

TITLE

A New Product
Development in the South African retail food market.

BY

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Submitted in partial fulfilment of the requirements for the
degree of

MASTERS IN BUSINESS ADMINISTRATION

Graduate School of Business, Faculty of Management

University of Natal (Durban)

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September 2003

CONFIDENTIALITY CLAUSE

15 September 2003

TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

Due to strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of 7 (seven) years.


Sincerely



M MOOBLEY

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed:  _____

Date: 15 September 2003

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ACKNOWLEDGEMENTS

- 1. Prof. Elza Thomson – Supervisor**
- 2. My Family –My Wife Lulu, my son Juran-Perez and my daughter Meishanka.**
- 3. Pastor Graham Temlett**
- 4. Prof. Kanti Bhowan**
- 5. My friend Mekonnen Dengetsha**

ABSTRACT

We show that marketing research is critical in such a market driven industry as retail food. We use the qualitative approach and case study; and the research techniques used will provide relevant information for the successful development of a new product. Tools for research that will be used, are taste tests, interviews, focus groups and questionnaires. Having compiled what customers' want, any business then faces the challenge of completely meeting those adequately and profitably. The research looks at an important part of market research; strategies for new product development and finding the appropriate marketing mix strategies. The study illustrates how 'Maharani Instant Spice' researches the market and uses the information it gains to influence its decisions about its product development. In the final analysis, the findings will determine whether the development of the new product is feasible or not. (Mayat: 1961)

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CHAPTER 1

1.1 INTRODUCTION

We live in a consumer driven society in which the choices made by ordinary people play a large part in shaping the decisions of large companies. A prime example of this is the decision about, what to produce and how best to package and advertise the goods or services. The process by which companies find out about consumer requirements is called market research. The role of market research in New Product Development (NPD) in South Africa's retail food industry will be examined, with special focus on the spices market, and more specifically 'curry spices'. (Di Benedetto, C.A.: 2000)

"The art of cooking was born the day when Adam's chop fell into the fire over which he and Eve were huddled to warm their numbed bodies. Again after a quarrel Eve found the chop over which her salty tears had splashed mush improved the taste. These experiences they passed on to their children and so was launched culinary art." (Mayat: 1961)

Trying to preserve foodstuffs during the season of abundance to provide for the days of shortages has challenged the ingenuity of man. Earlier in history of mankind, it was discovered that products, which were slowly dried in the sun, remained edible for a longer period. Sprinkling certain powdered roots could also prevent that rapid deterioration.

Spices were initially used to combat deterioration and peoples palates soon acquired a taste for them. It is not by accident that highly spiced dishes have originated from countries with tropical and equatorial climates. Nature has a way of compensating for its own drawbacks. In colder climates where food does not deteriorate so rapidly, spices do not grow as prolifically as they do in climates where their need is imperative. For the populations that rely on the products of their environment, this easy access to spices soon lays the foundation for 'typical dishes'. What had been initiated as sheer necessity soon moulded national appetites?

Religion and culture play a great part in the dishes of a people. The kosher regulations of

the Jewish people, the halaal and haraam injunctions of Muslims, the vegetarianism of Buddhists, gourmandism of Chinese dishes are all restrictions imposed by religion.

Some dishes have attained an international status. Travel, immigration and transportability of products have all been contributory factors. The rice dish known as pilaau, pilaff, paella, or pulaau, is a case in point. So is the curry whether it is known as curry tarkari or goulash. With speedier modes of transportation one can safely predict that croissants, halwa, biryani and bhajia will soon enjoy an international exposure.

1.1.2 MARKET RESEARCH: WHY?

Perhaps most importantly, marketing research can bring in valuable customer views; a stronger role for marketing should translate into these elements contributing to more successful New Product Development (NPD).

In particular, it will be demonstrated that marketing research is critical in such a market driven industry as retail food. The qualitative approach and case study methods will be used. The research methodology techniques are taste tests, interviews, focus groups and questionnaires. Having discovered what customers' needs are, a business then faces the challenge of meeting those adequately and profitably. The research looks at an important aspect of market research. The study illustrates how 'Maharani Cuisine Instant Spice' (MCIS) researches the market and uses the information it gains to influence its decisions about its product development. (Mayat: 1961)

1.1.3 STORY BEHIND THE ART OF INDIAN COOKING

In the handling of food, the Indian woman finds fulfilment for her talents. With much of Indian art being functional, cooking is viewed as one more means in which she is able to express herself. A mother traditionally taught her daughter that, 'the best way to your husband's heart is through his mouth, hence tasty cooking'. This criterion was at one time the ideal advice for the ideal bride. All her creative instincts are brought into play and this is visible when her labour of love appears on the table. Symmetry of line, colour combinations, shape, choice of serving dishes and garnishes, all combined with much

thought and talent.

Each Indian dish was passed down through generations so that daughters became as proficient as their mothers in the kitchen, however the need for a reliable cookery book was beginning to be felt since daughters were spending more time with their studies and newly acquired careers. Also owing to the breakdown of the extended family system of living, daughters-in-law were called upon to manage their own houses at a much younger age. The earlier stigma attached to a family whose grown-up daughters could not cook has fallen away. With the mother-in-law or aunt no longer to advise the young women, a reliable easy to cook recipe has become essential, even in the Indian domain. Indian husbands still insist on having meals the way their mothers prepared them. Both Indians and non-Indians have found the cooking of authentic Indian dishes extremely difficult without a well-designed recipe. Even experienced Indian cooks who abound in the community refer to detailed recipes. However, it must be remembered that good cooks are not born, they are produced after lengthy periods of hard work. A good recipe book will not yield good results unless care is exercised during all stages of food preparation and presentation. Selecting ingredients, balancing menus, blending flavours, and preparing the correct accompaniments, all have to be taken into consideration. No one is born with all this knowledge and each one has to learn from the tedious school of experience.

Against this backdrop, it is perceived that for a good quality Indian dish, the know-how with all the other considerations is a pre-requisite. All of this experience and knowledge can be culminated into one single product. The Maharani Cuisine Instant Spice (MCIS), where all the required, attractively packaged to be used as a preservative free, all-in-one, Simple procedure which is destined to change the art of Indian cooking. Therefore, market research is an attempt to test the market demand for such a product and to test its feasibility in the South African retail food sector.

1.2 BACKGROUND OF THE RESEARCH

Maharani Cuisine was established in 1994 in Pretoria. An authentic Indian Restaurant was established catering for the South African palate. The décor and taste originated from

a mixture of North Indian and South Indian, which typifies the South African Indian culture. The concept was extremely successful and expanded into the Sun International Casino Fast Food Court in Brakpan, reaching R2 million turnover in the first year. The Maharani Cuisine name became established primarily in Gauteng and to visitors from the rest of South Africa. Maharani, in the Indian language, is translated as Queen. The name Maharani was also associated with one of the icons of Durban, a well established, five-star beachfront classy hotel.

Maharani Cuisine (Pty) Ltd protects the name Maharani Cuisine was registered with the Registrar of Companies and the trademark. As demand for the unique taste of Maharani Cuisine food grew, the owners began to sell the blend of spices which was used in the restaurant, to retail outlets. Due to the popular demand for the secret spice blend, the owners of Maharani Cuisine were persuaded to sell the spice used in the restaurant, over the counter. It soon became an overwhelming success, necessitating a drive to adequately package it and commercialises the brand into a retail business idea. But as in all business ventures, research is very important, that is why this research was begun. The research will focus on market research and new product development, primarily establishing whether the NPD is feasible or not.

1.2.1 COMPETITOR ANALYSIS

Assessing the impact of environmental change on a company's strengths and weaknesses can be augmented by an analysis of how environmental changes might affect its competitors. This assessment can in practice be difficult, not only because of the challenges of obtaining enough information to make reasoned judgements, but also because the boundaries of an industry can be unclear and are not likely to provide any precise delineation of competition. This is especially true if; the industry is becoming increasingly global. However, despite the difficulties, attempting to understand how the competition may be affected by the environmental change, a company might be able to capitalise on its own strengths or be strained by their weaknesses, can be useful to an organisation in developing and pursuing its own strategy. (Ambrosini: 1998)

1.2.2 GAP ANALYSIS

Gap analysis can help the stakeholder better understand the dynamics of the competitor environment. Importantly, it can be used to reveal where an organisation has weaknesses, and where it has strengths, in relation to its competitors. Such an analysis helps the manager develop strategies to catch market leaders or strategies to stay ahead of the chasing pack.

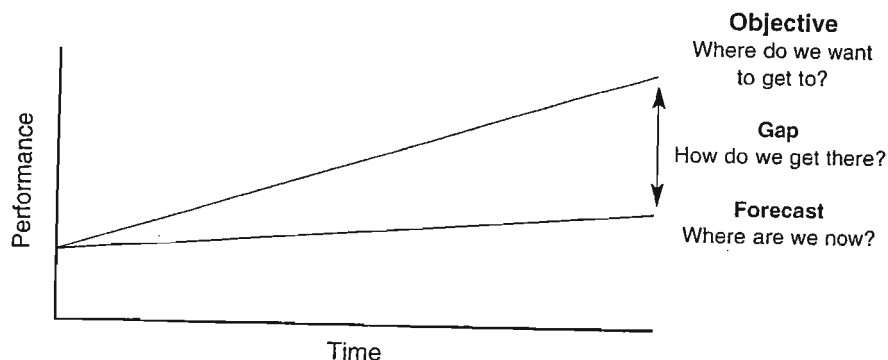
1.2.3 PERFORMANCE GAP ANALYSIS

A simple approach to gap analysis centres around three questions:

- **Where are we now?**
- **Where do we want to be?**
- **How can we get there?**

These three questions can be portrayed graphically, as shown in:

Fig 1.1. Gap Analysis



Source (Ambrosini, 1998: 221)

Objectives of Gap Analysis

To evaluate the current market status quo for dry spices in South Africa; then to establish to what extent the new product development: 'Maharani Cuisine Instant Spice' (MCIS), meet market demand; test its feasibility in the South African Retail market. Establishing brand equity within the food retail market and eventually to compete for a greater market share. Establishing 'Maharani Cuisine' as a household brand in the South African retail food market will be the long-term goal, competing with other similar products nationally and internationally.

After evaluating the market research and establishing whether there is a gap in the spice market in South Africa; for a unique, innovative 'all-in-one authentic instant spice' which is attractively packaged and easy to use. The product will then be developed according to consumers' tastes and preferences and an appropriate marketing mix are established.

1.2.4 PRODUCT LINE GAPS

To analyse product line gaps, the stakeholder begins by specifying all the possible alternative elements that can be recognised within the product. These elements include price, size, quality, colour, flavour, value or anything else that differentiates one product from another. Once this has been done and compared to the competition, the stakeholder has the following options: develop a product where the organisation is under represented;

- **Create new products or services through innovation or significant product differentiation.**
- **Concentration will be on distribution gaps, usage gaps and competitive gaps.**

1.3 MOTIVATION FOR THE RESEARCH

The South African market for value -added spice products has been growing steadily over the last few years, reflecting a growing trend in South Africa towards spicy foods. This has been reinforced by the steady increase in spending power of the black middle class, where spicy, hot foods are more traditional than in the white community. Against this

backdrop there remain opportunities in this business sector that need be explored and the exploratory research will assist in getting closer to the viability and profitability of such a venture. Secondly, South Africa is a primary producer of chillies, coriander and ginger that complements the resource capabilities of a South African based spice company. This resource availability can be one of the strengths the company requires to be a successful player in the spice industry.

1.4 VALUE OF THE PROJECT:

Maharani Cuisine hope to achieve brand equity; diversify the business from the restaurant business to a Retail brand and creating a recognised household retail brand, 'Maharani Cuisine'. The business also hopes to experience enormous growth with the South African retail food market, gradually expanding its product range and competing for a greater market share for spices in South Africa.

1.5 PROBLEM STATEMENT:

To establish, whether the development of a new product will be feasible or not. It is also hoped that the following questions will be answered:

- Who will buy the product?
- What is the size of the product?
- What price should be charged?
- What is the most appropriate distribution channel?
- What is the most effective promotion strategy needed to reach potential
- Customers?
- Is this new product, in the South African food retail, strategically feasible or not?

1.5.1 THE PROBLEM

There is a common perception that authentic Indian Cuisine is difficult to prepare. This perception remains in the minds of many people who perceive Indian food as too difficult

to attempt. There is a need, therefore, for an easy way to prepare the food that allows no room for error. The research will attempt to bridge that “gap” or perception that exists in the spice market in South Africa, and providing a solution will lead to the creation of a new product. The new product development will help remove any misconceptions about cooking Indian cuisine. Research will prove that it is not necessarily the preparation that is the problem but the absence of an “all in-one-instant-way” of cooking curries, which is the problem. With the development of this new product, the ‘gap’ will be narrowed. The research will endeavour to establish if a gap exists, for an innovative easy-to use, instant curry spice for the preparation of fine authentic Indian curry.

1.6 THE OBJECTIVE OF THE STUDY

Against this backdrop, it is perceived that for the preparation of a good quality Indian curry is relatively difficult. All of these perceptions can be alleviated with the new product development. The ‘Maharani Cuisine Instant Spice’ (MCIS), where all the ingredients, secretly blended spices, all-in-one, easy-to-use; no preservatives or MSG; attractively packaged, destined to change the art of Indian cooking. Therefore, the objective of the market research is to establish the market demand for this new product; and to help solve the problem stated above. Also the research will evaluate its feasibility in the South African retail food sector.

1.7 RESEARCH METHODOLOGY:

The research is a cross-sectional - analytical survey, to establish the market demand for the new product. The research aims to identify and monitor customer satisfaction with current status quo in the South African spice market. The survey will be used to identify possible gaps that may exist in the spice market. An action plan will then be implemented and a new product will be developed. A feasibility study will to be conducted. Its validity tested. The approach will be qualitative in nature, with the use of descriptive statistics. Does the sample group represent the population? Does the research measure what it supposed to measure?

17.1 DATA ANALYSIS METHOD

Primary Data will include the use of focus groups, personal interviews, structured questionnaires and taste tests held at the Chantecler Hotel School. Secondary Data will include a literature review, historical data and a case study.

Focus Groups: Methodology:

12 participants with 25 issues, Each have 30 seconds on average to react to each issue.

A clear agenda for the group discussion is essential. Homogenous group composition, similar consumers and respondents are included in the group. All united with the common interest in Indian Food. Recruitment qualification questionnaire must be completed for the screening of the candidates. No participants who work for newspapers or advertisers. No family members or relatives or any persons associated with the researcher. No person must have been in a focus group in the last year. Participants must have had experience with the products. Moderator prepared questions for the focus group Conducted by experienced and highly qualified: Prof. Kanti Bhowan. Venue: Library Malherbe Building –Discussion room (room 413) Air-conditioned and all participants will be provided with finger lunch. The entire session will be recorded.

60 minutes duration.

Questionnaires

A structured questionnaire will be used.

Section A: Demographics; Section B: Yes/ No; Section C: Multiple Choice

100 women and men responsible for household shopping

Divided into smaller categories according to demographics

A demographic representation from all population groups were chosen

Professionals and non-professionals in the food industry.

- **Taste Test methodology**

Taste Test Kitchen was conducted using the sample product. The managing partner and one of South Africa's leading Executive Chefs Mr Markus Badzinger conducted the taste tests. The venue was the exclusive and famous Chanteclair Hotel School demo kitchen, in Bothas Hill. There were ten well-known food enthusiasts and their responses were recorded. All ten participants commented in favour of the product development, Maharani Cuisine Instant Spice. Response schedule completed. (100% in awe of the new product and endorsements were received).

1.7.2 Gap Analysis:

Gap analysis is a technique that can be understood in many different ways. The common theme running through all definitions is the word 'gap'. The dictionary defines gap as: As a physical space between things; as a period of time when not involved in a particular activity; when something is missing that prevents the successful completion of an activity a great difference between two things, people or ideas.

The analysis of all four of these forms of "gap" can be considered as gap analysis. The simplest useful form of gap analysis merely involves a search for 'gaps' in the market. In many cases, when gap analysis is used in this way, the term is being used as a surrogate for market research and segmentation. An alternative simple usage is as a tool to look at the differences between competitors. Again it is being used as a surrogate for competitor analysis. More usually, gap analysis is less concerned with fact that there is a gap between things, than with how to close the gap. Recognition of the fact that a gap exists is only one stage in the process. Having recognised that there is a gap, the owners of Maharani Cuisine need to develop strategies that will narrow the gap, manage the process of change, and finally, monitor the process to ensure that the same gap does not reappear and, if possible, to open a favourable gap with the competition. (Ambrosini: 1998)

1.8 DELIMITATIONS OF THE RESEARCH:

The parameters within which the research will take place within the retail unprocessed food sector in South African retail channels. Geographical demographics covered only Durban. The assumptions made were that Maharani Cuisine (Pty) Ltd has unlimited resources and capabilities of producing the new product. Another, assumption was that all participants are Indian Cuisine enthusiasts and that the sample sizes represent the population of South Africa. The person doing the actual shopping is not necessarily the sole decision-maker in every household. More often the shopper represents the wants and needs of the entire family. As a participant in the focus group, a representative view can also distort the results. The final concern would be that the people selected for the sample size sincerely understood the need for analysis and survey.

1.8.1 LIMITATIONS:

Sample size that WAS chosen was 100 participants. Selected according to demographic representation, according to race, a fair representation of the population including all races groups. Total =100 participants. Geography: will include the major part of Durban. It is assumed that all participants are Indian Cuisine enthusiasts. The sample size and research methodologies were limited to a fewer number than originally anticipated. The time was sufficient but better emphasis could have been placed in some areas had there been more time allocated for research.

1.9 STRUCTURE OF THE STUDY

1.9.1 Chapter Two

Mention new products and people think about technology- virtual realities, fibre optics, Intel chips, cloning and so on. However, most new products are far simpler –caffeine free colas, new movies, fast foods and new flavours of frozen yoghurt. New products run the gamut from the cutting edge of technology to an infinite version of the ball point pen. Creating a new product involves how is it created, what will it cost, who will want it, how

will it be distributed and sold and how competitors will react to the new introduction. It is rewarding and exciting to see an object come into being for the first time, to see a critical consumer need squarely met, to have distributors fighting for shipments of the new product and to see the brand make its television debut. The following theoretical issues will form the backdrop for the detailed research to follow.

