keller

(2002) defines a brand as a name, term, sign, symbol, or design or a combination of these intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors Keller (2008). Hence each time a marketer fashions a new name for a product, place or service or a logo, or symbol a brand has been created and to some degree the marketer has created a certain amount of alertness, reputation, fame and status among consumers. Brands also serve the end user by providing information about superiority, origin, and value of goods and services. Aaker (1991) emphasizes that without brands to facilitate buying decisions, the marketplace would become a puzzling, faceless pack of consumables and therefore a reputable and esteemed brand can be the most treasured asset of an organisation.

Morrison (2005) argues that for any brand to be outstanding in the market and be recognized by consumers then it has to be creatively designed and backed up by creative marketing strategies, hence building a strong brand demands careful planning and paying attention to small details. Organisations use brands as competitive assets because brands when they are well managed they are everlasting, produce massive premiums for the organisation and are transferrable between products as well as between product classes Aaker (2006).

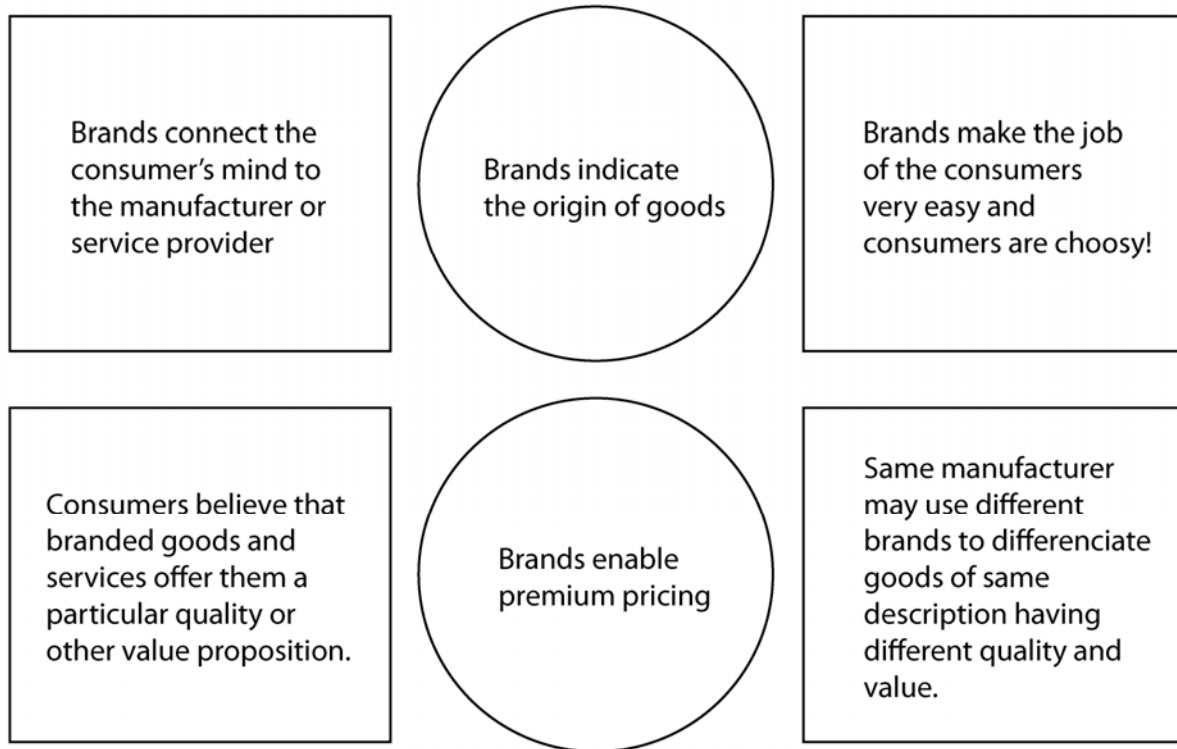
Kotler (2009) argues that outstanding and skilled marketers should have the ability to create, defend, promote, and protect brands. Keller (2013) asserts that it is essential for marketers to possess strategic brand management skills, because it encompasses the design and application of marketing functions and programmes that are aimed at building, measuring, and creatively manage brands in order to make the most of their value. Back and Packs (2003) add that even though brands and labeling are not new ideas, in modern economy marketers are relating them to more varied marketing settings where the functions performed by branding is becoming increasingly significant. The customary role of brands is also being given a new face. Market

commentators and experts allude that this tendency will continue to change the face of marketing and will continue to perform a major role in the formulation of successful marketing strategies in the future (Keller 2002). South African Breweries beer brand managers need to design strategies as to how their brands can arouse the greatest interest in consumers.

## **2.7 The Functions of Brands**

According to Kotler (2006), brands pinpoint the source or the manufacturer of a product or service and permits customers to allocate an obligation to a specific producer or distributor. Gupta (2007) asserts that consumers acquire more knowledge about brands by coming into contact with the brand as well as through its marketing initiatives. Beer brand managers need to have a good understanding of the role that brands play in the buying and consumption process. Figure 2.3 presents the different roles that brands play to consumers in the buying and consumption process and how this understanding can assist premium beer brand managers when designing marketing communication strategies aimed at creating a brand appeal to consumers.

**Figure 2.3 Functions of brands**



**Source:** Adapted from: Elliot and Percy (2007:114)

As a way of attracting and keeping customers, manufacturers develop brands and create strategies to promote their value, image, prestige, or lifestyle. Chernatony and Macdonald (1998) point out that by consuming a specific brand, a consumer can strengthen and affirm his/her own image. Brands can also minimize the doubts that consumers do have when buying a product that is new in the market, (Raju, Unnava, and Montgomery, 2008). Branding helps marketers to design marketing strategies aimed at building a sustainable and differentiated advantage by assuming the personality of human beings (Keller, 2008).

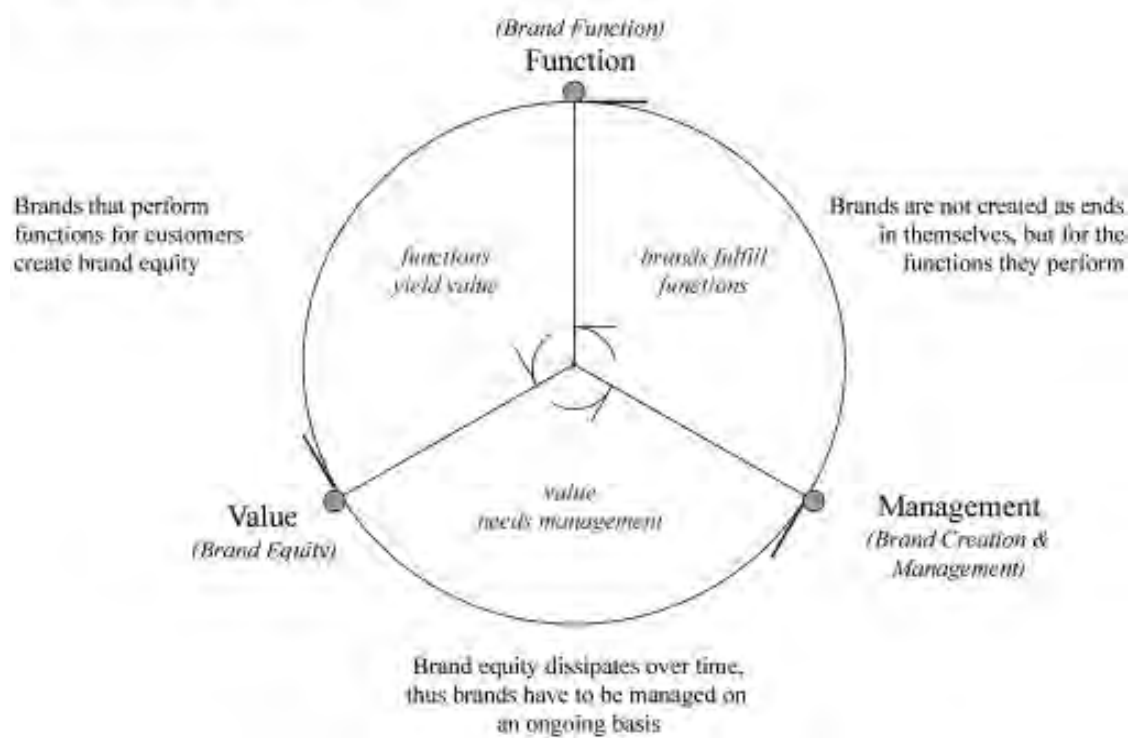


Only consumers can assign meaning and feeling to nonliving items and a random assortment of signs and symbols, which indicates that the appeal of branding, is not completely rational (Aaker 1991). Branding should be seen as a tool that an organisation can use to secure and consolidate its competitive advantage because once consumers become used to a particular brand they develop a sense of attachment, an emotional attachment consequently they do not readily accept substitute brands, (Keller 2002). Therefore marketers should produce brands that create an emotional attachment with consumers where their value can easily be communicated (Edwards and Days, 2005). In order to do this SAB premium beer marketing managers need to understand the functions that brands present to consumers as well as to the organisation also referred to as the Brand Tri Cycle.

Figure 2.4 presents a summary of the functions that are performed by brands to consumers as well as to the organisations in a process referred to as the Brand Tri Cycle. The figure presents the value that accrues to the organisation as a result of having powerful brands in the market.

**Figure 2. 4: The Brand Tri-Cycle**

### The Brand Tri-Cycle



**Source:** Adapted from: Gupta (2007:145)

Ashworth (2007) suggests that brands are created to represent value to the owners of the brands; they characterize an asset where future revenue flows. They also represent value to consumers; they provide value and convenience (in that utility is known as guaranteed) as well as fulfillment. Both consumers and society need brands. Table 2.2 presents the functions of brands and the benefits that brands bring to consumers. Bravo, Fraj and Martinez (2007) assert that brand managers need to understand what benefits consumers are seeking in a brand and how consumers evaluate these brands. This understanding would help premium beer marketers to design brand positioning strategies that would appeal to consumers.

**Table 2.2 Brand Functions and Consumer Benefits**

<b>Function</b>	<b>Consumer Benefit</b>
practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of finding the same quality no matter where or when you buy the product or service.
Optimization	To be sure of buying the best product in its category, the best performer for a particular purpose.
Characterization	To have confirmation of your self-image or the image that you present to others.
Continuity	Satisfaction brought about through familiarity and intimacy with the brand you have been consuming for years
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its communication.
Ethical	Satisfaction linked to the responsible behaviour of the brand in its relationship towards society.
Identification	To be clearly seen, to make sense of the offer, to quickly identify the sought-after products.

**Source:** Jansen and Hansen (2006:242)

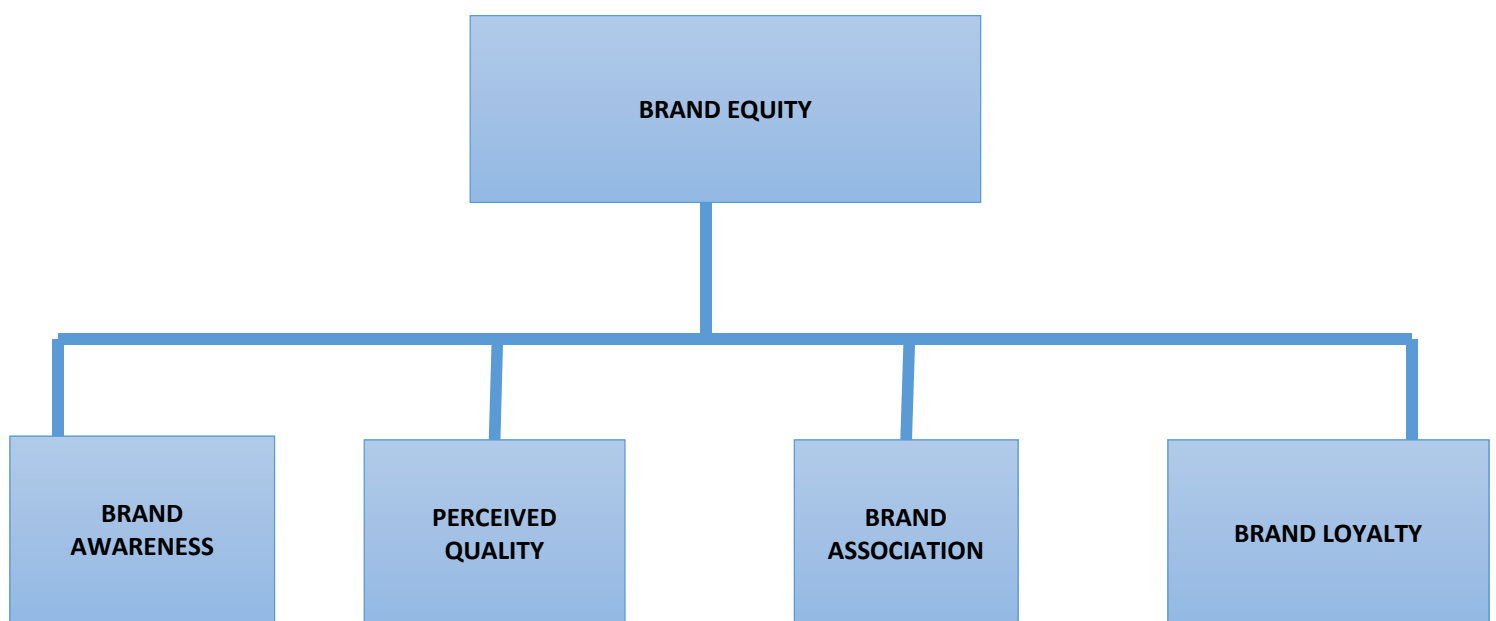
## **2.8 Brand Equity Models**

Jansen and Hansen (2006) define brand equity as the set of association and behaviour on the part of a brand's customers, channel members and parent corporations that permits the brand to earn greater volume or greater margins than it could without the brand name. Chaudhuri and

Holbrook, (2001) assert that a critical analysis of the market shows that there are two sides to brand equity the first one being the manufacturer’s point of view and the second one being the users’ point of view. In order for SAB to build and consolidate a strong competitive advantage of its premium beer brands it needs to come up with marketing strategies that would create and defend the brand equity of its premium beer brands.

Figure 2.5 presents the sources of brand equity. Keller (2013) argues that brand equity increases as consumers become more familiar with and more aware of the brand and perceive it to be of good quality. Consumers’ conviction of the good quality of a brand leads to consumers associating themselves with the brand resulting in brand loyalty.

**Figure 2.5: Brand Equity Model**



**Source:** Adapted from: Keller (2008:54)

Brand equity echoes certain consumer confidence in their relationship with a branded item. Through brand awareness there is a significant increase in sales volume. Once consumers are

convinced of the good quality of the product, price is at a premium; furthermore a firm can realize good profits through brand loyalty of the consumers (Keller, 2002). These brand-market outcomes, according to Keller and Lehmann (2006), quantify the incremental benefit due to the brand name and mirrors a culmination of the different devices by which the brand name adds value.

Aaker (1991) argues that brand equity helps customers to interpret, process, and store a great deal of information related to product and brand. Elliot and Percy (2007) affirm that brand equity influences consumers' reliability in buying decisions because the customer has experienced it before and is familiar with the brand and its characteristics. The product outcomes that are realized as a result of brand equity are an important means of quantifying the value of a brand because they are inextricably linked to market forces (Boyle, 2003). Some marketing researchers have suggested using a profit based approach as a way of measuring and demonstrating the brand's value to the organisation.

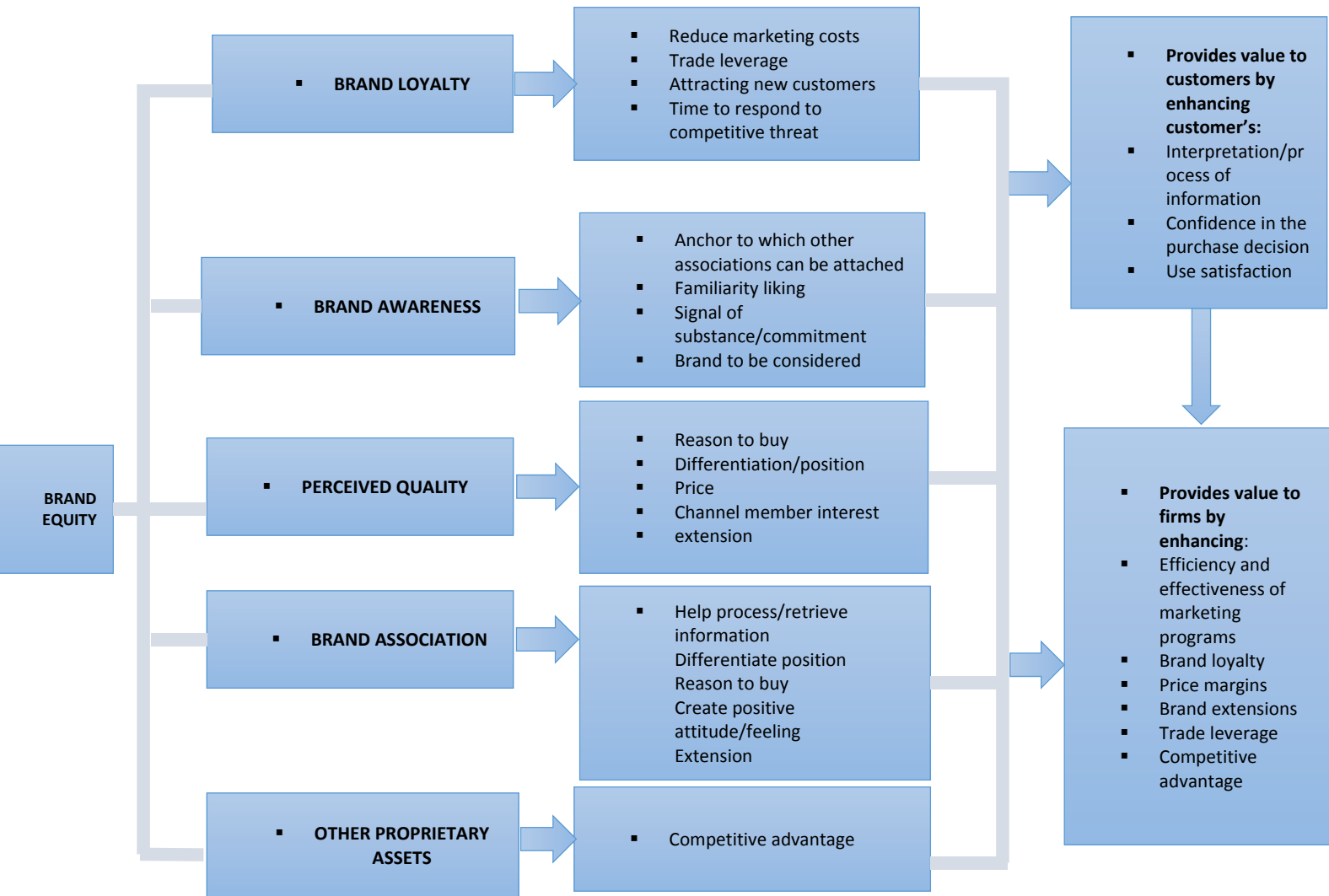
Ailawadi, Lehmann and Neslin (2003) assert that revenue premium and market shares are collated even though these are but conceptually different measures. Ambler (2000) asserts that brand equity and market shares are affected differently by the investments that an organisation puts into the brand.

Broadbent (2002) points out that consumers do not react and respond in the same way to marketing mix and initiatives for branded goods when compared to marketing initiatives for products that are unbranded. With regard to the impact of brand equity, well established and managed brands enjoy superior long-term sales from their presentation, features, and price promotion initiatives. Alden, Steenkamp, Jan-Benedict, and Batra (1999) point out that strategic

marketing communication initiatives such as advertising for national brands results in greater purchase intention than it does with in-house brands.

Figure 2.6 presents Aaker's (1991) brand equity model outlining the sources of brand equity and how an organisation can utilize these different sources to build sustainable brand equity. The model shows how sources of brand equity such as brand loyalty, consumers' brand awareness, perceived quality, brand associations and other proprietary assets can be utilized by an organisation and edge out competitors.

**Figure 2. 6: Aaker's Brand Equity Model**



Aaker (1991) defines brand equity as the set of brand assets and liabilities linked to the brand; namely the brand's symbol, logo, sign and name that contributes some value to or subtracts value from a product or service. These value adding assets include brand associations, brand name, brand awareness and brand loyalty, perceived quality and associations. The brand equity model depicted in figure 2.6 helps marketers to understand the value that a brand brings to the organisation and to have a deeper understanding of the connections between the different sources and components of brand equity and foresee the future performance of the brand. The model emphasizes that a growth in brand equity is a function of perceived consumer quality, brand name awareness amongst consumers, and brand loyalty. As brand associations become stronger the more an organisation achieves brand equity growth. The brand equity model proposed by Aaker and Joachimsthaler (2000) outline five brand equity sources and components; namely consumers' brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary assets.

### **2.8.1 Brand Loyalty**

A firm can directly benefit from loyal brand consumers in the following ways:

- ***Reducing marketing costs*** - this is achieved because the expenses associated with generating new customers is far greater when compared to the expenses of strategies of retaining current customers.
- ***Trade leverage***- as faithful buyers become an unwavering source of income for the organisation.
- ***Appealing to new market segment*** – satisfied consumers can assist in promoting the image of the brand and create awareness hence bringing in first time customers.



- ***Time to respond to competitors*** – devoted consumers that remain loyal to brands give a company more time to organise resources that can be used to respond to new threats in the market.

Creating a sustainable competitive advantage requires winning the loyalty of consumers and for this to happen premium beer marketers need to present their brands in a more appealing manner.

### **2.8.2 Brand Awareness**

Broadbent (1999) define brand awareness as the extent to which a brand is known among the public, and this awareness is evaluated on the following bases:

- Source upon which brand associations can be devoted and linked to, however this depends on the power of the brand name, and the number of associations that a brand can be linked to, which will in turn impact on brand awareness.
- Knowledge and brand preference- consumers who have a positive impression of a brand will talk frequently about it and in doing so spread brand awareness.
- Brand consideration during the buying process – how often and easily do consumers remember the brand during the buying time.

Creative marketing efforts should be directed at creating an awareness of premium beer brands and communicating the attributes and benefits of such brands as most beer consumers are only familiar with the main stream lager beers such as Carling Black Label, Castle Lager and Hansa.

### **2.8.3 Perceived Quality**

Jensen and Drozdenko (2008) assert that perceived product quality refers to the degree to which a product is considered to deliver and meet consumers' expectations. Dalymple and Parson (2002) argue that marketing is a battle of products and companies for attitudes further insisting

that marketing is not about what is best for consumers, but rather about what customers perceive and are convinced of as best for them. (Aaker 1991) argues that brands influence the competitive advantage of companies since brands are treasured intangible assets that contribute considerably to an organisation's performance. However in order to be prosperous companies must differentiate their brands from those of their nearest rivals and competitors. Back and Packs (2003) claim that a good knowledge of brand differentiation is essential to the formulation of strategies and other marketing activities. In this study principal component analysis was used to establish brand differentiation and similarities of local (SAB) and international premium beer brands.

Perceived quality can be judged on the following factors:

- Consumers purchase the product because it meets their expectations;
- The product is considered to be different from those of competitors;
- Price – for products that are complex to assess and show some similarities consumers tend to use price as the indicator of quality.
- Product availability in different distribution channels – consumers regard product that are offered by many distributors as of high quality.
- The brand lines and extension variety- this communicates to consumers that a brand has quality guarantee and is applied to a wide range of products.

#### **2.8.4 Brand Associations**

Keller (2008) points out that associations that are stimulated by a brand can be evaluated on the following indicators:

- The degree to which consumers remember the name of the brand through information obtained in television and newspaper advertising.
- The degree to which associations can set the brand apart from competition; these associations can be abstract links such as vitality, or links with real product benefits.
- The role that is played by brand associations in the buying process.
- The availability of brand extensions in the market, a wide range of brand extensions in the market offers marketers more opportunities of adding brand extensions.

## **2.9 Brand Equity Model**

According to Keller (2008) customer-based brand equity (CBBE) illustrates the strategies which can be employed by organisations such as SAB in order to build a strong presence and market share of its premium beer brands that can win customer loyalty based on brand-added value which is customer-based brand equity. Customer-based brand equity is the differential effect that consumers' brand knowledge has on their reaction to the marketing initiatives of that brand (Keller 2002).

Figure 2.7 presents Keller's (2002) brand equity model. This model describes the six dimensions of brand equity namely; customer feelings, brand performance, brand imagery, brand resonance, brand salience, and customer judgements.

According to this model, the highest level of brand equity is realized when the top of the pyramid, which is brand resonance, is attained. Brand resonance is realized when consumers have the highest level of knowledge about the brand, recognize the brand easily and have strong, favourable, unique brand associations in memory (Keller, 2002).

**Figure 2.7: Keller's Brand Equity Model**



**Source:** Adapted from Keller (2013:108)

### 2.9.1 The Six Dimensions of Customer-Based Brand Equity Model

A deeper understanding of the CBBE and the dimensions that make up this model can be used as a tool by premium beer marketers in their drive to build a strong base for premium beer brands. Understanding the needs and wants of consumers and organisations and devising products and programs to satisfy them are at the heart of successful marketing. Marketers should understand what consumers are looking for when they are buying and consuming premium beer brands.

### **2.9.1.1 Brand Salience**

Keller (2013) defines salient as knowing how familiar consumers are with a brand, in terms of easiness in recognizing the brand, being the most favourable to consumers, and whether or not it is recalled spontaneously. Keller (2008) asserts that the first phase in creating a strong brand involves describing its identity, meaning the brand will have to know what it is and how it differs from other brands hence answering the question of “*who am I*”. This is the first obstacle in developing a brand and in order to successfully overcome this hurdle the marketing department and all other departments involved in defining the brand will need to ensure that customers associate themselves with the brand. Chaudhuri and Holbrook (2001) assert that a clear character and personality between premium beer brands and a specific product class or product category will have to be created in the minds of beer consumers if these consumers are to become ambassadors of the brand. When confronted with other beer brands in advertising they will place the premium beer brands of SAB in a context which will enable them to provide a solid foundation for the establishment and building of brand awareness and knowledge amongst consumers hence winning a competitive advantage in the market.

A successful brand shows that consumers have acquired knowledge of both the depth and width of a brand. In this case depth refers to the ease with which a premium beer brand can be activated in the minds of consumers’ while width refers to the extent to which this happens when the consumer is making a purchase decision in the market. Brand salient is a precondition for moving up on the brand pyramid (Akula, 2008).

### **2.9.1.2 Brand Performance and Brand Imagery**

Keller and Lehmann (2006) argue that once brand salient has been accomplished, the process of brand building takes another step which is aimed at answering the critical question of “*what am I*”. This question is answered by both the fundamental (tangible) and extrinsic (intangible) features and attributes of a brand. Intrinsic features and attributes refer to the extent to which a brand is perceived to function by users; extrinsic characteristics are those attributes that portray elements that consumers mostly think about when the brand comes to mind. The creation and building of a strong brand requires paying great attention to both brand performance and brand imagery. Madden, Fehle and Fournier (2006) state that brand imagery states what consumers recall about a brand in terms of value and meaning and not necessarily about how the product performs in terms of functionality. For example, in terms of premium lager beers this would refer to for example what consumers think about local premium beer brands such as, Castle Light, in comparison to imported premium beer brands such as Windhoek lager, Amstel lager, and Heineken.

Kapferer (2002) points out that building a successful brand starts by paying attention to and meeting consumer needs and this should be supported by efforts aimed to surpass consumer expectations. Brand imagery can be boosted by tailoring the brand to consumers’ psycho-social needs. Brand imagery can be raised directly by improving brand experience of consumers and indirectly by advertising. Jensen and Hansen (2006) add that when these two dimensions are well managed they bring about a brand identity that is strong in the minds of consumers, and consumers have a positive and a unique relationship with the brand. The scores on these brand dimensions can be considered important indicators for building future brand loyalty.

### **2.9.1.3 Brand Judgments and Brand Feelings**

Edwards and Days (2005) state that once an organisation has achieved a strong, positive and exclusive brand identity the process of brand building moves up the pyramid to the next step. This step deals with how the brand has been positioned in the mind of consumers. It also looks at the responses of consumers to marketing initiatives and efforts from brand imagery and performance. The brand is then assessed and judged at this level, articulating a certain attitude towards opinion of the brand. By this stage there are two important dimensions at play namely: brand judgment which is rational and brand feeling which is emotional.

Brand judgment denotes the opinion which buyers have of a brand and how they assess the brand. Bravo et al., (2007) state that consumers' opinions of a brand are grounded on three criteria namely: brand quality, brand reliability, and brand superiority.

Figure 2.8 presents the six dimensions of the customer based brand equity model. The model approaches brand equity from the perspective of the consumer - whether the consumer is an individual or an organisation. In this model Keller (2008) argues that understanding the needs and wants of consumers and organisations and devising products and programs that can satisfy them are at the heart of successful marketing. South African Breweries' premium beer marketers should aim their strategies at meeting or surpassing the expectations of consumers so as to build a strong pool of loyal consumers.

The customer based brand equity model looks at building a brand as a sequence of steps, each of which is continuous on successfully achieving the objective of the previous one. The model emphasizes that the first step in building brand equity is to ensure the identification of the brand with customers and the association of the brand in customers' minds with a specific product class

or customer need. The second step is to establish the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations with certain properties. Thirdly to elicit the proper customer responses to this brand identification and brand meaning, and fourthly to convert brand response to create an intense, actively loyalty relationship between customers and the brand (Keller, 2008).

Figure 2.8 presents the four steps that represent a set of questions that customers ask about brands which are: Who are you? –Brand identity, What are you? – Brand meaning, What about you? – Brand response and What about you and me? –Brand relationship. Successful brands answer these questions in a clear and persuasive way so as to appeal to both current and prospective consumers. Consumers are loyal to brands that reflect their own personality.



**Figure 2.8 Dimensions of Customer-Based Brand Equity Model**



**Source:** Adapted from Keller (2008:60)

#### **2.9.1.4 Brand Resonance**

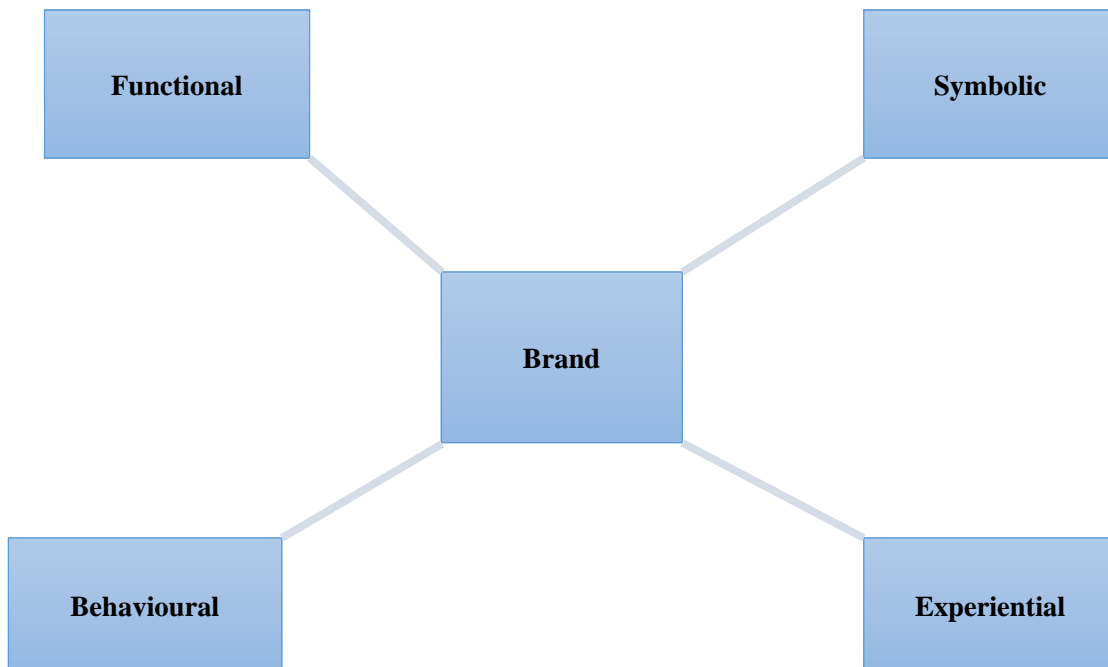
Keller et al., (2008) state that when consumers have attained a positive idea of the brand in both a rational and an emotional sense then an organisation has a solid ground to jump to the last stage of the pyramid, the brand resonance, which indicates whether or not the buyer is keen to have a long term relationship with a brand, this allows an organisation to achieve true brand loyalty. At this stage the consumer associates himself/herself with the values and attributes of the brand to a

greater extent and is willing to invest in a relationship. This can come in the form of repeat purchases, reduced susceptibility to information from competing brands, and even in paying a possible premium price.

Keller (2008) asserts that brand resonance is the critical relationship that exists between a brand and a buyer, which is assessed using four factors namely: behavioural- achieved through brand loyalty, consumers' emotional bond with the brand; being a member of a brand community, and active brand involvement. Aaker (2000) further points out that brand resonance is enhanced by the brand leadership tasks that are performed by a brand.

Figure 2.9 presents the four leadership tasks that are performed by brands namely: functional, behavioural, experiential and symbolic.

**Figure 2.9 Brand Leadership Tasks**



**Source:** Adapted from Aaker and Joachimsthaler (2000:78)

Aaker (2000) revised the traditional branding model and introduced the brand leadership model which outlines the strategies of managing a brand. The brand leadership model places the brand manager higher in the organisation with a long term job on the horizon. The manager, who is employed by an organisation to promote its brands has the responsibility of being a tactician as well as the overseer of marketing communications strategies employed by an organisation about its brands. Keller (2013) points out that the process of developing measures of brand equity and marketing structures that should support this initiative is complex as it involves focusing on several products of the organisation targeted at different markets; hence the model depicts brand identity and brand value creation as the main driver of its strategy. In the brand leadership

model, the brand management acquires different characteristics: a strategic and visionary perspective.

The aforementioned authors developed the brand leadership model as a tool for building strong brands, arguing that there are four challenges that must be addressed if an organisation is to build strong brands on the market; namely:

**The organisational challenge:** organisations face challenges in creating and sustaining structures and processes that lead to strong brands, with strong brand leader (s) for each product, market or country. Again organisations face a challenge in establishing a common vocabulary and tools within the organisation, to come up with an information system that allows for sharing information, experiences and initiatives, and a brand nurturing culture and structure. McWilliam and Dumas (1997) concur with this challenge, arguing further that in order for an organisation to build a strong brand everyone on the brand team needs to understand the brand building process hence they propose metaphors as intelligent tools to transmit the values of a firm. Doyle (2001) adds that brand management must be seen as part of the total management process and not only as a specialist marketing activity.

**The brand architecture challenge:** organisations face a major challenge in identifying brands, sub-brands and their relationships roles. Barnes (2006) asserts that organisations need to clarify what is offered to consumers, they also need to create collaboration between brands to support leveraging of brands as assets. In order to have a clear picture as to when to extend brands SAB needs to have a good understanding of the roles of its different brands, sub-brands, and endorsed brands. This knowledge will assist SAB in determining the relative role of each brand in its portfolio. Aaker (2000) goes further to rename brand architecture calling it instead brand portfolio strategy, emphasizing that the brand portfolio strategy specifies the structure of the

brand portfolio and the scope, roles, and interrelationship of the portfolio brands. Therefore this challenge could be renamed the brand portfolio strategy challenge.

**The brand identity and position challenge:** Organisations have a major problem when it comes to assigning a brand identity to each brand and to position each brand effectively so as to create clarity. Speak and Karl (1998) add that the brand identity challenge should have a long-term focus in order to integrate the brand building process into the fabric of the organisation.

**The brand building program challenge:** Organisations are faced with a challenge of crafting communication programs and other brand building activities that can assist in developing a brand identity that can help in the brand defining process as well as its implementation. Backman and Crompton (1991) assert that brand building activities should be aimed at creating a positive perception that consumers have about premium beer brands, reinforcing the attitudes that consumers have about premium beer brands, and creating long lasting premium beer brand loyalty. One of the tactics of achieving this would be to consider alternative media that SAB can use to connect with its target consumers in addition to traditional advertising channels.

The changes in market structures have been improved so as to identify new market segments: narrowing brand barriers has led to deregulation of certain sectors of trade such as the beer market. This has led to fierce competition in the market, as competing premium beer brands try to attract customers by various means and earn confidence in the market place. This kind of market behaviour has made it necessary for successful companies to look for markets which provide them with location advantage and one that holds the customers for their brands Hill et al., (2011). Business cordoning or securing the trade boundaries is a necessary decision to be taken for building competitive strategies to attack rivals across regions.