The strategic and tactical issues of new product development will be explored in detail, primarily focusing on competitive analysis, gap analysis, product differentiation, concept testing and marketing issues. These will include a marketing plan and marketing mix, targeting, segmenting and positioning; marketing approaches; brand management; trademarks and registration.

1.9.2 Chapter Three

This chapter explores the history of the Maharani Cuisine organisation. It will examine what products and services it provides; where the company and product being is offered; and who the target customers are. Further, an exploration into the spices of the world and spice antiquity will be conducted. Trying to preserve foodstuffs during the season of abundance to provide the days of less abundance and shortages has challenged the ingenuity of man, and these phenomena never cease to amaze our imagination. Earlier in the history of mankind, it was discovered that products, which were slowly dried in the sun, kept a longer interval. Also, sprinkling certain powdered roots over meat could prevent that rapid deterioration. Spices were initially used to combat deterioration and the palate soon acquired a taste for them. It is not by accident that highly spiced dishes have originated from countries with tropical and equatorial climates. Having discovered what customers' needs are, a business then faces the challenge of meeting those needs adequately and profitably. This chapter explores the introduction of Maharani Cuisine Instant Spice against the identifiable market demands and competitive and market trends. The research looks at an important part of market research. The study illustrates how the owners of Maharani researches the market and uses the information it gains to influence its decisions about its product development. (Mayat; 1961)

1.9.3 Chapter Four

We examine the role of marketing in NPD in South Africa's food retail is examined with special focus on the spices market. Perhaps most importantly, marketing research can expose valuable customer views that should be incorporated into a stronger role for marketing, should translate into these elements contributing to more successful new product development. In particular, it will show that marketing research is critical in such a market driven industry as retail food. The qualitative approach and case study methods will be used; the research methodology techniques are taste tests, interviews, focus groups and questionnaires. Finally, some conclusions will be drawn from the findings, using the descriptive statistics from the questionnaires. An attempt will be made to evaluate the information in chapter three against the model developed. The feasibility of the new product development will be tested against the backdrop of all the detailed findings. The research findings will help determine what is needed for the development of the new product and what marketing mix is required for the product's successful launch. (Ambrosini: 1998)

1.9.4 Chapter Five

From the detailed research findings and the empirical evidence provided by the different research techniques, recommendations for a new product development and the successful marketing of the same will be provided. The feasibility will then be complete and a report on the findings will support the view of a new product development, Maharani Cuisine Instant Spice. Recommendations will be made to the owners of Maharani Cuisine and the appropriate marketing mix for the 'Maharani Cuisine Instant Spice.

1.10 SUMMARY

Did the research process succeed in achieving what it set out to achieve? Did the findings meet the objectives of the study? A thorough evaluation of all the data collected provided adequate findings for the relevant conclusions and recommendations, in favour of the

development of the new product. The answer to the strategic question; whether it is feasible or not, has proved to overwhelmingly support the development of the new product. The characteristics of the product, according to consumer's tastes and preferences emerged from the research process, enhancing the existing characteristics, thus providing guidelines for a customer-orientated product. In other words, a product created, by taking into consideration, consumer's tastes and preferences, derived out of the research process.

CHAPTER 2

NEW PRODUCT DEVELOPMENT

2.1 INTRODUCTION

Mention new products and people think about technology- virtual realities, fibre optics, Intel chips, cloning but most new products are far simpler –caffeine free colas, new movies, fast foods and new flavours of frozen yoghurt. New products run the gamut from the cutting edge of technology to nth version of the ball point pen. Creating a new product involves, how is it created, what will it cost, who will want them, how will it be distributed and sell them, and how will competitors react to the new introduction. It is rewarding and exciting to see an object come into being for the first time, to see a critical consumer need squarely met; to have distributors fighting for shipments of your new product; and to see your brand make its television debut. The following theoretical issues will form the backdrop for our detailed research to follow. (Keller: 1998)

The total task assigned to this research involves strategy; organisation, concept generation, evaluation, technical development and marketing the detailed research exploration will cover strategic, marketing, technical, creative, design and tactical issues. Primary focus will be on competitive analysis, gap analysis, product differentiation and marketing issues, including an appropriate marketing mix; product, place, price and promotion, which remains the foundation of our research. (Bhowan, et al: 2002)

2.1.1. The role of market research for NPD

Information for developing the marketing plan necessitates conducting marketing research. Marketing research involves the gathering of data, in order to determine such information:

- as to who will buy the product;
- what is the size of the product;
- what price should be charged;
- what is the most appropriate distribution channel;

- What is the most effective promotion strategy to inform a reach potential customer? (Di Benedetto: 2000)

Since marketing research costs vary significantly, the entrepreneur will need to assess available resources and information required. There are particular research techniques that are not costly and can provide, at least initially, significant evidence to support the market potential for the new product. One of these techniques is the focus group, the one technique that will be used for this research. The outcome will be used to design the questionnaire, and the findings from the questionnaire will be used for the above research requirements. This will enable the entrepreneur to produce successful products that meet market demand and expectations. (Hisrich: 2000)

Marketing research may be conducted by the owners or by an external consultant. In this case of Maharani Cuisine Instant Spice (MCIS), the owner will conduct the research. Market research begins within a definition of objectives or purpose. This is often the most difficult step since many entrepreneurs lack knowledge or experience in marketing and often are not clear about what they want to accomplish from a research study. This, however, is the very reason why marketing research can be so meaningful to the entrepreneur. (Hopkins, 1981).

2.1.2. Defining the Purpose or Objectives

The most effective way to begin is for the entrepreneur to sit down and make a list of the information that will be needed to prepare the marketing plan. For example, the entrepreneur may think there is a market for his or her product but is not sure who the customer will be or even if the product is appropriate in its present form. Thus, one objective would be to ask people what they think of the product and if they would buy it, and to collect some background demographics and attitudes of these individuals. This would satisfy the objective or the problem that the entrepreneur defined above. Other Objectives may be to determine the following: How much potential customers would be willing to pay for the product? Where potential customers would prefer to purchase the

product? Where the customer would expect to hear about or learn about such a product?
(Hopkins: 1981)

2.2. STRATEGIC ISSUES:

This includes the analysis of strategic issues, using tools such as a detailed competitive analysis and gap analysis to test the feasibility of the new product development. Further, the level of market demand will be established and a battery of product attributes collected to help in the new product development being a success.

2.2.1 COMPETITOR ANALYSIS

Another important considerations should be whether the new product will lower end-user costs by virtue of its price, and will the product offer new benefits by virtue of its differentiation? It is expected that new products offer benefits by virtue of differentiation, and will be sold at prices below leading competition. (Bhowan: 2001)

Assessing the impact of environmental change on a company's strengths and weaknesses can be augmented by analysis of how environmental changes might affect its competitors. This assessment can in practice be challenging, not only because of the challenges of obtaining enough information to make reasoned judgements, but also because the boundaries of an industry can be unclear and are not likely to provide any precise delineation of competition. This is especially relevant if the industry is becoming increasingly global. However, despite the difficulties, attempting to understand how the competition may be affected by the environmental change, and the manner in which they might be able to capitalise on their own strengths or be constrained by their weaknesses, can be useful to an organisation in developing and pursuing its own strategy.
(Ambrosini: 1998)

2.2.2 GAP ANALYSIS

Gap analysis can help the stakeholder to better understand the dynamics of the competitor environment. Importantly, it can be used to reveal where an organisation has weaknesses, and where it has strengths, in relation to its competitors. Such an analysis helps the manager develop strategies to catch market leaders or strategies to stay ahead of the chasing pack.

Gap analysis is a technique that can be understood in many different ways. The common theme running through all definitions is the word 'gap'. The dictionary defines gap as:

- as a physical space between things as a period of time when not involved in a particular activity when something is missing that prevents the successful completion of an activity
- As a great difference between two things, people or ideas.

The analysis of all four of these forms of "gap" can be considered as gap analysis. The simplest useful form of gap analysis merely involves a search for 'gaps' in the market. In many cases, when gap analysis is used in this way, the term is being used as a surrogate for market research and segmentation. An alternative simple usage is as a tool to look at the differences between competitors. Again it is being used as a surrogate for competitor analysis. (Ambrosini: 1998)

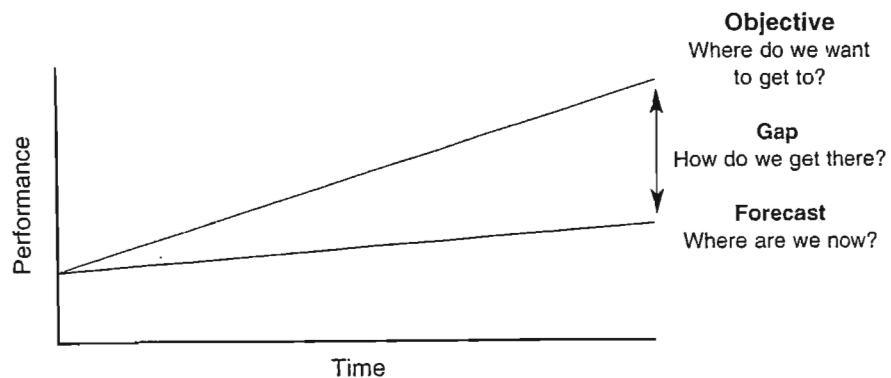
More usually, gap analysis is less concerned with fact that there is a gap between things, than with how to close the gap. Having recognised there is a gap, the stakeholder need to develop strategies that will close the gap, manage the process of change, and finally, monitor the process to ensure that the same gap does not reappear and, if possible, to open a favourable gap with the competition. (Ambrosini: 1998)

2.2.3. Performance gap analysis

A simple approach to gap analysis centres around three questions:

- Where are we now?
- Where do we want to be?
- How can we get there?

Fig 2.1 Gap Analysis



Source : (Ambrosini:1998, Pg 221)

The answers to these questions aim to evaluate the current market status for dry spices, in South Africa; to establish to what extent the new product development : ‘Maharani Cuisine Instant Spice (MCIS), meet market demand and to test the feasibility of the new product. It is hoped to create a brand equity within the food retail market and eventually compete for a greater market share and to establish a household brand in the South African retail food market, competing with other similar products nationally and in the long run internationally. After evaluating the market research and establishing whether there is a gap in the spice market in South Africa; for a unique, innovative ‘all-in-one’ ‘authentic instant spice’ which is attractively packaged. the product will be developed and a strategic marketing mix adopted from the research data provided.

2.2.4 Product line gaps

To analyse product line gaps, the stakeholder begins by specifying all the possible alternative elements that can be recognised within the product. These elements include price, size, quality, colour, flavour, value or anything else that differentiates one product from another. Once this has been done and compared to the competition, the stakeholder has options: firstly to develop a product where the organisation is under-represented or

2.3 MARKETING AND TACTICAL ISSUES:

From the marketing research, the researcher should have a good idea of which the customer or target market will be. Knowledge of the target market provides a basis for determining the appropriate marketing action strategy that will effectively meet its needs. The defined target market will usually represent one or more segments of the entire market. Thus, it is important before even beginning the research to understand what market segmentation is before determining the appropriate target market. Market segmentation is the process of dividing the market into small homogeneous groups. Market segmentation allows the stakeholder to respond to the needs of more homogeneous consumers more effectively. Otherwise the entrepreneur would have to identify a product or service that would meet the needs of everyone in the marketplace. (Bhowan, et al: 2002)

Henry Ford's vision was to manufacture a single product (one colour, one style, and one size) for the mass market. His model T –Ford was produced in large numbers on assembly lines, enabling the firm to reduce costs through specialisation of labour and materials. Although his strategy was unique, any mass-market strategy employed today would be unlikely to be successful. In 1986, Paul Firestone of Reebok discovered that many consumers who bought running shoes were not athletes. They bought the shoe for comfort and style. Firestone then developed a marketing plan that was targeted directly at this segment.

2.3.1 SEGMENTING AND TARGETING

The process of segmenting and targeting customers by the marketer should proceed as follows:

- Decide what general market or industry you wish to pursue
- Divide the market into smaller groups based on characteristics of the customer or buying situations
- Determine the characteristics of the customer:
- Geography (province, city, town, region)

- Demographic (age, gender, occupation, income and race)
- Psychographic (personality and lifestyles)
- Desired benefits (product features)
- Usage (rate of use)
- Buying conditions (time available and product purpose)
- Awareness of buying intention (familiarity of product and willingness to buy)
- Select segment or segments to target
- Develop a marketing plan integrating product, price, distribution and promotion.

2.3.2 PRODUCT POSITIONING

A product positioning statement is created by completing this sentence: Buyers in the target market should buy our product rather than others being offered and used because: Positioning originated as a concept in advertising, but is now seen as an ingredient of total strategy, not just an advertising ploy. Product, brand, price, promotion, and distribution must all be consistent with the product positioning statement.

New product managers have a big advantage in product positioning-the end users memory slate is clean; potential buyers have no previous positioning in mind for new item. Now is the best chance ever to effect a particular positioning for their item.

Positioning alternatives fall into two broad categories. The first is to position to an attribute (a feature, a function, or a benefit). Attributes are the traditional positioning devices and are most popular. Thus, a feature may position a dog food as “the one with as much protein as 10 pounds of sir- it loin.” Function is more difficult and rarely used, but an example is the shampoo that “coats your hair with a thin layer of protein.” (You are not told how this is done or what the benefit is.) The benefits used in positioning can be direct (such as “saves you money”) or follow-on (such as “improves your sex life,” an indirect result of the cleaner teeth or cleaner breath given by this toothpaste). (Bhowan, et al: 2002)

Feature-function-benefit work as a triad, and they are sometimes used that way. For example, a new Drano product was headlined with just three words: thicker, stronger, and

faster. These in fact are features, functions, and benefits. But trying to use all three can be confusing, and target buyers won't spend much time on clarification.

The second alternative in positioning is to use surrogates (or metaphors). For example, "Use our dietary product because it was created by a leading health expert." This says the product differs because of its designer. Specific reasons why the product is better are not given; the listener or viewer has to provide those. If the surrogate is good, the listener will bring favourable attributes to the product. If there is no longer an open feature- function-benefit positioning that uses want, developers can try to build preference for some unique attribute their product has, or they can turn to surrogates. This is where the art begins. These can then be copies tested with the target market to see if they communicate ideas we want the buyers to have that. For example, in the early 90s the Skill Corporation, makers of the very successful circular hand saw, developed a line of bench top tools such as a table saw. The new tools' features and benefits were not particularly unique, so the announcement headline line said, "Besides evaluating its features, one should also consider ancestry." And, "Over Six decades ago Skill introduced the world's first circular saw . . . Today we are continuing the Skilsaw tradition . . . lives up to its namesake... member of our family.... Long-standing reputation for Quality." This is surrogate positioning. (Bhowan, et al: 2002)

2.3.3 Creating value

Once a market segment has been targeted and a positioning statement created for it, we have a chance to cycle back to the product itself and see if we can enhance its value to the chosen market. After all, the role of a new product is usually to build gross margin dollars, dollars that come primarily from the values it has over its price. But from the buyer's point of view, the bundle that he or she receives and takes home can comprise much more. During later stages of the new product process, we try to add extra benefits to the core product through branding; packaging, warranty, presale service, and so on such- that we increase the value of the augmented product to the customer.

Most firms now try to "freeze specs" late in development, and schedule others for soon after launch, to sustain value in the product. As the first products coming down the pike,

the first couple of line extensions should be in development. Then, after launch, when competitors are casting around for ways to come out with catch-up versions, we market them first. In the remainder of this section, we will focus our attention on two of the ways in which we can increase unique value to the targeted customer- branding and packaging. (Hopkins: 1981)

2.3.4 PRODUCT LAUNCHES

Combining decision-making theory and diffusion theory, it is possible to come up with some broad recommendations for launching new products.

- **Need Recognition**

: Marketers should activate the needs by mentioning them in advertising. The advertising needs to make people aware of what is new, and how it will have a relative advantage over current competitors.

- **Pre-purchase activities or search**

Information sources are strongly linked to marketing strategy; brochures; product information adverts; leaflets PR activities and salespeople all contribute to the process. Marketers should ensure that there is an emphasis on the product's compatibility, with the target market's lifestyles and aspirations.

- **Evaluation and Purchase Decision**

Salespeople have a strong contribution to make to this part of the process, marketers must ensure a high quality of presentation of information materials, and the sales force must be able to guide consumers through the complexity of the product. Act of purchase and consumption. The product has to be right for the task, and must fulfil the manufacturer's claims. Allowing the consumer to try the product out is a good means of reducing the risk, so trial is a key issue in this context.

- **Post –Purchase Evaluation**

After-sales service has a strong role to play here, and ideally there should be some observation in the product if there is to be rapid diffusion of the product and the broader

market. The Strategic Plan is an example of Secondary data: Questionnaire, Interviews, Sample Proto- type Products and Feedback Analysis marketing and success factors in NPD. ((Buckley, 1997)

2.3.5 ALTERNATIVE WAYS TO SEGMENT

What ways do new product marketers use to target a specific market segments?
Thousands of them, yet each target can be classified into one of several categories.

- **End-Use**

Athletic shoes are specific for various types of athletic activity. Plastics are sold for Hundreds of different applications. CD buyers have different time frames in mind. To test your own end-use orientation, try listing the many different shirts/blouses/pants/slacks/suits/dresses you have had in your possession-say, starting with designer blouse, dress blouse, and so on. Men, start with T-shirt, golf shirt, dress shirt, and so on. Notice how often the type of garment is defined by the activity it is worn for clothing manufacturers design for use, though not only for use.

- **Geographic and Demographic**

Convertibles are not marketed aggressively In Norway, and golden fried pork skins are often targeted for the southern United States. Bran cereals are often targeted to the mature segment, Grey Poupon for the upscale and Right Guard for males (originally). Fitness equipment manufacturers such as Precor have been designing simpler-to-use gear with large display consoles, as the senior market's interest in fitness increases.

- **Behavioural and Psychographic**

Markets can be segmented according to psychographic variables: values, activities, and lifestyles. Lotus Notes was developed for people who needed to communicate in groups

across great distances, and Kevlar bullet-proof jackets are for people exposed to guns. Products are targeted to lifestyles-tax shelters, clothing, cars, and so on. SRI Consulting follows trends in these variables, as well as in key demographics, Using its well-known VAL (Values, Activities, and Lifestyles) questionnaire.