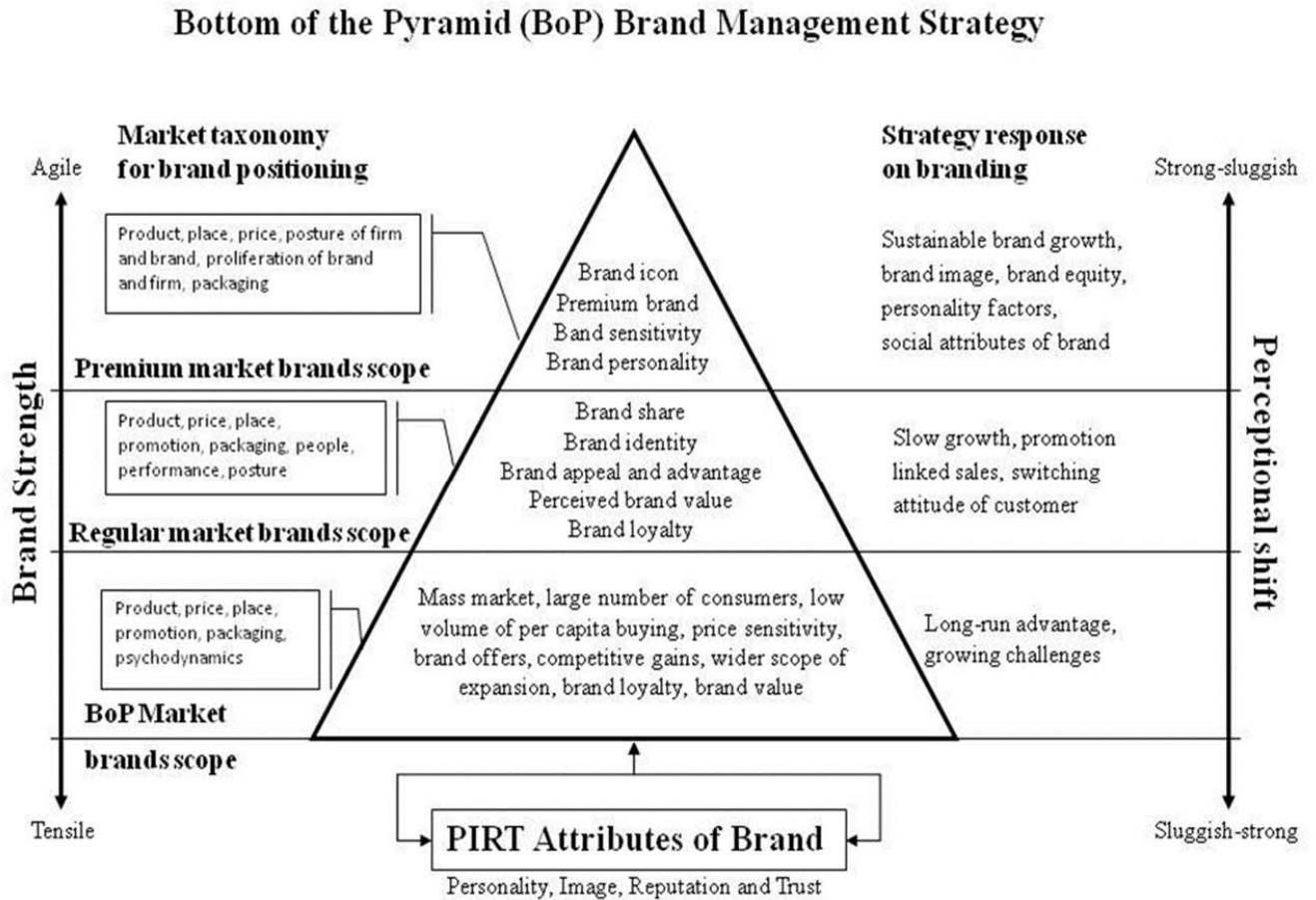
## **2.10 Bottom of the Pyramid Model**

Rajagopal (2008) argues that brand management strategies and approaches that are aimed at lower income groups and markets need to take into consideration the personality traits, image and reputation of the organisation associated with the brands as these have an impact on the overall perception that consumers have on the brands. Akula (2008) describes the Bottom of the Pyramid as the mass market comprising of a large number of consumers with relatively low volume of per capita buying. This market is also considered to comprise of the poorest socio-economic group. Rajagopal (2008) argues that the performance of global brands in the low profile consumer market segments is constrained by the high transaction costs and coordination problems along the brand promotion, consumption and customer value chain. In South Africa the beer market is heavily patronised by consumers from all income groups, and this gives SAB an opportunity of further expanding its premium beer brands into this often neglected income group of consumers who form a large part of the beer market. Creation of a sustainable competitive advantage of premium beer brands necessitates that SAB look for markets that would provide them with more location advantage and retain their customers. A critical analysis of the BoP would offer brand managers an insight into new business strategies on brand positioning and targeting in suburban and rural markets with pricing and psychodynamics (Akula, 2008). Targeting premium beer brands at the BoP market segment in the unorganized market segment would have a psychological impact led by the personality traits on marketing strategy formulation, over and above the real effects of the absent infrastructures would give SAB an edge over its competitors in the premium beer market (Beard, 2008).

Figure 2.10 illustrates the BoP brand management strategy and the marketing mix constituents that form it. The figure points out that in current times marketing-mix strategies considerably

influence branding strategies in different types of markets. Marketing mix has now stretched beyond product, place, price and promotion dimensions to packaging, pace, people, performance of previous bands, posture and psychodynamics

**Figure 2.10: Bottom of the Pyramid Brand Management Strategy**



Source: Rajagopal (2009), Branding Paradigm for Bottom of the Pyramid Markets, *Measuring Business Excellence*, 13 (4), 58-68

### 2.10.1 Attributes of Bottom of the Pyramid (BoP) Market Brands

Products in the Bottom of the Pyramid (BoP) market are largely identified in the context of packaging, and promotional strategies. Rajagopal (2006) argues that consumers pay great attention to the packaging of a product when considering buying it as they believe that good packaging translates into a better product. The aforementioned researcher points out that the strategy of brand leadership has been embraced by many organisations, however very few



manage to hold onto and sustain the leadership on the market. Multinational organisations respond to the challenges of brand leadership by carrying out the following activities.

### **2.10.2 Customer Knowledge**

In order to maintain and sustain brand leadership multinational organisations carry out comprehensive studies of their consumers and distribution and marketing partners through regular surveys and market intelligence gathering Kotler (2003). Distributors and customers air their views and suggestions and these are evaluated and scrutinized and only those ideas that add value to the organisation are taken into consideration. A competitive advantage strategy for premium beer brands of SAB cannot be designed and implemented without taking on board its distribution partners. Business partners need to form an integral part of the strategy.

### **2.10.3 Long-term Vision**

Firms intending to penetrate the bottom of the pyramid market segment tend to compile long-term plans by developing brand extensions which appeal to upper class consumers and transfer that perception to the new or intended market segment (Rajagopal, 2006). However, multinational' products find it difficult to compete with locally produced goods when it comes to quantity and market prices, and market elements that have an impact on the buying behaviour of consumers. The long term vision of a firm competing in the BoP should be to extend the product line covering the class and mass market segment to provide more shelf space to brands and narrow competition to emerge as brand leader in the BoP market segment as the market locus of brand equity shifts from the design to the brand name attribute.

#### **2.10.4 Product Innovation**

In order for organisations to maintain high brand equity in the BoP market segment and remain relevant to their customers, they need to continuously improve the quality of their products. Akula (2006) asserts that it is crucial for marketers to understand that brand equity in the BoP marketplace is a result of an outgrowth of the premium brands and regular market segment.

#### **2.10.5 Quality Confidence**

Firms can maintain their brand market share and penetrate the new market segment by firmly banking on the quality platform (Keller, 2010). Quality improvements would boost the trust and confidence of customers as well as distribution partners which will boost brand equity.

#### **2.10.6 Product Line**

Rajagopal (2008) asserts that firms should create brands that cover a wide class that includes mass market segments, as this allows the organisation to provide additional shelf space for products, thereby narrowing the lead of opposition brand leaders in the BoP market segment. In contrast to premium market segments the anticipated product attributes may eventually minimize the negative perception that consumers may have about the product quality. In BoP the focus of the brand equity moves from the design to the brand name quality and its attributes.

### **2.10.7 Multi-Brand Strategy**

Akula (2008) asserts that firms should trade numerous brands in the marketplace as this will allow them to increase the presence of brands amongst consumers in the BoP. Firms should strive to create a brand architecture on a two-dimensional matrix configuration with brands and geographic stages for effective brand distribution in BoP target market segments (Rajagopal, 2008). Such brand architecture creates a platform upon which firms would design brands targeting different consumers in the BoP market and contest against locally produced brands that have the upper hand in the market. This strategy would enable a firm to create more shelf space for its products in retail outlets and gain more influence with distributors that would give it a competitive advantage. A clear understanding of the role that is played by distributors in the beer distribution network would assist SAB in its effort to win the battle in the premium beer market.

### **2.10.8 Aggressive Branding**

Bottom of Pyramid brand strategy demands that firms engage in intensive marketing strategies, such as intensive advertising, aggressive sales strategies, and promoting defensive sales force strategies. Back and Packs (2003) assert that BoP brands should have highly visible points on the shelf, market promotion initiatives, and have a consumer reaction evaluation in the retail outlets. Brand equity and price premium on brands in the BoP market segment delineates the function of brand uniqueness, together with brand awareness, brand associations, brand qualities and loyalty as principal dimensions of the brand. Keller (2002) asserts that relevant brand origin links such as the consumer's perception, the firms' relationship and social image together with the quality attributes such as product ingredients, product taste, consistency of the brand, and the appearance of the brand are important. The way the product is packaged are some of the major variables that influence customer behaviour towards products in the BoP market segment. SAB has a firm

control of the lager beer market therefore by understanding the BoP model, SAB could use the reputation of the other well established brands to consolidate the market share of its premium beer brands.

Due to an increase in the intensity of marketing competition in the urban areas global firms have turned their marketing initiatives and strategies to remote and developing urban markets. These markets comprise large societies with small consumption centered on personal brand associations, with local retailers and distributors of popular international brands in the region. Urban values and consumerism arrays have emerged when semi-urban marketplaces near rural markets are restructured, experiencing the dissolution of the conversational patterns of buying preferences among consumers within the vicinity of semi-urban marketplaces.

The process of globalization has created two distinct rural or semi-urban consumer behaviour patterns which is referred to as Bottom of the Pyramid. Consumerism has influenced the core behaviour of consumers to be on a par with the urban consumption patterns (Cruickshank 2009).

Aggressive competition for market share from highly respected brands of multinational firms has not only decreased the premium beer brand market share, but it has also created price wars amongst SAB and its competitors thereby reducing profit margins and restricting market growth of firms such as SAB. This market scenario has inspired companies to contemplate locating brands to the suburban and rural segments.

The BoP market segment which comprises a large number of consumers has become the principal target of most of the consumer brands. Brands penetrating the bottom of the pyramid market should provide constancy and agility at the same time. Constancy is required if the brand is to build awareness and credibility while alertness in the brand builds perceived values among

consumers. Readiness is required if the brand is to remain relevant in a free market place (Blumenthal and 2002).

Beard (2008) points out that brands penetrating the BoP market segment are largely influenced by factors such as consumption needs, product promotions, lifestyle, and societal indicators that affect consumer behavior in relation to purchasing featured brands of up-stream markets.

Rajagopal (2009) insists that in the mind of consumers quality and price are not different concepts and do not exist as isolated concepts. This calls for BoP brands to focus on a profit-oriented approach in order to tap into the competitive advantage; encourage brand loyalty among consumers, improving purchasing volume by standardizing products and measuring brand trial effects. Such brand penetration strategies in the BoP market segment would result in customer loyalty, which eventually not only improves the brand relationship of the clients themselves but will also boost the brand to be a market leader (Akula 2008). Brands targeted at the bottom-of-pyramid (BoP) have an emotional appeal to consumers which is triggered by brand characters in the process of developing a marketing plan.

## **2.11 Brand Positioning and Segmentation**

Since segmentation helps in enhancing the strategic position of the product in the minds of consumers, there is a growing agreement among marketing academics and practitioners that the allocation of resources to conduct segmentation studies and executing international segmentation systems is necessary for the outcomes of segmentation to effective brand positioning and performance (Kapferer 2004).

Hill et al., (2010) argue that world markets cannot be partitioned on geographical variables or on lifestyle factors alone. They emphasize that due to the increasing influences of the process of globalization and advancements in technology, the marketplace has been homogenized across national boundaries and that these changes have made it necessary to add behavioural and lifestyle segmentation to the geographical segmentation in world markets. This brings about the strategic need of selecting the desirable market segments which can assist to position relative brands effectively. The absence of mass markets in most countries has made it impossible for marketers to craft one global marketing approach that can yield desirable results in terms of profits in worldwide markets (WTO, 2011).

If segmentation factors or a base exists for market segmentation that goes beyond national borders then marketers need to develop marketing strategies that can be implemented in to markets that display similar variables (Kotler and Armstrong, 2011)

Kotler and Keller (2006) argue that pre-determined country bases macro segmentation variables such as economic, cultural, geographic and technological are insufficient for segmentation when considered devoid of behavioural bases. The aforementioned authors further argue that pre-determined country clusters will be inadequate without a full description of the degree of

homogeneity associated with buyers' responsiveness to the global program. Segmenting the global market on macro-variables has three major limitations namely:

- Segmentation decision is centered on country-specific geographical variables and not on consumer-behaviour variables.
- This kind of segmentation assumes total uniformity of consumer behaviour within country segments.
- It overlooks the existence of identical segments that transcend national boundaries.

Kotler (2010) describes two main bases for segmenting a market as either a macro or a micro base: macro base segmentation is defined as groups of countries that are classified and targeted on national characteristics; micro segmentation analyses and sub-divides each qualifying target country by characteristics to form localized market segments.

Porter (1986) and Daniel (1987) in Hassan (2010) acknowledge that selective standardization on a global basis may be strategically beneficial and embrace hybrid strategies of adapting to the global market. This strategy takes into consideration the fact that globalization is possible with certain products and that it is possible to group countries' markets based on the similarity of target customer groups within each country, Huszagh et al., (1987, in Hassan, 2010). Hence a firm's approach to international market may consist of a number of strategies, including global brands and products as well as country and regional specific products and brands. Thus, customer segments for premium beer brands can be global, country specific or based on a cluster of countries with similar characteristics. Premium beer brands such as Heineken, Amstel lager and Windhoek lager follow this pattern using uniform marketing strategies and initiatives and the same marketing capabilities and approaches to target their segments throughout the world.

A study conducted by Hotstede et al., (1999) concluded that a segmentation model can integrate both country factors and consumer characteristics to better form segments that share consumption patterns versus traditional models employing country factors alone

### **2.11.1 The Hybrid Model of Market Segmentation**

Global market segmentation is defined as the process of categorizing market segments that portray similar buying and consumption patterns as country markets or individual markets comprising of potential buyers with homogeneous attributes who are likely to exhibit similar buying behaviour patterns (Hassa, Craft and Kortam, 2003). Beer consumers fall into different categories and segments, and any successful strategy should be segment specific if it is to be effective. Beer marketers need to understand the different segments that exist in their market.

The hybrid model divides the global markets using segmentation variables such as similar purchase patterns presented in multiple countries, allowing countries to belong to different clusters. Hassan (2012) argues that global markets have changed over the years to suggest global segments based on market factors other than country boundaries. Therefore for effective market segmentation to take place strict attention must be made to both national and buyer response base variables. This approach impacts on the inter-market segmentation established on factors other than the national boundaries approach because due to the process of globalization consumer segments are converging across cultural and national boundaries. The aforementioned authors further state that the major facets of hybrid integration can be grouped as: Integrating national factors and variables with behaviour arrays, not supposing total uniformity of the national segments, recognizing the presence of the extent of similarity across national borders, allowing for the segmentation variables to be dynamic in nature and, clearly describing market globalization as a matter of degree.



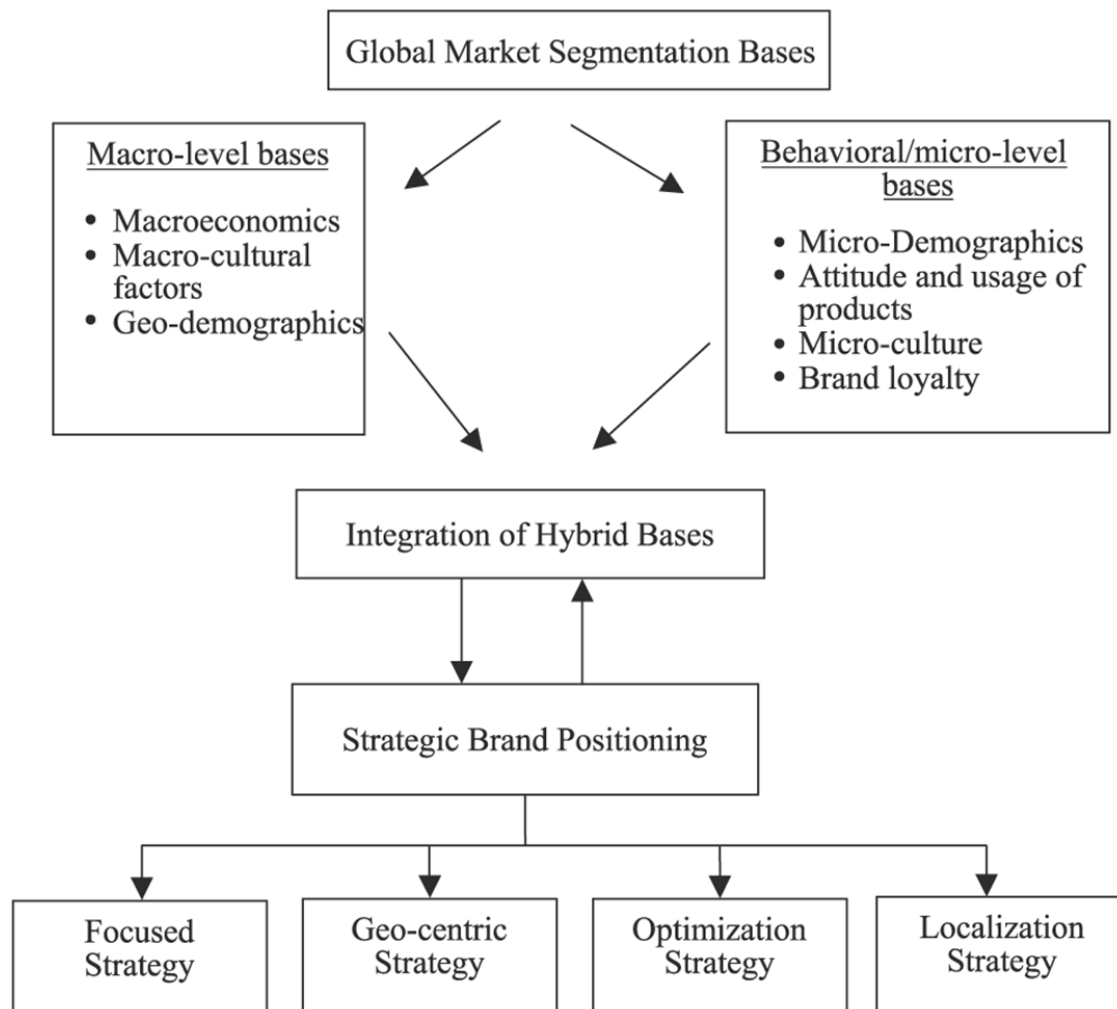
Rajagopal (2009) argues that consumer beer markets can be segmented either on a global basis, or remain country-specific but they can also be based on collections of grouping of countries which portray related characteristics. When segmenting the market, SAB, which has gone international with its premium beer brands should choose the most innovative strategy which gives the organisation a significant competitive advantage where brand and communication can be standardized and transferred among countries, a strategy that will give premium beer brands a status and consistency in image and positioning which is internationally reinforced.

The hybrid global market segmentation is based on the fact that the idea of a single world market segment that responds homogeneously to standardize marketing programs is unrealistic; approaching each nation as a totally similar market is also not productive. The hybrid market integration is grounded on the following assumptions (Hassan and Craft 2005). It assumes different degrees of similarities and dissimilarities in buyers' preferences for international brands. The extent of preference similarity and dissimilarity for global brands can be attributed equally to macro-bases, that is national factors as well as micro-base variables that is behavioural variables and any mixture of interactions.

The hybrid strategy to world market segmentation vigorously seeks similarity in product image, marketing initiatives and marketing tools such as advertising, while the multi-domestic strategy to world market segmentation upholds focus on dissimilarities from market to market (Hassa, Craft and Kortam, 2003). The success and effectiveness of hybrid segmentation is associated with the need for micro factors and variables in any segmentation strategy that allows for the understanding of the nature of consumer orientation towards the product and its appeal.

Figure 2.11 presents the hybrid model outlining how markets can be segmented and how this knowledge would allow the premium beer marketers to design strategies that can achieve effective market penetration.

**Figure 2.11 The hybrid Model of Market Segmentation**



**Source:** Adapted from Pearce and Robinson (2003:224)

Market segmentation should embrace a strategy that describes and reaches market segments that go beyond national borders or that cut across geographically defined markets (Hassan and Blackwell, 1994). This position is supported by Agarwal (2003) who emphasizes that inter-

market segments are based on variables other than national boundaries. The relationship between product positioning and market segmentation is crucial for the success of any international marketing plans and strategy. Marketers should clearly determine the factors that make a particular market attractive and design marketing strategies to service those markets.

### **2.11.2 Brand Positioning**

Brand positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market (Kotler and Armstrong, 2000). The process of globalization has created aggressive competition where organisations compete in markets that are uneven and flooded with different brands, where even the well-established global brands find it difficult to create substantial sustainable differential advantage over their competitors (Wheeler, 2009). For SAB's premium beer brands to stand out in the crowd, there is a need to establish appropriate brand associations with a positive impression in the mind of consumers allowing them to differentiate the brand and appreciate its value (Keller 2008).

Brand positioning aims at creating a customer-focused value position, a cogent reason as to why customers should buy a product (Kotler, 2009). A well-positioned premium beer brand should create a differential advantage and value proposition appealing to customer needs of a particular market segment. Keller, (2003) asserts that creative premium beer brand positioning would shape the preferences of consumers and lead to high consumer loyalty, consumer-derived brand equity and willingness to search for the brand. This kind of creative marketing strategies could assist SAB in attaining an edge over its competitors in the premium beer brands sector.

## **2.12 Brand Touch-Points**

The concept of touch-points can be interpreted differently by different marketing practitioners. However, Campbell, Stonehouse and Houston (2002) define touch-points as the points at which products and services are acquired by consumers or serviced. This definition focuses on the actual product or service that a company has to offer. Keller (2008) takes the definition further by adding that touch points are all the interactions that consumers have with an organisation. The roles played by touch points vary from one organisation to the other and different touch points have different roles to fulfill. It is essential for an organisation to have good knowledge of the different functions that are performed by the touch points in order to know how the organisation can connect with its customers through these. Kapferer (2008), states that among all the existing touch points, the product itself and its attributes play the most significant role in appealing to consumers due to its influence in creating strong relationship with consumers, hence all aspects of a brand that connect the consumers to a brand and remind them of how best such a brand serves them such as brand logos, colour and packaging must be considered carefully when planning touch-points.

Kim, Morris and Swalt (2008) state that all of a company's brand touch points are significant. However, in order to become a successful brand-builder it is necessary to identify the company's most important touch points and how they influence customer experience rather than spending a lot of money on all channels available (Knox and Walker, 2001)

### **2.12.1 Clear Positioning**

The crucial objective of any brand initiative is to position a brand in such a way that consumers perceive it as being different from other brands in its category. An organisation employs every

strategy to set its brands apart from its rivals; this is a very important starting point towards developing brand preference and loyalty. Baldauf, Cravens, Binder, Sing, and Ashton, (2003) state that brands that are seen as being unique in the eyes of consumers have great prospects for growth than those brands which do not stand out in the crowd.

### **2.12.2 Key Messaging**

For any brand to be successful it has to present a clear core fundamental message to its targeted consumers, a brand statement that pronounces why the brand is important and what it represents (Keller et al., 2008). This statement presents the core values and key areas that differentiate the brand from its competitors. The core message outlines a firm's overall brand marketing messages and strategies. Every brand needs a voice to assist customers in the process of defining the brand. Prospects to understand a firm's value which expresses the brand's key functions and performance and arouses the craving for a firm's products is also required. Belch and Belch (2012) state that brand messages should be brief, memorable and relevant to the intended market segment; brand messages should also be persuasive in conveying the outstanding attributes of the organisation's brand.

Figure 2.12 presents the brand touch points which should guide an organisation in its brand positioning and marketing strategies. Aaker (2006) defines brand touch points as anything that connects with buyers and reminds them of why the brand serves them. SAB, operating in a highly competitive premium beer market needs to clearly define what connects its premium beer brands to consumers. It needs to send a clear message to both current and prospective consumers and clearly outline the difference between its premium beer brands and those of competitors.

**Figure 2.12 Brand Touch Points**



**Source:** Adapted from Ambler (2000:90)

The ever changing market landscape that has come about as a result of globalization has increased the significance of branding to incomparable levels. SAB premium beer brand marketers should look for ways of increasing brand penetration whilst at the same time be looking for a means of minimizing the cost of introducing new brands into the market and reducing the risks of product failure.

### **2.13 Brand Extension Strategy Choices**

Due to fierce competition in the beer market place firms are forced to be creative. They must keep on introducing new products to the market to meet the ever changing needs and wants of

consumers. Hem, De Chernatony and Iversen, (2003) state that a firm faces three main choices when it has to introduce a new product into the market: creating new brand features and attributes for the new product, using the existing elements of brand and, combining new and existing brand elements.

### **2.13.1 Brand Extension**

Keller et al. (2008) assert that brand extension entails employing a well-known brand name to introduce a new product into the market. Due to the ever increasing costs of introducing new products in the market, brand extensions have become a popular strategic tool for many firms seeking market expansion both at national and international level. SAB introduced its Castle Lite premium brand under the organisation's successful flag bearer the Castle lager brand. The introduction of Castle Lite under Castle lager has offered SAB the following advantages.

### **2.13.2 Advantages of Brand Extension**

By employing a brand extension strategy in the introduction of Castle Lite SAB enjoys the benefits of communication cost reduction that the organisation realizes as a result of synergies generated between experience and communication of any product of the organisation (Keller 1991). Brand extension reduced the costs associated with the launching of a brand name and increased the chances of success of the Castle lite since consumers pass on their attitudes and perceptions from the parent brand of Castle Lager to the extension. Brand extensions create desirable attitudes and perception for the parent brand and the new brand strengthens the brand meaning in the process helping to build brand equity and encouraging the buying of other brands from the organisation. However Aaker (1991) argues that the extensive usage of brand extensions can result in the weakening of the parent brand and in some cases it could lead to reciprocity effects.



In addition to the above mentioned advantages Keller, (2008) provides the following reasons as to why brand extension is greatly advantageous to a firm. Brand extension identifies logical new possibilities, capitalizes on the paid-for-equity in well-known parent brand name, it also allows an organisation to enter new market segments at a relatively lower cost, it reduces the risk of brand failure given past publicity and trust of the parent brand. Brand extension allows a new brand to benefit from synergistic effect coming from branding and advertising and finally brand extension promotes the existing parent brands.

### **2.13.3 Challenges of Brand Extension**

Reciprocity effects are changes in the consumers' initial brand perceptions, attitude and beliefs as a result of brand extensions Keller (2008). Since brand extension attempts to leverage the positives of the brand name consideration needs to be given to the impact of the parent brand on the assessment of the brand extension and the resulting effects of the brand extension on the succeeding assessment of the parent brand. Aaker (1991) argues that unless a careful examination of the impact that the parent brand is having on the brand extension is undertaken the use of a brand extension strategy may not result in the intended synergy between the original brand and the brand extension.

### **2.13.4 The Brand Extension Model**

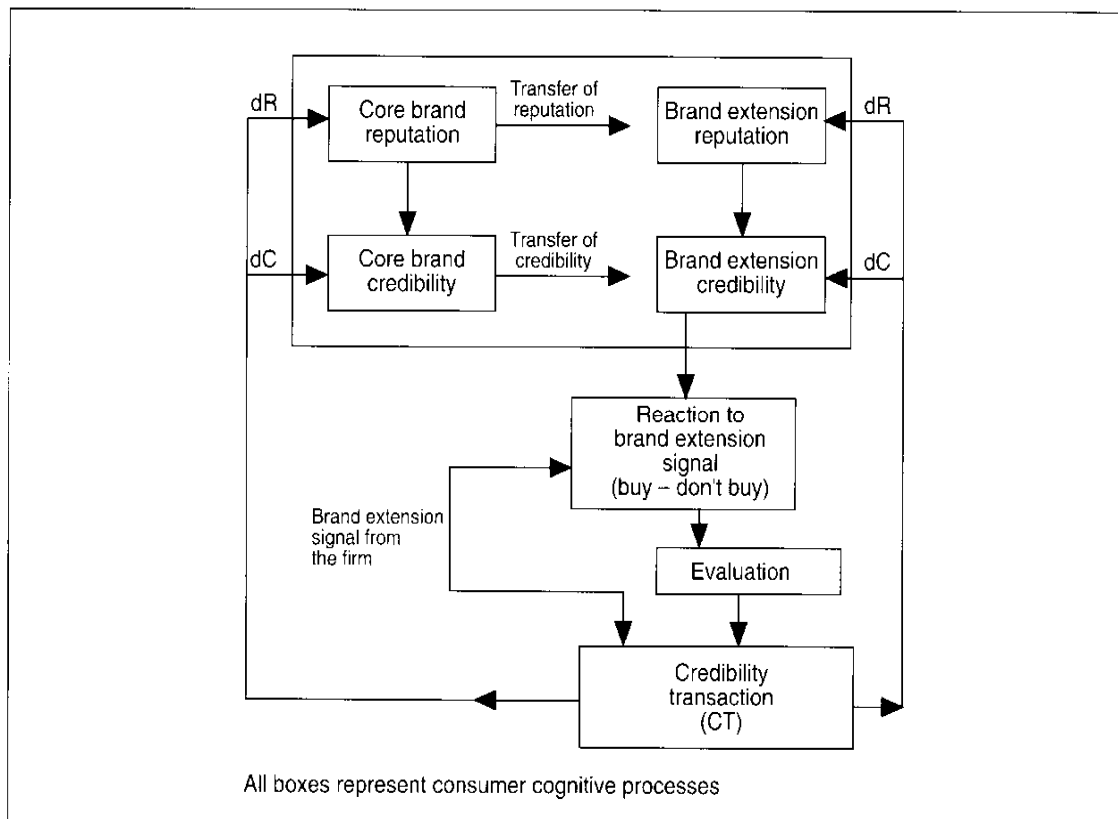
Brand extension is when a firm uses a well-known brand in the market to launch a new product. When a new brand is joined with a well-established brand, the brand extension is referred to as the parent brand. If the original or parent brand is already linked with multiple products in the market through the process of brand extensions, then it is referred to as a family brand (Hem et al., 2003) . Brand extension increases success possibilities for the new product in a number of ways as consumer's base performance and quality expectations of a new product on their

established relationship and connection with the parent brand. Kotler and Armstrong (2011) points out that brand extension reduces the costs and problems that are associated with finding a suitable name for a new product as well as the problems of coming up with appealing packaging and labeling.

Bowen and Chen (2001) point out that brand extensions help with the clarification of the brand meaning and the main brand values, this leads to improvements in consumers' attitudes and the credibility of the firm introducing the extension. Line extension can revive consumers' interest and affection for the brand and this can bring positive results to the parent brand by an expanding market.

Figure 2.13 describes how core brand values and reputation from the parent brand can be transferred to the brand extension leading to the new brand gaining an immediate acceptance in the market. The new brand can also benefit from the brand credibility of the parent brand which has been the case of Castle Lite and Castle lager. Consumers in the market react positively to Castle Lite due to the trust and good reputation that the parent brand- Castle lager has built in the market. The consumers' evaluation of Castle Lite is based on their knowledge and reputation of Castle lager.

**Figure 2.13 Brand Extension Model**



**Source:** Adapted from Broadbent (1999:125)

World markets are complex and dynamic hence when crafting brand strategies one has to pay greater attention to the effects that the brand extension will have on the brand portfolio as this can either reinforce brand loyalty or can damage the faith and confidence that consumers have in the parent brand.

### **2.13.5 Categories of Brand Extensions**

As a marketing and branding strategy, brand extensions can be classified in two categories; namely:

#### **2.13.5.1 Line Extension**

(Aaker 2000) states that in a line extension an organisation uses a new brand branded using the original parent brand to target a new market segment that is currently being served by a parent a brand. In a category extension, the parent brand is used as a springboard to launch a brand in a different product category from that where the parent brand is marketed. Figure 2.14 presents how SAB has used its flagship brand of Castle lager to penetrate the main stream beer market by producing different lines of the brand. This was aimed at different groups of consumers by introducing different types of Castle lager in different shapes and packages.

**Figure 2.14: Line Extension**



**Source:** [www.sabmiller.co.za](http://www.sabmiller.co.za)

#### **2.13.5.2 Brand Line**

Kotler and Armstrong (2011) state that brand line comprises the entire product portfolio – the original parent brand as well as the line and category extensions marketed under one brand. A brand mix (or a brand assortment) is the entire set of brand lines that an organisation offers to its customers.

## **2.14 Brand Loyalty**

Brand loyalty is described as when a consumer deliberately chooses a specific brand over a competing brand or an alternative brand without going through a decision making process to select that brand (Kim et al., 2008). Though there is a close similarity and overlap between habit and loyalty, repeating the purchasing of a particular brand because of convenience can be referred to as a habit whereas purchasing a particular brand as a result of commitment is loyalty (Kumar, Luthra and Datta, 2006).

Keller (1991) offers a more elaborate conceptual clarification of brand loyalty by defining brand loyalty as a biased, behavioural response expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of brands as a function of psychological, (decision-making, evaluating) process.

### **2.14.1 Brand Loyalty as a Biased Response**

Brand loyalty as a subjective response refers to the fact that there has to be a systematic propensity to buy a certain product or group of brands (Kasper, Helsdingen, and Wovter de Vries 1999). A process is zero – order when each brand is chosen by the consumer with certain probability which is independent of the consumer’s past purchasing decisions. Nothing that the consumer does or is exposed to alters the purchase of a specific brand.

### **2.14.2 Brand Loyalty as a Behavioural Response**

Brand loyalty is also influenced by consumer behaviour expressed over time. Keller and Lehmann (2006) argue that the measure of behavioural loyalty is operational on the basis of attitudinal loyalty statement, but adjusted to describe actual buying and recommend behaviour rather than intention. According to Keller, (2013) customers can be described as behaving loyally when they buy more of the brand and regularly. Cowley and Mitchell (2003) add that

loyal behaviour brings about a continuing loop of action and benefits in terms of fulfillment that leads to an attitude that boosts positive behaviour. This behavioural response is also referred to as the process of brand learning.

### **2.14.3 Brand Loyalty Expressed Over Time**

Kumar et al., (2006) argue that an incidental bias towards a brand does not guarantee brand loyalty because the process of brand loyalty is dynamic, hence some consistency is needed during a certain time span, consequently SAB should not only consider the number of times a specific premium beer brand is purchased over a certain period but also the purchase pattern over a successive purchase period. As such one can distinguish partially loyal behaviour from completely non loyal behaviour (Shervani and Fahey 1998).

### **2.14.4 Brand Loyalty as a Decision Making Unit**

Brand loyalty is defined by the purchasing patterns of households and individuals which are the decision making unit in the purchasing cycle. A decision-making unit does not have to be the actual buyer of the product (Kotler and Keller, 2006). For example, the purchase of beer in a household may involve one parent as well as the other members of the household (Davies and Cline, 2005). This kind of buying behaviour may result in brand switching behaviour at household level representing different needs or usage purchases by different family members rather than an absence of brand loyalty (Keller, 1991).

### **2.14.5 Selection of Brands**

Rust, Zeithaml, and Lemon (2004) argues that consumers may actually be loyal to more than one brand, especially lower priced goods. Consumers, such as beer consumers, often do not assess products or brands on a continuous measure, but classify them discretely as suitable or non-suitable. Brand selection entails that for brand loyalty to exist, consumers must be exposed

to a wide range of brand choices. Kotler (2003), argues that before one can speak of brand loyalty, one must be given a chance to be disloyal. As such one cannot talk of brand loyalty in a monopolistic market. In this case the determination of the product category therefore becomes of major importance.

#### **2.14.6 Brand Loyalty Influences**

The attainment of brand loyalty is the core of all marketing initiatives and efforts, hence every effort should be made to understand and establish the influences or factors that build brand loyalty. Keller (2008) presents brand loyalty influences used in the process of building and sustaining brand loyalty as:

##### **2.14.6.1 Value Proposition**

Value proposition refers to the promise of value that a firm is prepared to deliver and a belief from customers that value will be experienced, (Aaker, 1991). Creating value should be embraced as the core of a business strategy. Customer satisfaction is the source of sustainable value creation that can lead to sustainable competitive advantage.