- **Benefit Segmentation**

As we saw earlier in our discussion of joint space mapping, benefit segments are of great interest in new product development. Through surveys of customers and potential customers, we can identify segments based on benefits sought, and develop products to satisfy the needs of one or more of these segments. Of course, benefit segment information in combination with brand perceptions can be very helpful in developing a positioning strategy. For instance, a sales rep notifies management that offices with southern exposure have problems with the new personal computer screens, and a new monitor evolves. Second, the firm's method of operation may constrain the choice. If a firm's sales force calls on hospital accounting departments, its new line of tabular records will probably be so targeted. Third, a focus may come from concept testing or product use testing. An early target market may reject a concept in an early trade-off analysis, or when they actually try put a prototype. Thus many firms use parallel development, keeping two or three target alternatives in development.

2.3.6 Micro marketing and Mass Customisation

Currents twist in target market selection the trend toward smallness. Retail Scanners and sales information systems yield the databases that display very small targets (neighbourhoods or industrial subsets) with unique purchase patterns. These clusters have been labelled micro markets.

David Olson, new product researcher at the Leo Burnett advertising agency, uses scanner data to cluster food buyers into six groups:

- Loyalists, who buy one brand at all times, like it, and do not use deals.
- Rotators, who have a 2- or 3-product set, move around in that set, and don't

use deals.

- Deal-selective, rotators whose movement is determined by presence of deals.
- Price-driven, who buy all major brands, always on deals.
- Store brand buyers, who do as their name implies.
- Light users; who buy too little for a pattern to show. Light users comprise the biggest group in most categories.

Direct marketers have always used tighter segments than have mass media marketers, stemming from their databases. They talk about database marketing and database product innovation, and speculate that it will soon dominate. The ultimate smallness and the ultimate in building in customer value, are mass customisations (tailoring a good or service to the unique specifications of individual customers). Great advances in information technology and changes in work processes make mass customisation feasible for many Products; the challenge is for managers to decide how best to proceed. As we approach the marketing date, intense pressure builds up in the organisation to add just a few more buyer types, a few more store types, a few more uses or applications, because “The product is good for them too, isn’t it?” We call this broaden the market fallacy. The new item cannot be good, for lots of different groups, unless it is so general it doesn’t have any zing for any of them. And targeting to diverse groups can cause dissonance in the promotion. Does a fourth grader want a peanut butter sandwich like the one shown being eaten by a senior citizen? Further, changing the target can be disaster if promotional and trade-show materials and dates are all prepared, packaging, pricing and branding are fixed, and the concept and product use tests were conducted only with the original target group. Lastly, keep in mind that whatever we do, the end users may disagree. A few years’ boomers for regular use adopted ago sports utility vehicles (SUVs). They were tired of mini-vans, and it did not matter what the car companies told us these vehicles were for (or that the government said they were trucks). Some firms capitalise on this end user penchant by just launching the product and following up to see who the buyers are, then focus their promotions accordingly. This is strictly a wildcat operation-no charter, no concept or use testing, and so forth.

2.3.7 Targeting Diffusion of Innovation.

New products are innovations, and we call the spreading of their usage the diffusion of innovation. The original adoption and diffusion of the microwave oven was very slow, but it has been quiet rapid for the cellular phone. For a cancer cure, it would be almost instantaneous. When we used the Base diffusion model in sales forecasting, our forecasts rested on two key values: the rates of an innovation's adoption. Let's look closer now at the factors that affect this speed of product adoption process: the characteristics of the innovative product, and the extent to which early users encourage others to follow.

2.4 THE MARKETING MIX

The main reason for the marketing mix is to establish:

- **Product Strategy:** the anatomy of the product, the product mix, packaging, labelling.
- **Pricing Strategy :** Price setting process, factors that affect pricing, reactions of consumers.
- **Place Strategy:** Distribution channels, Retailing, Logistics Management.
- **Promotion Strategy:** Advertising Communication Channels, Developing a programme.

All attributes pertaining to the new product development will be researched according to the marketing mix.

PRODUCT STRATEGY:

There is no limit to what is bought and sold, ranging from the bartering of human beings in the slave trade, to selling of advertising space in the classifieds. Product strategy is perhaps the most important function of an organisation. It must take into account the capabilities that already exist in the organisation, such as engineering, production, distribution or the need to acquire those that they do not possess. A product may be defined as any need-satisfying market offering that offers the buyer the functional or psychological benefit she requires. The term product may be used interchangeably with

those of market / product offering and includes tangible, physical product ideas, people, places and intangible services. (Bhowan, et al: 2001). Quality of components or materials, style, features, options, brand name, packaging, sizes, service availability, and warranties.

2.4.1 The New Product Concept

Businesspeople use the term concept for the product promise, the customer proposition, and the real reason why people should buy. It is a stated relationship between product features (form or technology) and consumer benefits, a claim of proposed satisfactions. This promise is open to four interpretations:

- The producer's perception of the features of the new product.
- The consumer's perception of the features of the new product.
- The producer's estimates of the benefits delivered by that set of features.

These estimates are only forecasts or guesses, at this stage, not reality, even with a prototype in hand. They rest on expectations. Thus a complete new product concept is a statement about anticipated product features that will yield selected benefits relative to other products already available. A new product only really comes into being when it is successful, when it meets the goals /objectives assigned to the project. When launched, it is still in tentative form because changes are usually necessary to make it successful. Therefore, we say it is still a concept, an idea that is not fulfilled. (Benedetto: 1997)

Back before technical work was finished, the product was even more of a concept. To understand this, and see how it relates to the ideation process, we have to look at the three inputs required by the creation process.

- Form

This is the physical thing created. Thus with a new steel alloy, form is the actual bar or rod of material. On a new mobile phone service it includes the hardware, software, people, procedures, by which calls are made and received.

This is the source by which the form was attained. Thus for the steel alloy it included, among others, the steel and other chemicals used for the alloy, the science of metallurgy, product forming machines, cutting machines. Technology is defined in product innovation as the power to do work. In most cases there is one clear technology that is at the base of the innovation.

- Benefit

The product has value only as it provides some benefit to the customer sees a need or desire for. The dimensions are seen in the following way; technology permits the development of a form that provides the benefit. If any of the three are missing, there cannot be product innovation, unless one buys a product ready made and resells it without change. The innovation process can start with any one of the three dimensions, and can vary in what happens second. Here are the primary ways:

- Customer has a need, which a firm finds about. It calls on its technology to produce a form that is then sold to the customer.
- A firm has a technology that it matches with a given market group, and then finds out a need that group have, which is then met by a particular form.
- A firm envisions a form of product, which is then created by use of a technology and then given to customers to see if it has any benefit.

Any of the three can start the process, and in each case either of the other can come second. The difference is too often that between success and failure. Putting benefit last is risky; it comprises a solution trying to find a problem. Benefit is preferred to be first in most cases, even technology scientists put benefit first because they have some idea of need that is leading them in their efforts. In some cases however, people like to visualise what type of finished product could meet the need, and then design that form. Others like to give technical people the basic benefits and let them use their available technologies without restraint on form. For the purpose of “a best way” to go about product innovation, then in general, the benefit first, then the technology, and then the form.

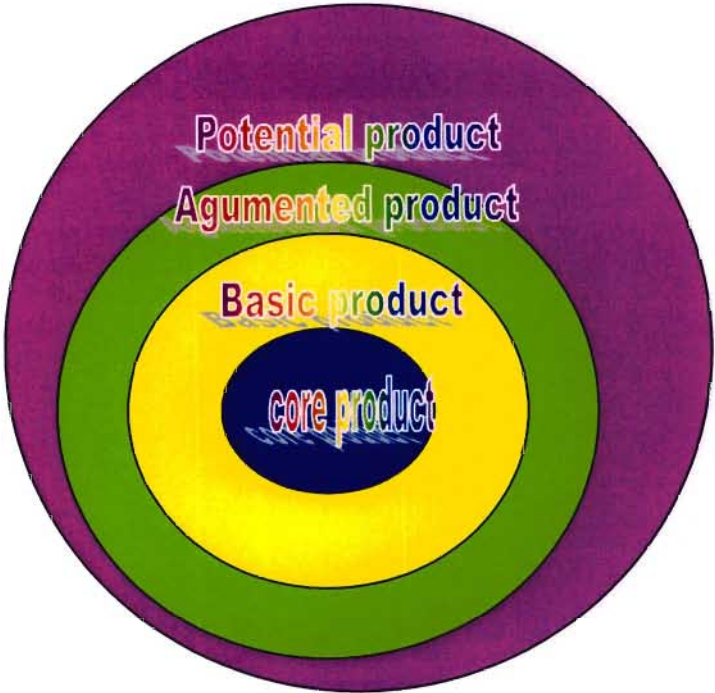
2.4.2 Product Design

Most of the problems surrounding design concern concurrency-overlapping the steps in technical development. Designers of award winning products have summoned up what excellence requires of design:

- Design from outside in, customer's use being central.
- Partner deeply-with all relevant units of the firm.
- Partner widely-with all stakeholders involved.
- Define product up-front protocol and firm prototype, prior to ordering tooling and manufacturing.
- Get physical fast –prototype as fast as you can.
- Design for manufacturing it is important as ergonomics and aesthetics.

Surprise the user –build something in that the user does not expect deliver more than promised.

Fig 2.2 Product Characteristics



Source: (Bhowan, 2001:3)

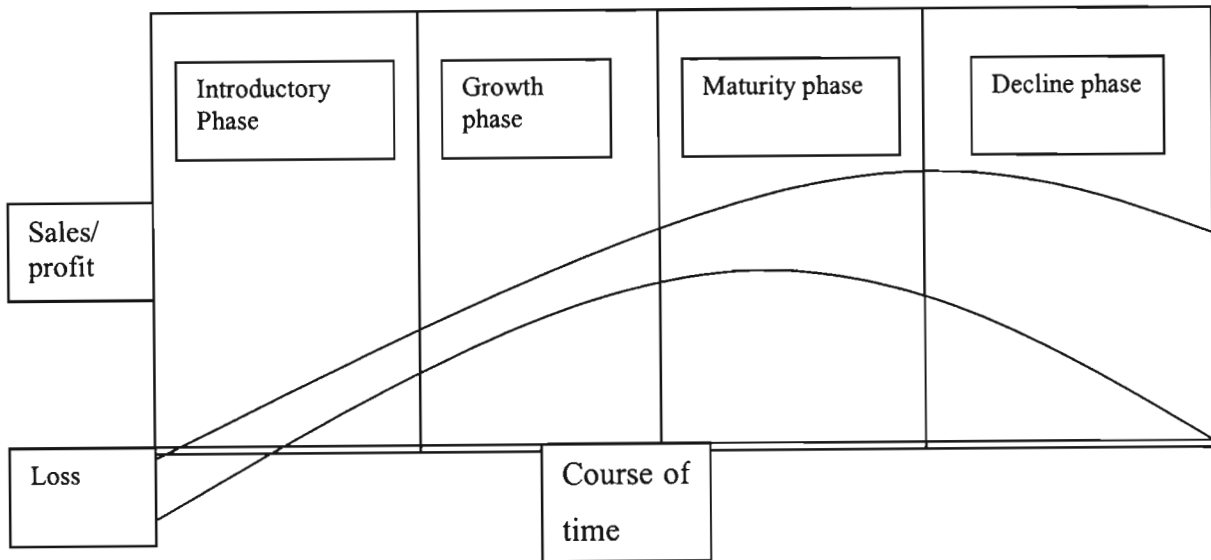
Fig 2.3 'Likelihood to buy' matrix

		unique	me too
pply company	wellknown	80% buy decision	Depends on sales effort
	unknown	Depends on sales effort	80% not to buy decision

Source: (Bhowan, 2001: 12)

Source: (Bhowan, 2001: 12)

Fig 2.3 phases in the product life cycle



Source: (Strydom, J. et al (2000): pg244)

- Compatibility. Does it fit with current product usage and end-user activity?
- We say it is a continuous innovation if little change is required, a
- Discontinuous innovation if much is. incompatibility produces learning
- Requirements and these must be overcome.
- Complexity. Will frustration or confusion arise in understanding the
- Innovation's basic idea?
- Divisibility (also called trial). How easily can trial portions of the product be purchased and used? Foods and beverages are quite divisible, but new homes and word processing systems are much less so,
- Communicability (also called observation). How likely is the product to
- Appear public places with it is easily seen and studied by potential users? It is high on new cars, low on items of personal hygiene.

An innovation can be scored on these five factors, using primarily personal judgement plus the findings from market testing during earlier phases of the development. Launch

plans can then be laid accordingly. Next is the degree to which early users actively or passively encourage others to adopt a new product; if they do, its spread will be rapid. So interest has focused on the innovators (the first 5 to 10 percent of those who adopt the product) and on the early adopters (the next 10 to 15 percent of adopters). The theory of innovation diffusion states that if we could just market our new product to those innovators and early adopters, we could then sit back and let them spread the word to others. Other categories of adopters include The early majority (perhaps the next 30 percent), the late majority (perhaps another 30 percent), and the laggards (the remaining 20 percent). (Majoro: 1993)

The obvious question is, "who will be the innovators and early adopters?" Can we identify them in advance, so as to focus our early marketing on them? Not always, but the following five traits have emerged from the studies. They apply to business firms as well as to individuals. Venturesomeness is the willingness and desire to be daring in trying the new and different; "sticks his neck out"; "deviates from the group social norms."

Social integration- frequent and extensive contact with others in one's "area" whether work, neighbourhood, or social life; a strong industrial counterpart. Cosmopolitans a point of view extending beyond the immediate neighbourhood or community; interest in world affairs, travel, reading. Social mobility's the upward movement on the social scale; successful young excessive or professional types. Privilegedness is usually defined as being better off financially than others in the group are. The privileged person has less to lose if the innovation fails and costs money. This trait tends to reflect attitude toward money as much as possession of money. Early users do come typically from the innovator group, but it is difficult to predict which ones. In the industrial setting, it is thought that early business adopters tend to be the largest firms in the industry, those who stand to make the greatest profit from the innovation, spend more on R & D, and have presidents who are younger and better educated. Business adopters tend to follow consumer lines if the percentage of ownership is concentrated in one person, if there are many users for the product concerned, and if the innovation is quiet essential. In general, the business adoption process goes slower, and the counterparts of opinion leaders are hard to find. (Kotler: 1997) Launch planners have some flexibility here—they don't have to select just one market

segment to target to. That means they can start first with innovators, then roll off to early adopters shortly after launch, then gradually add the early majority and so on through the set. However, it comes about, the target market decision essentially measures:

- how much potential is in each target market option,
- how well our new product meets the needs of people in each of those markets,
- how prepared we are to compete in each-that is, our capacity to compete.

2.5 PRICE STRATEGY

One of the elements of the marketing mix is the ultimate price the customer has to pay for a product or service. It is part of getting the right product at the right price to the right customer at the right place. Price is also referred by terms such as rent, tuition, salary, honorarium, commission and membership fees. In the modern economy, various factors play a role in the determination of prices. Through modern methods of communication the consumer is exposed to pricing on all competitive products and services. On commodity items such as milk, price still remains an important determinant of choice. This chapter will focus on the process of price setting, the factors that influence price and the role the marketing mix plays in price setting. Price setting is not merely a financial function; it is an important function of the marketing mix.

2.5.1 The meaning of price Pricing

Fig 2.4. Price positions

Price leadership-
Price competition- meeting or beating any price list
Price followers- Following the market prices

Source:(Bhowan, et al: 2001:31)

The customer and the organisation attach different meanings to price. To the customer, price means a value that they would be prepared to pay for a product or service in exchange for need satisfaction. The consumer will view the price as acceptable if the value received is perceived as equal to or more than the amount of money paid for the product or service. To the organisation, price is related to income and profitability. The organisation fixes its prices depending on its brand equity, position in the market and its Price Competition, pricing philosophy. For example, Woolworths enjoys high brand equity and leadership in the food market and hence can lead the market in terms of process. This is referred to as price leadership. Some organisations, such as game, have a pricing philosophy of 'beating any price' and therefore engage in price competition. On the other hand, there are organisations that are price-followers. Price-followers are organisations with little influence over prices and therefore have to follow the market prices set for their products or services. Retail petrol stations or products that are in non-leadership positions can be classified as price-followers. (Kotler: 1997)

2.5.2 The Importance of Price to Marketing

An organisation's price list is an important marketing tool. Price sells products and services. Too low a price may cause a product to be perceived as a "cheap product" and may have a negative impact on product image and cause the product to be positioned, as a "low-cost" product sold mainly to those primarily concerned about price. Too high a price may result in only a few buyers, causing the organisation not to recover initial costs. The price charged for a product or service may have an impact on how it is perceived in terms of its quality. A product may be perceived as being of high quality, if its price is high and *vice versa*. Price setting is therefore important and critical to the success or failure of products and services.

2.5.3 Pricing Strategies.

Organisations set prices for current, new or modified products, distribution channels, or for services rendered. Generally a process is followed in the setting of prices. The organisation decides where to position its product on quality and price. Figure 2.5 shows

nine price-quality strategies.

Fig: 2.5 Pricing Strategies

Figure Price quality strategies

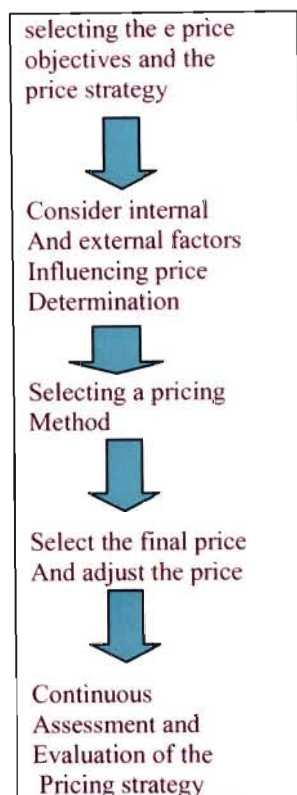
	High	Medium	Low
High Quality	Premium pricing Strategy	High value Pricing strategy	Value for money Strategy
Medium Quality	Over-charging Pricing strategy	Medium value Pricing strategy	Affordable pricing Strategy
Low Quality	Rip-off Strategy	False economy Strategy	Low cost Pricing strategy

Source:(Kotler 2000: 457)

Organisations would have to decide what price strategy to follow and assess how customers perceive their products' price/quality relationship. If, customers perceive product quality to be high, then they might be prepared to pay a premium for the product.

2.5.4 PRICE SETTING PROCESS

Fig: 2.6 Pricing Setting Process



Source: (Bhowan et al, 2001:32)

2.5.5 Select the price objective and the price strategy

The ultimate objective of a profit-making organisation is to make a profit, Organisations , can set their pricing objectives to yield maximum return, maximum market share, a predetermined gross margin, or to survive in the marketplace. Maximum return means after start-up costs have been taken into account, the organisation will set the highest possible price subject to market conditions. Generally, this type of objective can be achieved for new innovative products that have a short life span. The strategy that organizations will follow is a niche market strategy. A selected number of consumers will support this type of product. The organisation estimates in advance the cost and demand

associated with the product and the maximum price to yield maximum profit, taking into account possible competitive activity and price regulation. Some companies favour a market-skimming pricing strategy. They set high prices to skim the market. Market skimming is feasible when there are a sufficient number of buyers to cover initial start-up costs, buyers' value the product on offer and there is no or little competition. Some organisations aim to maximise their market share. In this case, they would sell at market-related prices or below and spend large amounts of advertising money to ensure maximum market share. They believe that a short-term gain in market share helps to reduce production costs per unit (due to economies of scale) and increases long-term profits. This has the potential to create price wars when competitors retaliate. This occurred when Pantene entered the South African hair care market in 2000. Pantene's objective was to become a market leader, a position it holds in other markets around the world. It therefore used the market-penetration pricing strategy.

- **Factors Influencing Price Determination**

There are various factors in the external and internal environment that influence price determination. These factors are:

- **Internal Factors**

. Cost estimation; Marketing objectives; Marketing mix strategy. Organisational factors

- **Nature of the Market**

The market is structured according to the number of buyers (demand), the number of sellers (supply) and the degree of product differentiation. Demand reflects the number of specific quantity of buyers that buy a specific quantity of product or service at a given price over a specified product or service at a time period. Generally the higher the price, the lower the demand, except in the case of highly differentiated products or services. Quantity demanded increases at lower prices. This is due to the fact that lower prices attract new buyers, existing buyers stockpile and competitive buyers switch brands. The demand curve has a negative or downward slope. A large number of buyers could drive

prices up. There are three types of demand: predictable demand, partially unpredictable demand and fully unpredictable demand. (Kotler: 2000)

In predictable demand, the organisation is able to determine with some degree of certainty that their products or services will be demanded at specific prices.

Such organisations offer discounts for early purchase or penalties for late purchases. Partial unpredictable demand is characterised by a smaller degree of uncertainty. Organisations offer discounts to those who buy early, for example, contracts with health and fitness centres. Fully unpredictable demand is mostly uncertain and causes over or under utilisation of capacity. Many organisations in the service industry such as airlines, car rentals or hotels use a multi-period pricing policy that takes into account peak and off-peak periods. Organisations that follow this policy need to give the original price as the reference price for future purchases. Supply is the quantity of products or services that are supplied to the market over a specified period of time. The more product units that a supplier manufactures, the lower *will* be the production cost per unit supplied. Typically in markets where there are a large *number* of sellers, prices are driven down. The supply curve has a positive or upward *slope*. Suppliers might be tempted to stockpile their oversupply in an effort to keep prices high. Brazil, the world's largest producer of coffee beans, has stockpiled millions of bags of unwanted beans.

The shape of the demand curve for an individual organisation is influenced by the market structure in which it is operating. The market structure may be one of pure monopoly, oligopoly, monopolistic competition, or pure competition. Pure monopoly exists when there is only one supplier. The supplier is in a position to fix prices and quantity supplied. An unregulated monopolist might charge a high price, offer minimal service and conduct very little marketing. A regulated monopolist such as Eskom is required to charge a reasonable price and provide a service as a matter of public interest. Pure oligopoly consists of a few suppliers supplying the same product such as oil or steel, at market prices. If one supplier lowers the price, the others might follow in fear of losing customers. A competitive advantage is obtained through lowered cost. Differentiated oligopoly consists of a few large suppliers offering similar products differentiated partially by quality, style or service. Customers are charged a price premium for that

differentiation if that differentiation is valued by customers.

In the case of monopolistic competition, there are many suppliers in this structure. They are able to differentiate their offer through market segmentation, marketing, communication, branding, packaging, design and other marketing decisions. They meet specific customer needs and command a price for their service. The higher the brand's image, the greater the degree of pricing freedom that exists for its marketer. In the case of Pure competition, there are many suppliers offering the same product or service such as cigarettes or beer. The products are largely homogeneous and marketers have little flexibility in price setting. If there is no basis for product differentiation, suppliers will essentially charge the same prices. An organisation can track competitive prices by periodic store checks or via the sales force. Customers' perception of the relative value of competitive offerings can be assessed by means of market research. (www.imc.org.za)

- **Internal factors: Cost Estimation**

Cost is an important determinant of price. The price paid by the customer must cover all the costs of production, distribution, marketing and sales, including profit. There are two *main* types of costs, namely fixed and variable costs. Fixed costs are those costs that are not directly related to the product manufactured or sold. They are often referred to as overhead costs. An organisation would pay fixed costs such as rent, electricity, and salaries and so on irrespective of the amount produced or sold. Variable costs are associated *with* the level of output and are directly related to what is being produced and sold.

Variable cost per unit is efficient when the plant is utilised to full capacity. Material and direct labour costs are examples of variable costs. Total cost is the sum of fixed and *variable* costs. The average cost per unit is high when fewer items are manufactured than planned because fixed overheads need to be covered. (Hammel: 1994)

Marketers need to know how costs vary with different levels of production. Economies of scale and the learning curve should be taken into account. Economies of scale result from

an efficient use of capacity. The learning curve improves as production and marketing costs per unit becomes more efficient as an organisation gains experience in producing, distributing, marketing and selling its products.

2.5.6 Marketing Objectives

Pricing is strongly influenced by the type of marketing objectives an organisation strives to achieve. For example, if an organisation wishes to gain market share, then low price strategy is likely to facilitate the achievement of such an objective. Over the years, many Japanese corporations pursued this objective. Game Discount Stores strives to create an image that the firm offers bargain prices. Hence, they compete on price and promise consumers that they will “beat any other dealer’s price” for any item they sell.

- **Selecting a Pricing Method**

Organisations select a pricing method that takes into account one or more of the factors discussed above in price setting. Seven price setting methods will be discussed: cost-plus pricing, target-return on investment pricing, contribution approach, perceived-value pricing, the relationship between quality and price (prestige pricing), market pricing and tender pricing. (www.ccci.co.za)

- **cost-plus Pricing**

This type of pricing is common in wholesale and retail businesses and is often referred to as mark-up pricing. Some manufacturers also choose this method to ensure that all costs are covered and to predetermine their profit margin. It is quick, convenient and easy to calculate. This type of pricing method takes into account the cost of the product offering and the profit margin the manufacturer or the dealer wants to make. It ignores the consumers’ price sensitivity to demand at the selected price. The organisation either makes a smaller profit or loss depending on the number of units sold. The mark-up

percentage need not be the same for all products offered by the manufacturer or retailer. It differs by product category, by product group or even by product line because variances in demand for each product, seasonally, shrinkage, and other factors are taken into account when setting the mark-up percentage. The benefit of mark-up price setting is that it takes all costs into account and is easy to calculate. The shortcoming of this method is that it does not optimise price. The product could have been sold for a higher price. It does not consider the prices of competitor or substitute products.

- **Target Return on Investment Pricing**

Some organisations have a target return on investment. They would not launch a new product that yields less than this target return on investment. Like the mark-up method, this method also ensures that estimate unit sales are taken into account and all costs are calculated. In addition, this takes into account the capital invested in manufacturing and distributing the product.

- **Relationship between Quality and Price**

Some organisations have adopted value pricing in which they charge a fairly low price for a high-quality product, for example, Mum deodorants. In this case, an everyday low price is charged (EDLP) and advertising and promotion is withdrawn. The advantage of this method is that it keeps the prices constant. The disadvantage of this method is that it does not take into account competitive activity. Whilst exciting news is brought to the market about other brands and prices are varied according to promotional cycles, the brand priced at the EDLP level is vulnerable.

- **Market Pricing**

Prices are based on competitor and substitute products. The organisation may charge the same, a little more or less than the other competitors depending on the perceived value of the product as well as the marketing investment the organisation wishes to commit. When Procter and Gamble entered the South African market with their shampoos and

conditioners, they priced them at the same level as the market leader. However, they spent a large amount of money on sales promotion and advertising. On the other hand, if a new competitor enters the market with a price much lower than the market price, consumers may question the quality of the product.

- **Tender Pricing**

This is common for government contracts and other large projects in the engineering and construction industries. Organisations providing products and/or services are requested to tender for contracts. The other competitors do not know prices. Organisations second-guess the prices their competitors are going to quote. Whilst competitor prices are considered, organisations also take into account their cost prices and their expected profit. If an organisation wants to fill their manufacturing capacity, the extra units produced might help them yield better returns and reduce unit costs. These expectations are usually built into the final price offered. (Kotler: 1991)

- **Selecting the Final Price**

In selecting the final price, organisations pay attention to factors such as psychological pricing, the influence of the other marketing-mix elements, the organisation's pricing policies and the impact from other stakeholders.

- **Psychological Pricing**

On some types of products more than others, customers rely on price as a predictor. Prestige pricing is about setting prices at a premium in the belief that consumers associate the high price with high quality. Prices are set according to consumers' expectations. For example, consumers expect to pay a higher price for an item at a speciality store than at a general departmental store. Consumers also expect pay a higher price for branded goods versus unbranded or private label items. Premium brands such as Mercedes-Benz, Rolex and Gucci are examples of premium priced products that are available at specially

selected outlets, are highly priced and of good quality.

- **Adjusting the price**

After a base price has been set, price adjustment takes place to allow for promotional activity, competitive reaction and consumer demand. The following forms of pricing adjustments are discussed: discounts, geographical pricing, promotional pricing, discriminatory pricing and product mix pricing.

- **Geographic Pricing**

A global organisation may sell its products in new geographic markets at different prices depending on the competitive prices in that market. Organisations may recoup development and fixed costs in the home-market and enter new markets at a reduced cost. For example, drug companies enter a new market with generic drugs. Since many sellers ship their products to different parts of the country or the world, the cost of freight can greatly affect the total cost of a product. The following are the most common methods of geographic pricing

FOB (Free on Board): The seller transports the products to the nearest distribution (sea, air or rail) point. The buyers pay for all transport costs from that point on. The further away the buyer, the higher the transport costs.

- **Uniform Delivered Pricing**

The seller charges the same rate to all buyers but adds on a flat rate for transportation depending on the buyer's location.

- **Zone Pricing**

This is a modification of the uniform delivered price. A flat rate is charged to all customers in an identified zone. For example, the price of petrol differs according to

geographic zones within South Africa.

- **Freight Absorption Pricing**

The seller absorbs all transportation costs. This is used during times of intense competition or when the seller wants to enter a new market.

- **Base-point Pricing**

The seller designates a location as a base point and charges all buyers the transportation cost from that point, regardless of the city from which the goods are dispatched.

- **Promotional pricing**

Organisations can use several pricing techniques to stimulate purchase. Examples are:

Special Event Promotions: Each year retailers have promotions linked to special events such as Birthday Promotions. For example, the Hyperama has their Hay Day Promotions and so on. Cash Rebates or Buy-Back: Some organisations offer to buy back the product for cash after a number of years. Low-interest financing, longer payment terms, warranties and service contracts and multi-pack pricing.

- **Discriminatory pricing**

These are prices adjusted to accommodate differences in customer segments, products, packaging and timing. Product Pricing According to Customer Segments: for example, different customer groups pay a different price for the same product or service. Often students and pensioners are offered a discounted fee. Alternatively, products may be price positioned for the high-income mature age category, such as superior wines.

- **Product Pricing According to Market Segments**

The product is positioned and packaged for different markets in a different way thereby

justifying a difference in price. For example, airlines offer multi-period pricing to various market segments such as the business traveller, tourist or individuals commuting between cities or countries. Pricing according to timing is when for example, a hotel charge a different price over weekends compared to during the week. Multi-channel pricing is when the product is sold at different price to each channel. For example, a book sold to a retail store, a speciality store or to a direct mail organisation may be sold at different prices. For price discrimination to work the market should be segmented and there should be differences in demand. There should be no opportunity for round tripping. This means that products should not be bought in the low-priced market segment and resold in the high-priced market segment. (Bhowan: 2001)

- **Product-Mix Pricing**

The cost of a product should not be looked in isolation. Often the same technology and shared costs are incurred for products in the same category. Marketers may allow different margins for different products within the range, especially if it is a new product, to allow it time to become accepted. Some products within the category are offered at a lower cost than others, which makes some profit producers and others, cost absorbers. For example, restaurant may charge a higher cost for alcohol and a lower cost for food. With complementary products, an increase in the demand for one product might cause an increase in the demand for the other. For example, the price of camera will affect the demand for film. Cameras might be sold at a lower price and film at higher price. Some organisations offer two parts pricing, for example, a parking garage offers a fee per hour and also a fee for more than a certain number of hours. The fee for the first hour should be low enough to encourage usage. Price bundling is marketing two or more products in a single package for a single price. For example, the sales of an airline ticket that includes hotel, accommodation and car rental. Some consumers will want less than the whole bundle to keep costs down. For example, they may request a basic service without the frills. (Cant, et al: 2000)

2.6. PLACE STRATEGY (DISTRIBUTION CHANNELS)

The marketing function depends heavily on the presence of intermediaries between the producer and the consumer. These intermediaries provide convenient access to products for a wide range of customers. Often, producers have little or no direct contact with end user customers and must rely almost entirely on intermediaries in making goods available to target markets. These intermediaries constitute a marketing channel or distribution channel. Distribution channels are defined as the internal and external organisational Units that direct the flow of products or services to customers and perform functions that add value to a product. Participants in the distribution process (for example manufacturers, service providers, wholesalers, retailers, marketing specialists, and/or consumers) are known as channel *members*. It also looks at the different channel functions and flows, especially in overcoming the time, place and possession gaps that separate the goods from consumers. The two key functions of distribution channels, retailing and wholesaling, are looked at more closely. Distribution channel types, channel design decisions, channel management decisions and channel dynamics are discussed.

2.6.1 DISTRIBUTION CHANNEL FUNCTIONS

The numbers of functions that distribution channels perform are classified into three categories:

- Transactional functions;
- Logistical functions;
- Facilitating functions.
- Transactional functions include

Gathering and disseminating information needed for planning and facilitating distribution of products and services to end-consumers. For example Egg bird, an organisation producing free-range eggs for retail stores conducted research to establish both consumer and buyer needs before launching their new national brand. Developing a promotional

mix for a marketing offering. Before Koo launched Frozee - an instant fruit snack for fast food fans in the South African market, they conducted marketing research that would help the organisation design an appropriate promotional mix strategy. Finding and communicating with channel members and prospective buyers. Toshiba, a manufacturer of audio/video products, has established a network of authorised dealers as a strategy to facilitate communication. This will enable the dealers to achieve the organisation's objectives of being full-line supporters of products and of being able to provide accurate and timely forecasts of product needs. Negotiation of price and other terms of offer through mutual interaction with channel members. Purchasing an assortment of goods from suppliers. Toyota, for example, has a diverse supplier base that they regard as business partners. They believe that partnering with suppliers who provide a diversity of ideas, in addition to delivering manufacturing support, goods and services, creates a significant competitive advantage for Toyota. Selling of products to consumers and other channel members. For example, Appetiser SA sells their products through institutional customers such as airlines and hotels as well as through retail outlets. (Keller: 1998)

- **Logistical functions include**

Physical distribution, that is, movement of products from where they are manufactured to where they are stored. Engen owns and operates a fully integrated and sophisticated crude oil refinery in Durban. Their logistics division plays a key role between the refinery itself and the marketing strategy with functions ranging from supplying, planning, trading and shipping. Their trading and shipping operations are centred in their offices in Cape Town, London and Dubai to position them to trade and transport their products to countries in East and West Africa, the Indian sub-continent, Madagascar, The Democratic Republic of Congo and the Indian Ocean Islands. (www.pra.ca)

Carrying and maintaining sufficient inventory to match supply and demand cycles. The automobile industries often use systems such as Just-in-Time (JIT) to manage and control the supply of and demand for their inventory. Sorting of goods according to product type, size and quantity. The sorting process involves the collection of small shipments from

several manufacturers and transporting them to channel members economically. For example, Woolworth's' procurement department in Cape Town buys a container of crockery from various manufacturers that have to be broken down into smaller lots for distribution to all Woolworths stores in South Africa.

- **Facilitating functions include**

Financing products or providing credit to enable channel members to purchase the products. Purchase terms for channel members or intermediaries range from cash payment to payment due in thirty days and even more. Grading products by classifying them into categories based on quality, colour or size. For example in the egg production industry, eggs are graded according to size and quality, with larger and high quality eggs falling into first grade category. (www.awe.org)

2.6.2 CHANNEL OPTIONS

There are two basic types of channels - direct and. indirect. A direct channel of *distribution*, also referred to as a one-level channel, involves the movement of goods *from* producer directly to consumers. An indirect channel of distribution involves the movement of goods from producer to independent intermediaries to consumers. Indirect channels of distribution can have two, three or more levels, and both the direct and indirect channels of distributions are used for the movement of consumer goods, organisational goods and services. Marketers also use multiple distribution channels as well as reverse channels.

- **Channels for Consumer**

Channels for consumer products manage the flow of products from producers to “ consumers. Indirect channels for consumer goods have one or more intermediaries.

In this case the producer *negotiates* with an independent agent who agrees to market products to wholesalers who sell the products to retailers who then sell to consumers.

Agents do not take title to the products they market.