##### **2.14.6.2 Brand Personality**

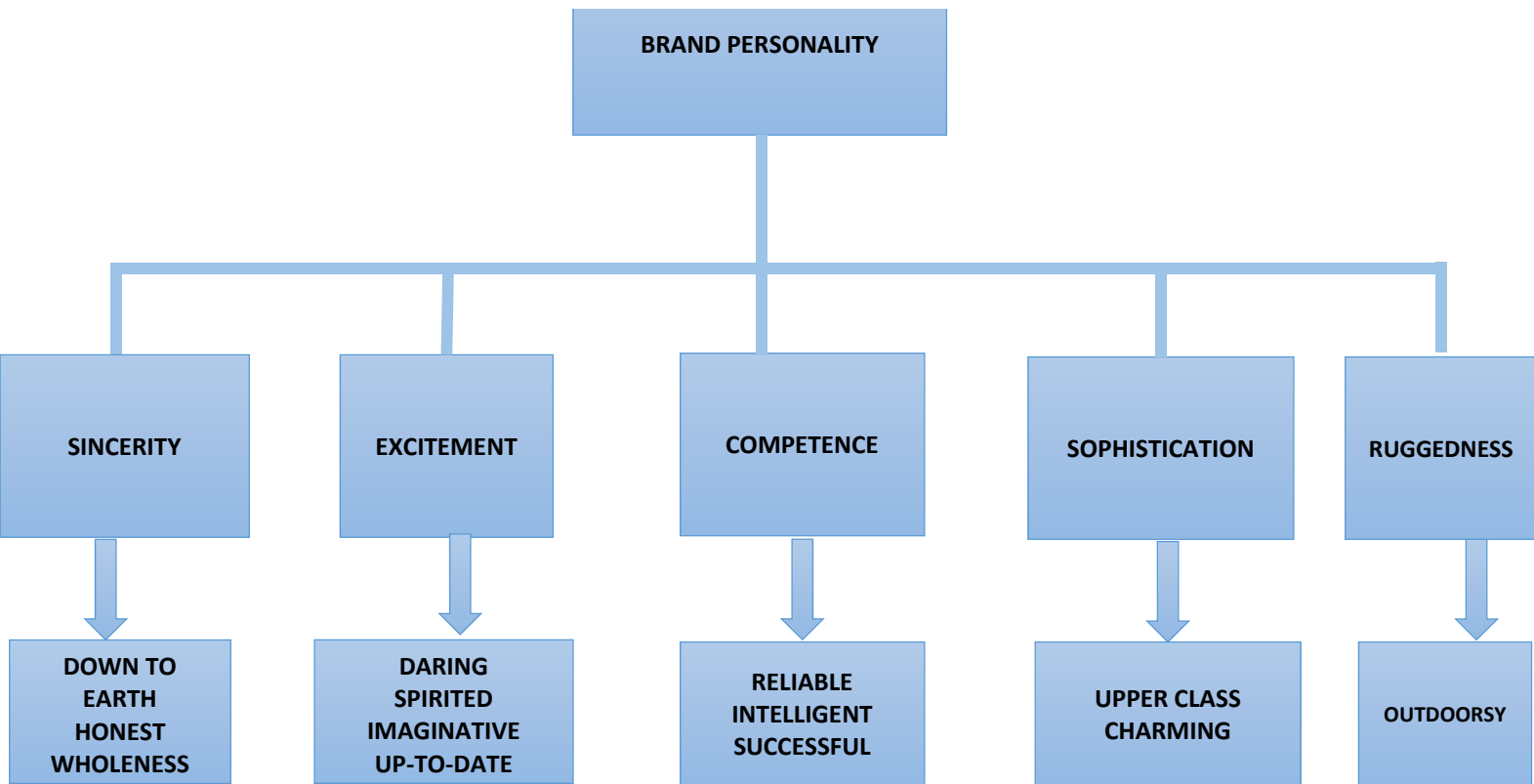
Brand personality refers to the way a brand conveys its message and how it behaves towards its customers (Keller, 2008). This demands for the allocation of human personality characteristics and traits to the brand which should then set the brand apart from its competitors. These characteristics portray brand behaviour which is conveyed through advertising and packaging. Madden et al., (2006) assert that brand personality is different from brand image, in that, brand images represent the tangibles aspects of a brand, physical and functional as well as the benefits that consumers enjoy from using the brand and the outstanding attributes that sets the brand apart. Brand personality represents the emotional associations of the brand.



Brand personality forms the central theme of the marketing and communication initiatives about the brand, hence it sets the tone upon which consumers develop their attitude about the brand which leads to brand equity (Raju et al., 2008). Brand personality is used as a platform upon which an organisation differentiates its brand in markets where brands are more similar in their attributes and characteristics (Belch and Belch 2012). Brand personality differentiates among brands specifically when brands are alike in many attributes as it is often the case with premium beer brands such as Castle Lite, Heineken, Amstel and Windhoek.

Figure 2.15 presents how brand personality indicates the kind of relationship customers have with the brand illustrating that personality is a means by which a customer communicates his/her own identity. Beer consumers have become classy in their consumption behaviour. For SAB to win the heart and minds of consumers with their premium beers they need to assign a clear personality to their brands. A brand should have a clear identity and personality as consumers express their identity through the brands that they purchase and own. Failure to clearly identify the personality of the brand will lead to poor brand positioning in the market resulting in brand failure in the market.

**Figure 2.15 Brand Personality Framework**



### **2.14.6.3 Brand Positioning**

The South African beer market is flooded with different kinds of brands, premium brands as well as lagers, this brings stiff competition to the beer market. However for the premium beer brands competition is especially aggressive because consumers cannot clearly differentiate between the attributes of these brands namely: Castle Lite, Peroni, Windhoek, Heineken and Amstel. The development of a successful marketing strategy demands knowledge about the perceived position that the product in question holds. This knowledge is crucial for the company as it is important that the perceived position is identical with the planned and desired position. If the perceived position is worse than that planned, then the organisation needs to create marketing strategies of repositioning.

Brand positioning involves activities aimed at producing a brand offer in such a way that it allows a brand to occupy a unique position and value in the target consumers' mind (Cant, and Van Heerden, 2012). The process of positioning brands entails the creation of a positioning map which gives a clear picture of the position of each product in the consumers' mind, however the whole process does not stop after the construction of the map, it proceeds with map interpretation for which integral knowledge of the marketing manager is demanded (Rust et al., 2004).

Brand positioning involves the steps undertaken by an organisation to create a proper brand image in the minds of consumers by clearly identifying and determining brand similarities and differences. Kotler and Armstrong (2011) assert that a strong brand positioning is aimed at directing marketing strategies by giving detailed clarification of the brand, the exclusivity of the brand as well as its resemblance with competing brands hence giving consumers a reason for buying and using a particular brand. Brand positioning is aimed at creating positive knowledge in the minds of consumers about the brand that allows them to form a positive perception about

the brand. Keller (2013) points out that effective brand positioning must meet the following criteria:

- It must be unique and distinctive when compared to its competitors,
- It must be meaningful and inspiring to the niche market,
- It must be fitting to all major geographic markets and businesses and
- It must be able to sustain the core business of the organisation and boost up the organization in terms of market share.
- 

#### **2.14.6.4 Name and Symbol**

Keller (1991) asserts that a brand name enables consumers to differentiate and identify a brand from its competitors. Careful attention must be paid to the brand name as it captures the main point of a product in an economical and efficient way. A brand name should be noticed with ease allowing its meaning to be stored and activated in the memory promptly. Keller (2008) adds that a good brand name should be distinctive and unique, should be extendable like Castle- Castle lager, Castle Lite, it should be one that can be protected and registered legally, and finally it should be easy to pronounce, identified and memorized.

#### **2.14.6.5 Brand Attributes**

Brand attributes refer to the psychological package of characteristics that point out the physical and personality aspects of the brand in terms of images, and actions aimed at creating and reinforcing brand identity (Keller, 2009). A strong brand must have the following attributes:

**Relevancy** – a strong brand must have significance to consumers and it must meet and satisfy consumers' expectations.

**Consistency** – a consistent brand signifies what the brand stands for in the minds of consumers and builds the trust of customers. Consistency should be promoted by a company communicating messages in a manner that does not move away from what the brand stands for in the mind of consumers.

**Credibility** – a strong brand should fulfill what it promises to the consumers hence the message that a brand brings to its customers should be realistic.

**Appealing** – a strong brand should deliver on its promise of consistency, performance and other outstanding attributes and should be attractive to customers.

#### **2.14.6.6 Organizational Culture**

The technological advancement and product parity combined with aggressive competition in the market share has decreased the range of options that are available to organisations. Organisations now more than before are aware of the need for a value-adding strategy (Kapferer, 2002). More than ever before companies are paying more attention to the organisation's intangible assets such as corporate credibility; integrity and corporate expertise which are fast becoming the forces influencing consumer responses towards brands. As a result a substantial amount of time and effort within modern organisations is focusing on positioning its brands strategically in relation to various consumer groups (Wheeler, 2009).

The fierce competition in the beer market puts extra pressure on beer manufactures and marketers to be more creative not only in product development but also when it comes to brand communication strategies. Rajagopal, (2009) asserts that competing in a volatile market such as the beer market which is saturated with different premium brands calls for the adoption of a clear and well defined corporate branding strategy. Corporate branding represents an opportunity for

organisations to improve and sustain their uniqueness by associating corporate characteristics with brands, thereby allowing unique synergies to be developed (Kotler, 2006).

Figure 2.16 presents the Brunett Model of brand dimensions outlining the influences of brand loyalty. Brand loyalty has a great influence on consumer behavior so it is important for firms to have a good understanding of the elements that influence brand loyalty in order for them to design marketing strategies that appeal to consumers and build brand loyalty. Sound marketing strategies should take into account the different elements of brand loyalty presented in figure 2.16 so as to appeal to a wider range of consumers.

**Figure 2.16 Influences of Brand Loyalty**



**Source:** Adapted from Randal (2001:7)

## **2.15 Benefits of Brand Loyalty**

Belch and Belch, (2012) state that the benefits of having a large number of loyal customers is that it reduces the marketing and communication costs aimed at creating new customers. This position is supported by Kotler and Armstrong, (2011) who claim that the expenses associated with creating a new customer in a highly contested market can be in the region of six times higher than the cost of retaining an existing one. Similarly Holt, (2002) confirms that as costs escalate, credit access shrinks and competition increases, a strong and resilient brand becomes the solution for SAB to attain a competitive advantage in the premium beer market.

Giddens, (2001) states that loyal customers translate into lower marketing costs, as a firm's revenue is increased through a customer's lifetime relationship with the organisation. Many firms are beginning to shift their marketing focus from new customers to existing customers in an attempt to secure a cohort of brand loyal customers to first ensure sustainability. Brand loyalty to an organisation signifies a strategic advantage which has been recognized as a major source of the brand's equity. The benefits that a firm enjoys from brand loyalty can be summed up as follows:

### **2.15.1 Higher Sales Volume**

Wilson and Gilligan, (2005) argue that every five years on average an organisation loses close to 13% of its customers because of market competition. These statistics illustrate the difficulties that organisations encounter in the market as they strive to identify sources of competitive advantage in a highly contested market. Attaining a 1% annual growth in customers' base demands creating marketing strategies and initiatives that are appealing to both old and new customers and that would result in increasing sales as much as 14%.



### **2.15.2 Premium Pricing Ability**

Studies on branding show that as brand loyalty increases, consumers are less sensitive to price changes, and generally consumers are willing to pay more for their preferred brand because they perceive some unique value in the brand that other alternatives do not provide. Additionally brand loyalists buy less frequently on cents-off deals- hence these promotions only subsidize planned purchases, (Aaker, 1996).

### **2.15.3 Customer Retention**

Loyal brand customers make an extra effort to search for their preferred brand and are more resistant to competitive promotion. The bond between customers and the firm result in lower advertising, marketing, and distribution costs, (Keller 2013).

### **2.15.4 Creating Perception**

Charging premium prices on products creates a perception amongst consumers that the product is of high quality. Gregg and Walczal, (2010) affirm that within the marketing mix the most important strategic variables that customers consider when purchasing a brand are the quality and price. A good understanding of the relationship that exists between product price and quality is valuable to the brand manager who has a responsibility of setting prices for the products as most consumers perceive price to be reflecting the quality of the product.

The theoretical grounds of this price-quality relationship was laid by Finay, Hackman and Markus, (1996) who point out that most consumers associate higher prices with high quality products. The theory that consumers use price as a cue to predict product quality was empirically supported through studies conducted by Kardes, (2004); Ashnfelter, (2008) and Slotjje, (2009). However it should be noted that the role of price in the consumer's decision-making process

does not only depend on situational factors that is search time and consumer-related - familiarity with products or brands (Finlay et al., 1996).

#### **2.15.5 Increased Usage and Spending**

Perceived quality of premium beer brands has been shown to positively affect customer loyalty. Consumers tend to patronize beer brands they perceive to be of high quality and this result in repeated buying or brand loyalty. Consumers tend to patronize beer brands that reward them with a good experience versus repeating the evaluation process time after time (Aaker et al. 1996). Chen and Lue, (2004), support this fact emphasizing that positive experiences with brands ensure consistence levels of usage and in some cases increases usage particularly when the brand is clearly visible through marketing activities such as those employed by Heineken premium beer through sponsorship deals with UEFA Champions League. Reicheld, (1996) affirms that customer expenditure tends to increase over time, for example, a customer who repeatedly drinks Castle beer brands becomes more familiar with the brand's product line and that customer will likely try other brands in that line and by doing so the customer will be helping a company achieve a larger share customer.

#### **2.15.6 Contribution to Return on Investment (ROI)**

According to Aaker, (2004) perceived quality is the single most important contributor to a company's Return on Investment (ROI), having more impact than market share, research and development, or marketing expenditures. The aforementioned author states that brand identity creates a positive quality perception that contributes to profitability in part by enhancing premium prices and market share.

### **2.15.7 Financial Benefits**

The advantages of customer loyalty are long-term and beneficial to a firm. Customers who remain loyal to an organisation over a long period make a significant financial contribution to the firm in terms of profits, (Reicheld, 1996). Giddens emphasizes that positive financial benefits can be attained through customer loyalty. By creating a solid and loyal customer base, SAB would realize massive benefits in the form of charging premium prices which leads to revenue growth, but far and above the organisation benefits from cost savings as customer retention is less expensive than the process of creating new customers.

#### **2.15.7.1 Customer Acquisition**

Most of the companies operating in highly competitive markets invest massively in the building of a steady new customer base at the time of introducing a brand into the market, a marketing strategy which often places the organisation in an unfavorable economic position. The hope “*also known as the plan*” is to capture a big market share over a short period of time and win customer loyalty that will eventually pay off the initial investment (Kotler and Armstrong, 2011). Orth and Malkewitz, (2008) point out that brand building plays a central role in customer acquisition in that high equity brands attract and retain customers much more easily than new or low equity brands capturing market share.

### **2.15.7.2 Enhanced Return**

Giddens, (2001) points out that loyal customers are inclined to buy a variety of and a greater number of products and services of their preferred brand, thereby generating an enhanced return over the life of the relationship. Goodhue, Wixom and Watson, (2002) argue that financial benefits are actually experienced through customer spending over their lifetime. According to Reichheld, (1996) marketing strategies directed at achieving brand loyalty can result in cost reduction. Through customer retention a company is able to reduce the costs of its investments replacement. Meeting the expectations of customers by ensuring that the brand delivers on its promises can assist an organisation to seal off all the avenues that lead to the loss of customers. The aforementioned fact was supported by the findings of a study that was conducted by Reichheld, (1996) which analyzed the bottom-line value of an additional five percent points in retention rate, across a variety of industries.

Ferguson, (2008) observed that there is an increase in the number of companies concentrating their efforts on customer retention. The aforementioned researcher attributed the increase in retention strategies to the following reasons: there is an increasing intensity in competition in the market, customers are becoming more daring, the cost of customer acquisition is higher than customer retention and finally it makes business sense to focus on existing customers.

### **2.15.7.3 Lower Price Elasticity**

Warden, (2008) maintains that there is a strong relationship between customer loyalty and lower price elasticity which creates a willingness from customers to pay more for the privilege of doing business with a particular organisation. Slotegraaf and Pauwels, (2008) maintain that brands with a high level of brand loyal customers experience lower price elasticity as customers accept the price they pay for the brand name and brand association.

#### **2.15.7.4 Referrals**

Loyalty can be matched with a corner-stone of all profitability instruments which is referrals. Satisfied customers become happy customers who turn to be strong brand representatives of the organisation and get involved in the process of building and defending the brand through their positive word of mouth. This saves the company real money in reduced costs associated with the creation of new customers, (March, 2006). Customers also treasure their relationship with their branded products and with organisations and institutions that own and manage the brand and as such speak positively about the value of the brand to family, friends, social groups and work colleagues, (Grace and O’Cass, 2002).

#### **2.16 Types of Brand Loyalty**

Building brand loyalty has become a very important element of any business as firms aggressively compete for every cent available of consumers in the market. Not only do marketers have to set strategies to capture brand loyalists but they also need to consider the various brand types that exist (McMains, 2009). Several researchers McKean, (2010, Aurifeille, Svizzero and Tisdell, (2005), amongst others, identify several brand loyalty types, each with its own advantage, limitations, and evaluation approaches. The most common of these types of loyalties being contractual loyalty.

### **2.16.1 Contractual Loyalty**

According to Bass and Bass (2008), contractual brand loyalty occurs when purchases are made through a formal agreement. This type of loyalty often occurs in business-to-business situations. Aurifeille et al., (2005) confirm that contractual loyalty usually relates to aspects such as when customers make subscriptions for magazines and newspapers. Jones, Mothersbaugh and Beatty (2002) state that contractual loyalty can be very profitable when such contractual obligations come up for renegotiation as competitors use intensive promotional strategies to win customers away. Contractual loyalty also can trigger a sense of dissatisfaction as customers may feel bound to a business arrangement.

Contractual agreement and its status needs to be measured and reviewed on an on-going basis as contractual loyal customers are buying under a purchase agreement. McKean, (2010), states that this is accomplished by: evaluating the market share under contract, contract profitability distribution frequency, customer share of wallet distribution frequency, contract renew rates (perhaps by inception date cohorts), prevalence of contract expansion into extended brands or strategic business units, customer referral frequency and effective price changes renewal.

### **2.16.2 Transactional loyalty**

Chyl Lee and Yang, (2000) describe transactional loyalty as when consumers repeatedly buy a product from an organisation without any contractual obligations. In such a case brand loyalty is based on competitive price, perceived brand value and convenience. The dangers associated with transactional loyalty is that customers who come into contact with a brand that adds more value to them will at any time switch brand without hesitation, (Ahuvia, 2005). White and

Yanamandram (2004) maintain that product promotions and rewards are the main instruments used to trigger transactional loyalty but to the degree that non-key components are used, “loyalty” can be difficult to maintain at an acceptable level. Transactional loyalty can also be attained because of the value and cost switching perceptions that consumers have about competing brands.

According to McKean, (2010), transactional loyal customers are characterized by forms that can be teased out by data analytics such as: distribution of transaction value frequency, latency (gaps between transactions), cross-category buying tendencies and trends, velocity of change in segment mobility, and changes in recency-frequency-monetary value by customer segment or cohort groups.

### **2.16.3 Functional Loyalty**

The primary objective of the differentiation strategy is to achieve functionality loyalty from consumers. To portray the brand’s features and attributes as superior and outstanding in the consumers’ mind when compared to competitors is important. Kim et al., (2008) state that functional loyalty is often the first hope of efforts to differentiate. SAB needs to communicate and convince its current and potential consumers that it offers something of value, something different yet relevant to the purchasing consumer, by doing so SAB will be able to patronize and tie up the portion of the market that prioritizes its premium brands.

With the functionally loyal consumers, the key function is to closely monitor the basis of the functional preference. According to McKean (2010), measurement strategies include: top of mind awareness, changes in perception of key functional attributes versus those of competitors’ price elasticity and willingness to recommend.

#### **2.16.4 Premium Loyalty**

This type of loyalty occurs when an individual shows a high degree of commitment to the brand, in most cases repeat purchases occur as a result of social pressure (Shukla, 2009). Premium loyalty is characterized by a high degree of commitment by consumers to a brand, whereby a consumer makes an extra effort to seek and purchase the brand despite obstacles that may exist between the consumer and the brand.

According to Griffin, (2009) premium loyalty triggers individuals to make sacrifices in order to buy their preferred brand. Providing brands that create a positive perception in the mind of consumers and convincing them that their chosen brand is outstanding in that product category will cause an organisation to win over customers who will eventually exhibit premium loyalty characteristics. This conviction arises from both personal and social motives, (Guzman, 2005).

#### **2.16.5 Inertia Loyalty**

In this type of loyalty, the purchasing of the brand is as a result of convenience and habit and not because of any social motive or emotional attachment, (Jensen and Hansen, 2006). Inertia loyalty is characterized by convenience and unemotional drive rather than social or emotional attachment. The consumer may systematically choose the specific brand over other brands, but her/his choice has no brand commitment and little personal investment, (Grigoroudis and Siskos, 2009).

#### **2.16.6 Covetous Loyalty**

This type of loyalty has no purchase but, the individual exhibits a very high level of relative attachment to the brand as well as a strong positive predisposition towards the brand, which is developed from the social environment (Gounaris and Stathakopolous, 2004). Harris and Goode (2004), state that this condition is as a result of what the human characteristics perceived as



being reflected by the brand. The individual develops the liking of the brand leading to the creation of an emotional bond with the brand. The brand becomes a reflection of the consumer's own self-personality and perception. The consumer trusts the brand and is willing to recommend it to peers, friends or relatives, but for some strange reasons beyond the consumer's control, the consumer may not buy or use the brand. In such a case, the consumer is strongly discouraged to be loyal to a certain brand by social influence. This knowledge would assist an organisation such as SAB as to how best to turn such potential consumers into actual and loyal consumers.

#### **2.16.7 Emotional Loyalty**

Kim and Lee (2010), state that an individual may develop the liking and loyalty of a brand because of the way a brand appeals to the ego and the individual's values and feelings or other intangibles resulting in an individual developing preference for that brand. Customers identify themselves with the brand. Marketing strategies aim at creating an emotional bond between the brand and consumers, which is most often sought and least often attained, (Hartel and Bennet, 2010).

McKean (2010) postulates that one of the primary benefits of emotional loyalty is its power to offer resistance to brand switching temptations that come as a result of economic hardships: emotionally loyal customers often ignore minor brand mishaps in their experience with the brand and maintain the relationship. Emotional loyalty is often linked to price premium in well established brands that have no major differences in form, function, value, or convenience such as premium beer brands. McKean (2010) states that measuring emotional loyalty comprises of attitudinal surveys in key brand features such as; a brand that is just like me, a brand I can trust, the right brand for the time, resistance to competitive offers, price insensitivity, competitive brand preference and overall brand preference.

## **2.17 Summary**

Efficiency and effectiveness have become imperative in the marketplace due to increasingly fierce competition which has come about as a result of globalization and volatile financial markets. The challenges and complexities of the marketplace are placing enormous pressure on marketers to perform and gain a competitive advantage and it is no longer enough to attract and sell goods and services to consumers. Marketers need to understand the behaviour of their consumers and what motivates them to buy a company's products; they ought to understand the expectations and needs of consumers. Companies need to build, measure the performance and manage their brands so as to attain brand loyalty and market share.

An understanding of strategies that are required in creating a competitive advantage moves far beyond the somewhat simplistic view of branding that prevailed a decade ago, when a brand was primarily viewed as a representation – a business or brand logo or tag or advertising message. As revealed in this chapter, branding which is one of the corner stones for creating a competitive advantage, is a multifaceted process in which a number of considerations and strategies need to be applied to create brand equity and ultimately brand loyalty which would give SAB a competitive advantage.

The theoretical framework presented in this chapter outlines the intricacies of consumer behaviour and branding. This chapter covered the concept and emergence of branding and revealed models, strategies and considerations in consumer behaviour and brand management that have an impact on the process of building strong premium beer brands of SAB. While it is understood that the ultimate aim is to build a competitive marketing advantage model for the premium beer market, the challenge is to identify brand loyalty building factors and strategies

that play a crucial role in this process. The next chapter explores competitive advantage models and different methods that are used to measure market competitive advantage sources.

## **CHAPTER THREE**

### **COMPETITIVE ADVANTAGE MODELS AND MARKETING STRATEGIES**

#### **3.1 Introduction**

This chapter looks at what defines competitive advantage in an industry and at the different strategies that an organization could employ when building a competitive advantage. The chapter undertakes a comprehensive analysis of four leading models that organisations in different industries use in their efforts to outperform their opponents in building a competitive advantage.

Pearce and Robinson (2005) state that the concept of competitive advantage has provoked huge interest among practitioners as well as academics within the field of management and marketing as it represents one of the elements understood to explain the basis of an organizations' success.

Kotler and Keller (2011) further affirm that outperforming competitors in today's economy means devising strategies that enable an organisation's product to be more appealing to consumers and to be able to satisfy their wants and needs better than that of their competitors.

To do this effectively requires great planning and comprehensive marketing strategies. Abell (2006) further confirms that in the absence of a clearly defined marketing strategy and proper planning, an organisation would have difficulties and great challenges in meeting their customers' needs and expectations as well as the needs of stakeholders. The SAB needs to plan, develop, and implement comprehensive strategies to support their strengths and take advantage of opportunities present in the beer market.

### **3.2 Competitive Advantage**

Ehlers and Lazenby (2012) citing Porter (1985) define competitive advantage as the advantage that an organization has over other organizations, achieved through strategies such as lower costs, a wider range of product/service differentiation or a focus on a specific niche market segment. In this study competitive advantage answers the question why customers purchase the premium beer brands from SAB rather than from competitors. For organizations such as SAB which compete in markets where premium beer brands are less differentiated, answering this question can be a daunting task. Oakland and Tanner (2006) assert that a crucial fact in understanding the process of building a competitive advantage is that an organization that has many customers has achieved this position for different reasons. Kotler (2006) further confirms that successfully expanding a business depends upon a strong competitive advantage that gradually builds a foundation of loyal customers that can be extended over time.

### **3.3 Definitions of Competitive Advantage**

Kotler (2009) defines competitive advantage as superiority performance gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and services that justify similar or possibly higher prices. Kay (2001) further adds that competitive advantage is a value provided by a business that triggers consumers or end users to buy the organisation's products or services rather than those of its competitors. Competitive advantage also creates barriers to imitation by actual or potential direct market competitors. Ferrell and Hartline (2011) define competitive advantage as something that a firm accomplishes better than its competitors that gives it an advantage in meeting customers' needs and maintaining mutually satisfying and beneficial relationships with important stakeholders.

The beer market is characterized by aggressive competition, as different companies compete for a share of consumer's limited income. Hitt et al., (2003) validate that competitive advantage is critical because of aggressive competition in the market as it sets the tone or strategic focus for the entire marketing program. Wilson and Gilligan (2005) state that any organisation aiming at creating a meaningful presence and maintaining a lasting impression amongst its customers in the marketplace should take a critical evaluation of the competitive advantages that are available and link them to marketing opportunities. In the light of the above, the question one would ask is how can SAB design marketing strategies and approaches that can give consumers a compelling reason to buy and continue buying its premium beer brands. The beer market is one market where its consumers are spoilt with a choice of different brands. Therefore without a sound and meaningful strategy to gain and sustain a competitive advantage SAB and its premium beer brands would not be easily differentiated by consumers; they will become just one more offering among a sea of commoditized premium beer brands in the market. Keller (2008) adds that for a firm to be successful in a market that is characterized by aggressive competition, it must possess one or more competitive advantages that it can leverage in the market in order to meet its objectives.

### **3.4 Strategic Implications of Competitive Advantage**

The definitions of competitive advantage presented above reinforces that competitive advantage is an external measure. Ferrell and Hartline (2011) argue that the central element in the definitions of competitive advantage is the focus and emphasis on how customers or end users regard the product or service being provided. It is not an employees' perception but that of customers, focusing mainly on competitive advantage which focuses attention on the decision to

purchase, it facilitates consideration of the entire array of potential competitive advantage and it focuses attention on the customers' decision to purchase.

### **3.5 Marketing Strategy Decision**

Service (2006) defines a marketing strategy as a blueprint of how an organisation will use its strengths and skills to meet the needs and requirements of the market. Churchill and Peter (1998) further add that a company's competitive strategy defines how the organisation intends to meet the customers' demands and how it will undertake actions aimed at maintaining interactions with suppliers, distribution partners and employees. Ferrell and Hartline (2011) argue that in order to develop a sound marketing policy an organisation needs to be creative when designing marketing strategies aimed at consumer targeting and come up with the right marketing mix before its competitors. The right combination of marketing strategies and marketing mix will enable SAB to create distinct advantages over its rivals in the premium beer market.

### **3.6 Sources of Competitive Advantage**

Marcus (2005) states that an organisation needs to develop a strategy as to how it intends to gain an advantage within the scope of its competitive domain. This notion is further validated by Pearce and Robinson (2005) who state that a competitive advantage at company level is built upon an organization's assets. This refers to resources that other firms do not have, that take a long time to develop, and that are difficult to acquire. In most cases these are marketing related skills such as extensive market research operations, extensive distribution systems, and cooperative long-term relationships with customers that give an organisation a superior ability to identify and respond to emerging customer needs and desires. South African Breweries is a brand name that customers recognize and trust; it also enjoys cooperative alliances with suppliers as well as distributors such as Liberty Liquors, Makro Liquors, and Spar's Tops Liquors. This

bond between SAB and its stakeholders has led to the creation of satisfied and loyal consumers who are inclined to purchase an organisation's products primarily in the main stream beer brands. However SAB is still failing to gain a meaningful market share in the premium beer brands; this calls for an introspection of its marketing strategies, as well as its distribution network to identify new sources of competitive advantage within the industry.

Mankins and Steele (2005) argue that because an organisation is in possession of assets its rivals do not have, it is not enough to guarantee superior performance that can give an organisation a competitive advantage. Ehlers and Lazenby (2012) assert that an organization has to develop a competitive strategy for each business unit within the organization and a strategic marketing program, for each of its product lines that convert one or more of the organization's unique resources into something of value to customers, hence SAB needs to design strong marketing strategies for each of its premium beer brands.

### **3.7 Marketing Plan**

Lamb et al., (2008) argue that if an organisation is to be competitive in the market it must have a clear strategy that will enable it to achieve its business goals and objectives. It must have a business model as to how it intends to achieve its objectives. George and Jones (2010) define a business model as management's tool of how the plan of action that is implemented will enable the company to gain a competitive edge in the market and achieve superior profitability. Cant and Van Heerden, (2012) further confirm that business models are based on the monetary projections of the marketing and pricing structure, unit sales volumes, cost structures and levels of profit and financial success that the business can attain if it successfully strategizes and meets its objectives and goals. Bennett, Grove, and Jooste (2004) add that effective marketing involves rigorous actions to be taken at different levels of the organisation.



### **3.8 Competitive Advantage Models**

George and Jones (2009) argue that the advancement of globalization has created massive business opportunities for organisations; however on the other hand it has also created stiff competition among rivals in the marketplace. SAB has not been spared from this market scenario. Thompson et al., (2004) assert that both strategic management practitioners and researchers have come to know the significance of cost differentiation strategies for the effective attainment of organisational goals and objectives. Byars (1991) and Coulter (2002) assert that in order to remain competitive most organisations that trade in international, domestic, regional and global businesses apply both cost and differentiation simultaneously rather than applying one strategy at one period of a time. However, Dess and Lumpkin (2003) argue that for an organisation to realize large revenue and outperform its competitors, it must clearly draw a line between a cost leadership and differentiation strategy to avoid the confusion that comes with the application of both strategies at the same time. However Hill and Jones (2001) argue that in a highly competitive market firms would not survive unless they use both the differentiation and cost strategies. Firms should apply the cost effective strategies to produce goods and services at the lowest possible cost without compromising on the quality and at the same time they must produce unique products that sets them apart in the market such as better quality and better attributes. In other words, the company should have the ability to innovate and come up with new products.

Hough et al., (2008) argue that a firm must make a clear choice as to which strategy it would apply between cost-leadership and differentiation strategies or a combination of the two in order to have a clear position in the market because each of these generic competitive strategies has a completely different way of creating a sustainable competitive advantage. Thompson et al.

(2004) argue that in order for an organisation to sustain its competitive advantage over longer periods it needs to have several major competencies, not just one. Hence this study is developed by taking an in-depth and comprehensive analysis of marketing strategies and models that are deemed to give an organisation a competitive advantage and from these develop a competitive advantage marketing model and marketing strategies that can help domestic firms such as the SAB to stand out in the market and have a sustainable competitive advantage in the premium beer sector.

### **3.8.1 Model One: Porter's Generic Business Strategies**

In 1980 Porter presented a model of generic strategies that has had a huge impact on the modern approach to business strategies. Ehlers and Lazenby (2012) state that although Porter did not come up with the terms, "generic business strategies", he was the first one who introduced the importance of selecting and concentrating on one of the three alternatives namely: focus, differentiation and cost leadership. The inclusion of this model in this study is to examine the essential trade-offs between low cost business operation, product differentiation and focus strategies at a business level strategy in the premium beer brands market and whether such strategies can be used to achieve a sustainable competitive advantage in the market.

Hill and Jones (2001) define a generic strategy as an approach that can be adopted by any firm, irrespective of the product or industry involved, to achieve a sustainable competitive advantage. Porter, (1980) argues that an organisation can attain a competitive advantage by becoming cost leader over its competitors or by creating products and positioning them in the market as different from those of competitors and then directing marketing efforts to compete in multiple market segments. These sentiments are supported by Hill et al., (2011) who insist that an

organisation can become competitive by choosing a narrow target in only a few segments or even one segment.

Table 3.1, presents Porter's Generic Strategies Model which is divided into two main segments, which are industry wide multi-segments and particular segment, the horizontal axis is strategic advantage which is divided into two positions – uniqueness perceived by customers and low – cost position.

**Table 3.1: Porter’s Generic Strategies Model**

<b>Porters Generic Strategies Model</b>		<b>STRATEGIC ADVANTAGE</b>	
		Uniqueness perceived by the customer	Position of Low Cost
<b>COMPETITIVE SITUATION</b>	Broad (the whole sector)	<b>DIFFERENTIATION</b>	<b>COSTS LEADERSHIP</b>
	Reduced (only one segment)	<b>FOCUS or NARROW SEGMENTATION</b>	

**Source:** Adapted from Ehlers and Lazenby (2012:213).

### 3.8.2 Cost Leadership Strategy

Hitt et al., (2003) citing Porter (1985) state that the cost leadership strategy is an incorporated set of actions taken to manufacture and present goods or services of good quality and attributes that are satisfactory to customers at the lowest possible cost, relative to other market competitors. Firms achieve the cost advantage by being cost leaders in an industry. Having been on the losing side in the premium beer market since 2007 (DTI, 2011), can SAB further achieve the cost leadership that would give it a sustainable competitive advantage in the premium beer market? The competitive advantage of cost leadership is attained by carrying out important value chain undertakings at a lower cost than competitors (Ehlers and Lazenby, 2012). The aforementioned

researchers argue that cost leadership strategies are mostly chosen when competing in developing countries. SAB's premium beer brands have entered markets in Lesotho, Namibia, Swaziland, Mozambique, Malawi, Zimbabwe, Zambia and in the East African region where its main premium beer brands' competitors such as Heineken, Windhoek draught, and Amstel are also making inroads (DTI, 2009).

Ehlers and Lazenby (2012) point out that cost leadership strategy strives to supply a standard, no frills, high-volume product at the most competitive price, this is supported by Hitt et al., (2011), who emphasize that firms applying a cost leadership strategy concentrate on strict cost control and efficiency in the value chain creation. Hence SAB can achieve a competitive advantage by adopting a cost leadership approach with the key objective of producing its market offerings at the lowest possible cost. In this way the competitive advantage can be achieved. Ehlers and Lazenby (2012) argue that in order for a firm to achieve the cost leadership in the market or industry it must have sufficient resources such as a sustainable investment of capital and special aptitude for process engineering and it should have structures within the organisation to monitor and control the costs.

Table 3.2 presents resources and aptitudes, and organisational requirements that an organisation needs to have in order to gain a competitive advantage. The table also presents the risks and limitations of cost leadership as a strategy of gaining competitive advantage. The table further outlines the resources and organisational structures that are needed by an organisation that is striving to achieve a cost leadership competitive advantage in the market and the challenges that an organisation may face in each of the strategies employed.

**Table 3:2 Cost leadership Strategy Requirements**

<b>Costs Leadership</b>		
<b>Resources and aptitudes</b>	<b>Organisational requirements</b>	<b>Risks or limitations</b>
Sustained investment of capital and favourable access to financial markets	Strict control of costs Detailed and frequent control reports	Technological change that cancels out the experience gained or investment made.
Special aptitude for process engineering.	Clearly defined organisation and responsibilities.	Competitors who learn easily and rapidly.
Close supervision of work and operations.	Incentives based on meeting quantitative objective	Stagnation of the product or of the marketing.
Products designed for ease of manufacturing.		Inflation of costs that annuals the previous price differential.
Low cost of distribution		

**Source:** Adapted from Ferrell and Hartline (2011:231).

### **3.8.3 Limitations of Cost Leadership Strategy**

Marcus (2005) argues that the cost leadership strategy is easily imitated by competitors. All beer brewing firms are often exposed to the same levels of technology and production processes and cost structures. This being the case, competitive advantage based on cost leadership can be imitated too easily by competitors, hence this cannot give SAB a real and sustainable source of competitive advantage, unless when used with other strategies. All the key players in the premium beer industry share a common input or raw material, and all are subjected to the same cost structures as far as inputs are concerned; hence the cost advantage strategy cannot offer South African Breweries a long term and sustainable competitive advantage in the market of premium beer brands.

### **3.8.4 Differentiation Strategy**

Hitt et al., (2003) describe differentiation strategy as a market competitive strategy aimed at creating superior quality, innovative products, brand image, and good service that add value to customers. Pearce and Robinson (2005) further describe differentiation strategy as a business approach aimed at building a competitive advantage by producing goods and services that are perceived to be different from those of competitors based on product attributes, product performance, or other factors not directly related to cost and price. Premium beer brands of SAB such as Castle Lite and Peroni display unique and attractive features, when compared to other premium beer brands such as Amstel, Heineken, and Windhoek. Castle Lite, which is the main premium beer brand of SAB is relatively low in alcohol content and it is the only premium beer brand that can be served at a sub-zero degree, this is one of the features on which SAB can capitalize and build its competitive marketing strategies. With its premium beer brands which are totally different from its main stream brands such as Castle Lager, Carling Black Label and

Hansa Pilsner, SAB should aim its premium beer marketing strategies at creating greater customer satisfaction. This strategy will enable SAB to meet the expectations of customers resulting in customer satisfaction and brand loyalty, which in turn will be used to charge premium prices and gain a competitive advantage.