- **Channels for Organisational Goods**

Organisational goods such as raw materials for manufacturing plants, car components for car manufacturers and fabric for interior decorators, require shorter distribution channels and generally a great deal of service before and after the sale. This is attributed to the fact that organisational goods are sold in large quantities and the number of buyers is smaller than for consumer goods. The most common channel for organisational goods is a direct channel from producers to organisational buyers. Organisational goods can also flow from producer to distributors or dealers, then to organisational buyers. For example Hewlett-Packard (HP) SA, which is part of HP USA does not sell directly to the organisational buyers. Their products are sold through dealers who then sell their products either to organisational buyers or end-consumers. HP SA has; three classes of dealers: wholesalers selling to sub-dealers and to the public; mass merchandisers selling to the public and retailers selling to the public. (Kotler: 1997)

- **Channel for Services**

Given that services can neither be manufactured, packaged or delivered, and given that they are consumed as they are produced, the result is that distribution channels for services are much shorter than the distribution channels for goods. Typically the channel of distribution services will have one intermediary. For example, organisations such as Telkom and non-profit organisations such as the University of Natal offer their services directly to consumers. Financial service institutions, on the other hand, often use agents to distribute their services. For example, Liberty Life distributes their services through Standard Bank, which plays the role of both agent and shareholder. Old Mutual uses sales representatives or brokers to reach the end-user of their services. (Bhowan: 2001)

- **Multiple Distribution Channels**

Quite often producers take a multiple channel approach as a strategy to reach diverse markets and to increase market coverage. For example Impilo Drugs, an organisation in Zululand produces a range of natural vitamins and mineral supplements that are sold through direct selling organisations, which then sell to their customers. Impilo has also developed their own brand, which is sold through retail outlets. In some instances marketers use dual distribution which is the use of two or more types *of* channels to provide the same product to two or more of the organisation's target markets. While multiple channels potentially increase an organisation's penetration level, problems may arise. There is the contention that intra-channel conflict may result from the use of multiple channels, leading to lowered levels of support in the organisation's direct and indirect channels. There are some cases when multiple channels are complementary to each other. For example, Home Choice uses three channels to sell its range of home furnishing, linen and kitchen-ware: retail stores, mail catalogues and independent agents. The agents, together with the mail catalogues, increase traffic at the retail stores by providing greater exposure to the product lines among shoppers. (Bhowan: 2001)

- **Reverse Channels**

Reverse channels move goods from end users to producers, *in* the opposite direction to traditional distribution channels. With the growth of consumer *interest* in the environment, most organisations in South Africa separate used paper and " paper products from the rest of the trash. The used paper and paper products are then moved through a reverse channel when a recycling company acquires paper from organisations to send to the mills.

- **Channel Partnerships**

Relationships between retailers and suppliers are not always as simplistic, There is a move towards co-operative partnerships between retailers and their suppliers to improve information flow in the distribution channel system, It has been found that by co-

operating, retailers and suppliers can speed up the replenishment of inventories, improve customer service, reduce the need for mark-downs and cut the cost of bringing goods to customers. Both, retailer and supplier representatives need to form a task force for redesigning and re-engineering a merchandising and distribution process. The re-engineered process may include using information technology to automate manual activities (e.g. use of scanners, electronic data interchange (EDI) systems, and point-of-sale (POS) data and forecasts systems).

- **Co-ordinating Marketing Channels**

For marketing channels to perform efficiently, channel members should function in a way that complements the activities of other channel participants. Channel co-operation is not only important in decisions regarding channel functions such as what product range should be handled by which channel, it is also important to ensure that less conflict exists among channel members. *Vertical* marketing systems have been developed to achieve greater efficiency and marketing impact, In a vertical distribution system a marketing *channel* member for efficiency and better co-ordination.

The members of a vertical marketing system may not be part of the same for company. For example, Rooiboos tea producers use a vertical marketing system to distribute their products.

- **Administered Vertical Marketing System**

In administered vertical marketing systems channel members are independent and there is generally no formal working agreement between channel members. Separate companies develop a programme for distributing a line of products. A dominant channel member, who is referred to as a channel captain administers the channel. Channel captains generally have more size and influence than other channel members do.

- **Corporate Vertical Marketing System**

With a corporate vertical marketing system a single company owns and controls all or

most of the channel members in a distribution channel. As an example, Snowflake flour is produced through a corporate vertical marketing system through Premier Milling's distribution network known as National Food Distributors.

- **Managing Channels of Distribution**

The manner in which distribution channels are managed will influence end-customer 'his preferences for products/ services and channel members' ability to effectively serve end consumers. It is important to have organisations' objectives (e.g., increase in market don share, enhance customer retention) and marketing strategy closely related to channel management. A number of important issues relating to the management of distribution channels are discussed in this section. These include selecting channels; market coverage decisions, training and motivating channel members, evaluating channel members and managing channel relationships.

- **Selecting Channels**

Managing channels of distribution starts with selecting the channel that will best serve the organisation's objectives and that fits in with the organisation's marketing strategy. There are several factors that influence the selection of appropriate channels. These include target market characteristics, product characteristics, intermediary characteristics, environmental characteristics and organisational characteristics.

Table 2. 7 Intensity of channel coverage

Characterstics	Exclusive distribution	Selective distribution	Intensive distribution
Objectives	Prestige image, channel control and high profit	Moderate market coverage,some channel control, and reasonable margins	Widespread market coverage, Channel acceptance, high volume sales and profit
Distribution intermediaries	Well established and reputable organisation,moderate in number	Well established organizations ,moderate in number	All types of organizations many in number
Distribution focus	Close retailer/consumer relationship	Some specialist knowledge required	Maximum availability of productA
Type of consumer product	Speciality or luxury items	Shopping	Convenience
Major disadvantages	Limited sales potential	May be difficult to develop a nice market	Limited channel control
Examples	Cars,designer clothes,capital equipment, complex services	Furniture, cosmetics, clothing	House hold products, groceries,stationery,routine services

Source (Bhowan, 2001:

2.6.3 RETAILING

Retailers are perhaps the most important types of intermediary, situated at the point of

direct contact with customers. The retailing function adds value in a number of ways, most of that are difficult for manufacturers to replace. This includes breaking case loads of products into smaller quantities; providing assortment of products so that customers can go one-stop shopping; and providing support services such as display, demonstration, credit, delivery, assembly, repair, return and warranty services .In South Africa, the retailing sector is huge, representing more than R1316 billion in revenue in 1996 and is seen as the leading retailing infrastructure on the African continent. The retailing function has changed, often reacting to changes in a number of factors; for example, the rise in the proportion of expenditure allocated to services. Secondly, demographic shifts such as the migration from inner cities to suburbs and from rural areas to urban areas have had an effect on retailing. The increase in the number of professional *and* career women has created opportunities for retailing. By the same token, the changing role of women in society has left women feeling more time pressured as they are trying to combine a traditional female role with a career. Major technological developments such as online shopping, the use of scanners, point-of-sale systems, electronic shelf-edge labels and the widespread use of credit cards, loyalty cards and smart cards have had a far reaching impact on the format of retailing. Traditional retailers are feeling the pressure from large players with better economies of scale; from smaller players with more focused selection or a greater emphasis on convenience; from electronic retailers that have few physical assets; and from entertainment oriented players that offer a more vibrant consumer experience. As a result of these factors, the retailing sector is experiencing a shakeout. Against this background this section will look at the major types of retailing in South Africa. This will be followed by a discussion on the two main forms of retailing: (1) store retailing and (2) non-store retailing. The characteristics of both store and non-store retailing will be discussed, followed by a discussion on retailing strategy decisions. (Kotler: 1991)

2.6.4 MAJOR TYPES OF RETAILERS IN South Africa

The South African retailing industry is characterised by both a sophisticated, formal retailing infrastructure and informal retail systems unique to the South African

environment - for example spaza shops in disadvantaged townships and rural areas. Retailers have a choice of placing their stores in different locations, and the location decision is in many ways a response to the convenience component of customer expectations. The various types of South African retailers are outlined below.

- **Speciality Stores**

These carry a narrow product line, offering a wider choice within that line. Speciality stores can be further classified by the degree of narrowness in their product line. For example a sporting goods store such as Total Sports would be a speciality store while a golf shop such as Golf Pro would be a 'super speciality' store. Other examples of speciality stores are Exclusive Books, Look 'n Listen CD shop and Mix and Match Fabrics.

- **Chain Stores**

Chain stores are multiple stores geographically spread throughout a city, province, country or internationally. A large chain store is characterised by: centralised buying; and concentration on fast moving lines; location in major shopping centres alongside other chain stores; strong corporate identity and centralisation of functions such as advertising, buying, operating policies and personnel recruitment and training. Some examples of chain stores are Woolworths, Clicks, and Edgars.

- **Department stores**

These carry several product lines, typically cosmetics, clothing, home furnishings and household goods; for example, Stuttafords. There has been a decline of department stores in South Africa, and that has been attributed to the fact that retailers do not find it financially viable to stock the extremely wide range of products offered in departmental stores.

- **Discount Stores/Centres**

Discount stores such as Game and Dion rely on economies of scale in providing products at low prices. The stores sell their products with a low price mark-up and obtain high turnovers. A new retail concept, known as value centres or discount centres, has emerged in South Africa. These value centres comprise retailers selling large ranges of branded goods at competitive prices - for example Value Centre in Springfield Park, Durban and Woodmead Value Mart in Sandton.

- **Supermarkets**

Supermarkets sell a wide range of food, laundry and household maintenance products through a self-service operation. They are relatively large, low-margin and high volume operations. Pick 'n Pay and Shoprite supermarkets are examples of this type of retailer.

- **Convenience stores**

These are relatively small stores that are open for long hours, seven days a week and are located near residential areas. Many service stations, *inter alia*, Engen, BP, Shell and Caltex also have convenience stores in some of their service stations. The convenience that these stores provide by operating long hours every day makes them relatively high price operations.

- **Superstores**

Superstores average 10 000 square metres of selling space and aim to meet the ~ consumers' total needs for routinely purchased food and non-food items. Hypennarkets are even larger, ranging between 25 000 and 70 000 square metres. The product assortment in these stores goes beyond routinely purchased goods and includes furniture, large and small appliances, clothing items, and many other items. The basic approach is bulk display and minimum handling by store personnel. Other characteristics of these

stores are the provision of substantial car parking spaces and petrol retailing adjacent to the store and its car park. They also have a comprehensive in store use of information technology such as electronic point-of-sale equipment. Examples of these store types are Hyperama and Pick 'n Pay Hypermarket. (Bhowan: 2001)

- **Factory outlets**

These are owned and operated by manufacturers and normally carry the manufacturer's, surplus, defective or discontinued product lines. Some factory shops sell out-of-season merchandise and imperfect goods. Unlike in the US where factory shops are grouped together to form shopping centres, in South Africa they are geographically dispersed and usually located adjacent to the manufacturer's production facility. It has been argued that the clustering of similar but complementary retail outlets will have greater drawing power than the same geographically dispersed outlets.

- **Catalogue Showrooms**

Catalogue showrooms sell a broad selection of fast-moving, brand name goods at discount prices. It combines mail order and retail operations using catalogues and advertisements in mass media. Verimark and Glomail provide examples of this type of retailing.

- **Independent Traders and Voluntary Groups**

Independents are retail organisations owned by a single individual or sole trader. The major features of these store types are: the cheaper sites where they are located; the use of family assistance in order to keep overheads low; longer and more convenient opening hours; personal relationship with customers; and lack of capital to expand and improve the business. The growing competition from the multiple stores led the independent retailers to form voluntary chains, which consist of independent retailers engaged in bulk buying and sometimes common merchandising. Examples both in Britain and South

Africa include Kwiksave and Spar. These retailers set up a central buying organisation and conduct joint promotion effort. Through achieving the needed merchandising economies, these organisations have become effective in meeting the price challenge of the multiple stores.

- **Spaza Shops**

Spaza shops are informal convenience grocery shops operating in disadvantaged townships selling basic necessities in small quantities. This system of retailing is unique to the South African environment and endears itself to its clientele by virtue of the proximity to the communities that they serve; the variety of convenience packs and units that they offer; and the provision of goods on credit terms. While the World Bank estimated that there were as many as 66 000 spaza shops in South Africa in 1990 (with a turnover between R3 billion and R7 billion), other studies have estimated much lower

- **Hawkers**

Similar to spaza shops, hawkers are part of the informal retailing sector. The main feature of hawkers is that they operate outdoors in high foot traffic areas such as major taxi and bus ranks. While they predominantly sell fresh produce, it is now quite usual to find them selling clothing and household goods.

- **General Dealers**

The general dealer shops are usually located in rural areas and sell a variety of products, such as food, hardware and fuel. These stores also serve as post offices and stations for paying out welfare grants to pensioners and the disabled in the rural areas. Speciality Stores' carry a narrow product line, offering a wider choice within that line. Speciality stores can be further classified by the degree of narrowness in their product line. Total Sports, Look'n Listen, Mix and Match Fabrics.

- **E-tailing**

Trading over the Internet has grown phenomenally over the past few years. This is attributed to the usefulness of the Internet in providing affordable and accessible technology that brings together buyers and sellers, large and small, across the globe. In 1998 the Internet industry generated \$300 billion in revenues in the US and since then has been growing at a compounded annual rate of 175 per cent and giving employment to 1.2 million people. According to the Industrial Development Corporation (IDC), the e-commerce market will be worth \$900 billion by the year 2003. Beyond facilitating channel partnerships, technology is affecting retailing through the substitution of electronic shopping for store-based retailing. E-tailing or electronic shopping is ideal for retailers with strong reputations for high-quality and unique products, for example Diesel, Levi and Woolworths. For many time-pressured customers, shopping online provides greater time value than a trip to the mall. Electronic shopping has been found to be more cost effective than store-based retailing, However, other factors such as the social and recreational dimensions of shopping, the amount of information customers need and merchandise assortment, need to be considered to assess the strengths and weaknesses of electronic retailing. (Kotler: 1991)

Literature suggests that successful electronic retailers will seek competitive advantage in one or more of the following areas:

- distribution efficiency;
- assortments of complementary merchandise;
- collection and use of customer information;
- Presentation of information through electronic formats; and.
- Unique merchandise.
- Retailer Marketing Strategy

Retailers need to develop consistent marketing strategies consistent marketing strategies that combine the right positioning strategy with the right product, price, placement, promotion, and store image anon to create value for their customers. The marketing strategies should be based on the long- overall organisation objectives such as increased public awareness of the retail store, increased traffic and/or increased sales.

- **Target Market and Positioning**

How retailers position themselves within the retail market structure will determine their ability to compete. The first step in developing the positioning strategy is to define the target market on the basis of three dimensions:

- customers;
- benefits/attributes to be offered; and
- Competitors.

Customer targeting decisions focus on demographics, geographic areas, socio-economic, “ and lifestyle descriptions of customers the retailer wants to attract. Pep Stores, for targets price-sensitive customers in the lower end of the market. While positioned as highly price competitive, Pep Stores are now being supported by an emphasis on friendly service and a re-enforcement of the company’s unconditional money-back guarantee. These messages underscored by the pay-off line: “So much e then more than just a bargain,” are being conveyed through radio and television advertising and in merchandising displays. Designing a sustainable positioning strategy requires on-going environmental scanning of the organisation’s current and prospective competitors. An evaluation of the strengths and weaknesses of the competitors needs to be carried out on a regular basis. Furthermore, data concerning retailing trends, innovation and changes in the needs and wants of customer’s needs to be gathered on a regular basis.

- **Choosing the Retailing Mix**

Retailing mix is a combination of the four P’s, namely; product, promotion, place, plus Image and atmospherics of the retail stores and these are discussed in return

- **The product offering**

Retailers need to make a decision on the merchandise assortment they want to offer their target customers. The decision on merchandise assortment is based on market research,

past sales, fashion trends and customer needs of the target market. Some retailers, for example Pick 'n Pay, offer greater value than their competitors by offering a broader or deeper merchandise assortment. Others such as Shoprite match their competitors' decisions on merchandise assortment, but deliver value by offering lower prices than their competitors. After determining what products will satisfy the needs of the target market, retailers need to find sources of supply and the buying function can either be performed In-house or outsource. Large retail operations such as Woolworths and Pick 'n Pay, have their own in-house product procurement departments whose functions, *inter alia*, are to source the products, negotiate purchase contracts and manage the inventory by keeping an adequate supply of fast moving items and cutting prices to move slow goods. To control inventory levels and efficiently replenishes stock; large retail organisations use a system known as efficient consumer response (ECR). Efficient consumer response initiatives have dramatically reshaped the practices of the retail grocery industry in the 1990's. This has involved restructuring the supply side of the retailer, which includes the creation of a paperless information flow between channel members using electronic data interchange. ECR has reduced the amount of inventory in the channel; cut the number of times a product is handled and given rise to more efficient practices in delivering to stores. While ECR involves the supply side of retailing, there is also the demand side known as category management that directly affects shelf-presentation, promotions, and pricing that and product assortment⁴⁰. Category management is a process of managing product categories as strategic business units by focusing on delivering customer value. A product is a manageable group of products that consumers perceive to be related, for example, different brands of washing powders fabric softeners and stain removers belong to a category of laundry products. (Bhowan: 2001)

2.7. PROMOTION

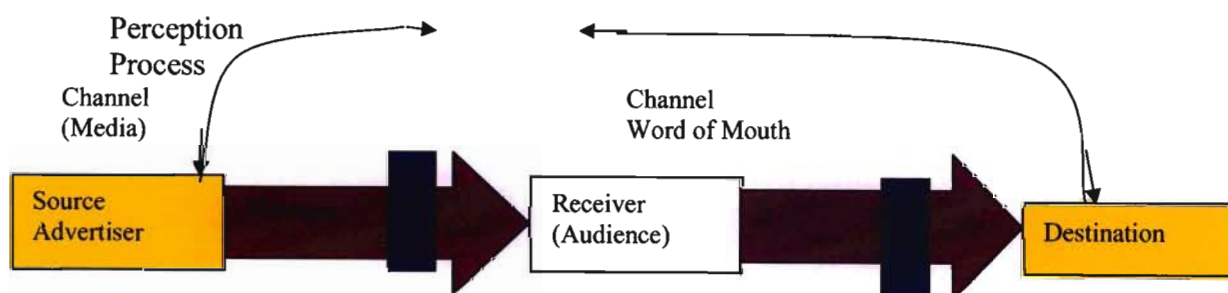
In most instances consumers are reluctant to change established behaviour, and advertising is a powerful force in modifying the mental mindsets of users and potential users of products and *services*. Marketers are faced with the challenge of not only producing advertisements that are noticed and liked by the target market, but also to produce advertisements that sell products and create brand equity.

reached. The degree of influence an advertisement has depends on, *inter alia*, the context in which the advertising is perceived; the type of product or service and the role it plays in people's lives; the product's life cycle; and the advertising pressure that is exercised.