A firm that adopts a differentiation strategy as its competitive approach aims at creating a positive perception in the minds of customers that its products or services are unique and of superior quality when compared to those of competitors in terms of product design, features, reliability and image Barnes (2006). SAB can create and reinforce consumers' perceptions by integrating real qualitative differences in its premium beer brands portfolio, by engaging in aggressive advertising and creative marketing techniques. This will enable it to aggressively counter the global marketing strategies which are employed by competitors such as Heineken, Amstel and Windhoek. Mankins and Steele (2005) add that an organisation that aims at differentiating its products from those of competitors is able to create competitive advantage over its rivals because of the perceived uniqueness of the market offering.

Pearce and Robinson (2003) further confirm that competitive strategies are all aimed at creating market offerings that offer a product that is perceived to be different and unique when compared to that of its competitors.

SAB is facing competition from well-established multinationals which are threatening to cut its market share even lower. In order to gain a substantial and meaningful competitive advantage over these competitors, SAB needs to implement strategies that concentrate and put emphasis on several dimensions such as brand image, customer loyalty, product quality, innovation and level of service; all at the same time. In the last decade SAB has been making in-roads into the Southern and Eastern African regions with their mainstream brands, such as Castle Lager, Hansa



Pilsner, and Carling Black Label. Thus for SAB to be competitive it will have to develop and implement a two-fold differentiation strategy aimed at creating customer loyalty through the creation of perceived differences in product image through concentrated marketing and image management.

Thompson et al., (2008) state that in order for an organisation to create a competitive advantage it needs to develop and implement a strategy that offers customers more value for their money by delivering quality products with outstanding attributes at a lower cost than competitors. Ehlers and Lazenby (2012) describe this as a hybrid strategy that balances elements of differentiation and low-cost in an exceptional way. Differentiation enables organisations such as SAB to charge premium prices while the cost leadership enables it to charge the lowest competitive price. Thus SAB will be able to achieve a sustainable competitive advantage by delivering value to customers based on both outstanding product features and low price (Marcus, 2005).

Hence, an organization aiming at increasing its market share should consider using a differentiation focus strategy whereby the organisation can segment the market and identify narrow target markets. The implementation of such a strategy would enable SAB to serve its narrow strategic market of the premium beer more effectively than its competitors. Offering a differentiated product that is considered special by customers such as Castle Lite while at the same time offering their globally accepted brands such as Castle Lager, Milk Stout, Carling Black Label, and Hansa, will minimize costs and gain high average returns, Kotler and Armstrong (2011).

Table 3.3 presents the resources and aptitudes, organisational requirements and limitations of differentiation as a strategy for gaining a competitive advantage.

**Table 3.3: Differentiation Strategy Requirements**

<b>Differentiation</b>		
<b>Resources and Aptitudes</b>	<b>Organisational Requirements</b>	<b>Risks or Limitations</b>
Significant aptitudes in marketing and in product engineering. Strong investment in Research and development	Coordination between the functions of research and Development, product development, and marketing.	Competitive levels of product prices, in accordance with a strategy of minimum global cost.
Prestige in quality and technology.	Qualitative assessments and incentives	The customer no longer values the product's factors of differentiation
Full cooperation of the distribution channels.	Capacity for understanding the market and how it changes	As the industry matures, imitations reduce the perceived differentiation.
Long tradition in the sector, or unique combination of aptitudes obtained in other activities.	Appropriate organizational structure for stimulating and rewarding creativity	

**Source:** Adapted from Ferrell and Hartline (2011:221).

### **3.8.5 Limitations of Differentiation Strategy**

Goh (2005) states that product differentiation as a way of gaining competitive advantage is easily imitated, and as such it does not give a meaningful and sustainable competitive advantage to an organisation facing stiff competition. Ehlers and Lazenby (2012) further affirm this because organisations competing in the same sector are often exposed to the same technology and cost structures. How can SAB use differentiation as a source of sustainable competitive advantage in the market? Dess and Lumpkin (2003) state that one of the dangers of relying on differentiation as a competitive strategy is that an organisation can become too obsessed with differentiation as a tool for gaining competitive advantage leading to dilution of brand identification through product-line extensions and as time passes consumers may perceive brands as being the same.

South African Breweries has differentiated its premium beer brand, Castle Lite, by including features that are not found in other premium beer brands. However, the question remains as to whether or not these features which are meaningful and valued by consumers do give SAB a sustainable competitive advantage over its competitors.

Marcus (2005) argues that product differentiation alone cannot be used as a tool to gain a competitive advantage, as perception of differentiation may vary between buyers and sellers. Any point of differentiation that does not add value to consumers may not translate into brand loyalty that may give an organisation a competitive advantage. Kurtz and Boone (2010) add that consumers desire value for their purchases.

### **3.8.6 Focus or Narrow Differentiation**

Ehlers and Lazenby (2012) argue that an organisation can achieve a competitive advantage by choosing a narrow competitive scope within an industry and focusing its marketing initiatives on that market segment. When adopting this strategy an organisation achieves a competitive advantage by selecting a segment or group of segments or niche and tailoring marketing strategies towards meeting the needs and wants of consumers of that segment.

An organisation can choose any of two variants namely, cost focus or differentiation focus.

Table 3.4 presents the resources and aptitudes, organisational requirements and limitations of focus as a strategy of gaining a competitive advantage.

**Table 3.4 Specialization Strategy Requirements**

<b>Specialization</b>		
<b>Resource and Aptitudes</b>	<b>Organisational requirements</b>	<b>Risks or Limitations</b>
<p>Resources and aptitudes of special application and interest in the company's area of operation.</p> <p>Dominance of the relevant technology and of the engineering of the product</p> <p>Marketing capacity</p> <p>Ability in the use of limited resources</p>	<p>Flexibility and efficient organisation structure.</p> <p>Corporate culture relevant and specific to its area of specialization (products and markets).</p> <p>Close coordination between functions.</p> <p>Rapid response to changes in the environment</p>	<p>The differences in costs compared with non-specialized companies are so wide that the advantages of specialization are eliminated.</p> <p>The market in which the company is specialised reduces its differences with respect to the global market.</p> <p>Other competitors are specialised in part of the market of the already specialized company</p>

**Source:** Adapted from Ferrell and Hartline (2011:232).

### **3.8.7 Limitations of Porter's Generic Strategies Model**

Pearce and Robinson (2005) argue that cost leadership alone does not sell brands, and that for an organisation to have a meaningful competitive advantage it needs to design a well-integrated marketing system taking into consideration other aspects and dimensions existing in the market. This proves that the development and systematic implementation of a carefully considered marketing action plan is the key to success. SAB would secure a sustainable competitive advantage through gaining a thorough knowledge of the different beer consumption cultures of consumers, their life styles and other aspects existing in the macro environment.

When it comes to the beer market, differentiation strategies can be used to increase sales volumes rather than to charge premium prices. Hence in order to gain a competitive advantage in the market an organisation needs to find a way of incorporating all aspects present in the macro as well as in the micro environment into the marketing system.

David (2001) argues that in order for an organisation to gain and sustain a competitive advantage generic strategy is not enough. An organisation must produce at low cost, while also at the same time be innovative; it must deploy the massed resources of a large corporation, while showing the entrepreneurial flair of a small start-up, it must achieve high levels of reliability and consistency, while also being flexible, in that way it will gain and sustain a competitive advantage in the market

### **3.9. Model Two: Collaborative Supply Chain Management**

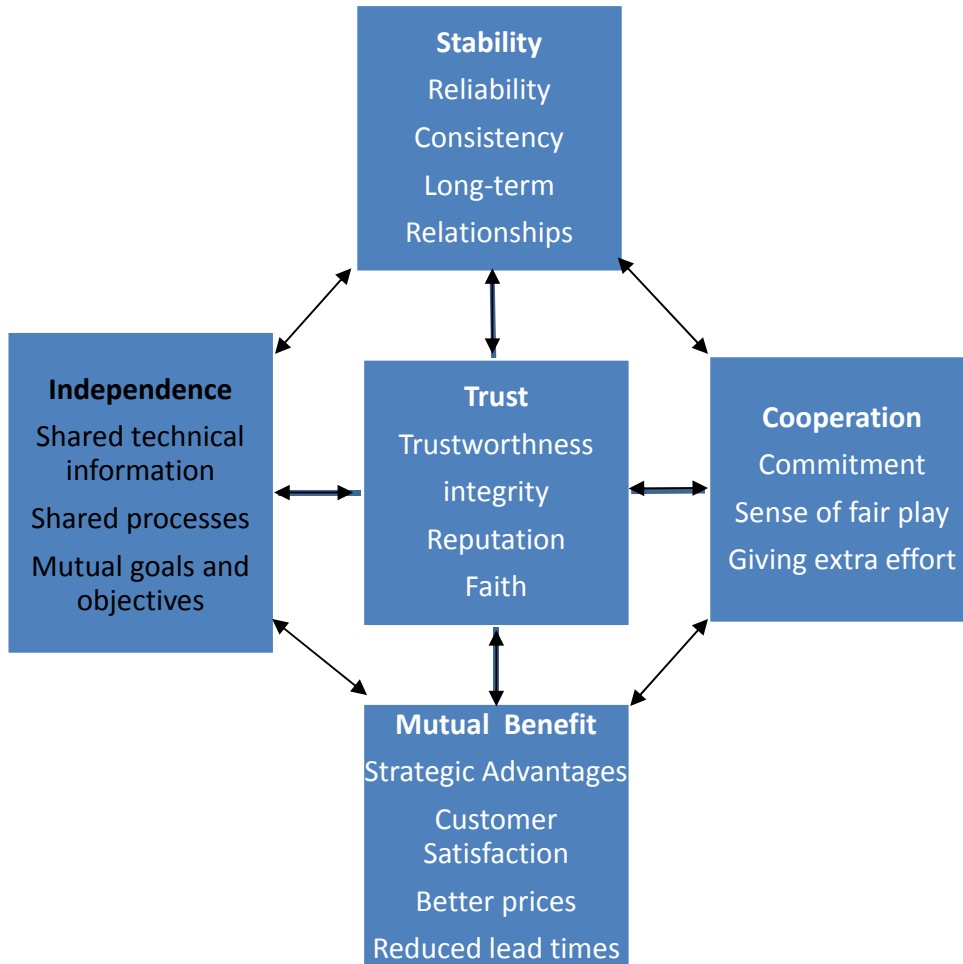
Bendorf (2002) defines supply chain management as the management of upstream and downstream relationships with suppliers and customers to deliver superior value at less cost to the supply chain as a whole. The aforementioned researchers further add that the attainment of efficiency and effectiveness of this philosophy requires a movement away from arms-length

relationships toward partnership-style arrangements. The highly competitive environment of the beer sector has caused companies to look for sustainable sources of competitive advantage strategies and build on them. Logistics management has the potential to assist an organisation to achieve both a cost/productivity advantage and the value chain advantage. For an organisation to create and maintain a sound supply chain management system it needs to consider its supply chain members and create a strong working relationship with them.

Supply chain management involves integration, co-ordination and collaboration across organisations and throughout the supply chain. Hitt et al. (2003) further add that supply chain management requires internal (intraorganisational) and external (interorganisational) integration. In order to gain a competitive advantage, there is a need to adopt the supply chain management approach and consider the supply chain as a whole as well as the factors that are necessary in building a network that can give an organisation a competitive advantage.

Figure 3.1 presents the key factors needed for building a successful collaboration in a supply chain network. The model presents a collaborative supply chain as being centered on trust. Trust forms the heart of the network; it is the glue that holds supply chain relationships together.

**Figure 3.1: Key Factors for Successful Supply Chain Collaboration**



**Source:** Adapted from Davis, Speckman and Robert (2004:209)

Ferrell and Hartline (2011) argue that without trust among the key members of the supply chain, firms will be unwilling to give up control over supply chain activities. Organisations will be unable to put the needs of the supply chain ahead of their own, and this will prompt an organisation to engage in selfish behaviour that will lead to increased conflict and frustration among the members involved. Strydom, Grove, van Heerden and Nel (2002) further add that the



effective establishment of supply chain collaboration calls for top management commitment and investment, clearly stated goals and objectives, complete sharing of data and information and increased quantity and quality of information among firms.

The goal of distribution and supply chain management is to get the product to the right place, at the right time, in the right quantities, at the lowest possible cost (Ferrell and Hartline, 2011). Supply chain involves activities such as sourcing of raw materials, storage of raw materials and finished goods, and delivery to consumers of finished products. The supply chain plays a crucial role because customers can only buy a product if it is available at the convenient place and at an affordable price (Kotler and Armstrong, 2011).

The establishment of an efficient and effective channel that connects the producer and consumers can give an organisation an edge over its competitors. South African Breweries is a company that is well connected locally and internationally with good local market knowledge but then how can SAB build its premium beer distribution network in order to increase its presence amongst consumers in both urban and rural areas? The middle class in South Africa is growing both in the urban areas as well as in the rural areas and an efficient and effective distribution system by SAB for the premium beer market will enable it to tap into this market segment.

Kotler and Keller (2006) argue that although the construction and establishment of a good distribution system is very costly in terms of money and time, it will generate profits for years or decades and with a good distribution system in place, a business can overcome weaknesses in its product pricing, and promotion.

Distribution and supply chain play a vital role in the success of a business as it combines two interrelated components namely organizing and managing marketing channels and the physical distribution of the products (Ferrell and Hartline, 2011). Spekman (1988) defines marketing channels as an organized system of marketing institutions through which products, resources, information, funds and/or product ownership flow from the point of production to the final user. In the South African beer market some channel members or intermediaries such as Liberty Liquors, Makro Liquors and Spar' Tops take possession of or title to products whereas beer stores and agents simply facilitate the process, hence any effort of building and sustaining an efficient distribution system will have to take into consideration the different roles played by these distribution channel members.

Physical distribution coordinates the flow of information and products among channel members to ensure the availability of products in the right places, in the right quantities, at the right time, and in a cost-effective manner. Physical distribution (or logistics) includes activities such as customer services, order entry, administration, transportation, warehousing (storage and material handling), inventory recording, and the systems necessary for these activities to be carried out, all of which are necessary for gaining a competitive advantage in the beer market (Strydom et al., 2002).

Given the costs and the administrative burden that comes with the establishment and maintenance of distribution channels it is virtually impossible for a single firm such as SAB to perform all channel functions well and establish a competitive advantage over its competitors without involving other channel members.

### **3.10 Services Provided by Liquor Intermediaries and Agents**

Waters (2009) asserts that a firm that is seriously contemplating a competitive advantage should consider establishing a reliable partnership with its channel members and have a thorough knowledge and understanding of the services offered by these partner-members. In the beer industry this requires understanding of the services that are performed by both distributors and retailers. These services can be broadly described as follows.

#### **3.10.1 Maintaining Inventory**

Beer manufacturers such as SAB cannot produce and distribute beer on demand to consumers therefore channel members such as Tops and Liberty Liquors provide for the storage of products for future purchase and use.

#### **3.10.2 SAB Owner-Driver Initiative**

Having identified its limitation when it comes to beer distribution SAB initiated the owner-driver system in 1987 whereby employees were encouraged to roll over their normal tasks into sustainable small businesses by acting as distribution subcontractors to SAB. In order to increase the efficiency of this project SAB invested R3 billion to assist the operators with financing, training and business support among other things (SABMiller, 2008). By 2009 there were 287 independent owner-drivers responsible for distributing 74% of beer from the 40 SAB depots to wholesalers and retailers, which is 74% of the 91% of SAB's total beer volume (SABMiller, 2010).

#### **3.10.3 Maintaining Convenient Location**

Beer manufacturers and consumers are separated geographically; thereby channel members assist a business in building a competitive advantage by making products available in convenient locations Cousins et al., (2006).

#### **3.10.4 Providing Services**

Channel members can assist a business by facilitating services such as storage, and standardizing the exchange process such as payment processing, delivery and pricing (Bendorf, 2002). SAB has built a strong customer base by creating and maintaining a strong relationship with channel members (SABMiller, 2010). It is a system that is both efficient and effective. Effectiveness involves meeting the goals and objectives of both the firm and its customers. In the beer market the key issue is whether the distribution channel provide time, place and, possession utility, effectively. In order to create a solid ground for competitive advantage for the premium beer brands SAB has to grasp the concept of time utility. With respect to time utility in the beer market the standard is 24/7/365. Business buyers and consumers both want the ability to access information and purchase products every hour of the day, every day of the week, and every day of the year including holidays. However the challenge is how does the beer distribution channel ensure that this is possible due to stricter laws controlling the marketing and consumption of beer that are being implemented? The beer distributor who finds a lawful way to overcome the distributor-consumer barrier being created by these laws will have a competitive advantage in the beer market. This requires utilizing a system of technologies and processes that senses and reacts to real-time demand signals across the network of marketing channel members (Ferrell and Hartline, 2011).

Rogers (2005) argues that although firms have become better in terms of time utility, exceptional place utility remains elusive for many and the primary reason for this is expense. Traditionally, beer consumers would travel great distances to purchase and consume beer but today there is a new dimension in the way people are interacting and socializing in society. A growing number

of consumers prefer to consume beer in their homes thus forcing firms to build a distribution infrastructure that puts products in convenient locations.

With respect to possession utility, a key issue in channel effectiveness is the ease of the actual purchase process. Waters (2009) argues that customers want to buy products only in the quantities they need, using the means of payment they most prefer. Therefore these demands increase the need for facilitating services in the channel. SAB can increase channel efficiency by cutting costs and by eliminating redundancies and waste in its distribution system.

### **3.11 Product Category Management**

Organisations competing in highly competitive markets need a new solution as they enable the level of differentiation necessary to attract customers who have an ever growing number of shopping alternatives and brands. SAB needs a better way of creating differentiated customer experiences through building solid category strategies, designing compelling assortments, planning productive planograms, and effectively pricing and promoting their premium beer brands in the market.

Table 3.5 presents the major components of category management implemented by an organisation in attaining a competitive advantage. The organisation needs to clearly define its competitive strategy and the processes that will be followed in the implementation of the strategy as well as how the performance will be measured and provide the capability skills and market information that is needed.

**Table 3.5 Major Components of Category Management**

Component	description
Strategy	This step involves an informed choice by the retailer to move from managing brands to managing groups of products that satisfy similar consumer needs. Such groups are known as categories.
The business Process	An eight-step process that include (1) defining categories and subcategories, determining each category's role in meeting retailer goals and objectives, (3) assessing the present performance of each category, (4) Setting scorecards targets for measuring performance (5) jointly developing strategies for achieving scorecards targets, (6) selecting specific tactics to implement selected strategies (7) Implementing plans with calendars and assigned responsibilities, and (8) Appraising categories and refining plans.
Scorecard	An ongoing process of setting targets and stabling the means to monitor and improve performance in the targeted areas
Organisation Capabilities	Changes in the design and structure of organizations; the required skill bases of the parties to the relationship, and the employee performance measurement, reward and recognition systems.

**Source:** Adapted from Ferrell and Hartline (2011:259)

To explore the integration-performance relationship, it is necessary to measure an organization's performance, which can be analyzed in absolute and relative terms. Absolute performance refers to the performance considering the company itself, not taking into account the performance of its competitors (Ferrell and Hartline, 2011). This can be measured by looking at aspects such as costs, stock-outs, and lead-time reductions. Analysing performance in absolute terms aims at determining which improvements can be achieved by implementing a logistics integration program. A firm gains competitive advantage by performing strategically important activities more cheaply or better than its competitors.

Spekman (1988) adds that the contribution of supply chain management in gaining a competitive advantage is embedded in the concept of relative performance which can be measured by asking the organisation to compare its performance with that of its competitors. However, Ferrell and Hartline (2011) argue that in some cases a logistic integration program can lead to cost reduction, but it may not lead to a better competitive advantage hence it is necessary to measure performance in absolute and relative terms.

### **3.12 Model Three: Competitive Advantage and Product Differentiation**

Louw and Venter (2007) describe product differentiation as a marketing strategy that businesses use to differentiate a product from similar offerings in the market. For markets that are characterized by commoditization a product differentiation may provide a source of competitive advantage. Kotler and Armstrong (2011) state that marketing planning involves all the strategic decisions about a product which include product design, development, branding, and positioning all of which are crucial for the success of an organization. Blythe (2006) defines a product as anything that buyers can acquire via exchange to satisfy a need or a want. Kasper et al., (2006) add that an important strategic fact about products is that they are not created and sold as

individual elements but rather products are developed and sold as offerings. An offering is therefore a bundle of physical (tangible), service (intangible), and symbolic (perceptual) attributes designed to satisfy customer's needs and wants, Kotler and Armstrong (2011). McDaniel et al. (2008) argue that a good marketing strategy looking at differentiation based on product takes a holistic approach focusing on all elements of the product offering rather than on a single element.

South African Breweries competes in a market that is increasingly becoming mature characterized by commoditization, and in this case, the core product, that is the element that satisfies the basic customer need, typically becomes incapable of differentiating the product offering from those of competitors. Organisations faced with this challenge strive to enhance the service and symbolic elements of their product offerings focusing primarily on the intangible aspects of a product, not on its tangible or physical elements. Dess and Lumpkin (2003) affirm that in order to achieve differentiation based on a product, product strategy should be fully integrated with pricing, distribution, and promotion as these components of the marketing program add value to the product offering.

Pearce and Robinson (2003) argue that product offerings in themselves have little value to customers; rather an offering's real value comes from its ability to deliver benefits that improves a customer's situation or solve a customer's problem. When a person buys a premium beer from a local pub or nightclub it is not always because he/she is thirsty but because they want to fulfill their need for social interaction. They are buying luxury, status, comfort, and social appeal hence any effort to attract consumers to premium brands should be aimed at appealing to these elements. Mankins and Steele (2005) state that building a sustainable competitive advantage



revolves around differentiating a product from the competition along attributes that are relevant and important to customers.

Wheelen and Hunger (2010) add that to remain competitive in the market requires a significant effort from time to time because over time the competitive edge may erode as competitors try to duplicate a successful advantage for themselves. Ehlers and Lazenby (2012) further validate that a business needs to balance its resources between establishing a competitive advantage and maintaining it.

A continuous analysis of the business's products and management helps the business to stay current with the situation. A product differentiation strategy allows a business to compete in areas other than price. For example SAB may differentiate its premium beer brands from its competitors in terms of attributes such as taste, after taste, and quality and use these as a source of competitive advantage.

### **3.12.1 Differentiation Based on Price**

Raju et al., (2008) point out that most businesses operating in the same industry and in the same location tend to have the same cost structure, meaning that when one competitor cuts price, others will follow thus erasing whatever advantage the first competitor gained by reducing the prices. Adcroft, Willis and Hurst (2008) further confirm that a business can achieve a cost advantage through lower overhead costs, by being very close to the market or by obtaining raw materials at a lower price than competitors or through long-term purchase agreements. Kotler and Armstrong (2011) further affirm that when adjusting and reducing the prices of products in order to gain a competitive advantage, marketers have to keep in mind that often the price tag is a major contributor to the perception of quality. Keller (2008) further adds that consumers are

quick to connect the cost of a product to the value placed on it. Consumers' judgment of the quality of a product may change based on other factors, but the actual cost is indeed an important factor in influencing the perception of quality.

### **3.12.2 Differentiation Based on Brand**

Pilch (2007) states that a carefully conceived and executed marketing plan with a focus on the customer is a major contribution to a competitive advantage that a business may have over its competitors. Strydom, et al., (2000) validate that a good marketing strategy can be enough to differentiate one business from the rest, all other things being equal. Keller (2013) argues that brand name recognition is reliant upon a good marketing strategy and a consistent, reliable product and business. A business should design a differentiation strategy that targets a segment of the market and deliver the message that the product is positively different from all other products available.

### **3.12.3 Differentiation Based on Distribution**

Waters (2009) defines distribution as the steps taken to move and store a product from the supplier stage to the customer stage in the supply chain. Distribution plays a very important role as it is a key driver of the overall profitability of a firm because it directly impacts on both the supply cost and the customer experience. A well designed distribution system can be used to achieve a variety of supply chain objectives ranging from low cost to high responsiveness (Roger, 2005). Businesses operating in the same industry often try to outperform each other by selecting the most effective and efficient distribution network that enables them to have the upper hand in the market. A business should utilize different distribution outlets so as to meet customer needs on a broader scale efficiently and effectively.

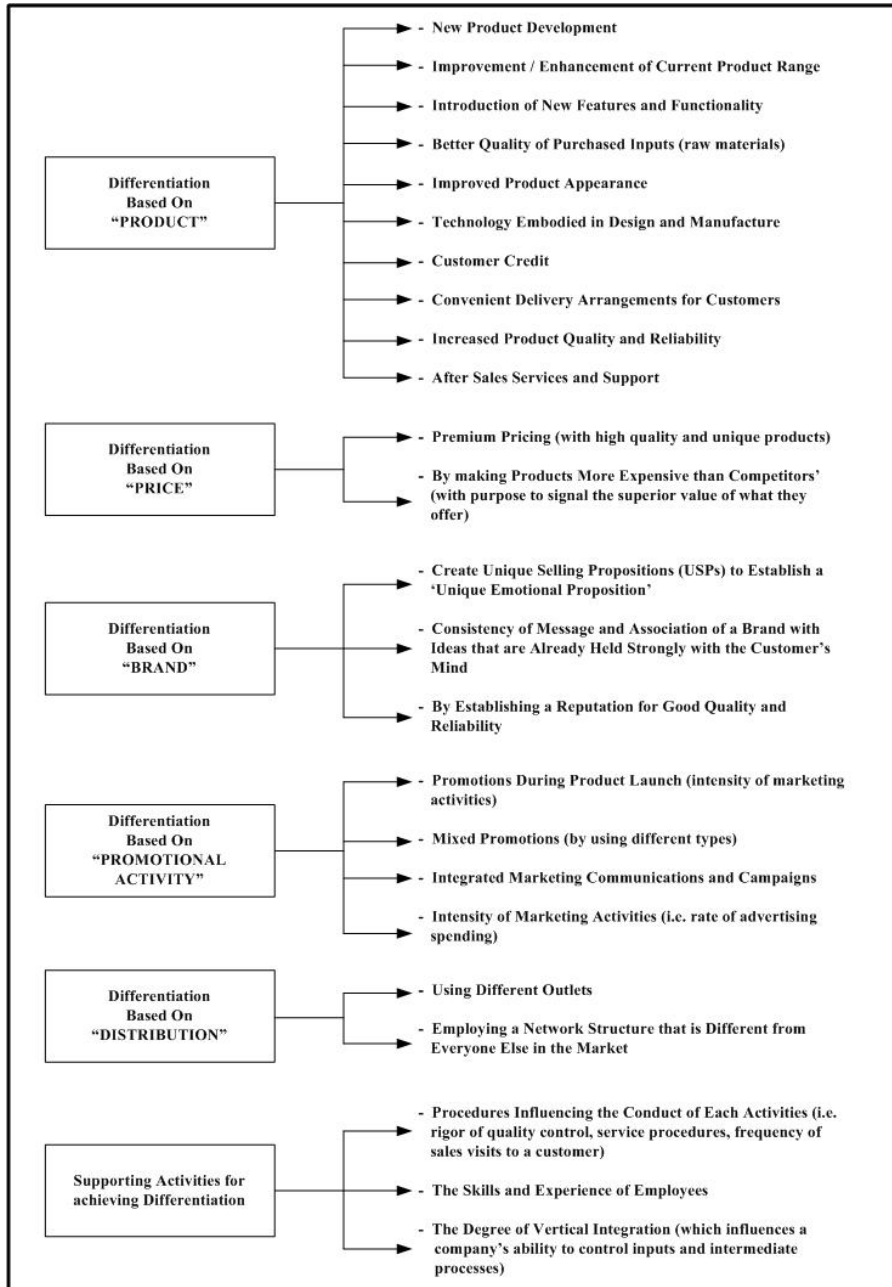
#### **3.12.4 Differentiation Based on Promotional Activities**

Belch and Belch (2012) define promotional strategy as the function of informing, persuading, and influencing a consumer decision. Operating in a heavily contested market characterized by aggressive marketing strategies, SAB needs to continuously develop promotional strategies that will clearly differentiate its premium beer brands from competing brands. Kitchen, Brignell, Li and Jones (2004), add that promotional strategies should be aimed at establishing a position in the market that appeals to their target customers. The aforementioned authors further state that promotions that apply the concept of positioning communicate to consumers meaningful distinctions about the attributes, price, and quality of brands. South African Breweries needs to design a promotional mix that is a combination of personal selling and non-personal selling in order to have a greater communication impact on its targeted premium beer consumers. Reinhardt, Krafft, and Hoyer (2005) describe non personal selling as consisting of advertising, sales promotions and public relations and further describe personal selling as a promotional presentation made on a person-to-person basis with potential buyer.

### **3.12.5 Supporting Activities for Achieving Differentiation**

Byars (1991), states that differentiation in the market can be achieved by involving the services of creative employees who have the skills in sales and marketing that can give a business the upper hand. In the near future the liquor industry will be the most affected by the proposed new laws of banning advertisement of alcoholic drink on billboards and public media. The introduction of such laws will require creative selling from liquor marketers to minimize the negative impact that such laws may have on sales and profits. A market characterized by commoditization like the beer market requires creative selling and persuasive selling. Blythe (2006) defines persuasive marketing as a type of promotional presentation used when the benefits of a product or service are not readily apparent and/or when the purchase is based on a careful analysis of alternatives as it is often the case in the beer market. Table 3.6 presents different options and ways that can be used by SAB to differentiate its marketing offerings from those of competitors. The figure also presents the tactics and strategies that SAB can use in each case so as to gain a competitive advantage in the market.

**Table 3.6: Ways for Achieving Differentiation Advantage**



**Source:** Ehlers and Lazenby (2010:200).

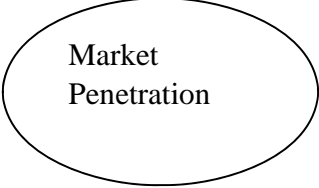


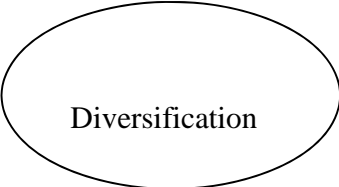
### **3.13 Model Four: Ansoff's Product /Market Expansion Grid**

Campbell et al. (2002) state that strategy forms a comprehensive master plan stating how the corporation will achieve its mission and objectives. Hitt, et al. (2003) affirm that organisations operating in a highly competitive environment undertake a strategic plan with the aim of maximizing the competitive advantage and minimizing competitive disadvantage that are present in that environment. This can be done in line with the goals and objectives of the organisation having evaluated the environment in which the organisation is operating.

The long term viability of SAB and its premium beer brands in the market largely depend on the successful identification and exploitation of growth opportunities. Pearce and Robinson (2003) affirm that in order for organisations to capitalize on growth opportunities, marketers must carefully formulate appropriate expansion strategies.

A product/market expansion grid is a tool for identifying business growth opportunities through market penetration, market development, product development or diversification (Kotler and Armstrong, 2011). The product-market expansion grid, presented in Table 3.7, consists of a vertical axis representing markets, old markets and new markets, a horizontal axis representing products, current and new, and four cells that identify the four growth alternatives: market penetration, market development, product development, and diversification.

**Table 3.7 Product–Market Expansion Grid**

	<b>OLD PRODUCTS</b>	<b>NEW PRODUCTS</b>
<b>OLD MARKETS</b>	 <p>Market Penetration</p>	 <p>Product Development</p>
<b>NEW MARKETS</b>	 <p>Market Development</p>	 <p>Diversification</p>

**Source:** Adapted from Verhage (2014:75).

### **3.13.1 Market Penetration**

Kotler and Armstrong (2011) define market penetration as a growth strategy aimed at increasing sales to current market segments without changing the product. In terms of market penetration, SAB is falling behind. Since 2007 it has been noted that the company is losing its market share to international premium brands such as Heineken, Amstel and Windhoek lager, and with the introduction of Amstel Lite in 2014 this market share was threatened even further. International beer companies are using market penetration strategies well; many of them are successfully

managing premium beer brands with creativity and have captured the market share from SAB. South African Breweries has well established mainstream beer brands in the market which have enjoyed market success for over a century however this market supremacy is now under threat. The challenge that the organisation is facing at present is to come up with a marketing and organisational strategy, a turnaround strategy that will ensure a growth of their core brands, capitalize on their market acceptance and enhance the overall output of the organisation so that they identify new market opportunities leading to business sustainability (SABMiller 2010).

### **3.13.2 Market Development**

In terms of market development, SAB has successfully entered foreign markets such as Lesotho, Namibia, Zimbabwe, Zambia, Mozambique, Malawi, as well as the East African region, however SAB does not have a commanding market position in these countries (DTI, 2009).

### **3.13.3 Product Development**

Cant and van Heerden (2012) define product development as a plan of action implemented by an organisation in its drive to increase the consumption of its latest product amongst its current consumers. In terms of product development SAB is well positioned, with the introduction of Castle Lite and Peroni in its brand portfolios. The organisation has a significant presence in the premium beer sector despite the aggressive marketing strategies being employed by its competitors in the promotion of brands such as Heineken, Amstel and Windhoek. The introduction of Amstel Lite, has made it difficult for the premium beers of SAB to have a significant market share.



#### **3.13.4 Diversification**

Kotler and Armstrong (2011) define diversification as a growth strategy through starting up or acquiring businesses outside the firm's current products and markets. South African Breweries has been successful in diversifying its business empire by bottling and marketing water and other non-alcoholic drinks in addition to its mainstream and premium beer brands.

#### **3.14 South African Breweries' Market Environment**

Coulter (2002) describes the external business environment as consisting of variables that are outside the direct control of an organisation, and that forms the context within which an organisation operates. The analysis of the external environment gives an overall picture of the beer market in which SAB operates and competes.

Beer is the predominant alcoholic drink in South Africa and has the largest share of alcoholic drinks in the market, reflecting the growing influence of SAB (DTI, 2011). The Baseline study of the Liquor Industry (2011) highlights that competition from non-alcoholic drinks, together with consumer concern over health issues, and the strict laws and penalties on drinking and driving have hampered beer demand in general in South Africa. The growing middle class in South Africa since the dawn of democracy has changed the drinking landscape, with more consumers moving away from traditional "*drinking sessions*" to "*occasional*" drinking, often at home and consumers have become more demanding in terms of their choices, selecting a repertoire of drinks for each kind of occasion. In addition, consumers' interest is now stimulated by new product developments, innovations and sophistication of products such as ice beers and ciders. Furthermore, the market is becoming increasingly concentrated with bigger operations

consolidating their shares through acquisitions and licensing agreements as in the case of Brandhouse, further shrinking the market share of SAB.

One of the biggest problems facing management in organisations is the level of uncertainty within the industry. Companies need to understand the nature of the environment in which they are operating (Dess and Lumpkin 2003). Since the dawn of democracy, in 1994, the South African beer market has become complex with many diverse external elements influencing it. These factors include competitors, suppliers, and stricter government regulations. Moreover the industry is unstable as the environment is continually changing, with competitors reacting aggressively. Since 1994, the South African beer market has been characterized by continuing internationalization and increasing competition, with the saturation of the domestic market posing an ever-increasing threat to the market share of SAB (Powell, 2010). Notwithstanding the market pressure in the home market, the past two decades have seen SAB increasing its commitment to exporting and penetrating the beer market of neighboring countries and beyond, reflecting the belief that this is an appropriate means of mitigating the stagnation of output on the home front.

### **3.15 Competition**

In the beer market consumers have a wide range of choices and preferences in terms of the brands from which to purchase. This compels an organisation to select a set of competing firms when it is defining the target market it will serve. Pearce and Robinson (2003) state that an organisation should have a system in place which can constantly monitor the current and future actions of competitors. The beer market falls under the liquor industry that is so complex and diverse in a sense that brand competitors, product competitors and generic competitors, all compete for a slice of the consumers' limited income.

Table 3.8 presents the four types of competition that exist in the beer market, the table further presents the description of each competition and the products competing in each category.

**Table 3.8: Types of Competition in the Beer Market**

<b>Type of competition</b>	<b>Description</b>	<b>Brands/products</b>
<b>Brand competitors</b>	Market products with similar features and benefits targeting the same customers at similar prices range.	Castle Lite, Heineken, Windhoek, Amstel Lite, Amstel and Peroni
<b>Product competitors</b>	Market products which compete in the same product class but with products that are different in features, benefits and price	Castle Lager, Castle Draught, Hansa, Hansa Draught, Milt Stout, Black label
<b>Generic competitors</b>	Market very different products that solve the same problem or satisfy the same basic customer need	Wine, Spirit, brandy, Whisky

<b>Total budget competitors</b>	Compete for the limited financial resources of the same customers	Alcoholic drinks and Non-alcoholic drinks such as Coco-Cola, Fanta, Sprite
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**Source:** Adapted from Gabby (2008:103).

### **3.16 Strategic Planning Process**

In order for an organisation to respond to the opportunities and challenges present in the marketing environment, it has to be engaged in the process of strategic planning. Hough et al. (2008), define strategic planning as a process that describes the direction an organisation will pursue within its chosen environment and guides the allocation of resources and efforts. The process of developing an effective strategic plan for an organisation such as SAB starts with a situational assessment of the threats and opportunities to which the organisation must respond in the light of its mission. At the same time SAB must assess its own distinctive competencies.

### **3.17 Structural Analysis of the Market**

A comprehensive structural analysis of the market environment in which an organisation operates identifies the competitive forces that are present in that market (Porter 1985). The aforementioned author identifies five key competitive forces namely:

#### **3.17.1 The External Environment**

To facilitate a better understanding of the external environment in which SAB operates and competes, the study embarked on conducting a “STEP” analysis. Hill and Jones (2001) describe a “STEP” analysis as a comprehensive analysis and evaluation of sociological, technological, economic and political/legal forces that have an impact on how a business builds and maintains its relationship with customers.