2.7.1 ADVERTISING COMMUNICATION SYSTEM

Advertising practitioners and scholars have long searched for a theoretical explanation of how advertising works as a channel of communication between the advertiser and the receiver. Figure 2.7 below shows one simple model of the advertising communication system. Advertising communication involves a perception process and four of the *four of the* elements shown in the model: the source, a message, a communication channel, and a *receiver*. In addition, the receiver will sometimes become a source of information talking to friends and associates. This type of communication is termed word of mouth, and it involves social interaction between two or more people and the important ideas of group influence and the diffusion of information.

Figure 2. 8. Model of the advertising communications system



Source: (Batra, Meyers and Aaker: 1966)

- **Source**

The source of the message in the advertising communication system is the point at which the message originates. There are many types of 'sources' in the context of advertising, such as the company offering a product or the spokesperson used.

The various dimensions of source effects such as credibility and attractiveness are of

obvious importance in deciding how best, and through whom, to communicate the advertising message.

- **Message**

The message refers to both the content and execution of the advertisement it is the totality of what is perceived by the receiver of the message. The message can be executed in a great variety of ways and can include, for example, the use of humour or fear.

- **Channel**

The message is transmitted through some channel from the source to the receiver. The channel in an advertising communication system consists of one or more kinds of media, such as radio, television, newspapers, magazines, billboards, point-of-purchase displays, and so on. The impact of the communication can be different for different media. For example, an advertising exposure in *Cosmopolitan* can have an effect quite different from exposure to the same advertisement in *Good Housekeeping*. Word-of-mouth communication, as mentioned above, represents another channel that is of special interest because it can sometimes play a key role in an advertising campaign. It should be noted that any communication system has a channel capacity. There is only limited information that can be moved through it and also limited amount that a receiver will be motivated to receive and capable of processing.

- **Receiver**

The receiver in an advertising communication system is also called the target audience. Thus, the receiver can be described in terms of audience segmentation variables such as lifestyle, benefits sought, and demographics. Of particular interest might be the receiver's involvement in the product and the extent to which he or she is willing to search for and/or process information; It is the characteristics of the receiver - the demographic, psychological, and social characteristics - that provide the basis for understanding the communication process. Note that an advertising message can have a variety of effects

upon the receiver. It can inter alia:

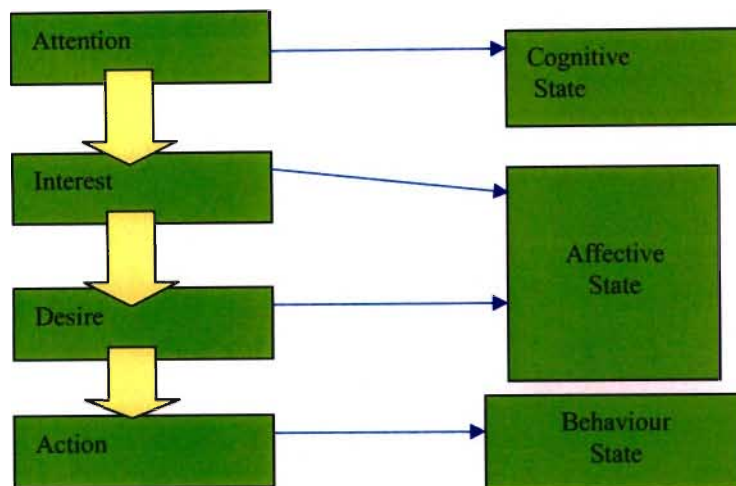
- Create awareness
- Communicate information about attributes and benefits
- Develop or change an image or personality of a product/service/person
- Associate a brand with feelings and emotions
- Create group norms for consumption.
- Precipitate behaviour
- Destination

The communication model in Figure 2. does not stop at the receiver but allows for the possibility that the initial receiver might engage in word-of-mouth communication to the ultimate destination of the message. The receiver then becomes an interim source and the destination becomes another receiver. As mentioned earlier, word-of-mouth communication resulting from advertising can be a critical part of a campaign. Products or services such as movies rely heavily on word-of-mouth communication. Word-of-mouth communication has the credibility, comprehensiveness, and impact to affect the ultimate behaviour of a substantial portion of the audience. Furthermore, advertising can actually stimulate word-of-mouth activity.

2.7.2 THEORIES OF ADVERTISING: The AIDA Model

Earlier research in advertising suggests that for any piece of persuasive communication to be effective, it must carry its audience through a series of stages, each stage being dependent on success in the previous stage. A further development of this theory gave rise to what is known as 'hierarchy of effects' theories of advertising. The AIDA model is one such example of the 'hierarchy of effects.' AIDA stands for attention, interest, desire, and action. The AIDA model represents the assumption that various steps have to be taken before the consumers proceed to take the action of purchasing.

Figure 2.9 AIDA MODEL



Source: (K Bhowan, et al (2001: 101)

- **Attention**

The AIDA model suggests that for advertising to be effective, it must draw the viewer's or listener's attention from the very first glance or hearing. If not, the rest of the advertisement will prove to be of little use if the target audience has not first been influenced to pay attention to the message. In order to command viewers' attention, advertisements often start out as mystery stories that make the viewers wonder, "What is going on here?" For example, to attract the attention of viewers, a Volkswagen ad on TV opens with a scene that shows a busy city sidewalk with a multi-cultural and multi-facetted human tapestry. African style restaurants, sushi bars, a smart Italian sidewalk cafe, a shoe shiner, a flower seller, groups of professional people, together with a mother and her two young children are part of the scene. As the camera moves through the crowd one realizes that something is attracting the attention of everyone. Smiles begin to light up the faces of all these different people as they watch the new, striking, yellow Beetle drive slowly down.(Kotler:1991)

- **Interest**

Interest After the viewers' attention has been attracted, the next step would be to maintain interest. Usually interest follows automatically if the attention getter is powerful enough. For example, in a TV commercial for Coca-Cola the viewer first sees images of youngsters going to the beach to surf, drinking a bottle of Coke, while the splashing of waves can be heard in the background. The viewers' attention is then focused on fun-filled nostalgic experience of children returning home from school sipping on their Cokes while their mother's look-on. Another scene shows a bunch of teenage girls enjoying themselves while sipping on their Coca-Cola drinks. The interest of the viewers is captured as the speaker utters the lines, "Enjoy the pleasures that life's got to give...enjoy the moments you share with your friends...enjoy the taste of Coca-Cola.

- **Desire**

Having commanded the viewer's attention and having been successful in capturing their interest, the next stage would be to create the desire for the product. This stage constitutes the persuasive role of advertising. Advertisers use various appeals in order to persuade consumers to desire and ultimately to make the buying decision. The different appeals such as humour, price or value appeal, and sex appeal are discussed later in the chapter.

- **Action**

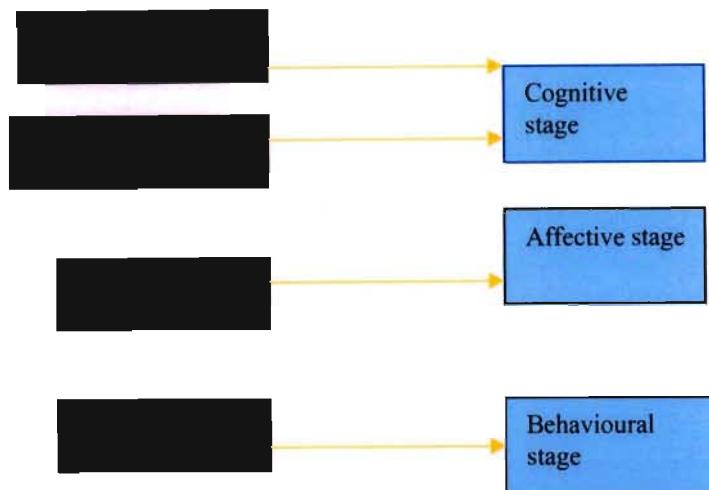
This stage involves persuading the consumer to take action. For example the Porsche commercial shows a number of scenes with a narrator in the background.

2.7.3 The DAGMAR Model.

In 1961 Russel Colley developed the DAGMAR model (defining advertising goals/or measured advertising results), which differs from the AIDA model In that it provides advertisers with a platform¹ to design ads that create awareness of products or specific brands. Similar to the AIDA model, the DAGMAR model is based on the hierarchy of

effects that follow the cognitive, affective and behaviour sequence. The model begins with awareness, moves to comprehension, then conviction and ends with action as illustrated in:

Figure 2.10 The DAGMAR Model



Source(Bhowan, et al, 2001:104)

The DAGMAR model assumes that consumers need to have a clear comprehension of what the product is before having a conviction to buy. For example, when the Red Bull commercial appears on TV, it might catch your attention if you are in the market for energy drinks and are involved in sports. The commercial might help you comprehend the value of the product and you might be convinced to consider trying it. The main criticism of the hierarchy of effects models is that they are based on a passive recipient who absorbs advertising in the way the sender intended. Not only has it been found that there is growing advertising avoidance, selective perception, and partial focusing by recipients, recipients also create meanings for themselves that are not necessarily similar to those offered by the sender. The hierarchies of effects models do not accommodate the recipients' existing associations, beliefs and attitude as important factors in the interpretation of messages. Based on the notion that the recipients' response to an ad is not always a behavioural one, some authors have challenged the traditional view of the

hierarchy of effects. It is proposed that successful advertising campaigns tend to tap a wider range of responses such as attitude change, attitude reinforcement, activation of specific emotions, communication of symbolic meanings and direct behavioural response. (Bhowan: 2001)

- **Competitive Advertising**

Competitive advertising is used to influence demand for a particular brand. Marketers use *competitive* advertising when a product enters the growth phase of the product life cycle. The growth phase is characterised by increased competition in the market place. Often the ads become less informative and appeal more to emotions. For example Coca-Cola is portrayed as a product that brings pleasure and happiness. That way the Coca-Cola brand succeeds in getting specific emotions linked with the brand. The BMW ad is another example of competitive advertising. Being an established brand, BMW is competing in the market place with identical brands and therefore engages in selective demand advertising. The BMW ad that was run in the *Cosmopolitan Magazine* does not have a single car. Instead the ad features images of pleasurable experiences: the snow that is associated with Christmas, the time of sharing, love and happiness; a child smiling, playing with a butterfly, bringing to mind happiness, joy and bliss; a couple in a bath tub, bringing to mind love, sharing, happiness and pleasure. Then a question is asked: "So, what did you experience today?" The ad uses visual symbols as the key to persuasion, as these are more effective in creating images that shape the behaviour of consumers. The ad is in German, although the target audiences do not understand the German language. This indicates that it does not matter what language the consumer speaks as the message is the same: 'experience pleasure by driving a BMW'. Comparative Advertising Comparative advertising directly or indirectly compares specific attributes of two or more brands. This type of advertising is illegal in South Africa, although there are marketers who believe that it will not be too long before it is practised in South Africa. The well known 'Beat the Bends' advertisement is an example of comparative advertising. The ad showed a BMW successfully negotiating the bend a Mercedes failed to take that. Not only is Mercedes-Benz BMW's main rival in the

South African luxury car market segment, but Mercedes Benz has also long enjoyed the position as leader in vehicle safety. One of the objectives of the “Beat the Bends” ad was to provoke debate while drawing the public’s attention to the excellent safety features of BMW. The ad was highly effective and achieved its purpose although it was short-lived because of the ban imposed on it by the Advertising Standards Authority.

- **Developing an Advertising Programme**

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The process followed in order to develop an advertising programme involves setting advertising objectives within the framework of the firm’s marketing strategy. This is followed by decisions on creative strategy, budgeting and media selection. The final stages in development of advertising programme are advertising production and evaluation. The importance of the advertising programme to the overall marketing strategy cannot be underestimated. Furthermore, understanding the consumer needs, wants, and desires is central in creating effective ads. South Africa, being a melting pot of diverse cultures and social backgrounds, requires a keen understanding of the different consumer segments in the market. Such knowledge would enable advertisers to develop creative ads that achieve advertising objectives.

- **Setting Advertising Objectives**

A firm’s marketing strategy provides a framework from which advertising objectives are developed. Advertising objectives are usually based on past decisions about a specific target audience and product positioning- Advertising objectives can be classified by whether the aim is to inform, persuade or remind. Informative advertising is used when a new product category is being introduced to a *specific* target market. The objective of the advertising campaign is to create primary demand.

- **Developing Advertising Appeals**

The task of advertising is to pre-programme the consumer’s choice of products and brands as much as possible. This will ensure that the brand is present in the consumer’s

memory in such a way that it exercises the maximum positive effect at the moment the decision to buy is reached. There are several approaches used in advertising to persuade consumers to purchase specific products/brands. Literature has shown that persuasion in advertising rests on the psychological appeal to the consumer. An appeal is something that makes a product or a brand particularly attractive or appealing to the consumer. For an advertising appeal to be effective it must be unique, believable and be remembered by the target audience. Consumers must be able to distinguish the message from that of the competitor. For example, “sheer driving pleasure” (BMW); “the people’s car” (VW); “time to get lovely” (Dark and Lovely); “it’s the real thing” (Coca-Cola); “obey your thirst” (Sprite); “the ego effect” (Ego); “just do it” (Nike); are all examples of famous advertising slogans that contain messages that marketers want customers to remember and understand. There are many advertising appeals that advertisers use during the creative process, and here are six of them:

- **A rational appeal**

It focuses on key benefits that are perceived to be highly functional or important to target consumers. A rational appeal is effective when a product has a unique attribute that represents a meaningful, distinctive consumer benefit. For example, Volvo ads focus on the safety features of the car such as their side impact bars and their built-in baby seats. The baby car seats are available with baby car stickers with the words: ‘Volvo for life.’ Volvo is positioned as ‘the safest car in the world.’

- **Humour Appeal**

Much contemporary advertising aims to reach the consumer using *humour appeal*. Part of the success of the humour appeal is the element of surprise, and once consumers have seen or heard the ad, the humour decreases rapidly. Ego - a Unilever product - uses a humour appeal to advertise the product. In the ad flight on SABC 3, a man walks past a lady who is sitting in an outdoor cafe. While adding sugar to her coffee she notices an arresting fragrance and lifts her head to find out what it is. She discovers that a man passing by is wearing this fragrance. She is so totally absorbed by this man and the

fragrance that she doesn't notice that she is adding far too much sugar to her coffee. The voice-over then says: *'The Ego-effect'*.

- **Sex Appeal**

Sex appeal is an old standby in the advertising world that suggests that using a product will make the consumer more attractive and sexy. The Guess Jeans and Calvin Klein's Obsession perfume are examples of ad campaigns based on sex appeal. Sex appeal needs to be used with some caution, as attempts to present a sexy image may cross the line, offending some readers or viewers who may label the ads as sexist: 'to communicate an advertising message. A number of criteria are used to select different media vehicles:

Reach, the number of different persons or households in the target market exposed to a particular advertising media vehicle over a period of time, frequency, the average number of times a person or household is exposed to a media vehicle within a given time period. impact, the qualitative value of an exposure through a given medium.

- **Rating**

The percentage of the total potential audience who are exposed to a '(particular media Vehicle.

- **Television**

Television, being an audio-visual medium, provides advertisers with many creative opportunities. Advertisers can effectively combine sight and sound with words, pictures, music and voices to design advertisements that appeal to the target audience. An added benefit of television is the ability to demonstrate product use. Marketers or media planners usually purchase a standard 15 or 30 second commercial or *run* an infomercial, which is a 3D-minute or longer blend of information and advertising *that* enables advertisers to explain products in greater depth than standard TV commercials. Info commercials are attractive advertising vehicles because of the cheap airtime *and*

relatively low production cost. Furthermore, Infomercials have also been found to be an ideal way to present complicated information to potential customers.

The downside of television comprises the high production costs and expensive airtime. Airtime is even more expensive during prime time or special television events. Although the television's cost per thousand can be reasonable compared to alternative media; a viewer's exposure to a television ad is short. Viewers also tend to 'zap' advertisements with their remote controls.

- **Print**

There are several factors that media planners take into consideration before deciding 'I which newspaper or magazines to use in order to effectively reach the target audience.

. Costs versus readership quality - for example, garden tools would have a high exposure value in a Home & Garden magazine. Readership attention - for example, readers of Cosmopolitan and Fair Lady typically pay more attention to advertisements compared to Daily Mail and Mercury readers.

- **Radio**

Although radio may seem to have been replaced by television, it is still viewed as a viable national advertising medium, especially for advertisers of consumer goods. Similar to magazines and TV stations, radio is a highly segmented medium. However, it costs much less to advertise on radio than it does on television. While radio ads lack the visual effects of television, a great deal of drama and illusion can be created with voices, music and other sound effects. The downside of radio advertising is that it is difficult to convey complex information and listeners often pay little attention because they are doing other things such as driving or household chores. Similar to television ads, radio ads have a short life span.

- **Editorial quality**

For example *financial Mail* and *The Economist* have a reputation of being more prestigious and believable than other publications, and their readership consists of people in the higher LSM's. For example, the readership of Financial.

- **Outdoor media**

Outdoor advertising usually takes the form of, *inter alia*, billboards, signs on buildings, banners and posters found on buses and taxis. Effective outdoor advertising is built on a strong creative concept that communicates its message in an instant, attracts attention and is memorable, For example, a billboard for Standard Bank has only three words filling the entire board, namely Simpler, Better, Faster. Volvo has one word filling the entire board, namely ReVOL VOLution. To design billboards that make a quick and lasting impression designers consider the following factors:

- Graphics should be attention grabbing
- Images on the billboard should be huge.
- High visibility and impact ought to be created by the appropriate use of colour.
- Typography should be uncluttered and easy to read.
- Visual impact can be created by using illuminated billboards or by creating
- 3-D effects.

Outdoor advertising can reach many people repeatedly, but cannot always target a specific audience, except by geographic location. The main advantage of outdoor media over other media is that its exposure frequency is high, yet the amount of clutter of competing ads is low.