### **3.17.2 Sociological Forces**

Increased social awareness of the consequences of drinking and driving and increased sport activities have resulted in new trends towards drinking, more consumers opting for drinking at home (DTI 2010). The changing population demographics with an increase in the number of youth indulging in alcoholic drinks has changed the marketing and positioning of beer brands; and all these factors have an impact on the competitive strategies of an organisation.

### **3.17.3 Technological Forces**

Increased advancement in technological innovation, automation in the production of bottled and canned products and process management has reduced the overall cost of producing products. This has had a great impact on how firms compete in the market (Churchill and Peter 1998).

### **3.17.4 Economic Factors**

Changes in income distribution – more working women with higher disposable incomes and increased expected expenditure on leisure activities have changed the way beer is perceived in the market leading to firms revisiting their market competitive strategies (Coulter, 2002).

### **3.17.5 Political/Legal**

Drinking legislation in relation to the consumption of alcoholic beverages, the strict minimum age for drinking, tougher drinking-driving penalties, restrictions on opening and closing hours for pubs, restaurants, and clubs combined with continuing high levels of taxation and duty on alcohol have changed the drinking patterns of consumers, hence any strategy aimed at attaining a sustainable competitive advantage should take all these points into consideration (StatsSA 2010).

### **3.17.6 The Internal Environment**

Cant and Van Heerden (2012) describe the internal environment of an organisation as comprising of variables or elements that the firm uses to pursue its marketing objectives and strategies in the target market. The aforementioned authors have also referred to these elements as the marketing mix elements that consist of product, price, place, promotion, and people. Any organisation contemplating on identifying a sustainable source of competitive advantage should take a comprehensive analysis of its internal environment to identify its strength and weaknesses. A firm can use the SWOT matrix tool to identify its strengths and weaknesses. Sexana (2009), defines the SWOT Matrix as a structured planning method used to evaluate the strength, weaknesses, opportunities and threats involved in a business venture. A SWOT analysis can be carried out for a product, or industry. The purpose of conducting a SWOT analysis is to capitalize on a company's strength, minimize any weaknesses, exploit market opportunities as they arise and avoid, as far as possible, any threats (Kotler and Armstrong 2011). The SWOT analysis would help to evaluate the viability of SAB's current strategies, it also would provide appropriate pointers as to how best SAB can compete with other premium beer brands.

### **3.17.7 Strength**

One of the main advantages and strengths of SAB lies in its diversification strategies and innovative initiatives. SAB has diversified businesses in branded beers and leisure retailing by which it has achieved synergetic cooperation. The brand portfolio of SAB includes many successful and leading beer brands such as Carling Black Label, Castle Lager, Hansa Pilsner and Milk Stout (National Treasury, 2010). SAB uses these well established and accepted brands to consolidate the market segment of its premium beer brands. A diversified business portfolio reduces the risk of unprofitable beer operations. South African Breweries has a huge marketing

investment budget that enables it to support its brands and marketing initiatives, the owner-driver being one of them. SAB is a leading brewery company in South Africa with a well-established infrastructure around the country with 40 distribution depots and seven breweries (SABMiller 2010).

### **3.17.8 Weaknesses**

SAB suffers from the centralization of its strategies and ideas which slows its reaction to take advantage of an opportunity in the market (Personal interview at Makro, 2013). Aggressive promotional techniques are limited to a number of mainstream brands, such as Carling Black Label, Hansa and Castle Lager, with little attention being paid to other brands contained in its product portfolio. Marketing and other functional activities are mainly based on a national level and yet SAB's main competitors are operating on an international level.

### **3.17.9 Opportunities**

Previous studies in the liquor industry show that imported beer brands are easily accepted as a beer of superior quality in South Africa and in many other countries, hence the expansion drive of SAB into foreign markets offers it an opportunity to expand. Southern African countries are experiencing a strong trend towards beer. Excise taxes on beer is lower giving SAB a chance to export more beers to meet the demand in these foreign markets (DTI, 2010).

### **3.17.10 Threats**

The establishment of Brandhouse to produce and market premium beer brands such as Heineken, Amstel, and Windhoek has caused a major dent on the market shares of SAB. For more than half a century SAB had no visible and credible competitor in the South African beer market but the arrival of Brandhouse has changed the beer market landscape (DTI, 2011).

Increased health awareness among consumers as well as strict legislation of the drinking age limit continues to undermine beer consumption and demand in South Africa. Strict legislations and stiff penalties imposed on offenders of drinking and driving, restrictions on trading hours, and limited selling hours of liquor on Sundays in some provinces poses a major threat to the expansion of the liquor industry in South Africa, (National Liquor Act 59 of 2003).

### **3.18 Marketing Mix**

War for market dominance in the premium beer market is centered on the four traditional marketing Ps, namely; price of the premium beer brands, promotional strategies employed by manufacturers, products and their attributes and the control for place or space where premium brands are marketed and sold. Gaining a sustainable competitive advantage in the market highly depends on how an organisation manages these market tools.

#### **3.18.1 Pricing Decisions**

McDaniel et al., (2008) state that of all the four Ps in marketing, pricing is fundamental as it creates the source of income for the organisation while the other elements of product development, promotion and place represent expenses. The aforementioned authors further point out that price has a direct connection with customer demand hence it is vital to understand whether consumers consider SAB's premium brands under study as being price worthy and whether consumers view such brands as value for their money. Kotler and Keller (2011) state that organisations should time and again revise the prices of their products so that they can attract more consumers through sales promotion. This connection makes pricing the most over manipulated marketing mix tool. Keller (2013) further confirms that consumers use the price of



a product as a tool when judging the quality of a product because in most cases higher prices reflect a quality of the product.

### **3.18.2 Product Decisions**

The actual product that is offered in the market forms the core of any marketing strategy. Kotler (2006) states that product designing and assigning attributes that would appeal to the target market forms the central element of marketing strategy. This is dependent on the relationship between the brand and the customers' taste (Ferrell and Hartline, 2011). In order to develop a sound marketing strategy for premium beer brands that would give SAB a solid ground for a sustainable competitive advantage, a link has to be established to identify what attributes attract consumers to premium beer brands and what attributes consumers consider outstanding in premium beer brands.

The premium beer attributes that consumers find outstanding formed the basis of the sustainable competitive advantage model and marketing strategies. Blythe (2006) states that an understanding of the attributes of a product or brand sheds light on how best to position that product. Kotler and Keller (2011), define product positioning as the process of establishing a mental image, or position, of the product offering relative to competing offerings in the minds of target consumers. Kotler (2006) further affirms that the main objective of brand positioning is to differentiate an organisation's products with the rest of the products in that category or market.

### **3.18.3 Distribution and Supply Chain Decision**

Strydom et al., (2002) point out that there are many strategic options for the structure of a marketing and distribution channel and that although these structures are often costly and complex to design, implement and maintain, a good distribution strategy is essential for the

success of an organisation. Distribution often becomes highly inflexible due to long-term contracts, sizable investments and commitments among channel members.

### **3.19 Intensive Distribution System**

In order to increase its presence amongst consumers SAB needs to intensify its distribution network. Kotler and Armstrong (2011), state that consumers can only establish a strong bond with a brand if that brand or product is readily available whenever needed. The success of premium beer brands would partly depend on the development of the distribution network that SAB would build with its stakeholders. When it comes to the distribution network of mainstream beers such as Castle Lager, Castle Milk Stout, Hansa, and Carling Black Label the distribution coverage is intense and wide while that of premium beer brands is not fully developed. This provides a gap in the distribution network and coverage. Income levels in the rural areas is increasing which has resulted in a rising demand for quality products in those areas; a scenario that continues to be ignored by SAB in its distribution network and coverage of premium beer brands.

Intensive distribution networks make a product available at the maximum number of merchants or outlets in each area and this allows a product to gain the much needed exposure to as many sales opportunities as possible (Ferrell and Hartline, 2011). The adoption and development of an intensive distribution system of the premium beer brands would present an opportunity that can give SAB a competitive advantage in the market however this would mean the manufacturer, SAB, having to give up some degree of control over some marketing elements in the four Ps.

### **3.20 Channel Integration**

Markets which are characterized by intensive and aggressive competition such as the premium beer market require effective supply chain management, this can be achieved through channel integration. Through informational, technological, social and structural linkages, the goal of channel integration is to create a seamless network of collaborating suppliers, vendors, buyers, and customers, (Ferrell and Hartline, 2011). The aforementioned authors further argue that well designed and implemented channel integration leads to an extended market of a product as the system controls and coordinates the flow of information, goods, and services both upstream and downstream in the supply chain. Bendorf, (2002) further states that the creation and extension of an extended enterprise requires commitment and investment in three areas, namely:

### **3.20.1 Connectivity**

Churchill and Peter (1998) define connectivity as informational and technological linkages among firms in the supply chain network. Connectivity in the supply chain allows an organisation to access real-time information about the flow of products in the supply chain, in terms of its availability in different areas.

### **3.20.2 Community**

In order for premium beer brands of SAB to penetrate into the inner circle of the drinking community of South African consumers and to achieve the same results that have been achieved with the mainstream brands such as Carling Black Label, Castle lager, and Hansa, SAB will have to create a sense of compatible goals and objectives with all its partners in the supply chain. South African Breweries deals with large distributors such as Liberty Liquors, Makro Liquors, as well as medium to small distributors such as Spar's Tops and formal and informal outlets such as liquor stores and "*shebeens*"-retailers. South African Breweries needs to create an environment whereby all parties involved in the supply chain are willing to work together to achieve a common goal and vision; that is to increase the market penetration of premium beer brands amongst the growing South African middle class.

### **3.20.3 Collaboration**

Strydom et al. (2002) describe collaboration as the recognition of mutual interdependence among members of the supply chain network. Ferrell and Hartline, (2011) argue that collaboration goes beyond contractual obligation to establish principles, processes, and structures that promote a level of shared understanding. Waters (2009) further confirms that the establishment of an effective and successful supply chain network demands parties to put the needs of the supply

chain ahead of their own, and to understand that the success of each party separately has a strong connection to the success of other parties, as well as the entire supply chain.

### **3.21 Conclusion**

Product differentiation and direct marketing have changed the realities in the market place, since both individual and wholesale buyers are looking for products with very specific characteristics that add value to their lives. The marketing of these products often use strategies that do not focus on costs and volumes exclusively; rather that product or service may be of premium quality, be of differentiated form from other products and services available in the market or have a value added component.

In a highly competitive market like the premium beer market success can be achieved from performing a combination of business activities including marketing, production, distribution, finance, customer service, and other activities of importance to the organization. However a competitive advantage is a single key element that gives an edge to a business beyond what the competitor has or does. This chapter presented the different models that have been identified as providing an organisation with a source of competitive advantage. The chapter presented the agreements and disagreements of different researchers on the sources and strategies that are used to achieved competitive advantage.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter describes the research methodology that was used in this study, by explaining the processes and criteria that were used in the selection of the five premium beer brands which were considered. It also describes the premium beer attributes that were used to develop the questionnaire, the designing of the data collection instrument, the data collection process, the sampling process, and techniques that were used in the data analysis and interpretation of the results.

#### **4.2 Research Context**

This study was conducted in the KwaZulu-Natal Province covering the Durban CBD and both the rural and urban areas in Pietermaritzburg. The Durban CBD was selected on the basis of it being the largest city in the province with a diverse population, furthermore, according to the Pietermaritzburg Chamber of Commerce reports (2012) Durban has the highest beer consuming population in the Province.

Pietermaritzburg which is the administrative capital of KwaZulu-Natal is home to about 700 000 people (StatsSA, 2012), with a diverse drinking population; this provided a conducive environment for the study as different perceptions of consumers could be obtained.

Figure 4.1 presents the map of KwaZulu-Natal, showing Durban and Pietermaritzburg where the study was conducted. Durban is the largest city in KwaZulu-Natal province and is about 90 kilometers away from Pietermaritzburg which is the administrative capital of the province.

Figure 4.1 Map of KwaZulu-Natal



Source: [www.google.co.za](http://www.google.co.za)

### 4.3 Sample Size of the Study

Due to budget constraints convenience sampling was used in selecting participants from both research areas since it is impossible to statistically establish the exact population size of premium beer brands consumers in the market. In total 300 willing beer consumers participated in this

study. The total number of participants was equally split between the two selected study areas, that is 150 participants were from the Durban CBD and 150 were from Pietermaritzburg. Only consumers aged 25 and above and have tasted all the five premium beer brands listed in the study were allowed to participate in this study.

Four liquor distributors namely Ultra liquors, Liberty Liquors, Makro Liquors and Tops Liquors, which were selected on the basis of their distribution size and capacity, were chosen to participate in this study. These four liquor distributors collectively control over 80 percent of the liquor distribution in KwaZulu-Natal province (Pietermaritzburg Chamber of Commerce, 2012).

#### **4.4 Pilot Study**

Prior to development of the two questionnaires, two pilot studies were conducted within the Pietermaritzburg area. One targeted consumers and other the beer distributors. Cooper and Schindler (2001) point out that the purpose of pilot test is to refine the questionnaire so that respondents will have no problems in answering the questions and that there will be no problems in recording the data. The pilot study served as the initial qualitative exploratory study aimed at identifying the most frequently purchased and preferred premium beer brands; to explore the attributes that consumers consider when purchasing premium beer brands, to identify factors that consumers considered when evaluating premium beer brands and finally, it aimed at identifying the lifestyle of premium beer consumers.

The second pilot study which was conducted with two beer distributors aimed at identifying problems, weaknesses and strengths of SAB beer distribution network. The results of the pilot study revealed the gaps and weaknesses of the beer distribution system which assisted in identifying and refining certain elements of the questionnaire. The pilot study also assisted in identifying the main beer distributors in the KwaZulu-Natal Province.



During the pilot study with consumers, an open ended questionnaire containing questions on the most preferred premium beer brands, beer attributes, and the life style of consumers was personally administered to 50 beer consumers. The pilot study participants were also selected using convenience sampling. The analysis carried out on the data that was collected through the pilot study revealed a total number of five premium beer brands, namely, Castle Lite, Heineken, Peroni, Windhoek and Amstel. Thus, only these premium beer brands were included in the study. A total of five beer attributes namely; alcohol content, taste, crispiness, flavor, and calories, were found to be important to consumers in evaluating the premium beers; eight factors, namely brand message, price, quality, taste, crispiness, alcohol content, natural liking or association with a brand, were found to be factors attracting consumers to purchase and consume premium beer brands. Seven factors namely, brand reputation, influence of other consumers, consumers' social self-concept, personality of consumers, brand reputation, attachment by consumers to premium brands, and public image of consumers, were found to comprise the lifestyle of premium beer consumers; thus, a total of 21 elements were included in the final questionnaire that was administered to premium beer consumers. Hence, the results of the pilot study served to shed light on a basis for selecting premium beer brands and determining the product attributes.

Five key factors were identified by the distributors as essential in the building of a strong distribution network. These factors were lack of personalized services, inadequate involvement and participation of distributors in the distribution network, poor marketing strategies of premium beer brands, and poor SAB-distributor relationship.

#### **4.5 Questionnaire Development**

A questionnaire is a formal set of questions or statements designed to gather information from respondents that will accomplish the goals of a research project (Shao 2002). Saunders et al., (2003) argue that the validity of the data that one collects and the response rate one achieves depends, to a large extent, on the design of the questions, the structure of the questions, and the rigor of the pilot study.

Two questionnaires, refer to the appendix, were developed containing the elements and factors that were identified through the pilot study. One questionnaire was administered to a convenience sample of premium beer brand consumers and the other containing unstructured questions was administered to beer distributors namely, Liberty Liquors, Makro Liquors, Ultra Liquors and Tops Liquors.

McDaniel and Gates (1999) assert that in order for a data collection instrument to collect quality data no influence should be put on the respondents as to which answer to give. The questionnaire that was administered to the consumers comprised five (5) point Likert-type scale questions which were carefully designed to avoid the questions influencing respondents' answers. The scale on the questionnaire were assigned as follows; 1= strongly agree, 2= Agree, 3= Neutral, 4=Disagree, 5= Strongly disagree.

During the development of the questionnaire careful attention was given to the objectives of the study, target respondents' characteristics, the type of data that was being collected and the statistical methods that were to be used in analyzing the data. Saunders et al. (2003) state that a questionnaire must be designed in such a way that accurate and relevant information is collected to sufficiently address the research objectives of the study.

The questionnaire that was administered to consumers consisted of four sections; A, B, C and D. Section A comprised seven questions about the demographic and socio-economic characteristics

of premium beer consumers. Section B contained questions about the attributes of premium beer brands that consumers considered to be important when choosing a premium beer brand. Section C comprised factors that attracted consumers to premium beer brands and, Section D contained questions on the lifestyle of premium beer consumers.

A separate questionnaire containing seven items was administered to the four main liquor distributors around the Durban CBD and in Pietermaritzburg.

#### **4.6 Questionnaire Pre-Testing**

Pre-testing of the consumer questionnaire involved a trial run of the questionnaire using a small sample of consumers from the target population. Diamantopoulos, Reynolds and Schlegelmilch (1994) argue that pre-testing a questionnaire before it is administered to consumers helps to detect problems that the questionnaire might have in capturing the required data from the respondents. The main aim of pre-testing the questionnaire was to affirm that the questionnaire captured the information that was needed to address the research objectives of the study. Furthermore, Gaddis (1998), argues that pre-testing the questionnaire before it is administered to the respondents provides the desired information which helps in determining whether or not questions contained in the questionnaire make sense, are in a logical order, or contains bias.

Before the two questionnaires were administered to consumers and distributors respectively, a pre-test was conducted with 20 premium beer consumers in the Pietermaritzburg area to determine whether the questions were clear and easily understood. The 20 participants were randomly selected keeping in mind the population demographics of South Africa. The Cronbach's Alpha score achieved for the consumer questionnaire,  $\alpha = 0.7$  indicated that the internal consistency of the scale was very high.

#### **4.7 Attributes and Influences of Premium Beer Brands**

Table 4.1 presents a detailed description of the questionnaire items that were contained in Section B of the questionnaire that was administered to consumers. The Table provides a detailed description of attributes of premium beer brands that consumers were asked to rate in terms of the attributes that they valued most highly in a particular premium beer.

**Table 4.1 Description of Attributes and Influences of Premium Beer Brands**

<b>No</b>	<b>Attribute</b>	<b>Definition</b>	<b>Source</b>	<b>Operationalization</b>
1	Alcohol-content	Alcoholic volume in a beer	Alcohol dictionary	Consumers' reaction to alcohol content of a beer brand
2	After-taste	Fresh, firm and refreshing taste	Achia et al., (2010)	How consumers value the after-taste of a beer in their purchase decisions
3	Clean and crisp taste	Clear and pleasant taste in the mouth	Alcohol dictionary	The influence that the taste of a beer has on consumers' choices of beer brands
4	Light alcohol flavor	Lower alcohol content beer with a light flavor and taste	Kumar et al., (2006)	The value that consumers place on the flavor of a beer
5	Low calories	Light beer that does not build a beer belly	Kumar et al., (2006)	The impact of the beer ingredients on the beer choices

#### **4.8 Factors attracting Consumers to Premium Beer**

Section C of the consumer questionnaire aimed at eliciting data about the main factors that motivates consumers to purchase and consume premium beer brands. Table 4.2 provides a

detailed description of the factors that attract consumers to premium beer. Consumers were asked to rate these premium beer brands based on what attracted them to a particular brand.

**Table 4.2: Factors Attracting Consumers to Premium Beer**

<b>No</b>	<b>Influence</b>	<b>Definition</b>	<b>Source</b>	<b>Operationalization</b>
1	Brand message	The message that a brand conveys to its targeted market regarding what the brand stands for in the minds of consumers	Aaker (1991)	The message that consumers get from different premium beer brands and the influence it has on purchase decisions
2	Brand loyalty	Consumers' commitment to a brand leading to repeat purchases	Keller (2008)	How often do consumers purchase a brand and how much do they purchase of it
3	Price	The monetary value that a consumer has to pay for obtaining a brand	Aarker (1991)	The value for money for consumers.
4	Superior quality	The extent to which consumers view the brand as unique and better than other brands	Keller (2008)	The perceived advantage that a brand has over other brand
5	Taste	Sensation flavor perceived in the mouth and throat on contact with a beer	Schiffman and Kanuk (2007)	The influence of taste of a beer on beer brand choices
	Clean and crispy	Fresh and invigorating	<b>www.google.com</b>	The value that consumers place on

6		taste of a beer		the quality of the beer
<b>No</b>	<b>Influence</b>	<b>Definition</b>	<b>Source</b>	<b>Operationalization</b>
7	Alcohol content	Alcohol by volume	Schiffman and Kanuk (2007)	A standard measure of how much alcohol is contained in an alcoholic beverage expressed as a total percentage of total volume

The study also captured the life style of consumers of premium beer brands which were defined as a function of a person's individual characteristics that have been shaped through social interaction as the person moves through his or her life cycle reflecting how a person lives his or her life and how an individual expresses his or her self-concept through action, (Schiffman and Kanuk, 2007). The life style of beer consumers is determined inter-alia by their interests, personal opinion and their daily activities. Lee and Beatty (2002) assert that marketers use lifestyle to segment and target specific markets hence a good understanding of the lifestyles of consumers assists beer marketers with product positioning and targeting in the market by tapping into their life style and integrating that into marketing strategies and communications.

Table 4.3 provides a detailed description of the elements of the life-style of consumers of premium beer brands.

**Table 4.3: Description of the Components of life Style of Consumers**

<b>No</b>	<b>Influence</b>	<b>Definition</b>	<b>Source</b>	<b>Operationalization</b>
1	Brand reputation	The overall quality or character of a brand as seen or judged by consumers in general	Aaker (1991)	How beer brand choices are influenced by the popularity of a brand
2	Brand loyalty	Consumers' consistent preferences and/or purchase of the same brand in a specific product category	Keller, (2013)	Consumers' commitment to a particular beer brand
3	Social self-concept	A collection of beliefs about oneself	Schiffman and Kanuk (2007)	How ones' perception of the self influences the type of beer brand he/she chooses
4	Personality	Normal patterns of behaviour exhibited by an individual; the attributes, traits,	Churchill et al., (2010)	How ones personality influences the type



		and mannerism that distinguish one individual from another		of brand choices in the market
5	Consumers' reputation	The opinion that other consumers have about another person	Schiffman (2007)	Choosing a particular beer brand with the aim of creating or maintaining a positive image amongst other consumers
6	Brand attachment	This is the relationship that consumers feel, think and have with a brand	Aaker (1991)	To establish how consumers relate to a particular beer premium brand
7	Public image and reputation of consumers	The brand makes consumers feel better about themselves, feeling a sense of pride, fulfillment and accomplishment	Keller (2010)	The extent to which consumers choose a particular beer brand because they want to feel good about themselves

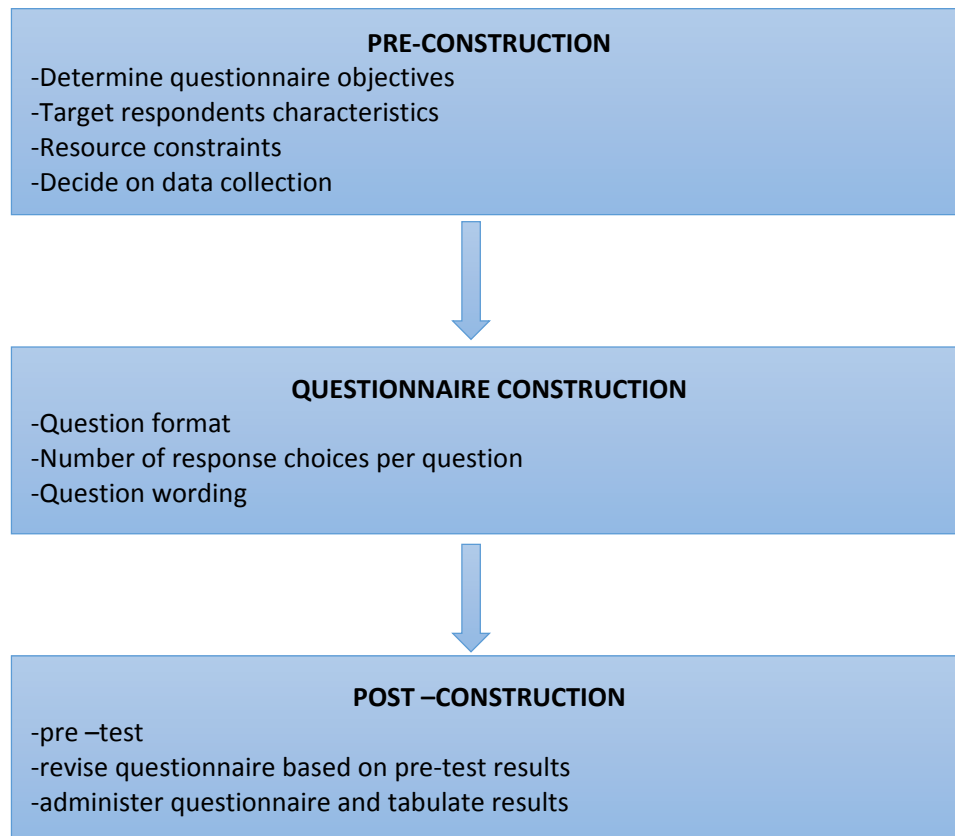
Mouton and Babbie (2000), state that the steps that constitute good research are conceptualization, instrumentation, information gathering and closure. These four steps were

used as the guide in achieving the overall objective of this study. Conceptualization was achieved through a comprehensive literature review that was carried out in chapters two and three where some of the premium beer brand attributes that influence consumers' brand choice were examined. The brand attributes identified in the literature were operationalized and refined to reflect an understanding of the concepts in the context of this study which then informed the development of a measuring instrument.

Churchill et al., (2010) define data gathering as the process of questionnaire development, sampling and accumulation of data followed along with the required statistical tests to ensure validity and reliability. A detailed description of data analysis, the statistical techniques inter-alia factor analysis and principal component analysis were undertaken in this study; the results were used to develop the competitive advantage model and marketing strategies which are presented in chapter seven and concludes the study.

Figure 4.2 presents the phases proposed by Shao (2002) that should be followed in the process of designing a questionnaire. The aforementioned researcher proposes three phases namely the pre-construction, questionnaire construction and what should be done at each stage of the questionnaire development.

**Figure 4.2 Questionnaire Construction Phases**



**Source:** Adapted from Shao (2002:267).

#### **4.9 Questionnaire Format**

The study employed a mixed method approach, that is; it was both quantitative and qualitative in nature. Bryman and Bell (2011) state that qualitative research can be used to guide quantitative research by providing hypotheses. The aforementioned authors argue that because of its tendency towards an unstructured, open-ended approach to data collection, qualitative research is often

very helpful as a source of hypotheses that can be subsequently tested using a quantitative research strategy. Bryman (1992), states that qualitative measurement further provides aiding measurement in such a way that the in-depth knowledge of social contexts acquired through qualitative research can be used to inform the design of survey questions for structured interviewing and self-completion questionnaires. The aforementioned author further adds that one of the chief ways in which quantitative research can prepare the ground for qualitative research is through the selection of people to be interviewed, or companies to be selected as case studies. Hence, these two methods were employed in this study to strengthen the validity of the findings of the study. Quantitative data was collected from premium beer consumers using a closed ended questionnaire where a certain number of responses on a Likert scale were provided from which respondents were expected to choose. Qualitative data was collected from the beer distributors using an open ended questionnaire.

#### **4.9.1 Advantages of Closed-Ended Questions**

The use of closed ended-questions in the collection of quantitative data meant that there was no need for detailed explanation to the respondents about the questions hence the questionnaire was self-administered with relative ease. Saunders et al., (2003) assert that closed-ended questions reduce the bias in the process of interpreting the results. Hence, the use of closed-ended questions meant that responses from consumers did not have to be interpreted in the coding process, because they were already in a form that could be coded. Finally, Churchill et al., (2010) add that closed-ended questions motivate respondents to complete the questionnaires since the provision of choices that require only a check mark simplifies the task. The administration of closed-ended questions reduced the time and energy needed to complete the survey and providing choices prompted respondents to ponder alternatives that they might not otherwise

have considered. The use of closed ended questions in this study resulted in a very high return rate of the fully completed questionnaires which validated the findings of the study.

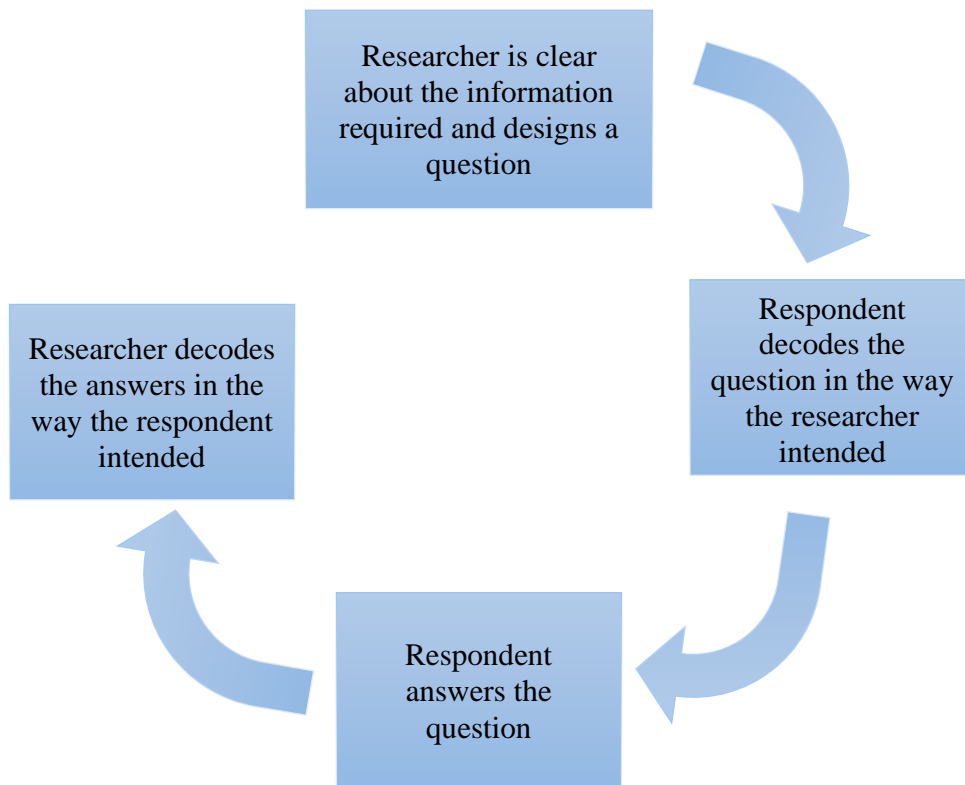
#### **4.10 Statistical Techniques**

Different techniques were used in this study to control and guide the processes of collecting and analyzing data in order to ensure the validity of the results and conclusions made from the study.

##### **4.10.1 Reliability and Validity**

Reliability refers to the ability of a scale to produce consistent results if repeated measurements are taken Bryman and Bell (2011). Shao (2002) defines reliability as the extent to which scales are free of random error and thus produce consistent results. Saunders et al., (2002) further add that in general the less random error detected the more reliable the data will be. The aforementioned authors further state that a valid question enables accurate and reliable data to be collected, and that requires constancy in the process of data collection. In order for the data collection instrument to collect reliable data the researcher should be clear with regard to the type of data that is needed, secondly the respondents should understand clearly what the researcher requires, thirdly the respondents are able to answer the questions and finally the researcher interprets the answers in the way the respondents intended. Figure 4.3 presents the assessment phases of a data collection instrument that ensures that reliable data is collected.

**Figure 4.3 Reliability Assessment of a Data Collection Instrument**



**Source:** Mouton and Babbie (2000:132).

In this study, three techniques were used to assess reliability of the data collections instrument. These techniques are briefly discussed below.

#### **4.10.2 Test- Retest Reliability**

Test-retest reliability was conducted through pre-testing of the questionnaire twice, at different times and under similar conditions to determine the similarity of scores Shao (2002).

Bryman and Bell (2011) argue that the greater the difference in scores, the more random error is present, the lower the reliability likewise the smaller the difference is between scores, the higher the reliability. The use of the test-retest reliability in this study presented the following challenges and limitations.

#### **4.10.3 Limitations of Using Test-Retest Reliability**

It became very difficult to persuade the respondents who had participated in the pilot study, to take part in the actual study that is the second data collection exercise for this study. This problem was minimized by identifying respondents who displayed similar premium beer consumption behaviour and life style to those who had participated in the first test. Bryman and Bell (2011) point out that the problem that can be encountered when using the test-retest is the carry-over effects from the first measure. This carryover from one evaluation to another is referred to as the halo effect. Bryman and Cramer (2008) argue that if respondents were initially asked to rate the attributes of one brand their responses to a similar question asked two weeks later may be influenced by their initial answer. In this study, the halo effect was minimized by pre-testing the questionnaire to two different groups who displayed similar characteristics in their beer consumption behaviour as well as the same life style patterns. This reduced the halo effect to the minimum level making the questionnaire more reliable.

Another limitation of using a re-test is that some situations can only be measured once. This presents a problem; if the researcher cannot obtain a second opinion from respondents. However in this study it was possible to obtain a second opinion from respondents as beer consumers were asked initially if they would be prepared to participate in the second test which they did. Buchanan and Bryman (2007) argue that test-retest approach to reliability is subject to time constraints. The greater the time interval between the first and second test, the less reliable the scale will be. In this study there was a two week-time interval between the first and the second pre-testing sessions, and considering that beer consumers tend to be more loyal to their favourite brands, this challenge did not pose any serious problem to the reliability of the study.

#### **4.10.4 Reliability**

Internal consistency or reliability is achieved by undertaking two or more measurements of the same concept at the same time and there-after they are compared to see whether or not they agree, (Myers and Oetzel, 2003). In this study reliability was achieved by performing split-half techniques.

#### **4.10.5 Split-half Technique**

Internal consistency reliability was tested by using split-half technique. That is the variables and items that were tested were split into two groups, the tests were run twice to ascertain that data collected for this study and their degree of correlation was examined. The results from the two sets of data showed a high correlation of the items which were under investigation; this indicated a high reliability of the instruments because high correlation indicated that the items were associated (Bryman and Bell 2011).

#### **4.11 Content Validity**

Content validity involves subjective judgment by experts as to the appropriateness of the measurement Field (2007) and Zikmund (2000), add that content validity ensures that the measure includes an adequate and representative set of items that tap the concept. Bryman and Cramer (2008) assert that content validity is a function of how well the dimensions and elements of a concept have been delineated. Content validity of the data collection instruments was ensured by utilizing the services of statisticians and marketing professionals, who verified the quality of the questions contained in the two questionnaires.

The abovementioned experts brought forward inputs which were used to judge the validity of the scales contained in the instruments. Content validity was used because it was less time



consuming. Content validity therefore, considered whether the two questionnaires that were used to collect data for this study covered the entire domain of the construct that would lead to the development of a competitive marketing model and strategies.

#### **4.11.1 Construct Validity**

Construct validity refers to the operationalization of a construct in a practical application setting (Iacobucci and Churchill, 2010) . Construct validity was important for this study, because the validation of the research questionnaire used in this study required a high level of construct validity. A construct is a highly abstract, unobservable, hypothesized concept. In this study construct validity was used to measure the attributes of premium beer brands, factors that attract consumers to premium beer brands as well as the life-style elements of consumers.

Cooper and Schindler (2001) argue that a scale has construct validity if it measures an observable phenomenon that an underlying theory correlates with the construct of interest. Construct validity assesses how well ideas or theories are translated into real measures.

#### **4.12 Data Collection**

A direct approach was used to distribute the questionnaires to respondents that is, the two questionnaires were personally administered. This method was regarded as appropriate for this study since respondents that satisfied the demographic profile of the study were easily accessible in the selected locations of the study. The two questionnaires were accompanied by a covering letter that provided the reasons and objectives of the study. The participants, consumers and distributors, were encouraged to voluntarily participate in the study. The use of a direct method achieved a high response rate and it also ensured that the questionnaires were properly completed. The two questionnaires were carefully designed to make sure that the data collected

satisfied the aim and objectives of the study. Data was collected over a period of six months, between March and August 2013.

#### **4.13 Data Analysis Techniques**

Different techniques were used to analyse the data that was collected from consumers and distributors; however, primarily, principal component and factor analysis were conducted.

##### **4.13.1 Principal Component Analysis (PCA)**

Principal component analysis was used to generate the attributes of premium beer brands, factors that attract consumers to premium beer brands, and the consumers' life style index. Principal component analysis is a multivariate statistical technique used to reduce the number of variables without losing too much information in the process (Achia, Wangombe and Khadioli, 2010). Principal component has been used by several researchers in the social sciences to construct an index of the perceptions of consumers about different brands (Filmer and Pritchett, 2001) Following the same logic, PCA was used to create premium beer brands consumers' perception index which was used to determine the main attributes of premium beer brands, the main factors that attract consumers to premium beer brands as well as the life style elements of premium beer consumers that play a role in their decision as to which premium beer brand to be loyal to.

Premium beer consumers were asked to rank their perceptions of the listed premium beer brands. Perceived attributes of premium beer brands were determined to the extent to which premium beer consumers agreed or disagreed with the statements presented to them. The rankings took the value of zero when the respondent strongly disagreed with the statement, through to five when the respondent strongly agreed. When using PCA Likert scales, at least five categories are recommended as they limit distortions in data scaling caused by ordinal data, leading to reasonably robust correlation coefficients (Garson 2008). Perceptions of consumers were used

because consumers' preference of beer brands is based on their perceptions (Blythe 2006). PCA was then used to extract factors scored to construct the premium beer brand index.