- **Direct Mail**

Advertisers use direct mail to target a specific market. Direct mail usually takes the form of catalogues, newsletters, and flyers. An advantage of direct mail is that an ad can contain more information than other advertising media can. An additional advantage is that no competing products or services are advertised and its effectiveness can be more easily measured. Advances in digital technology have changed how direct mail is used as an advertising medium. It is now possible to access databases to customise marketing materials sent to different market segments and to personalise the message any individual consumer or household receives. For example, in addition to conveying an advertising message, an ad may indicate the ages of the children in the household (if their ages were recorded in the database) and add coupons for designer jeans to those households with teenagers.

- **The Internet**

Despite the 'dot bombing' of information technology companies, the Internet is growing stronger as a medium for advertising. Forrester Research forecast that traditional US companies would spend \$63 billion annually by 2005 on Internet advertising compared to the \$11 billion spent in 2000. The Internet offers a number of benefits to marketers; one of the benefits is that organisations of all sizes can establish a basic web site for a nominal cost that is accessible to Web browsers around the world at any time. The Internet allows consumers to seek information, ask questions, and get answers without the direct assistance of a human being. Internet advertisers are however faced with the challenge of getting viewers to their website, and to get them to return to the site.

2.8 BRANDING AND BRAND MANAGEMENT

Every new product must be identified, and the accurate term for what identifies products is trademark. Under U.S. federal law, a trademark is usually a word or a symbol. That symbol may be a number (how many of the following products can you identify? or a

design (for example, the stylised lettering in GE, the golden arches of McDonald's, or the paint firm's Dutch boy). The law doesn't care how usual the trademark is and just requires it to identify and differentiate the item using it

Most businesspeople and their customers use the term brand instead of trademark. This book uses brand when talking about marketing strategy and trademark when talking about the legal aspects. Technically speaking, services have service marks, not trademarks, and businesses have trade names, not trademarks. Another definition is very important: registration. Historically, and still today in most countries, the first user of a trademark had exclusive rights. But in the United States you can ask that your trademark be registered. If you can get it registered, you can keep that trademark forever, even if another firm later displays proof-of-prior use. What happens if, shortly after launch, other manufacturers begin encroaching on our mark? We move aggressively to stop them. Aladdin began putting on its labels "Aladdin thermose bottle." Do you know what thermos bottles are? If you do, as most people do, then the term no longer just describes one maker's brand of vacuum bottles. The firm that owned the thermos mark, and won sued Aladdin; the original owner did not protect it. Thermos became a generic. Any company can use it. Over the years, so did aspirin, cellophane, brassiere, dry ice, shredded wheat, trampoline, yo-yo, linoleum, corn flakes, kerosene, high octane, raisin bran, lanolin, nylon, mimeograph, and scores more. Billions of dollars in value lost. But today, makers of in-line skates know that Rollerblades is aggressively protected, as is Mattel's Frisee. Some Xerox Corp. is advertising reminds customers that the word "Xerox" is a trademark and therefore a proper adjective. It should always be followed by a descriptive noun (as in "Xerox copier") and never used as a verb (as in "Xerox this for me"). Incidentally, don't forget to seek protection for the new brand in all countries where it might be marketed.

Companies can also seek trade dress protection. Trade dress refers to a wide range of product identifiers: in addition to brand name, it can include packaging, product colour (Brillo is the pink soap pad, SOS is blue), or decor (the distinctive look inside a certain fast-food chain, for example). The extent of protection a company has is not always clear-cut, but if a firm has data that show customers identify a given trade dress with a particular brand, protection is often allowed by the courts using the concept of secondary

meaning. That is, the colour, decor, or packaging takes on a secondary meaning, which is the name of the brand. Private brands often use trade dress to establish themselves as competitors of well-known brands –the drug store brand of aspirin may be in a package that resembles the Bayer Aspirin package. Typically, courts deny the private brand absolute rights to copy the well-known brand’s trade dress.

2.8.1 NEW PRODUCT DEVELOPMENT

Thousands of new products are launched on to the market every year, with varying success rates; the vast majority never recoups their development costs. Newer, more effective products are constantly superseding products. For these reason firms seek to develop new products, those firms who fail to innovate will, eventually, only be producing products that are obsolescent. (Di Beneedetto: 200)

Product development is the process of developing and improving existing products and introducing successful new ones. In the modern world, firms regularly change the specifications of their products, whatever they may be, aerosols, aeroplanes, or spices. Consumers have come to expect change and improvement, and continually search for new and exciting and also fast processing or semi-processed ways of doing things. To this end Maharani Instant spice will aim to satisfy that need after adequately establishing the need for such a product from a series of analytical studies and market research.

With Maharani Instant Spice, product development involves finding out what customers want in order to implement strategies that will meet these needs. It is also important to identify potential gaps in the market and to keep an eye on what competitors are doing. This will be unbundled in a competitive analysis of similar products that exist.

2.8.2 CONCEPT TESTING AND DEVELOPMENT

The entire project cannot be based on intuition and experience of the managers; most large firms make frequent use of concept testing. It is mandatory part of the process for makers of consumer packaged goods. The objective of concept testing is to establish the needs and problems of the users of the products, suggestions that they may have, there

Thoughts on various ideas, all of these can contribute to the successful development of a customer-orientated product designed to the needs of consumer tastes and preference.

The rough early screen that will be conducted is to evaluate the new product on three factors: Market Worth: What is the attractiveness of the new product to the targeted customer population? Firm Worth: Is the new product project viewed positively by management? Does this project enhance the firm's competencies? Competitive Insulation: Can the product's advantage be maintained against competitive retaliation?

The survey conducted will be included in the questionnaire used in the research methodology. The results will allude to the finding of the research.

2.9 SUMMARY

New product development entails numerous factors when considering the characteristics of the new product. The market research forms the basis of the study but the marketing mix inter (product, price, place and promotion) provides us with tools to develop the new product using the academic data together with the researched material. Against this backdrop a new product can be developed according to the strategic and tactical findings provided to us from the research.

CHAPTER 3 CASE STUDY

MAHARANI CUISINE INSTANT SPICE

3.1 INTRODUCTION

Trying to preserve foodstuffs during the season of abundance to provide the days of less abundance and shortages has challenged the ingenuity of man, and these phenomena never cease to amaze our imagination. Earlier in history of mankind, it was discovered that products which were slowly dried in the sun, kept for a longer interval. Also, sprinkling certain powdered roots over meat could prevent that rapid deterioration. Hence spices were initially used to combat deterioration and the palate soon acquired a taste for them. It is not by sheer accident that highly spiced dishes have originated from countries with tropical and equatorial climates. Nature has a way of compensating for its own drawbacks. In colder climates where food does not deteriorate so rapidly, spices do not grow in the abundance as they do in those climates where their need is imperative. For the masses that rely on the products of their environment, this easy access to spices soon lays the foundation for 'typical dishes'. What had been initiated from sheer necessity soon moulded national appetites.

Religion and culture play a great part in the dishes of a people. The kosher of the Jewish people, the halaal and haraam injunctions of Muslims, the vegetarian of Buddhists, gourmandism of Chinese dishes are all restrictions imposed by religion.

Some dishes have attained an international status. Travel, immigration and transportability of products have all been contributory factors. The rice dish known as pilaau, pilaf, paella, or pulaau, is a case in point. So is the curry whether it is known as curry tarkari or goulash. With speedier modes of transportation one can safely predict that croissants, halwa, biryani and bhajia will soon enjoy an international reputation.

We live in a consumer driven society in which the choices made by ordinary people play a large part in shaping decisions made by large companies, like what to produce and how best to package and advertise their goods and services. The process by which companies find out about consumer requirements is called marketing. We examine the role of marketing in NPD in South Africa's food retail with special focus on the: spices market.

Perhaps most importantly, marketing research can bring in valuable customer views, a

stronger role for marketing should translate into these elements contributing to more successful NPD. In particular, we show that marketing research is critical in such a market driven industry as retail food. We use the qualitative approach and case study; the research methodology techniques are taste tests, interviews, focus groups and questionnaires. Having discovered what customers' needs are, a business then faces the challenge of completely meeting those adequately and profitably. The research looks at an important part of market research. The study illustrates how 'Maharani Instant Spice researches the market and uses the information it gains to influence its decisions about its product development. (Mayat: 1961)

3.2 THE ART OF INDIAN COOKING

In the handling of food, the Indian woman finds fulfilment for her talents. Much of Indian art being functional, cooking is therefore one more means with which she expresses herself. A mother traditionally taught her daughter that, 'the best way to your husband's heart is through his mouth, hence tasty cooking'. This criterion was at one time an ideal choice for the ideal bride, the one that cook for her husband and his family. All her creative instincts are brought into play and this is visible when her labour of love appears on the table. Symmetry of line, colour combinations, shape, choice of serving dishes and garnishes, all contrived with much thought and talent. Each Indian dish was taught down the generations till daughters became as proficient as their mothers; but that the need of a reliable cookery book was beginning to be felt since daughters were spending more time with studies and newly acquiring careers. (www.asataspice.org/hist)

Also owing to the breakdown of the extended family system of living, daughters-in-law were called upon to manage their own houses at a much younger age. The earlier stigma attached to a family whose grown-up daughters could not cook has fallen away. With the mother-in-law or aunt no longer around a good reliable easy to cook recipe has become essential, even in the Indian domain. Indian husbands still insist on meals as mothers prepared them. Both Indians and non-Indians have found cooking authentic Indian dishes extremely difficult without a well-designed recipe. Even super Indian cooks who abound in the community refer to detailed recipes, even today. However, let us remember that

good cooks are not born, they are made after lengthy periods of hard work; a good recipe book will not yield good results unless care is exercised during all stages of food preparation and presentation. (Mayat: 1961)

Selecting ingredients, balancing menus, blending flavours, correct accompaniments, all this and much more has to be taken into consideration. No one is born with all this knowledge and each one has to learn from the tedious school of experience. Against this backdrop, it is perceived that for a good quality Indian dish, the know-how with all the other considerations is a pre-requisite. All of this required experience and knowledge can be culminated into one single product. The Maharani Instant Spice, where all the ingredients, blended flavours, all-in-one, simple procedure, no preservatives or MSG; attractively packaged destined to change the art of Indian cooking. Therefore, the market research is an attempt to test the market demand for such a new product and to test its feasibility in the South African retail food sector. (www.theepicentre.com)

3.3 THE SPICES OF ANTIQUITY

Literally once worth their weight in gold, spices sparked global exploration, caused wars and shaped history - Not bad going for the aromatic buds, berries, root and bark of plants! Every country has its own unique spice blends with recipes handed down of many centuries. Selected spices are dry roasted in smoking hot, cast iron pans to fully release and marry their flavours and aromas. Delightfully fragrant infusions result, which is the very epitome of every world cuisine. In order to guarantee authenticity, the in-house blends are characterised by original recipes and traditional methods and genuine ingredients. Although much more affordable today, spices retain immeasurable culinary value to the adventurous cook. With each having its own totally unique flavour, aroma and colour, nothing will give you greater inspiration to experiment! (www.grovesons.com)

For hundreds of years frail ships clawed their way along the Indian coast, past the pirate-infested Persian Gulf, along the coast of South Arabia and through the Red Sea to Egypt. Those were typical ways of bringing spices from the Orient to the Western world in ancient times. As early as the days of Tiberius Caesar they discovered those ships

scudding before the blast of the monsoon - the seasonal wind from the Indian Ocean, blowing east in summer, west in winter - could bring their spice cargoes to market in record time. Shipwrecks and storms brought large losses and there were constant robberies, but the risks were outweighed by the eventual profits for, as might be expected during the highly developed Greek and Roman eras, spices were in great demand. So costly that only the wealthy could afford them, spices nevertheless were used in every conceivable way. Many and varied were the aromatics, which seasoned the delicacies served at Roman banquets. Medicines required great quantities of spices and herbs, as witness the writings of Hippocrates, Theophrastus, Dioscorides and Pliny. Bay leaves (or laurel) were woven into crowns for Olympic heroes; spice-scented balms were used after baths; spice-flavoured wines were popular; incense made of spice was burned in temples and even along the roads. (www.asataspice.org)

Various types of mills are used in spice grinding because of the wide variety of materials, which must be processed; i.e. leaves seeds, bark, etc. By use of mechanical sifters the miller also regulates the fineness of the grind. Today, the spice industry also offers extractives of spices in which the essences are concentrated from the raw products. These are available in various forms to meet specific flavouring needs. Included are essential oils, oleoresins and compounds containing these plus natural spices and other ingredients.

3.3.1 THE AGE OF DISCOVERY

Much of the mystery had had been removed from the lands of spicery, and Europe was awakened to a new quest. First Portugal, then Spain and England, then Holland and eventually even the newly founded United States entered one of history's most exciting contests. During nearly four centuries, the major western powers raced each other to the Orient and battled each other for control of the spice-producing lands. The little seafaring country of Portugal now claimed Ceylon, the East Indies and finally the Spice Islands themselves and became for a time one of the richest nations of Europe.

Meantime, spices contributed their most important gift to western peoples. They lured men into the discovery of a great New World. Christopher Columbus, Genoese

mapmaker and daydreamer, carrying Spain's colours into the drive for spices, made his famous voyage across the Atlantic and discovered America. The only aromatic plants he found in the Western World, however were capsicums, "plenty of aji, which is their pepper, which is more valuable than pepper, and 'allspice or pimento,' a tree whose leaf had the finest smell of cloves that I ever met with." Thus wrote Dr. Chanca of Columbus's expedition. Spain's delayed entry into the spice race was speeded up not only by Columbus, but five years later by the navigator-explorer Ferdinand Magellan, who was successful in making the first trip to the east by heading west across the Atlantic in 1519. Although Magellan himself was killed in the Philippines two years later and four of the five ships of the expedition lost, the remaining ship, the Victoria, returned to Spain with enough spices to pay for the entire expedition. Nevertheless, Spain continued the spice quest only briefly, King Charles of Spain selling his rights to the Spice Islands to his brother-in-law, John III of Portugal. The gold of the Incas proved a stronger attraction to the Spaniards. (www.asataspice.org)

3.3.2 ASTA SPICE HISTORY TIMELINE

50000 BC

By this time, archaeologists believe man had noticed that certain leaves impart delicious flavour to meat.

2300 BC

In one of man's earliest written records the Assyrians tell of their gods drinking sesame seed wine before they created the earth.

1920 BC

Biblical history tells of Joseph of the coat of many colours being sold to spice caravan by his brothers.

1520 BC

The book of Exodus in the Bible tells of Children of Israel fleeing Egypt, taking with the "principal spices"

1453 BC

Greeks begin Olympic Games at which victors were awarded laurel (bay leaf) wreaths.

992 BC (www.asataspice.org)

Queen of Sheba visits Solomon with "camels that bear spices" as her principal gift.

80 BC

Alexandria, Egypt becomes greatest spice trading port of Eastern Mediterranean, with one of its entrances known as "Pepper Gate."

50 BC

Romans bring mustard seed to England.

65 AD

Funeral rites for Nero's wife, Poppaea, at Rome consumes year's supply of cinnamon.

300

Probable date of oldest cookbook by Apicius; recipes richly spiced.

410

Alaric the Visigoth demands 3000 pounds of pepper as ransom from Rome and two years later extracts 3000 pounds annual pepper tribute from the city.

595

Mohammed weds wealthy spice-trading widow; his followers combine missionary work with spices trading in East and build first spice monopoly.

900

Venice rising as commercial power - much of it based on spices- beginning to bring Europe out of the Dark Ages.

1179

Guild of Pepperers founded in London; France forms Corporation of Spicers. Pepperers to become Guild of Grossers in 14th Century.

1298

Marco Polo returns from China; tells where spices grow and awakens western world's interest in trading direct with the Orient.

1418

Portuguese Prince Henry establishes his navigation college to spur worldwide spice quest.

1492

Columbus sails to seek more direct passage to Orient's spice riches, opening Age of Exploration. (www.asataspice.org)

1493

Columbus discovers allspice in West Indies.

1494

Columbus' physician, Chanea, describes Mexican capsicums (red peppers).

1498

Vasco de Gama reaches Calicut, India, the spice center; pepper prices fall in Europe.

1505

Portuguese discover Ceylon, cinnamon source.

1511

Albuquerque seizes Malacca on Malay Peninsula, one of the most important spice ellipuliums.

1519-1522

Magellan sails westward for Spain looking for new spice lands; surviving ship returns with enough spices to finance entire expedition.

1529

Charles V of Spain cedes all rights Spain had claimed in Spice Islands to Portugal for 350,000 ducats.

1563

Garcia da Orta writes "Colloquies on Drugs and Simples of India" the first scientific book on oriental spices published in the western world.

1580

Sir Francis Drake returns to London from round-the-world voyage that included visit to Spice Islands.

1585

West Indies ship arrives in Europe with first cargo of Jamaica ginger- first oriental spice to be grown successfully in New World.

1599

Van Neck establishes first Dutch trading posts in Banda, Amboina and Ternate, the "Spice Islands."

1600

British East India Company founded. (www.asataspice.org)

1609

Record 116,000 pounds of cloves reach England in one shipment.

1640

Dutch seize Malacca and control of most spice production in the East.

1672

Elihu Yale reaches India and starts spice business, which eventually provides the fortune with which he founded Yale University.

1704

Europe first reads "Arabian Nights" and Sinbad's spice quest.

1760

Large amounts of cloves and nutmegs burned at Amsterdam to keep up prices.

1770

Governor Poivre of Mauritius steals cloves and nutmeg seeds from Dutch and starts new growing areas on his island, thus affecting the first breach in Holland's East Indies monopoly.

1786

The English found Penang, later to become major eastern pepper port.

1797

Captain Jonathan Carnes of Salem, Massachusetts returns from Sumatra with first large pepper cargo and puts United States in world spice trade.

1805

U.S. reaches peak of its Sumatra pepper trade; exports alone totaled 7,000,000 pounds in one year.

1821

First U.S. spice grinding company started in Boston.

1835

English settlers in Texas invent chili powder as convenient way of making Mexican-type dishes.

1870

California begins growing mustard seeds.

1873(www.asataspice.org)

Piracy and native hostility finally snuff out America's direct pepper trade with Sumatra and the last of the 967 pepper voyages is completed.

1907

American Spice Trade Association formed.

1910

California begins chili pepper production.

1931

Dehydrated onion and garlic products go to market.

1937

Prof. Szent-Gyorgyi wins Nobel Prize for research with paprika, in which he discovers Vitamin C.