Principal component analysis created uncorrelated indices or components, where each component was a linear weighted combination of the initial premium beer brand attributes. In each component, the beer attributes were given eigenvalues, which can be interpreted as the weight by which each original attribute should be multiplied to obtain component score (Tashakkori and Teddlie, 2010). Variables with low standard deviations would carry a low weight while those with high standard deviations carry a high weight from PCA (Cohen, 1988). Whilst performing the PCA, the components were ordered so that the first component (PC1) explained the largest possible amount of variation in the original data. The second component (PC2) explained additional but less variation than the first component and, was uncorrelated with the first component (PC1). Subsequent components were uncorrelated with previous components, while explaining smaller and smaller proportions of the variation of the original variables. Bryman and Cramer (2008) argue that PCA works best when variables are correlated and also when the distribution of variables vary across cases. The higher the degree of correlation among the original variables in the data, the fewer the components required to capture common information (Morrison, 2005).

#### **4.14 Methods used to Assess Each Study Objectives**

The overall objective of this study was to develop a competitive marketing model and marketing strategies for the South African beer market integrating economic and social-cultural perspectives incorporating the local consumption culture, traditions and patterns and to show how SAB can increase its presence in the market. This objective was achieved by

comprehensively addressing the specific study objectives. Table 4.4 summarizes study objectives, data needs and methods of analysis.

**Table 4. 4: Study Objectives, Data need and Analysis Methods**

<b>Study Objective</b>	<b>Data Needs</b>	<b>Method of Analysis</b>
<p><b>Study objective one</b> To determine premium beer attributes which consumers consider to be important in premium beer brands</p>	<p>Quantitative primary data were collected from beer consumers about the beer attributes they consider important in a beer</p>	<p>Descriptive statistical method was used to analyse data Principal component analysis was performed on quantitative data Factor analysis was also performed on the data</p>
<p><b>Study objective two</b> To investigate the factors which attract consumers to premium beer brands</p>	<p>Quantitative primary data were collected from beer consumers about the factors that attract consumers to premium beer brands</p>	<p>-Descriptive statistical method was used to analyse data -Principal component analysis was performed on quantitative data. -Factor analysis was also performed on the data</p>
<p><b>Study objective three</b> To investigate the lifestyle elements that influence consumers' premium beer brand preference</p>	<p>Quantitative primary data were collected from beer consumers about the factors that attract consumers to premium beer brands</p>	<p>-Descriptive statistical methods were used to analyse data -Principal component analysis was performed on quantitative data. -Factor analysis was also performed on the data</p>
<p><b>Study objective four</b> To examine the distribution channels and networks of premium beer brands</p>	<p>Qualitative primary data were collected from the four leading liquor distributors in Durban CBD and Pietermaritzburg area about</p>	<p>Content analysis was used to analyse data that was collected from the beer distributors.</p>

	the beer distribution network	
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#### **4.15 Content Analysis**

Content analysis is an approach that is used to analyse documents and texts which may be printed or visual, that seek to quantify content in terms of predetermined categories and in a systematic and replicable manner Bryman and Cramer (2011). The aforementioned authors point out that content analysis is a research technique for objective, systematic and quantitative description of the manifest content of communication. Content analysis is a technique for making inferences by objectively and systematically identifying specified characteristics of messages (Skinner, Ferrell and Dubinsky, 1988). This study utilized both secondary and primary data where content analysis was used to analyse the qualitative data that was collected from liquor distributors, and it was also used to analyse printed materials documenting the beer market landscape.

Webber (1990) emphasize two qualities of content analysis which are objectivity and systematic. By using content analysis in this study quality was assured because the observation schedule, and the rules were clearly specified in advance for the assignment of raw materials to different categories; objectivity resided in the fact that there was transparency in the procedures for assigning the raw materials to categories which allowed bias to intrude as little as possible into the process. Whilst performing content analysis rules were applied in a consistent manner so that bias was suppressed and this allowed for the quality of being systematic. Content analysis was used in the qualitative data because it aimed at producing qualitative accounts of the raw materials in term of the categories specified by the rules. Content analysis was thus applicable to the unstructured interviews conducted with the distributors.

Content analysis was also used to analyse secondary data that was used for this study to examine Annual Reports, and business and press articles pertaining to beer markets. By following a step by step process, secondary data was reviewed to develop an understanding of the construct of interest such as beer attributes and to identify how best this was captured.

#### **4.16 Multidimensional Scaling**

Multidimensional scaling also referred to as perceptual mapping is a technique used to identify important dimensions underlying respondents' evaluations of test objects (Feinberg et al., 2008). In this study those dimensions were the attributes used by consumers when evaluating and making choices about which premium brand to purchase. Conceptually, a perceptual map is a multidimensional image of the perceived similarities and differences among product and brands (Skinner, Ferrell and Dubinsky, 1988).

Multidimensional scaling technique was used to convert quantitative data from consumers' judgments of similarity or preference into distances which were then presented on a dendogram. The use of dendograms in this study allowed the illustration of relationships among the data, using pictures and spatial representation of data rather than numbers. Dendograms summarized data about associations between a fixed set of premium beer brands to reveal relationships between them. The study used dendograms in order to understand the most important attributes of the premium beer brands that consumers take into account when making decisions regarding which brand to buy and about their perception and preferences of premium beers. The construction of the positioning map created a clear picture regarding the position of the premium beer brands under study in this research as they are perceived by consumers. The perceptual maps portrayed clearly which brands have the strongest competition and which beer brands hold similar positions in the consumers' eyes.

#### **4.17 Factor Analysis**

Factor analysis examines the interrelationships among variables to discover if those variables can be grouped into a smaller set of underlying factors (Bryman and Cramer 2011). Garson (2008), asserts that factor analysis is a procedure used to determine the number of continuous latent variables that are needed to explain the correlation among a set of observed variables. The continuous variables are referred to as factor indicators. In factor analysis, factor indicators can be continuous, censored, binary, ordered category (ordinal) counts, or a combination of these variable types (Bryman 2011). Factor analysis was performed on the qualitative data to establish the similarities of the premium beer brands.

Factor analysis is a statistical data reduction process which is aimed at examining interrelationships between groups of variables and determining their underlying structure (Feinberg et al. 2008). By using factor analysis a large number of variables were taken and examined to see whether they had a small number of factors in common that accounted for the many correlations among the variables and in that way factor analysis was used to establish the main attributes of premium beer brands that attract consumers. Data was collected and analyzed to examine the factors and attributes that can assist in the success of premium beer brands in South Africa. In this study factor analysis was applied in the following ways:



#### **4.17.1 Data Reduction**

Factor analysis was used to reduce a mass of quantitative data that was collected from consumers so that it was more amenable to the analysis. The analysis and understanding of the data that was collected on the attributes of premium beer brands was done by reducing the attributes (variables) to a far smaller number of factors that underlie the attributes. These factors were then used in further analysis in place of the original attributes.

#### **4.17.2 Scaling**

A scale was developed on which responses were compared; however a problem in a study of this nature was in weighing the variables being combined to form a scale- a weighted sum. This problem was solved automatically by the factor analysis by giving the optimal weights in the sum in terms of the so called factor loadings. This was helpful because it was revealed that the higher a variable's loading; the more important it was in understanding that particular factor. A loading near -1 or 1 meant the variable "loads high" while a value near 0 indicated the opposite.

#### **4.17.3 Data Transformation**

Many predictive techniques in statistics work far better when the independent variable used for prediction are truly independent in the statistical sense; that is, they are uncorrelated (Bryman and Bell, 2011). In this study, factor analysis was used to identify and then produce covariates that were exactly uncorrelated, and therefore made perfect inputs for dependence methods and other predictive techniques. The study undertook a full scale analysis of real data that helped to understand what attributes and elements are more important to consumers of premium beer brands. The main goal was to relate psychographics, in the form of group opinions, attitudes,

and life styles. Consumers were asked comprehensive questions about their desired attributes of premium beer brands including prices, prestige, taste, and alcohol content. In using factor analysis special attention was paid to the questions which were asked, scales that were used, and the nature of application in this study.

#### **4.17.4 Steps in Factor Analysis**

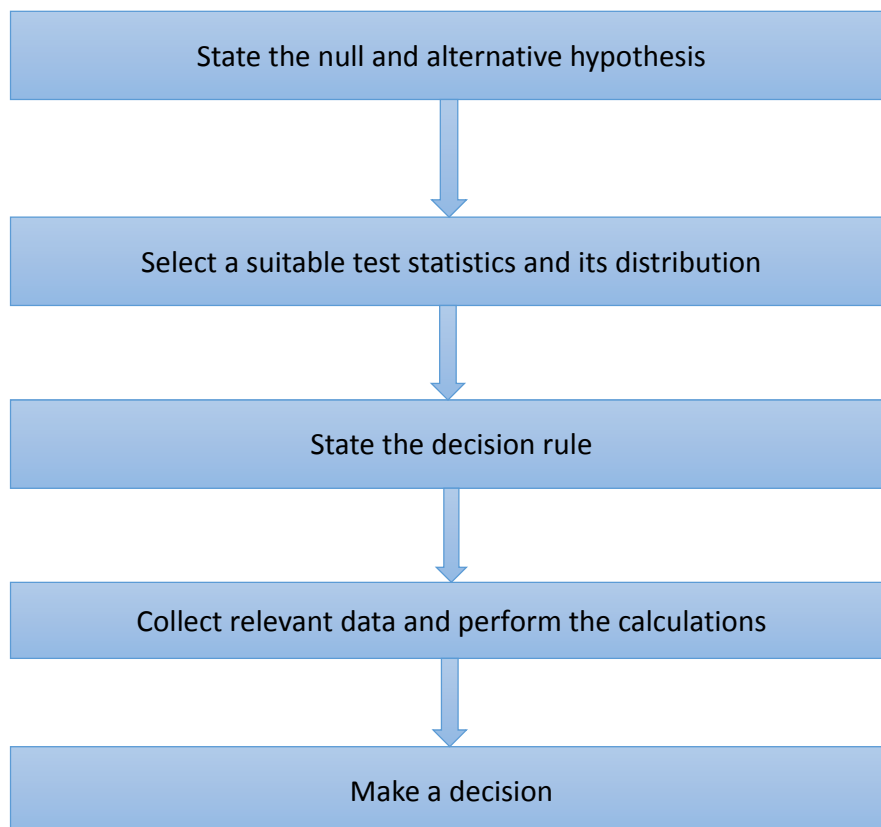
Garson (2008) argues that the first step in completing a factor analysis is to measure the interrelationships among the items in the study. This helps with the determination of the appropriate number of factors. When determining the appropriate number of factors, one factor is identified for each variable, however if no relationship exists between the variables then each variable would make its own unique factor. In this study a set of correlations between all combinations of the variables of interest was developed. Since correlations were used, input variables were reasonably treated as interval-scaled. The appropriate number of factors was identified by using statistical procedures. These procedures are called Extraction Methods. The Statistical Package for Social Science (SPSS) was used to perform a "principal components extraction method". In the principal component analysis, interim correlation coefficient matrix was analysed to explore the inter-relationships between the items to determine if the items could be grouped together to represent a smaller set of underlying factors.

#### 4.18 Hypotheses Testing

Hypothesis is an assumption or an informed guess made about population's characteristics. It is an unproven statement or proposition about something under investigation by a researcher(Shao 2002). The aforementioned author proposes four steps for testing hypotheses in order to ensure that the study objectives are sufficiently addressed.

Figure 4.4 presents the steps that were followed in the process of testing the four hypotheses of this study. The null and alternative hypothesis were stated and different statistical tests were used to reject or not to reject the hypothesis and decisions were made on each of them.

**Figure 4.4 Hypotheses Testing Steps**



**Source:** Adapted from Shao (2002:267)

The first three hypotheses were tested using the quantitative data that was collected from consumers and the fourth hypothesis was tested using quantitative data collected from distributors.

#### **4.19 Ethical Considerations**

Careful consideration was given to the process of data collection to ensure that no harm occurred to the participants who volunteered to participate in this study. All the necessary measures were undertaken so that the participants had full knowledge of what was required of them, prior to them taking a decision to participate in this study.

Bell and Wray, (2009) argue that consideration of ethics in research is of growing importance, it is therefore critical that one understands how this affects a research project and its results. This was especially important in this study as it involved interaction with businesses and members of the general public who served as participants. There were a range of interactions in the process of conducting this research that occurred including, in-depth interviews with liquor distributors and retailers, surveys, and observing consumers' behaviour.

Sinner, Ferrell and Dubnsky (1988), state that though all researchers, students, professionals, and academics are well intentioned there is a possibility that interactions with participants may inadvertently harm them in some unintended way. Hence, careful attention was constantly paid to all the individuals that participated in this study to avoid any possible harm.

#### **4.20 Summary**

The chapter described the research methodology and the different techniques that were adopted and used for this study. A description of questionnaire development, sampling procedures, and data collection analysis was outlined. The statistical techniques used in the study were then presented and justified. The methods to compare factors were also discussed.

Chapter five will present the empirical findings of the study by applying the research methodologies and statistical methods described in this chapter.

## **CHAPTER FIVE**

### **DATA ANALYSIS AND PRESENTATION OF EMPIRICAL RESULTS**

#### **5.1 Introduction**

The chapter is divided into six sections. Section one generates the results of the social economic characteristics and profile analysis of the respondents. Section two addresses research objective one of the study where principal component analysis is performed to identify important attributes of premium beer brands. Section three addresses research objective two of the study where principal component analysis is performed on the data collected from consumers to identify the main factors that attract consumers to specific premium beer brands. Section four addresses research objective three of the study where principal component analysis is performed to identify the consumers' life style factors that play a role in premium beer preference and consumption decisions. Section five addresses research objective four of the study by analysing and evaluating the distribution network of South African Breweries.

#### **5.2 Social Economic Characteristics of the Research Sample**

Information was analysed relating to gender, age, employment status, income levels, and the frequency of consumption of premium beer by consumers. Table 5.1 presents the demographic profiles of the respondents.

**Table 5.1: Demographic Distribution of the Respondents**

	<b>Count</b>	<b>Percentage</b>
<b>Gender</b>	<b>300</b>	<b>100</b>
Male	195	65
Female	105	35
<b>Race</b>	<b>300</b>	<b>100</b>
Black	192	64
White	64	21.3
Indian	31	10.3
Coloured	13	4.3
Other races	0	0
<b>Age</b>	<b>300</b>	<b>100</b>
20 – 25	270	90
26-30	16	5.3
31 -35	10	3.3
36 - 40	4	1.3
<b>Employment</b>	<b>300</b>	<b>100</b>
Employed	135	45
unemployed	165	55

Table 5.1 shows the distribution of the respondents in terms of their gender, race, age and employment status. The table shows a split of 195/105 between male and female respondents, which indicates good representation from both gender groups in South Africa, and thus generated a more representative profile of the sample for this study since the South African gender demographic profile is 1.02 male/female (Stats, 2010).

The race profile of the respondents in this study was compiled in keeping with the overall demographics of South Africa. Ensuring an equitable representation of all race groups once again confirmed that the effects of culture on the choices and preferences of premium beer

brands in the market were considered in this study. In keeping with the alcohol consumption laws of South Africa which limits the alcohol consumption to 18 years of age, no person under the age of 18 participated in this study, and again the study only considered those consumers who have been actively drinking for at least a period of five years.

The respondents in this study emanated from a wide variety of economic activities. This was useful in that it demonstrated representation from professionals, skilled and semi-skilled workforce and their preferences and choices of premium beer brands. Table 5.1 shows that 135 of the participants were formally employed while 165 were unemployed.

Table 5.2 presents income levels of consumers, their preferred place for drinking beer, and how often they drink beer.



**Table 5.2: Income Levels of Respondents, Drinking Places, and Drinking Frequency**

<b>Income Level</b>	<b>Count</b>	<b>Percentage</b>
R1. 00 – R50 000	205	68.3
R50 001 – R100 00	31	10.3
R100 001 – R150 000	44	14.7
R150 001 – R200 000	17	5.7
R200 001 – and above	3	1
<b>Place of drinking</b>	<b>300</b>	<b>100</b>
Pub	86	28.7
Parties	181	60.3
Home	33	11
<b>Drinking frequency</b>	<b>300</b>	<b>100</b>
Everyday	15	5
Once/twice a week	51	17
Occasionally	234	78

### **5.3 Attributes of Premium Beer Brands**

Consumers were asked to indicate the attributes that they consider as being important when choosing a particular premium beer brand. Indices or latent factors were developed from the responses that were gathered from respondents to represent the beer attributes. Such indices were developed using rotated principal components as latent factors. The percentage of total variation in the original questionnaire items accounted for by each index or latent factor were also computed. These percentages gave a clear picture of how much of the original information was retained after aggregating the questionnaire items into indices. The questionnaire items were assessed for their reliability using the Cronbach’s Alpha statistic. The Cronbach’s Alpha statistic is a measure of internal consistency of the questionnaire items (Bryman and Bell, 2011). If the questionnaire items are highly correlated then the Cronbach’s Alpha will be high and rate of

information retention by a few factors will also be high. However this could also mean that the questionnaire items did not have individual information but rather tend to duplicate information as indicated by their high correlation.

Table 5.3 presents the attributes of premium beer brands in South Africa. Component matrix analysis was carried out on all five premium beer brands in order to establish the attributes that consumers consider to be outstanding in each of the five premium beer brands under study.

The results show that for the Castle Lite brand, two latent factors were needed for information retention of 59.2% (32.3%+26.9%). The first index or latent factor which accounted for 32.3% of the total variation had greater bearing on the crispiness (coefficient = 0.818) and taste (coefficient = 0.673) of the beer. The other attributes were fairly represented, with the alcohol content contributing the least towards the attribute of this latent factor (coefficient = 0.303). This was interpreted to mean that as far as the Castle Lite brand is concerned, the most important attributes in describing the beer are its crispiness and taste, with the other attributes having lesser contribution to the character of the beer as measured by its attributes.

With respect to the Heineken brand, the component matrix analysis results show that two latent factors were needed for information retention of 53.5% (33% + 20.5%). The first index or latent factor which accounts for 33% of the total variation had more bearing on the crispiness (coefficient = 0.677) and the taste (coefficient = 0.649) of the beer. The other attributes were fairly represented, with the alcohol content having the least contribution towards this latent factor (coefficient = 0.416). This was interpreted to mean that as far as the Heineken brand is concerned, the most important attributes in describing the beer are its crispiness and taste, with

the other attributes having lesser contribution to the character of the beer as measured by attributes.

For the Peroni brand, two latent factors were needed to have information retention of 56.8% (36%+20.8%). The first index or latent factor which accounts for 36% of the total variation had more bearing on the crispiness (coefficient = 0.759) and the taste (coefficient = 0.734) of the beer. The other attributes were fairly represented, with calorie content having the least contribution towards this latent factor (coefficient=0.280). This was interpreted to mean that as far as the Peroni brand is concerned, the most important attributes in describing the beer were its crispiness and taste with the other attributes having lesser contribution to the character of the beer as measured by attributes.

With regard to the Windhoek brand, two latent factors were needed to have information retention of 57.8% (33.5%+24.3%). The first index or latent factor which accounted for 33% of the total variation had more bearing on the crispiness (coefficient = 0.766) and the taste (coefficient = 0.667) of the beer. The other attributes were fairly represented with the calorie content contributing the least towards this latent factor (coefficient=0.403). This could be interpreted to mean that as far as the Windhoek brand is concerned, the most important attributes in describing the beer are its crispiness and taste with the other attributes having a lesser contribution to the character of the beer.

The Amstel brand required two latent factors to have information retention of 53.9% (31.7%+22.2%). The first index or latent factor which accounted for 31.7% of the total variation had more bearing on the crispiness (coefficient = 0.704) and taste (coefficient = 0.685) of the beer. The other attributes were fairly represented with the alcohol content contributing the least

towards this latent factor (coefficient = 0.381). This was interpreted to mean that as far as Amstel is concerned, the most important attributes in describing the beer are its crispiness and taste with the other attributes contributing less to the character of the beer as measured by attributes.

When considering factor one of the five premium beer brands under study, it was evident that as far as beer attributes are concerned the same order of importance was maintained. That is, crispiness and taste, in that order, were the most important attributes in describing the character of a beer. It is important to point out that factor one was a weighted average of the five attributes with higher weights going to those attributes that were most important in describing the overall attributes of a beer.

The second latent factors (factor 2's) across all beer brands had a mixture of positive and negative coefficients on the attributes. This meant that the second factors were contrasts of the attributes whereas those with negative coefficients contrast with those with positive coefficients. For the Castle Lite brand, factor 2 contrasts flavour and calories on one side against alcohol content, taste and crispiness. Table 5.3 presents the component matrix of the five premium beer brands indicating the most important attributes that consumers consider when choosing a particular premium beer brand.

**Table 5.3: Component Matrix for Beer Attributes**

<b>Component Matrix for Beer Attributes</b>										
<b>Attribute</b>	<b>Castle Lite</b>		<b>Heineken</b>		<b>Peroni</b>		<b>Windhoek</b>		<b>Amstel</b>	
	Factor 1	Factor 2	Factor 1	Factor 2	Factor 1	Factor 2	Factor 1	Factor 2	Factor 1	Factor 2
-Alcohol Content	0.303	<b>-0.672</b>	0.416	<b>0.751</b>	<b>0.506</b>	<b>-0.555</b>	0.405	<b>-0.663</b>	0.381	<b>0.740</b>
-Taste	<b>0.673</b>	-0.329	<b>0.649</b>	-0.035	<b>0.734</b>	0.053	<b>0.667</b>	-0.344	<b>0.685</b>	0.246
-Crispiness	<b>0.818</b>	-0.120	<b>0.677</b>	0.273	<b>0.759</b>	-0.222	<b>0.766</b>	-0.059	<b>0.704</b>	0.052
Flavour	<b>0.536</b>	<b>0.535</b>	<b>0.563</b>	-0.493	<b>0.591</b>	0.340	<b>0.564</b>	<b>0.521</b>	<b>0.529</b>	<b>-0.572</b>
-Calories	0.339	<b>0.695</b>	<b>0.527</b>	-0.374	0.280	<b>0.749</b>	0.403	<b>0.618</b>	0.444	-0.415
Variance Explained	32.3%	26.9%	33.0%	20.5%	36.0%	20.8%	33.5%	24.3%	31.7%	22.2%
	Total = 59.2%		Total = 53.5%		Total = 56.8%		Total = 57.8%		Total = 53.9%	
Reliability: Cronbach Alpha	0.408		0.480		0.534		0.483		0.449	

### 5.3.1 Relationship Among Attributes of Premium Beers

Different factors constructed from the product attributes of premium beer brands were correlated for each of the premium beer brands under study. Each factor was used to assess similarities between the premium beer brands by way of computing Pearson's correlations for all possible pairs of beer brands.

The Pearson correlation coefficients presented in table 5.4 show that there was a significant positive relationship between the Heineken brand and the Castle Lite brand ( $r = 0.192$ ,  $p < 0.01$ ), as far as factor 1 was concerned, and there was also a significant positive relationship between the Peroni brand, the Castle Lite brand and the Heineken brand. However the Pearson coefficient

results also showed that there is a negative but not significant relationship between the Peroni brand and the Castle Lite brand ( $r = -0.065$ ).

**Table 5.4: Correlational Analysis of the Attributes of Premium Beer Brands**

Beer	Pearson Correlation	Castle Lite	Heineken	Peron	Windhoek
Heineken	Factor 1	0.192**			
	Factor 2	-0.060			
Peron	Factor 1	0.162**	0.220**		
	Factor 2	-0.065	-0.114*		
Windhoek	Factor 1	0.012	0.160**	0.361**	
	Factor 2	-0.061	-0.179**	0.223**	
Amstel	Factor 1	0.112	0.3296**	0.201**	0.299**
	Factor 2	0.051	0.274**	-0.260**	-0.307**

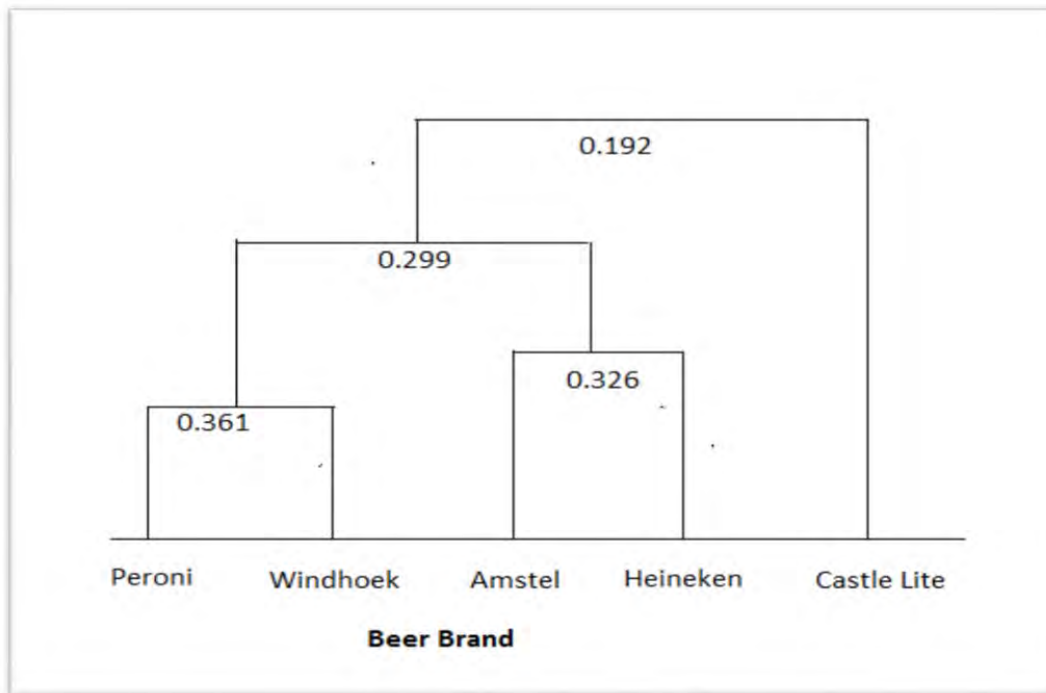
\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

The results in table 5.4 show that the Peroni brand and the Windhoek brand have the highest similarity (or correlation) with regard to factor 1 (taste and crispness attributes) as shown by the person coefficient correlation ( $r = 0.361$ ,  $p < 0.1$ ). The Pearson coefficient correlation also showed that the Windhoek brand and the Castle Lite brand have the lowest and non-significant correlation ( $r = 0.012$ ) as far as taste and crispness are concerned ( $r = 0.012$ ). This means that the two premium beers have the least similarity score.

Figure 5.1 presents hierarchical linkages of the five beer brands as far as the similarity scores (correlations) between the five premium beer brands based on factor one attribute of the beers. The dendrogram shows which brands are closest together or most similar in their factor one attribute scores. As explained earlier, factor one's attribute for all brands was heavily loaded on crispiness and taste. Figure 5.1 was produced using the nearest neighbour hierarchical clustering method with correlations between the brands as a measure of similarity. The numerical values in the diagram are the correlations of factor one attribute.

**Figure 5.1: Nearest Neighbour Hierarchical Tree or Dendrogram for beer brands (Based on factor ones)**



The diagram shows that the Castle Lite brand is the most distant from the other brands or the lowest correlated brand to the other brands. This points to the fact that it is the most unique brand compared to the other brands when classified using the attributes clustered as factor one. The Castle Lite brand is the only home brand (originates from South Africa-SAB) of the five premium beer brands. Although the Peroni brand also falls under the brand portfolio of SAB, its origins are in Italy. The other three premium beer brands are foreign brands produced and marketed under Brandhouse banner.



#### **5.4 Factors that Attract Consumers to Specific Premium Beer Brands**

The beer market is one of the most fiercely contested markets as it offers consumers a wide range of brands to consumers, hence one of the objectives of this study was to establish the main factors that attract consumers to premium beer brands.

From Section C of the questionnaire items, indices or latent factors were developed using Principal Component Analysis to represent the main factors that consumers use, other than the beer attributes, in choosing premium beer brands. Computation of the percentages of the total variation in the original questionnaire items, accounted for by each index or latent factor, was carried out and this indicated how much of the original information was retained after aggregating the questionnaire items into indices. Cronbach's Alpha statistics were used to assess the reliability of the questionnaire items that were used to assess the factors that attract consumers to premium beer brands.

The results presented in table 5.5 show that, for the Castle Lite brand one latent factor was needed to have information retention of 41.6 percent. Castle Lite brand consumers are determined to establish a long term relationship with this brand, based on the fact that these consumers find the market price of the Castle Lite brand (0.578) to be a true reflection of the value that they get from the beer and the brand displays superior qualities (0.774), compared to other premium beer brands. The good taste of the Castle Lite brand (0.746) and its clean and crispness (0.818) were identified by consumers as being more appealing to consumers to establish loyalty with this brand.

For the Heineken brand, two latent factors were needed to have information retention of 50.9 percent (38.3% +12.6%). The first latent factor which accounted for 38.3 percent of the total

variation indicates that brand loyal consumers of the Heineken brand are more attuned to this brand because the brand is worth the money they spend on it. Consumers find the Heineken brand to be a superior brand with good taste, compared to other beer brands in its category, as the beer portrays a clean and crisp taste. These consumers are willing to establish and maintain a long term relationship with the Heineken premium beer brand.

The principal component analysis results show that one latent factor was needed to have information retention of 40.7 percent for the Peroni brand. The most outstanding factors attracting consumers to Peroni were identified to be good taste (0.786), the superior quality of the brand (0.766) the after taste (0.627), and the higher alcohol content (0.551). This shows that due to the outstanding attributes of this brand, consumers are brand loyal and are determined to maintain a long term relationship with this brand. These consumers value the superior quality of this brand as it gives it a clean and crisp taste.

Table 5.5 presents the component matrix of the factors that attract consumers to premium beer brands indicating the level of importance that consumers attach to each factor.

**Table 5.5: Component Matrix of Factors Attracting Consumers to Premium Beer Brands**

	<b>Component Matrix</b>						
<b>Factor</b>	<b>Castle Lite</b>	<b>Heineken</b>		<b>Peron</b>	<b>Windhoek</b>		<b>Amstel</b>
	Factor 1	Factor 1	Factor 2	Factor 1	Factor 1	Factor 2	Factor 1
Brand message	0.440	0.385	<b>0.764</b>	0.404	0.454	<b>0.596</b>	0.559
Relationship	<b>0.731</b>	<b>0.676</b>	0.359	<b>0.661</b>	<b>0.648</b>	0.361	<b>0.749</b>
Price worthiness	<b>0.578</b>	<b>0.508</b>	0.009	0.420	0.368	0.551	0.564
Superior quality	<b>0.774</b>	<b>0.791</b>	-0.074	<b>0.766</b>	<b>0.735</b>	-0.033	<b>0.797</b>
Better taste	<b>0.746</b>	<b>0.756</b>	0.005	<b>0.786</b>	<b>0.718</b>	-0.201	<b>0.735</b>
Crisp taste	<b>0.818</b>	<b>0.741</b>	-0.219	<b>0.758</b>	<b>0.742</b>	-0.201	<b>0.790</b>
Higher alcohol content	0.371	0.495	-0.407	<b>0.551</b>	0.498	-0.374	0.479
After taste	0.551	0.453	-0.271	<b>0.627</b>	0.596	-0.341	0.594
Variance Explained	41.6%	38.3%	12.6%	40.7%	37.2%	14.1%	44.7%
Reliability: Cronbach Alpha	0.775	0.746		0.780	0.744		0.814

For the Windhoek brand, the principal component analysis results show that two latent factors were needed in order to have information retention of 51.3 percent, factor one accounted for 37.2 percent and factor two accounted for 14.1 percent. The first index or latent factor which accounted for 37.2 percent of the total variation showed that consumers of Windhoek beer are more likely to establish a long term relationship with this brand and this was indicated by a factor loading of 0.648. These consumers value and appreciate the superior quality of Windhoek beer which was evident by a coefficient of 0.735. Factor 1 for this beer has high loadings on “better taste” with a coefficient of 0.718 and clean and crisp, with a coefficient of 0.742.

Consumers of the Amstel brand value the superior quality that this brand portrays and this was indicated by the coefficient of 0.797. These consumers also appreciate the crisp taste (0.790) and the good taste of the beer (0.735).

#### **5.4.1 Factors Attracting Consumers to Premium Beer Brands**

A factor analysis was performed on the factors that attract consumers to premium beer brands in order to establish the main factors that draw consumers to premium beers.

Table 5.6 presents the factor correlation depicting the similarities of the premium beer brands based on the factors that attract consumers to premium beers. The correlations show that the Windhoek premium beer brand is very close to the Peroni premium beer brand with a correlation coefficient of 0.307, which is significant at the 1 percent significance level. Both the Windhoek and Peroni brands attract consumers mainly because of their crisp taste as indicated by the factor loading of 0.742 for Windhoek and 0.758 for Peroni (Table 5.5). These two brands are very similar in terms of their superior quality, good taste and the after taste.

When considering the main factors that attract consumers to premium beer brands such as quality of the beer, taste, crispiness, and price, the Windhoek and Peroni brands were collectively closely related to the Heineken brand. Table 5.6 presents the correlations of the different factors that attract consumers to premium beer brands.

**Table 5.6: Factors Attracting Consumers to Premium Beer Brands**

Beer	Pearson Correlation	Castle Lite	Heineken	Peron	Windhoek
Heineken	Factor 1	0.124*			
	Factor 2				
Peron	Factor 1	0.145*	0.151**		
	Factor 2				
Windhoek	Factor 1	0.041	0.193**	0.307**	
	Factor 2		0.283**		
Amstel	Factor 1	0.171**	0.098	0.034	0.124*
	Factor 2				

\*

. Correlation is significant at the 0.05 level (2-tailed).

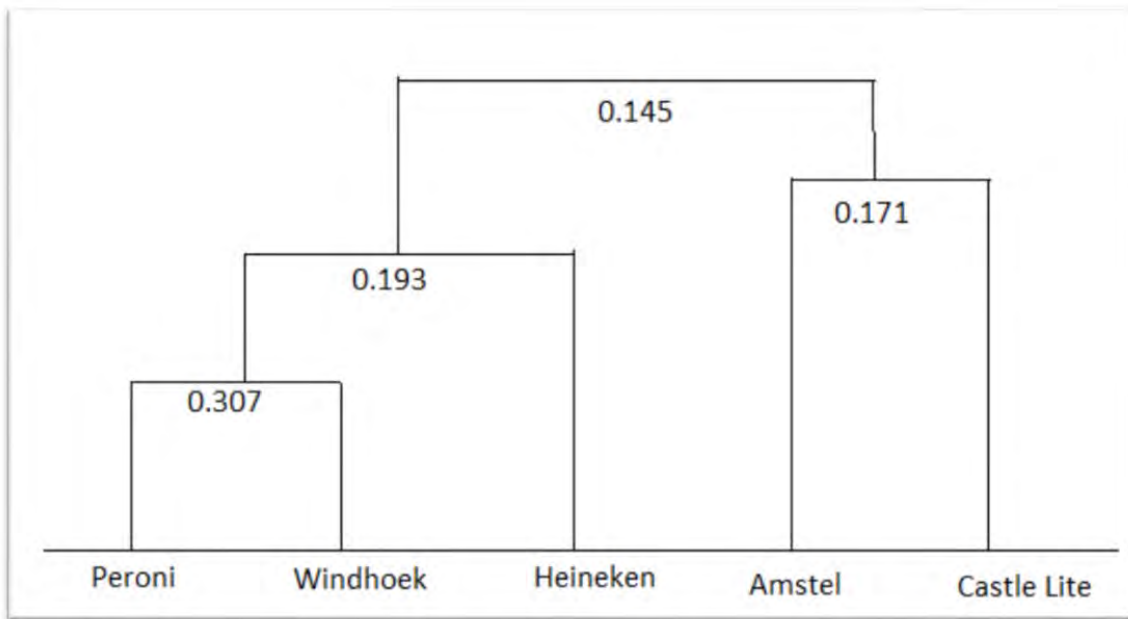
\*\* . Correlation is significant at the 0.01 level (2-tailed).

Figure 5.2: presents a dendrogram depicting the similarities of the five premium beer brands based on the factors that attract consumers to premium beer brands. The similarity measures (correlations) are used to obtain spatial representations by the use of a dendrogram or tree representations with clustering procedures.

Figure 5.2 shows that the Peroni and the Windhoek brands are the closest beer brands at a correlation of 0.307. The Peroni and the Windhoek brands attract consumers because they are both superior quality beer brands, with a crisp good taste. The Heineken brand is closer to the Peroni brand and the Windhoek brand at 0.193, consumers cited superior quality, and crisp taste as being worth the money they pay for this beer brand. The Amstel brand and the Castle Lite

brand are weakly related at a considerably low effect size ( $r = 0.171$ ). Consumers indicated a similarity of these two brands in terms of the quality of the beer, and taste.

**Figure 5.2: Dendrogram of Beer Similarities**



### **5.5: Life-style Factors that Play a Role in Premium Beer Brand Preference**

Principal component analysis was performed to identify the important life style indices of consumers that play a role in consumers' premium beer brand choices. The magnitude of the factor loadings indicate which lifestyle attributes contribute the most towards the overall lifestyle factors affecting beer preference and consumption.

The principal components (factors), presented in table 5.7, reveal that there are four important factors that compel the Castle Lite brand consumers to consume this beer brand. Firstly personality of consumers, which was ranked highest with the factor loading of 0.814 (ranked 1). Secondly, consumers choose this beer brand because they feel that it enhances their personal reputation, and this was ranked second with a factor loading of 0.807. Consumers patronise this

brand because it expresses their self-concept, hence they want to be perceived as classy and different from others, this was indicated by the factor loading of 0.804 (ranked third). These consumers are very conscious of the image that they portray to others; this was indicated by a factor loading of 0.732 (ranked fourth). The other factors such as consumers' emotional attachment to the brand, reputation of the brand, and influence coming from other consumers revealed to have a minimal influence on the brand preference decisions and consumption.

The factor loadings revealed with regard to the Heineken beer brand, that consumers choose this brand because it gives them a good reputation amongst friends, this was indicated by a factor loading of 0.817 (ranked first), followed by the personality of consumers (ranked second) with a factor loading of 0.766. These consumers want to portray a good image of themselves by associating themselves with a good brand, and this was (ranked third) with a factor loading of 0.721, and finally the consumers' social self-concept, with a factor loading of 0.715 (ranked fourth).

With regard to the Peroni brand, consumers choose this brand because it gives them a good public reputation, and this was indicated by a factor loading of 0.816 (ranked first). The personality of consumers also plays a big role in the decision to buy and consume this beer brand; this was indicated by the factor loading of 0.800 (ranked second). The social self-concept of the consumers came third with a factor loading of 0.758 and finally, these consumers want to portray a good public image, this was ranked fourth with a factor loading of 0.720.

For the Windhoek premium beer consumers' personal reputation and the way other consumers perceive them are their primary concerns, this was indicated by a factor loading of 0.759. Consumers of this beer brand are very protective of their personality which was indicated by the

factor loading of 0.755, (ranked second). These consumers perceive this brand as reflecting their actual self-concept this was ranked third with a factor loading of 0.737. These consumers associate themselves with this brand because they want to feel good about themselves by portraying a good public image, this was indicated by the factor loading of 0.655 in fourth ranking. The other factors of emotional attachment, influence from friends and reputation of the beer showed to have little contribution to their brand choice decisions.

The Amstel brand consumers are attracted to this beer brand because they perceive this brand as projecting them as having a good personal reputation, and this was ranked first with a factor loading of 0.860, meaning that the Amstel beer brand consumers are more concerned about their personal reputation. These consumers believe that the consumption of this beer brand enhances their personal reputation. These consumers perceive the Windhoek brand as a beer that is in line with their personality, and this was indicated by the factor loading of 0.816 which was ranked second. Consumers perceive this brand as one that reflects their actual social self-concept, and this was indicated by the factor loading of 0.796, (ranked third). In turn, these consumers see this beer brand as giving them a good public image; which was indicated by the factor loading of 0.758 which was ranked fourth.



Table 5.7 presents the component matrix analysis for the life-style of consumers indicating which life style-factors of consumers play a major role in their choice of premium beer brands.

**Table 5.7: Component Matrix for Lifestyle of Premium Beer Consumers**

Factor	Component Matrix for lifestyle of premium beer consumers								
	Castle Lite	Heineken		Peron		Windhoek		Amstel	
	Factor 1	Rank	Factor 1	Rank	Factor 1	Rank	Factor 1	Rank	Factor 1
Reputation of the brand	<b>0.559</b>	<b>6</b>	0.433	7	<b>0.508</b>	7	0.471	7	0.463
Influence from friends	<b>0.528</b>	<b>7</b>	<b>0.599</b>	<b>6</b>	<b>0.698</b>	<b>5</b>	<b>0.575</b>	<b>6</b>	0.410
Social self-concept	<b>0.804</b>	<b>3</b>	<b>0.715</b>	<b>4</b>	<b>0.758</b>	<b>3</b>	<b>0.737</b>	<b>3</b>	<b>0.796</b>
Personality	<b>0.814</b>	<b>1</b>	<b>0.766</b>	<b>2</b>	<b>0.800</b>	<b>2</b>	<b>0.755</b>	<b>2</b>	<b>0.816</b>
Personal reputation	<b>0.807</b>	<b>2</b>	<b>0.817</b>	<b>1</b>	<b>0.816</b>	<b>1</b>	<b>0.759</b>	<b>1</b>	<b>0.860</b>
Emotional attachment	<b>0.678</b>	<b>5</b>	<b>0.713</b>	<b>5</b>	<b>0.617</b>	<b>6</b>	<b>0.644</b>	<b>5</b>	<b>0.730</b>
Good image	<b>0.732</b>	<b>4</b>	<b>0.721</b>	<b>3</b>	<b>0.720</b>	<b>4</b>	<b>0.655</b>	<b>4</b>	<b>0.758</b>
Variance Explained	50.70%	47.70%		50.30%		44.10%		50.40%	
Reliability: Cronbach Alpha	0.83	0.812		0.831		0.783		0.821	

### 5.5.1 Comparing Premium Beer Brands with Consumers' Life-style

Table 5.8 presents the correlations between premium beer brands with the life style of consumers. The most outstanding elements in the lifestyle of beer consumers that influences their choice of beer brands were personality, consumers' reputation, consumers' personal image, and consumers' self-concept. The most similar premium beer brands are the Peroni brand and the Windhoek brand, this is represented by a correlation of 0.656 at 1% significant level. The Heineken brand is closely related to the Castle Lite brand with a correlation of 0.588. the Windhoek brand is closely related to the Heineken brand ( $r= 0.505$ ), the Amstel brand is closely related to the Castle Lite brand at correlation ( $r= 0.452$ ) and the Amstel brand is correlated to the Heineken brand ( $r= 0.319$ , significant at 1% level).

**Table 5.8: Comparing Premium Beer Brand Consumption with Life-style of Consumers**

Beer	Pearson	Castle Lite	Heineken	Peroni	Windhoek
Heineken	Factor 1	0.588**			
Peroni	Factor 1	0.361**	0.398**		
Windhoek	Factor 1	0.346**	0.505**	0.656**	
Amstel	Factor 1	0.452**	0.439**	0.319**	0.379**

**\*\*significant at 1% level, \* significant at 5% level.**

### **5.5.2 Similarity among Premium Beer Brands Based on Life-style of Consumers**

Generating a dendrogram in this study was aimed at identifying the market positions of the five premium beer brands in order to reveal the proximities between the brands on the map which represents how similar these premium beer brands are to each other as per the lifestyle of consumers.

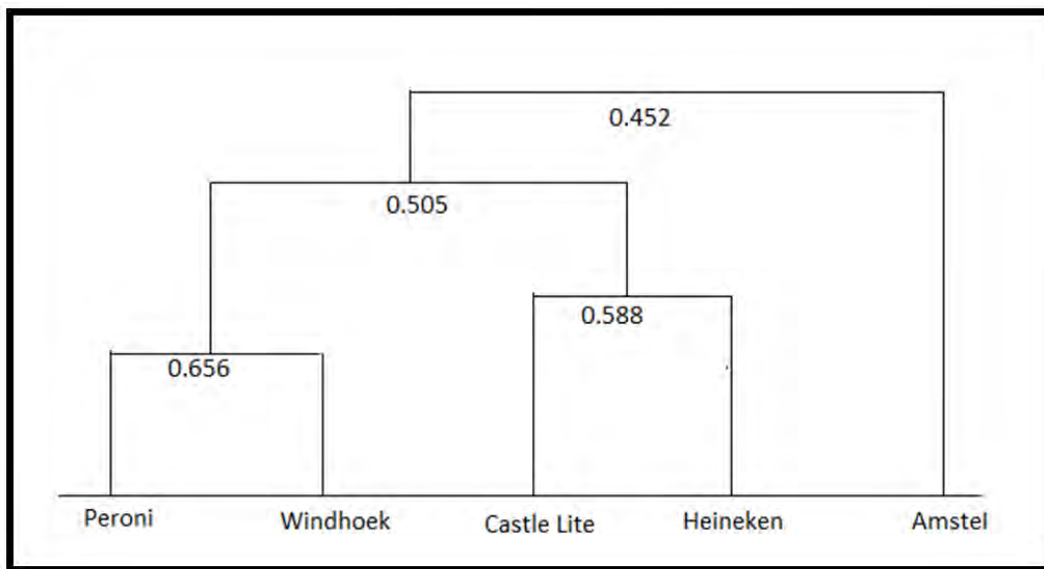
Figure 5.3 shows the dendrogram that presents the similarities between premium beer brands with reference to the lifestyle of consumers. Similar to the cities located on geographical maps, the brands are located on the dendrogram in a way that some are close to and others are far from each other. The distance between the brands shows how similar the beer brands are to each other as far as the life style of consumers is concerned. The figure shows the dispersion of the dimensions on the dendrogram, and in order to label the brands on the dendrogram, their closeness on the dendrogram was used.

As can be seen from the dendrogram, as far as the lifestyle of consumers is concerned the Peroni brand and the Windhoek brand are positioned close to each other, the Castle Lite brand and the Heineken brand are also close to each other whereas the Amstel brand is positioned at a distance from the other four premium beer brands. From this assessment it can be concluded that the lifestyle of consumers of the Peroni brand and the Windhoek brand is similar as these consumers scored the same for these brands. The lifestyle of consumers of the Windhoek brand and the Peroni brand is similar to each other at the component matrix level of 0.656. The choices of premium beer brands for these consumers are influenced by their personal reputation, since these consumers value how other people perceive them. The Peroni brand was indicated by the principal component matrix of 0.816, and 0.759 for the Windhoek brand consumers. The similarity between the Peroni brand and the Windhoek brand is again reflected in the personality

of these consumers, where the Peroni brand consumers scored 0.800 on the principal component matrix and 0.755 for the Windhoek brand consumers.

Given this relationship between brand preference and consumers' self-image, it is natural that consumers use brands to help them in their task of defining themselves. The Peroni brand and the Windhoek brand consumers are more concerned about their social self-concept; this was represented by a component matrix index of 0.758 for the Peroni brand and 0.737 for the Windhoek brand consumers. The Peroni brand and the Windhoek brand are also similar in a sense that as far as life style of consumers is concerned the consumers of these two beer brands are more concerned about their public images; this was represented by coefficient 0.720 for the Peroni brand and coefficient 0.655 for the Windhoek brand consumers.

**Figure 5.3: Dendrogram showing similarities based on the life styles of consumers**



The Castle Lite brand is similar to the Heineken brand at 0.588 at 1 per cent significant level, which implies that as far as the life style of consumers is concerned, this was indicated by a

component matrix index of 0.814 for personality of the Castle Lite brand consumers and 0.766 for the Heineken brand consumers. These consumers are concerned about their personal reputation, which was indicated by 0.807 for Castle Lite and 0.817 for the Peroni brand on the component matrix index. The similarity between the Castle Lite brand and the Heineken brand also lies in the fact that consumers perceive these beer brands as being in line with their self-concept; this was indicated by the component matrix index of 0.804 for the Castle Lite brand and 0.715 for the Heineken brand. These consumers are more concerned about their public image, that is how other people perceive them, and this was indicated by 0.732 for Castle Lite and 0.721 for the Heineken brand.

The comparison of the five premium beer brands show that the Amstel brand is perceived to be considerably different from the other four premium beer brands, as it is positioned at a remote position of 0.452 on the dendogram.

The results presented in table 5.9 show that the Castle Lite brand has the strongest positive relationship between its attributes and the factors that attract consumers to it ( $r = 0.599$ , (significant at the 1% percent level). Consumers are attracted to the Castle Lite brand and maintain brand loyalty mainly because of the outstanding attributes of this brand, namely the crisp taste of the beer (0.818), the good taste (0.673) and the light good flavour (0.536) of this brand (table 5.4). These outstanding attributes have created a positive perception in the minds of consumers that the Castle Lite brand has a superior crisp taste, making it a superior brand. This implies that any marketing communication directed at the Castle Lite brand consumers will have to appeal to the elements that attract consumers to this brand as well as point out the superiority of the brand compared to other premium beer brands. Any competitive marketing strategy for this brand will have to be based on differentiation bases. When a comparison was done between

factors that attract consumers to the Castle Lite brand and the life style of consumers, results showed that there is a positive significant relationship of  $r = 0.585$  at significant level of 1 percent, between the crisp, superior taste, superior quality of the Castle Lite brand and the personality, personal reputation as well as the self-concept of consumers and the good image that consumers want to portray to others.

The Peroni brand has a relatively strong positive correlation between its attributes and factors that attract consumers, at  $R = 0.591$ , significant at 1 percent. The Peroni brand has outstanding attributes of crispiness (0.759) and good taste at (0.734). These beer attributes attract consumers to the Peroni brand as the brand appeals to consumers with its better taste (0.786) and a crisp taste making it an attractive superior quality beer brand.

The Amstel brand showed a relatively strong relationship among its attributes and the factors that attract consumers to it at  $R = 0.544$ , significant at 1 percent. Consumers are attracted to Amstel because it displays outstanding attributes of good taste (0.685) and crispiness (0.704) giving it a superior quality (0.797) which comes from its crispness (0.790) and good taste (0.735). The attributes of the Amstel brand have little impact on how consumers live their social life and they have less influence on the construction of the public image and reputation of consumers at  $R = 0.623$ , significant at 1 percent.

The Heineken brand showed a relatively strong correlation between its attributes and the factors that attract consumers, this was shown by  $R = 0.508$ , significant at 1 percent. The Heineken brand consumers perceive this brand as having good taste (0.649) crisp taste (0.677) and good flavour ( $R = 0.563$ ), such good attributes give the Heineken brand a superior quality (0.791) attracting consumers who appreciate a good taste in beer ( $R = 0.756$ ). These consumers find the price of

this beer ( $R = 0.508$  at 1 percent significant), with all its outstanding attributes, to be value for money. However, the results showed that the attributes of the Heineken brand do not have much impact on how consumers feel, express their public image, reputation, and social self-concept. This was indicated by  $R = 0.363$  at 1 percent significant. The results showed that there is a positive correlation between the superiority of the Heineken brand, its crisp good taste, its price and the lifestyle of its consumers and how they want their public image and reputation to be portrayed; this positive relationship was showed by  $R = 0.585$  at 1 percent significant.

The Windhoek brand showed the lowest relationship between its attributes and the factors that attract consumers, at  $R = 0.494$ , significant at 1 percent. The principal component analysis shows that the attributes of the Amstel brand such as taste, crispiness and light flavour are least correlated with the factors that attract consumers to this brand, when compared with other beer brands.

Table 5.9 presents the correlations of influences on the five premium beer brands, showing the similarities and differences of the premium beer brands when compared on the attributes of the beer brands, life style of consumers, and factors that attract consumers to premium beer brands.

**Table 5.9: Correlations of Influences**

<b>Correlations of Influences</b>						
<b>Beer Brands</b>	<b>Attributes of Premium Beer Brands (Versus) Factors Attracting Consumers</b>		<b>Attributes of Premium Beer Brands (Versus) Lifestyle of Premium beer consumers</b>		<b>Factors Attracting Consumers (versus) Lifestyle of Premium beer consumers</b>	
	<b>Factor 1 Correlations</b>	<b>Rank</b>	<b>Factor 1 Correlations</b>	<b>Rank</b>	<b>Factor 1 Correlations</b>	<b>Rank</b>
Castle Lite	0.599**	1	0.385**	4	0.585**	3
Heineken	0.508**	4	0.363**	5	0.483**	4
Peroni	0.591**	2	0.442**	2	0.606**	2
Windhoek	0.494**	5	0.457**	1	0.568**	5
Amstel	0.544**	3	0.408**	3	0.623**	1
<b>Overall</b>	<b>0.553**</b>		<b>0.453**</b>		<b>0.536**</b>	

### **5.5.3 Regression of Brand loyalty on the Castle Lite Beer Brand**

Regression analysis was performed in order to establish the contribution of each of the three main factors towards brand loyalty, the three factors being attributes of a brand, factors attracting consumers to a brand and the life style of consumers. Table 5.10 presents the outcome of the aforementioned regression of brand loyalty on the Castle Lite brand.



**Table 5.10: Regression of Brand Loyalty on – the Castle Lite brand**

Regression of Brand Loyalty on Factors - Castle Lite				
Factors	Coefficient	Std. Error	T	p-value
Constant	3.518	0.064	54.887	0.000
Attributes	0.242	0.079	3.051	0.002
Attraction	0.701	0.093	7.506	0.000
Lifestyle	-0.046	0.081	-0.573	0.567
R=0.607			R-Square=0.368	
Dependent Variable: Brand loyalty and relationship with Castle Lite				

Table 5.10 presents the regression results of consumers' loyalty towards the Castle Lite brand. The r-square of 0.368 shows that the independent variable explains about 37 percent of the variation in brand loyalty. The beer attributes (alcohol content, after taste, clean and crisp, low calories, light flavour) are significant in determining brand loyalty (coeff = 0.242, t = 3.051, p=0.000). The factors that attract consumers to a brand (brand message, price worthiness, superior quality, clean and crisp taste, alcohol content, after taste) are also statistically significant in influencing brand loyalty (coeff = 0.701, t = 7.506, p = 0.000). These results show that consumer loyalty towards Castle Lite is influenced by its outstanding attributes. The results also show that the life style of consumers (brand reputation, influence from friends, social self-concept, personality, personal reputation, emotional attachment, good public image) is not statistically significant, meaning that the life styles of consumers has no impact on the consumers' preference for the brand.

#### 5.5.4 Regression of Brand Loyalty on the Heineken Beer Brand

A regression was performed in order to establish the contribution of each of the three main factors towards the Heineken brand loyalty. The three factors namely, attributes of a brand, factors attracting consumers to a brand and the life style of consumers were regressed against the Heineken brand. Table 5.11 presents the contribution of each factor towards consumers' brand loyalty towards the Heineken brand.

**Table 5.11: Regression of Brand Loyalty on Heineken**

Regression of Brand Loyalty on Factors – Heineken				
	Coefficient	Std. Error	T	p-value
Constant	3.579	0.066	54.405	0.000
Attributes	0.153	0.079	1.935	0.054
Attraction	0.570	0.085	6.664	0.000
Lifestyle	0.070	0.077	0.906	0.366
R=0.531			R-Square=0.282	
Dependent Variable: Long term relationship with the premium brand -Heineken				

Table 5.11 presents the regression results of the consumers' loyalty towards the Heineken brand. The r-square of 0.282 shows that the independent variables explain about 28 percent of the variation in the data. The attributes of the Heineken brand and the factors that attract consumers towards the Heineken premium beer brand are statistically significant at ten percent ( $p, 0.054$ ). These results show that consumer loyalty towards the Heineken brand is influenced by the outstanding attributes of the Heineken brand. However, the results also show that the life style of

consumers is not statistically significant, meaning that their life style has no impact on the consumers' preference for the brand. Consumers would prefer the Heineken brand not because of their lifestyle, but because of the outstanding attributes of the brand.

### 5.5.5 Regression of Brand loyalty on the Peroni Beer Brand

A regression analysis was performed in order to establish the contribution of each of the three main factors towards the Peroni's brand loyalty. The three factors namely, attributes of a brand, factors attracting consumers to a brand and the life style of consumer, were regressed against the Heineken brand. Table 5.12 presents the contribution of each factor to the consumers' brand loyalty towards the Peroni brand.

**Table 5.12: Regression of Brand Loyalty on the Peroni Beer Brand**

Regression of Brand Loyalty on Factors – Peroni				
	Coefficient	Std. Error	T	p-value
Constant	2.646	0.056	47.471	0.000
Attributes	0.130	0.069	1.879	0.061
Attraction	0.533	0.079	6.726	0.000
Lifestyle	-0.045	0.072	-0.621	0.535
R=0.527			R-Square=0.277	

a. Dependent Variable: Long term relationship with the premium brand -Peroni

Table 5.12 presents the regression results of consumers' loyalty towards the Peroni brand. The r-square of 0.277 shows that the independent variables explain about 28 percent of the variation in the data. The attributes of the Peroni brand and the factors that attract consumers towards the

Peroni brand are statistically significant at ten percent level ( $p, 0.061$ ). These results show that consumer loyalty towards the Peroni brand is influenced by the outstanding attributes of the Peroni brand; however the results also show that the life style of consumers is not statistically significant, meaning that the life styles of consumers has no impact on the consumers' preference of the brand.

#### **5.5.6 Regression of Brand Loyalty on the Windhoek Beer Brand**

A regression analysis was also performed in order to establish the contribution of each of the three main factors towards the Windhoek brand loyalty, the three factors namely attributes of a brand, factors attracting consumers to a brand and the life style of consumers were regressed against the Heineken brand. Table 5.13 presents the contribution of each factor towards consumers' brand loyalty towards Windhoek.

**Table 5.13: Regression of Brand Loyalty on the Windhoek Brand**

Regression of Brand Loyalty on Factors – the Windhoek brand				
	Coefficient	Std. Error	T	p-value
Constant	2.951	0.060	49.513	0.000
Attributes	0.147	0.075	1.960	0.051
Attraction	0.484	0.082	5.878	0.000
Lifestyle	0.000	0.075	-0.004	0.997
R=0.495			R-Square=0.245	
a. Dependent Variable: Long term relationship with the premium brand- the Windhoek brand				

Table 5.13 presents the regression results of consumers’ loyalty towards the Windhoek brand. The r-square of 0.245 shows that the independent variables explain about 25 percent of the variation in the data. The attributes of the Windhoek brand and the factors that attract consumers towards the Windhoek brand are statistically significant at the ten percent level (p, 0.245). The results show that consumer loyalty towards the Windhoek brand is influenced by the outstanding attributes of the Windhoek brand; however the results also show that the life style of consumers has no impact on the consumers’ preference of the brand.

### 5.5.7 Regression of Brand Loyalty on the Amstel Brand

A regression analysis was performed in order to establish the contribution of each of the three main factors towards the Amstel beer brand loyalty. The three factors namely attributes of a brand, factors attracting consumers to a brand and the life style of consumers were regressed against the Amstel brand. Table 5.14 presents the contribution of each factor towards consumers' brand loyalty towards the Amstel beer brand.

**Table 5:14: Regression of Brand Loyalty on Amstel**

Regression of Brand Loyalty on Factors – Amstel				
	Coefficient	Std. Error	t	p-value
Constant	3.186	0.058	54.527	0.000
Attributes	0.060	0.071	0.850	0.396
Attraction	0.617	0.081	7.656	0.000
Life style	0.276	0.074	3.742	0.000
R=0.648			R-Square=0.420	
Dependent Variable: Long term relationship with this premium brand-Amstel				

Table 5.14 presents the regression results of consumers' loyalty towards the Amstel premium beer brand. The r-square of 0.420 shows that the independent variables explain about 42 percent of the variation in the data, highlighting the fact that for the Amstel brand, consumers' brand attributes and not consumers' life style is the main attraction to this beer brand.

## **5.6 Evaluating the Distribution Network of SAB**

Qualitative data was collected from the four main beer distributors, namely Ultra Liquors, Liberty Liquors, Makro-Liquors, and Spar's Tops in order to examine the distribution channels and networks of premium beer brands of SAB. To address this study objective liquor distributors were asked several questions and the results are presented from each of the questions that were asked to the distributors.

### **5.6.1 Need for personalized services from the SAB to the distributors**

In order to understand the kind of services that Liquor distributors need from SAB the following question was formulated, "Do distributors need personalized services from SAB, and if so what type/kind of services are required?"

Pearce and Robinson (2003) assert that all organisations are exposed to external business environmental factors that are ever changing and in some cases these changes have serious consequences on the organization. Hough et al., (2008) argue that any change in the business environment presents both opportunities and threats to the organisation and the way the organisation interacts with its customers.

The results of the study have demonstrated that different areas demand different beer brand support structures and as this demand pattern is ever changing SAB must tailor its customer-services according to the needs of each geographical area or market segment. In some cases distributors and retailers need managerial and financial support from SAB. Assistance for advertising is required. Advertising is essential in remote areas where premium beer brands are relatively unknown; and also in areas where consumers are acquainted with these brands yet cannot differentiate between premium beer brands and main stream beer brands such as Carling Black Label and Castle Lager. The four distributors who participated in this study unanimously

pointed out that different geographical areas demand different beer brands. It was further pointed out for example that Hansa Pilsener sells a lot in the Pietermaritzburg and Durban areas during the annual Duzi canoe Marathon. Consumers have come to associate the Hansa Pilsener beer brand with this event.

### **5.6.2 SAB-Distributor Partnership Relationship**

As a way of ascertaining how SAB can work with its distributors to increase its market share the following question was formulated: “How best can SAB partner with liquor distributors in order to increase its market penetration?” The findings from the study shows that by being proactive in assisting the distributors with advertising costs the trust and relationship between these two parties would improve and they will become solid business partners. SAB could also assist distributors with billboards and other communication strategies aimed at increasing premium beer brand awareness amongst consumers. Such joint initiatives would assist in building the working relationships between SAB and its distributors.

### **5.6.3 Weaknesses of SAB distribution network**

To find out more about the weaknesses of SAB distribution network the following question was formulated: “What are the weaknesses of SAB distribution system and how best can they be addressed?” The findings from the study show that SAB only manages the movement of beers from their warehouses to the distributors and from there on distributors take full responsibility of the management and distribution of the beers. SAB needs to partner with its distributors and assist distributors with the overall movement of the beers until the product finally reaches the consumer. By so doing SAB will be able to get first-hand information as to how its products are being managed and offer some advice and guidance of how best to penetrate the premium beer market rather than solely relying on the information that they collect from their distributors.



#### **5.6.4 Strength of the SAB Distribution Network**

To determine the strengths of SAB distribution network in its efforts to increase the market share of its premium beer brands the following question was formulated:

“What are the strengths of SAB distribution network system?”

The results from the study show that the main strengths of SAB distribution network is its ability to liaise with small and informal beer retailers such as “*Shebeens*” taverns and pubs. The door to door distribution system of SAB beer brands to these retail outlets is very effective and well managed.

#### **5.6.5 Increasing Market Presence**

In order to find more information on how SAB can increase the presence of its premium beer brands amongst the middle class; the following question was formulated: “How can SAB’s premium beer brands increase its presence amongst the middle class?” The findings from the study show that by partnering with liquor distributors and offering them attractive incentives for the volume or number of crates sold, the distributors will be encouraged to push the premium beer brands of SAB to consumers. For a greater part of the marketing of beers it is the distributors that come into contact with consumers and not the actual producer in this case SAB. Hence by offering attractive incentives to these distributors more premium beer brands of SAB will penetrate the middle class beer market segment as the distributors will actively assist with popularising the brands.

### **5.6.6 Securing Market Dominance of Premium Beer Brands**

In order to find out about how SAB can secure the dominance of its premium beer brands in the beer market the following question was formulated: “How can SAB secure the dominance of premium beer markets?”

The beer distributors pointed out that even though SAB’s brands are facing aggressive competition from international premium and other well established beer brands, it is still commanding a leading role in the market

### **5.6.7 Improving SAB -Distributors Relationship**

In order to find out how SAB can improve the relationship it has with its distributors the following question was formulated: “How can SAB improve the relationship that it has with its business partners in order to gain a competitive advantage over its competitor.” The findings from the study show that support for SAB’s premium beer brands would increase by providing more customized services to its distributors such as financial incentives. For example sales discount, when an agreed sales target in terms of the volume of the premium beer sold is reached by the distributor a discount is given. The results also show that by joining forces with distributors in both rural and urban areas in creating aggressive advertising campaigns would boost and stimulate SAB beer brands patronage. Offering such incentives to distributors would make them feel more like business partners of SAB and not just like customers only. Hence push for the sales of premium beer brands of SAB.

## **5.7 Conclusion**

This chapter presented the results of the data collected from consumers. The first part of the chapter presented the results of the demographic analysis reflecting the demographic profile of the respondents who participated in the study. This was followed by a quantitative analysis of attributes of premium beer brands, factors that attract consumers to premium beer brands and the lifestyle of consumers of premium beer brands by means of principal component analysis. A comprehensive analysis using Pearson's correlation of the main attributes of premium beer brands, factors that attract consumers to premium beer brands and the lifestyle of consumers was also presented. The results were presented in the form of tables and figures and a discussion regarding the results was also completed. A summary table presented the combined results of correlations and variance where influences and factors that are strongly related are presented.

## **CHAPTER SIX**

### **DISCUSSION OF THE FINDINGS**

#### **6.1 Introduction**

Whilst the previous chapter dealt with the analysis of the research results, this chapter discusses the findings in relation to the research objectives and the conceptual framework. The discussion is presented in line with the purpose of the study, namely; developing a competitive marketing strategy and a model for premium beer brands in South Africa. Each research objective is considered in line with the results generated.

#### **6.2 Important Premium Beer brand Attributes**

This research objective was addressed by raising the following question: ‘what are the main attributes that consumers consider to be important in premium beer brands?’

Keller (2008) asserts that direct experiences create the strongest brand attribute and benefit associations and are particularly influential in consumers’ decisions when they accurately interpreted. The aforementioned author further states that marketers should produce brands that create an emotional attachment with consumers where their attributes and value can easily be communicated because when consumers buy a product they are buying a bundle of attributes to satisfy their need and want.

The research results of the attributes of the five premium beer brands revealed that for all five premium brands studied, the most outstanding beer attributes are taste, crispness and flavour. Consumers find these attributes more appealing than the alcohol content. The study also found

that the alcoholic content and the volume of the beer play a less significant role in consumers' choice of premium beer.

The results show that there are mainly three premium beer attributes that consumers consider as being important; namely: crispiness, good taste and flavour of the beer. The same order of importance was maintained through all the five beer brands under study namely, Castle Lite, Heineken, Peroni, Windhoek, and Amstel. Therefore, the results of this study reject the stated hypothesis that consumers are attracted to a particular premium beer brand because of its beer content only, consequently the study concludes that there are attributes other than the alcohol content of the beer that attracts consumers to premium beer brands. More specifically, consumers are attracted to a particular premium beer brand because of the taste of the beer, its crispness and flavour. Marketing initiatives and strategies aimed at premium beer consumers should take into consideration what consumers are seeking in a particular premium beer brand. Louw and Venter (2007) describe product differentiation as a marketing strategy that businesses use to distinguish a product from similar offerings in the market. For markets that are characterized by commoditization, product differentiation may provide a source of competitive advantage; however these results show that there is little that differentiates the premium beer brands, hence SAB can look at the differentiated marketing strategies that can give it an edge over competitors. The findings support the conceptual model presented in this study which indicates that a sustainable competitive advantage can be attained by designing and implementing unique marketing strategies that incorporate aggressive distribution network and brand awareness campaign.

### **6.3 Factors Which Attract Consumers to Premium Beer Brands**

To address this research objective the researcher formulated the following question: “What are the factors that attract consumers to premium beer brands?”

Hanna and Woziniak (2001) assert that as marketers come to understand the behavior of consumers they are better able to predict how consumers will react to different environmental and information clues and can thus design and fine-tune their approaches and tactics accordingly. Hawkins and Mothersbaugh (2013) argue that, in today’s extremely competitive markets, a good understanding of buyer behavior and what attracts consumers to particular brands helps marketers in designing marketing strategies and tactics that allow them to create a positive and lasting relationship with consumers and achieve a competitive advantage.

The results of the study show that consumers are attracted to premium beer brands by the crispiness of the beer, the superior quality of the beer, the taste of the beer and, the market price of the premium beer brand. The premium beer market is a highly competitive market and for a brand to stand out in the crowd there is need for a good understanding of both the consumers and the way the market is structured. These results have demonstrated that for SAB to gain a competitive advantage in the premium beer market sector, there is a need to clearly design marketing strategies and tactics that will clearly differentiate its premium beer brands on important factors that attract consumers such as price, beer quality, crispiness and taste. The aforementioned finding is supported by Ehlers and Lazenby (2012) who argue that building a sustainable competitive advantage revolves around differentiating an organisation from competition along attributes that are important and add value to consumers.

Based on these findings the study therefore, rejects the null hypothesis that there are no special factors that attract consumers to premium beer brands apart from the actual alcohol content. It is therefore concluded that apart from the alcohol content, consumers are attracted to premium beer brands by the crispness, superiority, taste and the market price of the beer. The results also showed that, there are close similarities among the factors that attract consumers to all five premium beer brands. Belch and Belch (2013) assert that for brands that are closely related in their main attributes creative marketing position and communication can still separate them and earn a competitive advantage.

Keller (2008) defines brand positioning as the art and science of fitting the brand or product to one or more segments of the broad market in such a way as to set it meaningfully apart from competitors. The position of the brand or service is the image that comes to mind and the attributes that consumers perceive as related to it. Cant and van Heerden (2012) further add that positioning strategies of brand benefits with consumer needs and with the benefits that consumers derive from consuming the product are emphasized creates a favourable brand image in the mind of consumers. Kasper et al., (2006) add that an important strategic fact about products is that they are not created and sold as individual elements; rather products are developed and sold as offerings. An offering is therefore a bundle of physical (tangible), service (intangible), and symbolic (perceptual) attributes designed to satisfy customer's needs and wants. The conceptual framework presented in this study argue that SAB can gain a sustainable competitive advantage by managing the overall costs of producing, distributing and marketing its premium beer brands. Effective management of costs will result in the attainment of cost leadership in the market which will then translate into competitive prices and also better services to distribution partners.

#### **6.4 Lifestyle Elements that Influence Consumers' Premium Beer Brands Choices**

As a way of addressing the above research objective, the researcher formulated the following question:

“How does the life-style of premium beer brand consumers influence their brand choices?”

Kim and Lee (2010) assert that individuals develop a liking and loyalty to a brand because of the way the brand appeals to the ego and to the individual's values and feelings or other intangibles resulting in an individual developing a preference for that brand. Hartel and Bennet (2010) stress that marketing strategies aim at creating an emotional bond between the brand and consumers, which is most often sought and least often attained. Keller (2013) argues that consumers who have strong links to particular brands especially a positive self-brand connection see such brands as representing an aspect of themselves.

The results from this study show that the life style and personality of consumers has a major bearing on their premium beer brand choices. Therefore, the study rejects the null hypothesis that the life-style of premium beer brands consumers has no bearing on their premium beer brand choices. It can therefore be concluded that the life style of consumers, that is their personality, reputation, social self-concept and image have a major influence on premium beer brand choices and preferences.

Schiffman and Kanuk (2007) define personality as those inner psychological characteristics that both determine and reflect how a person responds to his/her environment. Wilkie and Moore (2007) add that an individual's specific qualities, attributes, traits, factors and mannerism influence the individual's product choices; they affect the way consumers respond to marketers' promotional efforts, and when and where, and how they consume particular products or services.



Davies and Cline (2005) argue that the identification of specific personality characteristics associated with consumer behavior has proven to be highly useful in the development of a firm's marketing strategies. Hence marketing strategies aimed at creating a strong brand bond with premium beer consumers should take into consideration what the life style of these consumers is where they consume beers and what image they wish to portray through the consumption of premium beer brands.

### **6.5 Distribution Channels and Networks of SAB's Premium Beer Brands**

The results from the study show that SAB can further develop its distribution network by providing more customized services to its retailers like financial incentives such as sales discount. For example, when an agreed sales target in terms of the volume of premium beer sold is reached by the retailer a discount is given. The results also show that joining forces with distributors in both rural and urban areas in creating aggressive advertising campaigns would boost and stimulate the patronage of SAB premium beer brands. Closs, Speier and Meacham (2011) assert that the contribution of supply chain management in gaining a competitive advantage is embedded in mutual cooperation where the distribution network partners feel appreciated and are rewarded for their effort in creating, supporting and sustaining the network. By finding better ways of engaging with distribution partners SAB will create an environment that will be conducive for the penetration of its premium beer brands. The conceptual framework presented in this study indicate that by having in place a strong distribution network in place where SAB has a good working relationship with distribution partners it will be able to outdo its competitors in the premium beer sector.

## **6.6 The Study Hypotheses**

In line with the study objectives four study hypotheses were developed to aid with the development of a competitive marketing strategy and model for the premium beer brands which was the main objective of this study.

Hypothesis testing was carried out using a Pearson Correlation Matrix. This statistical tool was engaged to evaluate the existence of the relationship as well as the strength and direction of the relationship of the tested variables. The results from the hypotheses tests demonstrated that the p-values were less than 0.05. which led the researcher to make conclusions on the various hypotheses:

H: 1 There are attributes in premium beer brands other than just the alcohol content; that attract consumers to patronize premium beer brands.

The results of the study showed that at 5% significant level H1 was rejected since the p-value was less than 0.05, the conclusion was made that there are attributes other than alcohol content in the beer that attract consumers to premium beer brands. These other attributes were identified to be taste, crispness and flavor of the beer.

H: 2 There are factors that attract consumers to premium beer brands apart from the actual alcohol content.

The results of the study showed that at 5% significant level H2 was rejected and since the p-value was less than 0.05, the conclusion was made that there are factors that attract consumers to premium beer brands. These factors were identified to be crispness of the beer, superiority quality of the beer, taste of the beer and the market price of the beer.

H: 3 The life-style of premium beer brand consumers has a major bearing on their premium beer brand choices.

The results of the study showed that at the 5% significant level H3 was rejected and since the p-value was less than 0.05, the conclusion was made that this study rejects the null hypothesis and it was concluded that the life style aspect of consumers; that is the personality of a consumer, reputation of the consumer, social self-concept and consumers' image have a major influence on premium beer brand choices and preferences.

H: 4 South African Breweries needs to further develop its distribution network if it is to increase its market share

The results of the study showed that H0 was rejected and the conclusion was made that this study rejects the null hypothesis and it was concluded that SAB needs to further develop its distribution network and create a strong bond with its distribution partners.

Table 6.1 summarizes the main decisions on the various hypotheses that were made from the results of each of the hypotheses testing carried out in this study. These results were then used in the development of the competitive marketing strategy and model.

**Table 6.1 Main Decisions from the Research Hypothesis**

<b>Number</b>	<b>Hypothesis</b>	<b>Decision</b>
H1	There are certain attributes in premium beer brands other than just the alcohol content that attract consumers to patronize premium beer brands.	There are attributes other than the alcohol content in the beer that attract consumers to premium beer brands.
H2	There are factors that attract consumers to premium beer brands apart from the actual alcohol content.	Apart from the actual alcohol content, consumers are attracted to premium beer brands by crispness of the beer, superiority of the beer, taste of the beer and the market price of the beer.
H3	The life-style of premium beer consumers has a major bearing on their premium beer brand choices.	The life style of consumers; that is the personality of a consumer, reputation of the consumer, social self-concept and consumers' image have a major influence on premium beer brand choices and preferences.
H4	SAB can create competitive advantage through distribution network development	SAB needs to further develop its distribution network and create a strong bond with its distribution partners.

## **6.7 Summary**

This chapter dealt with the discussion of the research results in relation to the research objectives. The relevant literature was referred to compare the study findings against previous studies.

From the findings presented in this chapter important issues were raised in relation to developing a sustainable marketing competitive strategy and model for premium beer brands. From discussion it has transpired that developing a competitive marketing strategy and model that can give SAB a sustainable competitive advantage is a complex process; not a straight-forward and simple one as many scholars have suggested. From the findings it can be deduced that for SAB to achieve a sustainable competitive advantage, a multi all-encompassing approach needs to be adopted. No single or a few factors could be solely cited as contributing to the sustainable competitive advantage at the expense of many other factors that are equally important. Even if one or a few factors are mentioned as contributing to sustainable competitive marketing strategies, it should, however, be acknowledged that there are other many factors at play in influencing the process, which is what this study has achieved. From this discussion it has therefore become evident that for an organization such as SAB to attain a sustainable competitive advantage in the premium beer market it needs to take cognizance of the main attributes of premium beer brands, factors that attract consumers to premium beer brands, the life style of premium beer brands consumers and the distribution network of premium beers as this study has proposed. An understanding of these factors would assist SAB in designing and restructuring its marketing strategies and approaches which would give it a better chance of securing a desirable market share in the premium beer market and attain a sustainable competitive advantage. Based

on these discussions the following chapter will present the marketing model, conclusions and recommendations.

## **CHAPTER SEVEN**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **7.1 Introduction**

Whilst the previous chapter dealt with the discussion of the research results, this chapter presents the conclusions and recommendations that can be drawn from this study. In chapter one, the research problem for this study indicated that SAB's premium beer brands such as Castle Lite and Peroni are finding it very difficult to compete for consumers' recognition and obtain a desired competitive market position due to the presence of international premium beer brands such as Heineken, Amstel and Windhoek. The main question raised for this study was, 'How can SAB increase the market share for its premium beer brands and outperform international premium beer brands in the market and gain a sustainable competitive advantage?'

#### **7.2 Key Findings from the Study**

The research findings have indicated that the most outstanding premium beer attributes are taste, crispness and flavor. The conclusion to be drawn in this regard is that most of the premium beer brands portray very similar attributes from which consumers can hardly differentiate. For SAB to win consumers it needs to come up with creative marketing strategies that support its claims; about its premium beer attributes; - on a wider scale, as marketing communication emphasizing on attributes are not enough for SAB to have a sustainable competitive advantage.

The research also revealed that consumers are attracted to premium beer brands by the crispiness of the beer, the superior quality of the beer, the taste of the beer and the market price of the premium beer brand. The conclusion to be drawn from this is that the marketing communication

initiatives of SAB should emphasize the outstanding superiority of its premium beer brands in order to attract more consumers. The findings also show that premium beer consumers are price sensitive.

It became evident that the decision as to which premium beer brand to consume is largely influenced by the life-style and personality of consumers. Consumers tend to consume beers that seem to reflect their life-style and how they want to be perceived by others. Drinking has a social touch to it and consumers want to promote and protect their own self-image through the beer brands that they hold in their hands whilst in public.

The findings revealed that beer distributors such as Ultra liquors, Liberty Liquors, Makro Liquors and Tops Liquors, as well as retailers, in both the formal and informal sectors need more customized services and support in the form of financial incentives such as sales discount. The findings also show that distribution channel members in both rural and urban areas need support to create aggressive advertisements that would boost and stimulate premium beer consumption.

It was apparent that in the period between 2008 and 2012, SAB distributed over 70% of its beers to the licensed retail market and at the same time it was estimated that as much as 70%-80% of SAB products were actually consumed in the informal and unlicensed market. The movement of products from licensed wholesalers and retailers to unlicensed retailers takes place through both licensed and unlicensed redistributors.

Through the comprehensive literature review that the study covered, the findings from this study show that all the key players in the beer market, that is SAB and its competitors such as Brandhouse, are subjected to the same cost structures as far as production input-costs are



concerned; hence the cost advantage strategy alone cannot offer SAB a long term and sustainable competitive advantage in the production and marketing of its premium beer brands.

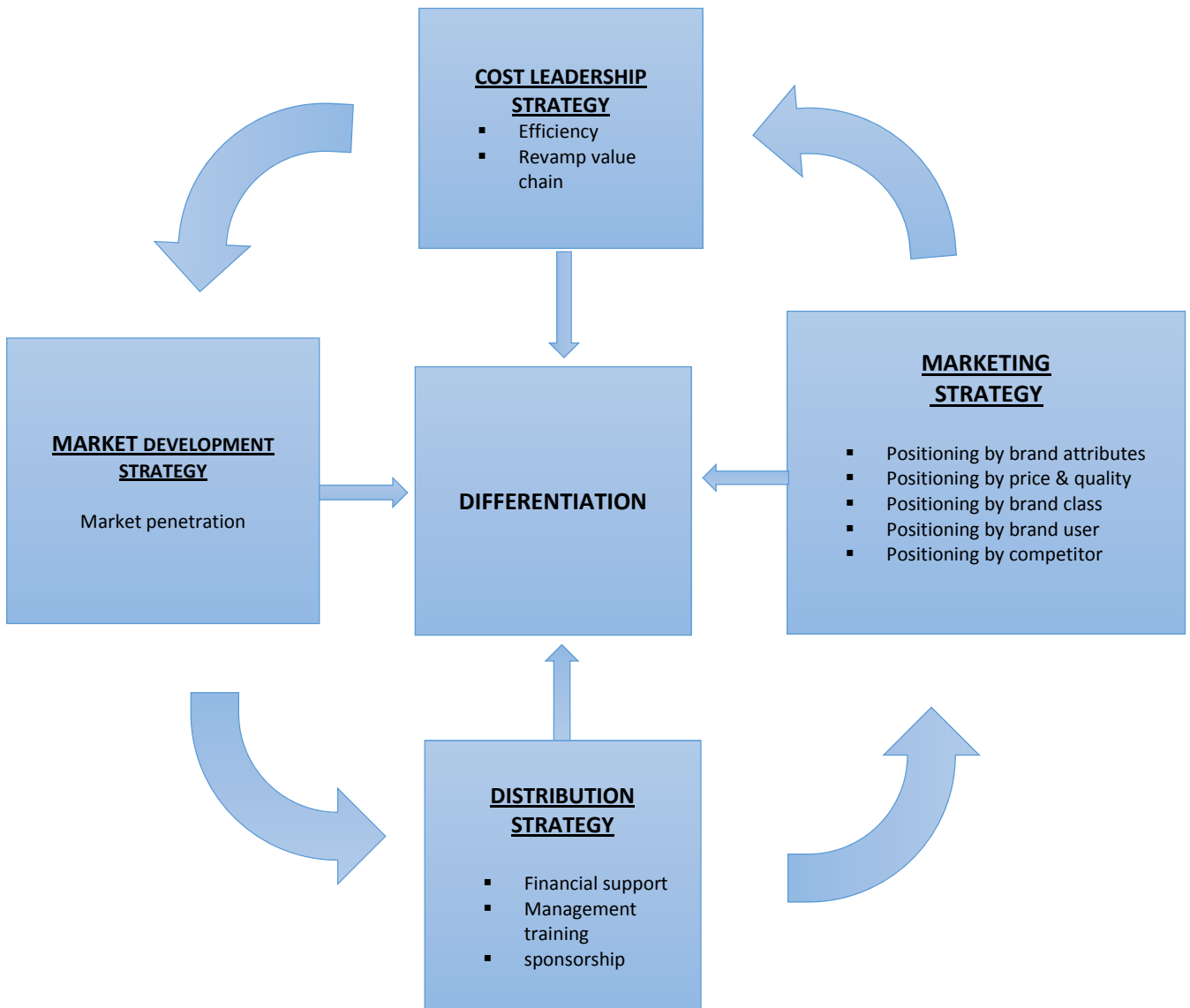
### **7.3 Competitive Marketing Strategies and the Model**

The theoretical framework on the sources of competitive advantage presented in chapter one and the literature reviewed in chapters two and three indicate that there are various models of attaining a competitive advantage in an organisation. The theoretical framework model also addressed the areas of agreement and disagreement by various authors on the subject of competitive marketing strategies and sustainable competitive advantage. The theoretical framework acted as a guide for this study and prepared the groundwork for the researcher to produce the proposed competitive marketing strategies and a model that SAB could use to gain a sustainable competitive advantage in the premium beer market.

The primary objective of this study was to develop competitive marketing strategies and a model through which the sources of sustainable competitive advantage for premium beer brands could be established and to design marketing strategies that would give SAB a competitive edge over international premium beer brands.

The competitive advantage model presented in this study in Figure 7.1 comprises five distinctive strategies that have been identified as the main sources of the framework of sustainable competitive marketing strategies that can give the SAB a competitive advantage in the premium beer market. The sources identified are: cost leadership, market development strategies, marketing strategies, distribution strategies and at the centre of the model is the differentiation strategy.

**Figure 7.1 Competitive Marketing Strategy and Model**



### **7.3.1 Differentiation Strategy**

At the centre of a sustainable competitive marketing strategy that can give SAB a competitive advantage is the differentiation strategy. The model proposes that for an organisation such as SAB that operates in a highly competitive market, differentiation should be the “*DNA*” of all its business strategies and operations and should consist of creating something that is perceived to be unique and valued by customers, that is distributors, retailers and consumers. A differentiation strategy that is centered on market development strategies, distribution strategies and marketing strategies and reducing the overall cost of the value chain creation will give SAB a sustainable competitive advantage as such differentiating attributes would be difficult for rivals to replicate. For SAB differentiation will yield a longer-lasting and more profitable competitive edge when based upon product innovation, technical superiority, comprehensive customer service, and unique competitive capabilities. Hence differentiation should not be limited to premium beer brands only but should be at the centre of all strategies and operations that are implemented by the organisation. Any other strategy that is implemented by SAB should be aimed at creating a sustainable differentiation.

The integration of cost leadership strategies, market development strategies, distribution strategies, and marketing strategies into this model would enable SAB to achieve high levels of customer loyalty resulting in lower price sensitivity. This would protect the organisation against competitive rivalry.

### **7.3.2 Cost Leadership Strategies**

The model proposes two ways that would assist SAB to achieve a cost advantage namely:

#### **7.3.2.1 Out-Perform Rivals in terms of Efficiency**

Greater efficiency in the value chain activities and controlling the factors that drive the costs of value chain activities would enable SAB to outperform its competitors. This would result in the overall reduction of operational costs that would put SAB in a competitive position as they will be able to offer premium beer at a relatively lower price to price sensitive consumers than its competitors as the study has found that premium beer consumers are price sensitive.

#### **7.3.2.2 Revamp the Organisation's Overall Value Chain**

Eliminating or by-passing some costly activities and utilizing the benefit from economies of scale, experience differences, learning-curve economies and technological advancement would enable SAB to significantly reduce its costs. Cost advantage would place SAB in a favourable position vis-à-vis substitutes relative to its competitors in the industry. By finding an inexpensive means to produce, market and distribute premium beers SAB would have the opportunity to successfully achieve both high differentiation and low cost position.

The excess products produced as a result of cost leadership would compel SAB to look for new markets, from both within and outside South Africa. This would lead to new market development strategies which would require differentiated marketing strategies thereby achieving sustainable growth both within the country as well as in foreign markets.

### **7.3.4 Market Development Strategies**

The model presented in this study suggests that benefits coming from cost leadership in the industry would be invested in producing more quality premium beer brands for marketing leading SAB to actively seek new markets for their premium beers. The model suggests that SAB can further develop its market by employing the following strategies:

#### **7.3.4.1 Market Penetration**

By designing and implementing marketing strategies that incorporate local (South African) beer consumption traditions and culture, SAB would develop further its premium beer market and have an edge over its competitors. South Africa is a country where its citizens enjoy celebrations of different kinds. SAB could tap into this aspect and incorporate it into its marketing strategies. SAB could add a “Celebration vibe” to its premium beer brands marketing and promotional strategies by introducing new elements to its traditional marketing strategies. These new vibes could include marketing themes such as “Castle Lite Braai Day” being introduced and promoted on public holidays in townships and locations. On these occasions SAB’s premium beer brands, such as Castle Lite, and Peroni could be sold at a promotional price that would increase brand penetration.

The introduction of unique and differentiated marketing strategies that tap into celebrated calendar events by appealing to the consumers’ life-style and emotions could result in an increased premium beer brand awareness that may lead to increased market penetration. If SAB would pursue and promote customer preferences of premium beer brands such as Castle Lite which has outstanding attributes such as its light flavor, a good after-taste, clean and crisp taste and combine these with differentiated marketing strategies it would gain an increased market share.

### **7.3.5 Distribution Strategies**

For SAB to gain and sustain a competitive advantage it needs to continuously find ways of gaining access to preferential distribution channels. This would mean pursuing differentiation without necessarily increasing costs. The model proposes that SAB should introduce meaningful supporting structures in its distribution network. A number of competitive distribution support structures could be introduced that can clearly set the distribution network of SAB apart from other beer firms competing in the same market. The model proposes the following structures:

#### **7.3.5.1 Financial Support to Beer Distributors**

Financial support given to retailers operating in the informal sector to establish and manage beer sales more efficiently and effectively, would contribute to establishing a strong bond of trust and confidence between SAB and retailers; this would benefit both parties in terms of profits. It would also stimulate both small and medium businesses to push SAB premium beer brands in the market thereby increasing its market share and at the same time increasing its awareness amongst consumers.

SAB could join forces with its distributors in both rural and urban areas as well as formal and informal business sectors, in creating an aggressive advertising and marketing campaign that would boost the image of SAB's premium beer brands and stimulate premium beer brands patronage. With this kind of marketing strategy, SAB would increasingly infiltrate into both rural and urban areas thereby increasing its market share leading to a sustainable competitive advantage.

### **7.3.5.2 Management Services to Tavern Owners**

It would be an investment for SAB to offer business management courses to its retailers operating in the informal sector. Furthermore by encouraging the retailers in the informal sector to formalize their businesses by applying for liquor licenses to operate legally SAB would also gain goodwill amongst its distribution partners.

Encouraging the formalization of the unlicensed retail businesses would be beneficial to SAB because moving from an unlicensed to a licensed business means that the business would now be formally recognized by SAB and be included in its distribution network rather than indirectly serviced by independent redistributors. This kind of a distribution model would also bring mutual benefits in terms of an increase in sales and profits for both SAB and retailers.

The provision of assistance in the licensing and business management training will earn SAB goodwill. Given the increasing competition from Brandhouse, this goodwill will have a sustainable competitive advantage for SAB as retailers will be more willing to maintain a bond with SAB and push for the premium beer brands of SAB.

### **7.3.5.3 Sponsorship**

SAB could increase the presence of its premium beer brands by sponsoring events in the locations and townships removing the perception that premium beer brands are targeted at financially and well to do consumers. The sponsoring of events would increase the market penetration of premium beer brands as consumers will come to identify themselves with such beer brands.

### **7.3.6 Marketing Strategies**

The model proposes that factors that attract consumers towards premium beer brands and the main attributes of premium beer brands should form the central theme of the positioning strategies of SAB. The premium beer brands would increase its prominence amongst consumers by using the following positioning strategies:

#### **7.3.6.1 Positioning by Brand Attributes and Benefits**

Emphasizing premium beer attributes in the marketing communication campaign, SAB premium beer brands will be more appealing to consumers; this will create a bond between them and consumers leading to an expansion of the market that would result in a sustainable competitive advantage in the premium beer sector.

#### **7.3.6.2 Positioning by Price and Quality**

The marketing campaign and communications strategies such as premium beer advertisements should reflect the image of a high quality brand, and the quality benefits derived from consuming the brand.

SAB could use the price/quality characteristics of its premium beer brands such as its superiority, crispness, and its good taste, combined with its value at a competitive price gained as a result of the cost leadership strategy. This positioning strategy will give SAB an edge over its competitors as it will have a clear set of marketing offerings different from other competitors. In the premium beer market where a number of premium beer brands compete with each other, the perceived image of each brand has a greater impact on the purchase decision than the relative price.



### **7.3.6.3 Positioning by Brand Class**

The beer market is flooded with different brands of beers. Therefore, competition for premium beer brands often comes from outside the premium beer brands category. A major threat to the market share of premium beer brands emanates from lager beers such as Castle Lager, Hansa Pilsener, Windhoek Lager, Carling Black Label just to mention a few. This competition also extends to spirits and alcoholic drinks which compete for more or less the same market segment. Premium beer brands can clearly set themselves apart in a class of their own by emphasizing the benefits that consumers will derive from them as opposed to lagers, spirits and brandy, benefits such as light beer, its crisp taste and good after-taste. This kind of marketing strategy would increase its penetration resulting in a sustainable competitive advantage.

### **7.3.6.4 Positioning by Brand User**

The model proposes that market penetration and the market share of premium beer brands can be increased by associating premium beer brands with a particular group of users. This approach can be effective by emphasizing identification or association of the brand with a specific group of users whose image will enhance or reinforce the outstanding attributes of the premium beer brand. Positioning of a premium beer brand by a person or a group of users who are highly rated in society, will be seen as enhancing the consumers' reputation and social image and in return the premium beer will gain more popularity.

### **7.3.6.5 Positioning by Competitor**

Creating and sustaining a competitive advantage requires that marketing managers create strong brand associations to all possible marketing effects, choosing not just which brand elements will represent the brand but also how to use them in the marketing program. By comparing the attributes of SAB's beer brands with the international brands, and emphasizing the outstanding

attributes of the local premium beer brands SAB would have an edge over international premium beer brands as consumers will be informed about the good attributes of these brands leading to an increase in the market share. In order to have an edge over competitors in the market, SAB should creatively differentiate positioning strategies of its premium beer brands on important factors and attributes that consumers perceive add value to them.

#### **7.4 Managerial Implications of the Model**

The primary objective of this study was to develop competitive marketing strategies and a model for the premium beer brands, presented in figure 7.1, which can be used by SAB in the premium beer industry to gain and sustain a competitive advantage. The sources and strategies of a competitive marketing advantage presented in this model have a number of strategic managerial implications on the organisation. These implications are presented as follows:

##### **7.4.1 Overall Differentiation**

Firstly, management needs to understand that a sustainable competitive advantage emanates chiefly from differentiation; how different and unique SAB positions itself in the liquor industry is central to how it gains and sustain its competitive advantage; hence differentiation is the central element of any sustainable competitive strategy of an organisation. This presents the need for a greater understanding of the value and contribution of each source of organizational differentiation that leads to a sustainable competitive advantage. Every effort must be made to differentiate each and every functional or operational activity of the organisation from its competitors.

#### **7.4.2 Market Development Implications**

This study has shown that premium beer brands are mostly patronized by a younger generation and have not fully penetrated the growing middle class hence an in-depth understanding of the outstanding attributes of premium beer brands that attract the younger middle class generations to premium beer is significant in the formation of marketing, distribution and market development strategies. SAB marketing management should be creative in its market development strategies; this would assist premium beer brands to make inroads into the growing middle class, which forms the largest segment of the beer market.

#### **7.4.3 Perceived Brand Value and Market Positioning of Premium Beer Brands**

The findings from this study have shown a strong relationship between the five premium beer brands in terms of brand attributes, factors that attract consumers to premium beers and the life styles of consumers. This calls for management to come up with creative marketing and distribution strategies that will set each of SAB's premium beer brands apart from the market clutter and occupy a clear and distinct position in the minds of consumers.

#### **7.4.4 Building Brand Equity**

In a cluttered competitive beer market, the premium beer brand elements that make up the brand need to do more and more of the "selling". In a time compressed marketing world, the fact that a brand name can be noticed and its meaning registered or activated in memory within a few seconds is a tremendous asset. The model presented in this study has the potential of creating a powerful brand with inherent marketing value to build awareness and image, as well as serve as a strong foundation to link associations, and provide SAB with a strong and sustainable competitive advantage for its premium beer brands.

The model presents the advantages of different strategies that SAB could utilise to connect with its distribution partners as well as the final consumers through customization of the brand presentation whereby each strategy more effectively contributes to brand equity, and the brand elements more effectively reinforce each other. This kind of strategic approach will set the marketing strategies of SAB apart from the rest of the players in the industry, hence giving it an edge over its competitors.

#### **7.4.5 Marketing Programs**

The process of building and sustaining a competitive advantage for an organisation is a long and enduring one which demands managers to rise above others by better understating the needs, wants, and desires of consumers and creating marketing programs that fulfill and even surpass consumer expectations. The marketing team of SAB should understand that building and sustaining a competitive advantage for premium beer brands requires that the premium brand should have a rich but internally cohesive brand image whose association consumers highly value. Marketing programs will then reinforce these associations through product distribution, brand positioning and communication strategies that creatively remind consumers of what the brand has to offer. With these marketing programs, consumers will have a clear picture of what the premium beer brands represent and why premium beers are special; this will result in brand loyalty and competitive advantage.

#### **7.5 Recommendations**

There are a number of recommendations that can be made based on the findings of this study. It is supposed that when the company (SAB) takes cognizance of these recommendations it will be able to recapture its market share and increase the market dominance and penetration of its premium beer brands.

The recommendations presented in this section are based on the findings of the study and the model that was developed from the findings hence recommendations are made for each of the sources of competitive marketing strategies and the model presented in Figure 7.1.

### **7.5.1 Overall differentiation**

Differentiation as a source for creating and sustaining superior value is crucial for establishing a sustainable competitive advantage for premium beer brands of SAB. Customers' perception of brand value represents an overall evaluation of the utility of a product based on the perceptions of the net benefits received and what must be given up. The implementation of the strategies outlined in the model would enable SAB to provide superior customer value by meeting and even surpassing customer expectations from all dimensions. Customers of SAB range from distributors, retailers, final consumers as well as organisations which buy beers when hosting their calendar events such as end of the year parties. Hence for an organisation that boasts such a wide range of customers to be successful in gaining a sustainable competitive advantage every effort must be made in the whole value creation chain to differentiate its activities from those of its competitors, as such differentiation becomes central to a sustainable competitive advantage of the organisation.

### **7.5.2 Distribution Strategy**

The development of a unique and efficient distribution channel that involves a partnership between SAB and beer wholesalers and distributors such as Ultra Liquors, Liberty Liquors, Makro Liquors, Pick 'N Pay- Tops, tavern or "*shebeen*" owners would provide a sustainable competitive advantage. A distribution system that includes incentives and structures that offer the distribution network members financial support and managerial services will facilitate the process of passing title or possession of the product from the producer to the final consumer for in such a highly competitive market like the beer market nothing is more important to the continued success of a company than good customer relations.

The distribution structure and strategy presented in the framework in figure 7.1 has the potential to enhance customer satisfaction, support the marketing objectives of both SAB and its trading partners. This kind of distribution network will offer greater value to customers and realise profits to marketers hence it is recommended that SAB should make every effort in establishing a good rapport with its customers and distribution members.

### **7.5.3 Cost Leadership Strategy**

The cost leadership strategy is easily imitated by competitors and as such it can only give an organisation a temporary competitive advantage. Breweries operate in the same market and are often exposed to the same levels of technology and production processes and cost structures. This being the case, competitive advantage based on cost leadership alone can be imitated too easily by competitors, hence this cannot give SAB a real and sustainable source of competitive advantage, unless when used alongside other strategies outlined in the model presented in this study.

Although the cost leadership strategy is easily imitated by competitors every effort should be made in the value chain creation system to reduce the cost of producing premium beer brands. Greater efficiency in managing production costs, distribution costs, market development costs, and product marketing costs would result in SAB gaining and sustaining an overall low cost leadership position in the beer industry. This cost leadership should translate into overall low prices of SAB products in the market which will be attractive to consumers leading to brand loyalty. Fierce competition, improved productivity and the increased aggressiveness of low cost global competitors have made markets more price-competitive and unless SAB finds a sustainable way of reducing the cost of doing business it cannot compete meaningfully in the market.

#### **7.5.4 Marketing Strategies**

The study recommends that SAB use a wide range of promotional (marketing communication) tools which should be integrated to create a wider spread of premium beer brand exposure.

A well-managed and integrated brand promotion strategy will provide a wide spread brand communication resulting in increased brand awareness. An integrated marketing strategy mix consisting of sponsorship and brand positioning strategies will attract more consumers.

SAB marketing team needs to develop a deeper understanding of what makes their brands successful and continue developing strategies of retaining enduring core elements while at the same time modifying peripheral elements that fail to add value or that unnecessarily absorb costs.

#### **7.5.5 Marketing Development Strategies**

SAB should increase its efforts in targeting non premium beer buyers in currently targeted market segments by increasing its marketing efforts in the informal and rural markets. By so doing new market segments would be identified thereby increasing the market share of premium beer brands and gaining a sustainable competitive advantage.

#### **7.6 Contribution of the Study to the Body of Knowledge**

As far as could be ascertained, this study is the first of its kind to identify sources of sustainable competitive advantage for the niche market of premium beer brands in the liquor industry in South Africa which developed competitive marketing strategies and a model that can assist an organisation such as SAB to gain and sustain a competitive advantage by outlining clear marketing communication strategies that can give an organisation an advantage in the market.



Although some studies were identified in which sources of competitive advantage in different industries were outlined such studies did not progress further to explore the interrelationship and strategies that play a decisive role in gaining and sustaining a competitive advantage. Furthermore, competitive advantage models often appear to focus on internal factors of the organisation and of the industry rather than combining the internal and external environmental factors of the organisation. It was therefore found that the literature in the area of competitive advantage appears to be fragmented in terms of the way in which organisations can attain and sustain a competitive advantage.

Given this fragmented body of knowledge, this study is the first to suggest a model that could be adopted for gaining and sustaining a competitive advantage in the beer market, especially premium beer which is a growing area. The application of the model is not limited to premium beer brands only; it can be implemented by other beverage organisations as well. Furthermore, empirical research on sustainable competitive advantage in the liquor industry is very limited, let alone in the premium beer sector.

The findings from this study have contributed in the area of competitive advantage by identifying the main sources of competitive advantage other than the traditional generic model of Porter.

## **7.7 Limitations of the Study**

In undertaking this study certain limitations became apparent, which include the following:

### **7.7.1 Premium Beer Brand Selection**

Even though the five premium beer brands around which this study was developed were carefully selected after a pilot study, it became evident that the number of brands chosen was limited. Five premium beer brands represent a very small sample of the beer brand population

currently competing in the South African beer market. The study should have included lager beer brands as well since these brands also compete for the same market share with premium beer brands.

### **7.7.2 Time and Budget Constraints**

Time and budget limitations made it impractical to assess a wide range of attributes of premium beer brands, factors that attract consumers to premium beer brands, the life style of consumers and the distribution network of beer using multiple data gathering instruments. A mixture of different data analysis techniques could have added further dimension to the results providing an even more accurate account of the factors and variables mentioned in this study.

### **7.7.3 The Model Concentrated on External Sources of Competitive Advantage**

The competitive advantage model presented in this study concentrated mainly on the external sources of competitive advantage and did not examine the internal sources of competitive advantage. Other studies in the area of competitive advantage suggest that an organisation can gain and sustain a competitive advantage in the market or in the industry because of the quality and strength of an organisation's internal structures such as technological advancement, quality of labour, competitive leadership skills amongst others; however this study did not consider all these factors in detail. A successful competitive marketing strategy should integrate all functions and organisational elements of SAB.

## **7.8 Areas for Future Studies**

This study provided a new perspective on competitive marketing strategies and competitive advantage sources in the premium beer brands sector within the liquor industry; however the study also presents opportunities for further research in this industry in a number of ways.

It would be of great value to assess the degree to which the findings of this study correlate with those of similar studies in other alcoholic beverages such as wine, lager beers, and spirits. It can only be assumed that other alcoholic brands might use a different set of factors and influences when developing a competitive advantage base. For example it is expected that factors and influences such as brand attributes that lead to customer satisfaction, elements of the distribution network and the life-style of consumers would feature more prominently in all alcoholic brands when it comes to designing marketing strategies that would give an organisation a competitive advantage.

The study also presents the opportunity to be replicated on a wider and different range of alcoholic beverages. It can only be assumed that the results would be similar which would present the hypothesis that all beer brands can be treated as a single entity as far as developing a competitive advantage and marketing strategies is concerned.

Another possible area of research would be to undertake a comparative study between the marketing strategies of other alcoholic beverages such as spirits, brandy and whiskies. It would be interesting to compare and contrast the sources of competitive advantages and the marketing strategies that are used for such brands.

The South African Breweries is still expanding its business operations further into African countries and beyond with its beer brands hence a further possibility is that the present study can

be replicated in an international context in order to assess the sources of competitive advantage and marketing strategies that can be implemented in different countries. Although various other areas of research are probable, this research serves as a point of departure in developing a competitive advantage framework and marketing strategies for different industries that are facing aggressive competition in the market and continue to lose market share and competitive advantage to international brands.

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## Appendix A: Questionnaire to Premium Beer Consumers



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School of Management Information Technology and Governance

PhD Research Project

Researcher: STEWART KAUPA

Student number: 200201969

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**SUPERVISOR : PROFESSOR KRISHNA GOVENDER**

**Contact : [govenderkrishna@gmail.com](mailto:govenderkrishna@gmail.com)  
[krishnag@regenesys.co.za](mailto:krishnag@regenesys.co.za)**

Dear Respondent,

I, **STEWART KAUPA**, am a PhD (Marketing Management) student in the School of Management, Information Technology and Governance, at the University of KwaZulu-Natal. As a requirement for my PhD, I am undertaking research on the following topic:

**DEVELOPING A COMPETITIVE MARKETING STRATEGY MODEL FOR THE PREMIUM BEER BRANDS IN SOUTH AFRICA**

Using the South African Breweries as a case, this study is aimed at developing a Competitive Marketing Strategy Model for the premium beer brands in South Africa that will assist South African industries to defend their market position and fight against the invasion of international brands and gain a market competitive advantage. The model will integrate economic and cognitive perspectives and show how the domestic beer producer – The South African Breweries can create a strategy in which the local premium beer brands can successfully compete with international brands. The objectives of the study are:

- To evaluate the attributes which differentiate the local premium beer brands from the international premium brands;
- To investigate the factors which attract consumers to premium beer brands;
- To explore the life-style and consumption behaviour of the target market for premium beer brands; and
- To investigate and evaluate the distribution channels and networks of premium beer brands.

Your participation in this research is voluntary and you may withdraw from the project at any time. There will be no monetary gain for participating in this research project.

If you have any questions or concerns about participating in this study, please contact me or my supervisor on the numbers listed above.

It should take you about 15-20 minutes to complete the questionnaire. I hope you will take the time to complete the questionnaire.

Sincerely

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_





School of Management Information Technology and Governance

PhD Research Project

Researcher: STEWART KAUPA

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stewkaupa@gmail.com

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**SUPERVISOR : PROFESSOR K GOVENDER**

**Contact : govenderkrishna@gmail.com**

## CONSENT

I \_\_\_\_\_(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

\_\_\_\_\_  
**Signature of Participant**

\_\_\_\_\_  
**Date**

**Please insert your demographic details as requested below and ONLY IF YOU ARE 18 YEARS OR OLDER, answer all the questions that follow:**

**SECTION A: DEMOGRAPHICS**

1. Gender:  Male  Female
  
2. Race: Black  White  Indian  Coloured  Other specify
  
3. Age: 20 -25  26-30  31-35  36-40
  
4. Are you employed? Yes  No
  
5. My current income level (in Rands) per annum is:  
[R1- R50 000]   
[R50 001-R100, 000]   
[R100, 001-R150 000]   
[R150 001-R200 000]   
[R200 001 and above]
  
6. Where do often drink premium beer? In the pub  at parties  at home
  
7. How often do you consume premium beer?  
 Every day  
 once/twice a week  
 Occasional  
 Once in a while  
 Never

**SECTION B**

<b>ATTRIBUTES OF PREMIUM BEER BRANDS</b>
--

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree
1		This premium beer brand is outstanding because of its higher alcohol content	Castle Lite					
			Heineken					
			Peron					
			Windhoek					
			Amstel					
2		This premium beer brand is outstanding because of its lower alcohol content	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					
3		This premium beer brand is outstanding because of its after taste	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree
4		This premium beer brand is outstanding because of its clean and crisp taste	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					
5		This premium beer brand is outstanding because of its light flavour	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					
6		This premium beer brand is outstanding because of its low calories	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					

**SECTION C**  
**FACTORS ATTRACTING CONSUMERS TO PREMIUM BEER BRANDS**

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree
1		I am attracted to this premium beer brand because of the brand message it communicates	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					
2		I would maintain a long term relationship with this premium brand	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					
3		I am attracted to this premium beer brand because of its price worthiness	Castle Lite					
			Heineken					
			Peroni					
			Windhoek					
			Amstel					

	NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree		
	4		I am attracted to this premium beer brand because of its superior quality	Castle Lite							
				Heineken							
				Peroni							
				Windhoek							
				Amstel							
	5		I am attracted to this premium beer brand because it tastes better	Castle Lite							
				Heineken							
				Peroni							
				Windhoek							
				Amstel							
	6		I am attracted to this premium beer brand because of its clean and crisp taste	Castle Lite							
				Heineken							
				Peroni							
				Windhoek							
				Amstel							

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree	Strongly agree
7		I am attracted to this premium beer brand because of its higher alcohol content	Castle Lite						
			Heineken						
			Peroni						
			Windhoek						
			Amstel						
8		I am attracted to this premium beer brand because of its after taste	Castle Lite						
			Heineken						
			Peroni						
			Windhoek						
			Amstel						

**SECTION D**  
**LIFE STYLE OF PRMIUM BEER CONSUMERS**

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree	Strongly agree
1		The reputation of premium beer brand is a key factor in me maintaining my brand loyalty	Castle Lite						
			Heineken						
			Peroni						
			Windhoek						
			Amstel						

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree	Strongly agree
2		My loyalty towards this premium beer brand is based on the choice made by my friends	Castle Lite						
			Heineken						
			Peroni						
			Windhoek						
			Amstel						
3		This premium beer brand enhances	Castle Lite						
			Heineken						



		my social self-concept							
			Peroni						
			Windhoek						
			Amstel						
4		I maintain a good relationship with this premium beer brand in keeping with my personality	Castle Lite						
			Heineken						
			Peroni						
			Windhoek						
			Amstel						

NO	CODE	QUESTION	PREMIUM BEER BRANDS	Strongly agree	Agree	Neutral	disagree	Strongly disagree	Strongly agree
5		This premium beer brand enhances my reputation	Castle Lite						
	Heineken								
	Peroni								
	Windhoek								
	Amstel								
6		I have an emotional attachment	Castle Lite						
	Heineken								

		with this premium beer	<b>Peroni</b>						
			<b>Windhoek</b>						
			<b>Amstel</b>						
<b>7</b>		This Premium beer brand gives me a good public image and reputation	<b>Castle Lite</b>						
			<b>Heineken</b>						
			<b>Peroni</b>						
			<b>Windhoek</b>						
			<b>Amstel</b>						

## Appendix B: Questionnaire to Beer Distributors



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School of Management Information Technology and Governance

PhD Research Project

Researcher: STEWART KAUPA

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Cell phone No: 072 8133239

**SUPERVISOR : PROFESSOR K GOVENDER**

**Contact : [govenderkrishna@gmail.com](mailto:govenderkrishna@gmail.com)**  
**[krishnag@regenesys.co.za](mailto:krishnag@regenesys.co.za)**

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- To investigate and evaluate the distribution channels and networks of premium beer brands.

Your participation in this research is voluntary and you may withdraw from the project at any time. There will be no monetary gain for participating in this research project.

If you have any questions or concerns about participating in this study, please contact me or my supervisor on the numbers listed above.

This interview will last approximately 25 minutes. I hope you will take the time to answer all the questions.

Sincerely

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_



School of Management Information Technology and Governance

PhD Research Project

Researcher: STEWART KAUPA

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Cell phone No: 072 8133239)

**SUPERVISOR : PROFESSOR K GOVENDER**

**Contact : govenderkrishna@gmail.com**

## CONSENT

I \_\_\_\_\_ (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

\_\_\_\_\_

\_\_\_\_\_

## **QUESTIONNAIRE FOR THE LIQUOR OUTLETS/DISTRIBUTORS**

1. Do distributors need personalized services from the South African Breweries, and if so what type/kind of services are needed by the distributors?
2. How best can the South African Breweries partner with the distributors in order to increase its market penetration?
3. What are the weaknesses of the South African Breweries distribution system and how best can they be addressed?
4. What is the strength of the South African Breweries distribution system?
5. How can South African Breweries' premium brands increase its presence amongst the middle class?
6. How can the South African Breweries (SAB) secure dominance of premium beer markets
7. How can South African Breweries improve the relationship that it has with its business partners in order to gain a competitive advantage over its competitor

**THANK YOU FOR YOUR PARTICIPATION**

**Appendix C: Ethical Clearance Letter from UKZN**