1940

First commercial paprika crops grown in California.

1953

Freeze-dried chives introduced to U.S.

1969

Spices reach the moon, as seasoning the Apollo Astronaut's food.

1971

Spice trading with China re-opened as U.S. ends 21 years' embargo.

1972

Domestic production reaches 30 percent of total U.S. spice consumption for first time.

1976

World trade in black pepper sets an all-time high of 220 million pounds.

1977

American Spice Trade Association completes first complete nutritional analysis of spices.

1981

Spice usage in the U.S. passes the half billion pound mark for the first time.

1983

British study finds powdered ginger twice as effective as Dramamine in preventing Motion Sickness.

1984(www.asataspice.org)

3.3.3 SPICES IN THE MIDDLE AGES

Whether spices came by sea or by land, they had to come by way of Cairo, Egypt. "Whoever is lord of Cairo," said the merchant pilot, "may call himself lord and master of (Christendom . . . and. of all the islands and places where the spices grow), since of necessity all merchandise of spicery from whatever direction can come and he sold only in the land of the Sultan." From Cairo the spices were shipped to Alexandria and there they were bought and shipped by the Venetian, and the Genoese, who rode the crest of swelling demand for spices to fabulous wealth. The spice trade, calculated to supply the demands of medieval trans-Alpine cookery, was great not only in volume but in value, it has been assessed as worth, at the very least a million ducats annually. A single big Venetian galeasse returning from Alexandria with her holds full of spice-sacks would carry cargo to the value of 200,000 ducats. During the Middle Ages in Europe, a pound of ginger was worth the price of a sheep; a pound of mace would buy three sheep or half cow; cloves cost the equivalent of about \$20 a pound. Pepper, always the greatest prize, was counted out peppercorn by peppercorn. The guards on London docks even down to Elizabethan times, had to have their pockets sewn up to make sure they didn't steal any spices. In the 11th Century, many towns kept their accounts in pepper; taxes and rents were assessed and paid in this spice and a sack of. pepper was worth a man's life. (www.asataspice.org)

One day, in the year 1271, a young Venetian set out with his father and uncle on a 24-year journey which was to take them all over Asia, as far as fabled Cathay, or China. His name was Marco Polo and his book of traveller's tales was to lead to the downfall of Venice, the destruction of the Arabian Empire, the discovery of the New World and the opening of trade with the Orient. Not only had the Polos' wanderings taken them to the rich court of Kublai Khan, "Zipangu" and the land of the Tartars, but also Marco Polo was able to tell of the hot countries where he'd seen spices grown. He wrote of Java, "from thence also is obtained the greatest part of the spices that are distributed throughout the world." He told of the door to India, Ormus, "Whose port is frequented by traders

from all parts of India, who bring spices and drugs . . . These they dispose to a different set of

traders, by whom they are dispersed throughout the world." He described the kingdom of Dely as a place that "produced large quantities of pepper and ginger, with many other articles of spicery." (www.asataspice.org)

3.3.4 INDIANS IN South Africa

"I respectfully beg to ask your honour for help in the following matter."

"My name is Narayanan, no. 128851. I arrived here in January of this year, and was allotted to the Umzimkulu Estate Ltd. My wife Chinnama, and child-a girl one month old-arrived with me, but she was detained at the depot on account of illness. To this day I am ignorant of the whereabouts of my wife and child, or as to whether they are living or dead."

I implore your honour to set at rest the anxiety that I feel as a husband and father by giving me some information as to whether I shall ever see them again."

You're most humble servant,

Narayanan

(Indians in South Africa: Marshfield: 1907)

This true letter quoted from A Documentary History of Indian South Africans reflects the hardships and world-shattering experiences of the more than 80,000 Indians who came to Durban, South Africa between 1864 and 1907. Most were indentured workers, impoverished pawns tangled in a contractual web spun by the Indian, British, and South African governments. They were needed to work on the sugar cane plantations and were enticed by promises that they would make enough money in South Africa to live as kings for the rest of their lives. The majority never returned to India. Few, if any, ever lived as kings. Like Narayanan, who learned that his family was returned to India because of illness most found life in South Africa very hard? (www.anc.org)

Today, over one million Indians live in South Africa. The largest group live within the Greater Durban area, making up 32% of the city's population as of 1994. Recent studies

show they are the largest market sector in metropolitan Durban. Their mother tongue is now English; though many still speak Tamil, Telugu, or Hindi. Religiously 43% are Hindu, 32% claim no religion, 11% are Moslem, and 13% Christian. Without a doubt, these loving people represent a significant mission field within the country of South Africa. Together, with the growth of the Indian heritage so does the infusion of the Indian culture and its influence. Including fine Indian cuisine. (www.anc.org)

3.4 SPICES IN South Africa:

A brief look at the market size and the key players will help us understand the resources available to Maharani Cuisine Instant Spice development.

3.4.1 MARKET SIZE

- **Domestic industry**

South Africa is not a major primary producer of spices. However the local spice processing markets relatively buoyant and there are a number of companies involved in spice trading. The South African market for value-added spice products has been growing steadily over the last few years, reflecting a growing trend in South Africa towards spicy foods. This has been reinforced by the steady increase in spending power of the black middle class, where spicy, hot foods are more traditional than in the white community.

- **Local Production and Available Resources**

Due to the relatively small size of the primary market in South Africa, production level are not well monitored or documented. Of the products covered in this report, South Africa is only a primary producer of chillies, coriander and ginger. There is no commercial production of vanilla, cinnamon, nutmeg, mace, cardamoms, anise, badian or fennel.

Table: 3.1

	1996 Tons	1997 Tons	1998 Tons
Chillies	3,061	3,611	3,459
Ginger	1,415	1,604	1,609
Coriander*	800	800	800

Source: (www.statsSA)

In the value added market, South Africa manufactures a wide range of spices from imported raw material which are processed locally. According to Stats SA, during 1998, South Africa produced 38, 644 tons of spices and condiments, an increase of 7% over the 1997 level.

3.4.2 KEY PLAYERS

Although the spice and spice products industry in South Africa is relatively small, there are a number of companies that are involved. There are essentially two distinct user groups: food processors that utilise the spices as an ingredient in their final products and spice processors that sell directly to household consumers. The food processing industry in South Africa is well developed and numerous companies including meat processors, canners, condiment manufacturers, the snack industry, and the convenience food industry use spices. Robertson’s is the largest spice and condiment manufacturer in South Africa. It has an extensive product range that covers almost every type of herb and spice including good coverage in all the products covered by this report. National Brands, a large South African food processing company, manufactures and markets a range of spices under the “Hinds” brand name. The Cape Herb and Spice company enjoys national coverage with its range of speciality herbs and spices. (www.awe.org)

3.5 US SPICE MARKET

In the 19th Century Great Britain's maritime prowess gradually established her as the leader of the spice trade, and London's Mincing Lane became the spice-trading center of the world. Since then dominance in this ancient trade has once again changed hands. The United States is now the prime figure in world spice buying and New York is its center. "Record U.S. Spice Imports in 1983" announces the Foreign Agriculture Circular of the USDA for 1984. Some 385,000,000 pounds of 36 to 40 different spices, herbs and aromatic seeds were imported. This makes the U.S. the world's largest importer and consumer of spices used to season food products. Every year we buy more spices, so that spice consumption has risen 126 percent since 1961 when we imported 170,698,000 pounds. The zooming spice use is due to several factors: High-income levels, increasing population, a growing demand for "convenience" food items and changing consumer tastes. Also, the rising consumption of dietary foods has added to the demand, for a pinch of one spice or another can make them more palatable for the consumer. Food manufacturer and processors are learning to rely on distinctive spicing to make their products more flavourful than competitive brands. Most of our spices are imported, but approximately 190,000,000 pounds of aromatic products are grown in the United States, with California the leader. Domestic spices include capsicum peppers, paprika; such herbs as basil, tarragon, mint, parsley, sage and marjoram and seeds such as mustard, dill, fennel and sesame. Dehydrated vegetable products-onions, garlic, chives, and shallots, bell peppers, parsley and mixed vegetable flakes - account for a high percentage of our domestic poundage. Imported spices enter the U.S. through the ports of both coasts, but by far the largest volume comes through New York. They usually arrive in the whole form. They are first inspected for cleanliness and must pass U.S. Food & Drug Administration and the American Spice Trade Association standards before they are allowed to clear the port. After that, they go to spice grinding plants where they are further inspected, cleaned, processed and packaged. (www.theepicentre.com)

3.5.1 THE ASIAN COLLECTION

CHINESE FIVE-SPICE

This powerful blend of spices includes cinnamon, cloves, fennel, szechuan peppers and ginger. Try adding a teaspoon or two with a half cup of liquid (water, wine or stock) to flavour a stir-fry. Its also an interesting addition to fruit desserts.

CASSIA BARK

From the dried bark of the cassia tree, it is similar to cinnamon, but with a more robust flavour, appropriate for combining with the intensity of other Asian spices. Cassia is also known as Chinese cinnamon.

GALANGAL

Galangal has the peppery hotness of ginger but not the sweetness. Use it to flavour Indonesian sambals or in fish dishes with coconut milk. Also known as laos (Indonesian) and kha (Thailand).

KAFFIR LIME LEAVES

Unlike ordinary citrus leaves, kaffir lime leaves have a pronounced flavour and fragrance that combines well with rich coconut milk and hot chili spices. Very good with fish

LEMON GRASS

Essential to Thai cooking, this aromatic grass has a small bulbous root with a light lemonlike flavour and aroma that mixes well with strong Asian spices. One teaspoon of our powdered lemon grass is equal to one stalk of fresh.

SZECHUAN PEPPERS

From the Szechuan province of China, this mildly hot spice comes from the prickly ash tree. Though not related to the peppercorn family, Szechuan berries resemble black peppercorns, but contain a tiny seed. Szechuan pepper has a distinctive flavor and

fragrance, slightly reminiscent of camphor. Szechuan pepper is also known as fagara, sansho and Sichuan pepper. Dry roast before using.

STAR ANISE

This dried, star-shaped fruit grows on small evergreen trees in China and Vietnam. Its smokey, licorice flavour makes it a distinctive ingredient in Chinese braised dishes and Malaysian curries. Or, use it as a garnish. (www.asataspice.org)

3.5.2 THE INDIAN COLLECTION

AMCHUR

Unripe mangoes are dried and ground to make a powder which is used to give a sour tang to many dishes including meats, vegetables and curries. It is also called simply mango powder.

BLACK CUMIN

Black cumin (kali jeera) is a rare variety, smaller and sweeter than regular cumin. Preferred in Northern India for meat dishes (kormas) and rice dishes (biryani). It is also known as Imperial cumin, referring to its popularity with visiting Moghul emperors.

FENUGREEK

When roasted, fenugreek seed tastes vaguely like maple syrup. Its pleasant bitter flavour lends itself to curry blends, chutneys and rich vegetarian stews.

GARAM MASALA

A blend of several strongly aromatic spices designed to add flavour and fragrance to many Indian dishes. It also often used as a garnish. The literal Hindi translation of garam masala is “hot spices”.

GREEN CARDAMOM

This aromatic spice has a warm, spicy-sweet flavour. Cardamom seeds may be removed from the pods and ground, or the entire pod may be fried in ghee or oil for several minutes to release its oils. Usually cardamom is added before a dish's other ingredients are browned. The pod is quite bitter and should be discarded after frying.

PANCH PHORON

Panch phoron is a Bengal classic mixture of five spices; cumin, black cumin, mustard, fenugreek and fennel seeds. It is rarely ground, though should either be toasted or fried in oil before using in vegetable dishes and chutneys.

TURMERIC

Turmeric, or haldi, is a pungent underground root. Ground turmeric is used to flavour and colour curries: its brilliant yellow colour gives an appetizing look to a dish. Don't over do it with turmeric, a quarter teaspoon is often enough to flavour an entire dish. (www.asataspice.org)

3.5.3 THE MEDITERRANEAN COLLECTION

ALEPPO PEPPER

These moderately hot red chilies from Turkey and Northern Syria are sun-dried, seeded and crushed. Also known as Halaby pepper, it is the preferred capsicum for adding the gentle edge of authentic Mediterranean flavour and fragrance.

LOOMI

In Iraq and Oman, ripe limes are boiled in salt water and sun-dried until their interior turns dark. The resulting spice, called loomi, is often used to impart a distinct citrus odour and a sour tang to legumes and meat dishes. In Iran powdered loomi is also used to flavour basmati rice.

KEBSA SPICES

The traditional Saudi Arabian and Gulf spice blend consisting of cardamom, cinnamon, cumin, cloves, nutmeg, coriander, loomi, red and black pepper.

RAS EL HANOUT

The exotic Moroccan spice blend that translates as “head of the shop”, indicating this is the spice merchants best; in this tradition, our mix includes over twenty spices, from the common cinnamon and pepper to the rarer monk’s pepper, grains of paradise, orris root, cubebs and rose petals.

SPEARMINT

One of the oldest of culinary herbs, spear-mint is used in a variety of Mediterranean dishes. It is the variety used in mint tea.

SUMAC

This tart red-purple spice is ground from the berries of the Middle Eastern sumac shrub. Sumac is very popular in Turkey and Iran, where it is sprinkled liberally over rice. It is often mixed with freshly cut onions and eaten as an appetizer.

ZATAR

In Jordan, a spice mixture called zatar is a popular condiment and used to season fried and barbecued meats. It combines the nutty taste of sesame with sumac and dried thyme. Similar mixtures are reported from Syria and Israel. Zatar is often mixed with olive oil and spread on pita bread. (www.asataspice.org)

3.5.4 THE MEXICAN COLLECTION

ACHIOTE

The slightly musky-flavoured seed of the annatto tree is also called annatto seed. It is used for both colouring and flavouring food, usually as a base of seasoning pastes for meat and fish dishes.

ANCHO CHILE POWDER

The rich, mild, slightly fruit-flavoured ancho (hints of raisin and plum) is the sweetest of the dried chiles. It is a basic ingredient for many Mexican sauces.

AVOCADO LEAVES

Avocado leaves can be used whole, though we recommend toasting them slightly in a pan, then grind with a mortar and pestle to release their subtle fragrance of anise and hazelnut. Use in moles, stews, and chicken or fish dishes.

CANELLA

Canella is the softer cinnamon bark from Ceylon. It has a more delicate flavour than the darker, stronger bark from Malabar. (www.asataspice.org)

CHIPOTLE CHILE POWDER

This hot chile is actually a dried, smoked jalapeno. It has a wrinkled, dark brown skin and a smoky, sweet, almost chocolate flavour. Use sparingly to add heat and an exquisite smokey flavour to a soup, salsa or sauce.

EPAZOTE

Epazote is a pungent herb with pointed serrated leaves, a native of tropical America. Epazote is essential for making Mexican bean dishes, with a unique flavour best described as aromatic and pungent, slightly citrus and bitter.

MEXICAN OREGANO

Mexican oregano has a considerably stronger flavour (with more anise flavour) than its European cousin. It is very aromatic and sweet smelling, combining well with chiles, cilantro and epazote. (www.asataspice.org)

3.6 THE RECIPE: MAHARANI CUISINE INSTANT SPICE

Through instantly mixing spice with meat to reach the desired taste. "Hassle-free, just add instant spice to meat and brown the onions and leave to cook for 25 mins, and you will kick up the best Indian Dish. A revolutionarised way of cooking curries. The secret will indeed be in the blend of spices. In the short term, only the 'Maharani Cuisine Instant Spice' will be launched. In the long run various producers of food products will be chosen to produce for Maharani Cuisine as a private label. In this way no infrastructure will need to be established for production. Then existing distributors will be identified and be given the contract to take care of outbound logistics to the retail and wholesale stores around the country. We believe due to the positioning of the name, Maharani Consumers will recognise the brand to a name they already know.

3.7 STRATEGIC GAP ANALYSIS: Maharani Cuisine Instant Spice

It has been established from the gap analysis, where Maharani Cuisine Instant Spice is currently and where exactly it wants to be. The literature review provided in chapter two and the detailed study on spices in chapter three, together with the competitive analysis, adequately provides us with the tools to narrow the gap that exists in the South African curry spice market. The research methodology and the techniques used will overwhelmingly provide the data that supports the new product development namely: Maharani Cuisine Instant Spice.

3.8 MARKETING MIX STRATEGIES: Maharani Cuisine Instant Spice

- **PRODUCT STRATEGY**

The new product development will be the Maharani Cuisine Instant Spice, adopting a product differentiation approach, a curry spice, with a difference, for all curry enthusiasts. The attributes of the product will fit the design according to an “all-in-one”, instant spice. Texture and colour to meet a light red colour (denoting local chillies) and finest South African chillies slowly roasted in cast iron pot. The chillies finely ground, mixed with Maharani secret herbs and spices, ginger and garlic (dry roasted), apportioned specifications, creating the first “Instant Spice” an all new and innovative combination of curry spices. The range of spices will be:

- Maharani Cuisine Instant Spice –Poultry
- Maharani Cuisine Instant Spice – Meat
- Maharani Cuisine Instant Spice - Fish
- Maharani Cuisine Instant Spice - Breyani

- **PRICING STRATEGY**

The entry price levels will be markets related, taking into consideration start –up costs. Maharani Cuisine will set their pricing objectives to yield maximum return, maximum market share, a predetermined gross margin and slowly increase its market share. Maharani Cuisine Instant Spice, is no different from other manufacturers is obliged by market conditions when setting price. Maharani Cuisine Instant Spice possesses a degree of product differentiation due to its unique characteristics. Therefore, Maharani Cuisine Instant Spice will adopt a pricing structure to fit a monopolistic competitive market. Suppliers will be able to differentiate their offer through market segmentation, marketing communication, branding, packaging, design and other market strategy issues. The Maharani Cuisine Instant Spice brand name will eventually provide a degree of pricing freedom due to its novelty and popularity. That is the pricing strategy that will be adopted for the initial stage of the product.

- **PLACE STRATEGY**

One of the two key functions of distribution channels retailing, will be considered as an appropriate strategy. However, no new infrastructure will be created because the current logistical distribution channels for the retail sector is highly efficient. There is no need to duplicate an infrastructure, the likes of Seaworld, Chipkins, Irwin and Johnson and Crown National, currently monopolises the distribution channels to all major retail stores, in South Africa. The stores cited as the retail distribution channel are Supermarkets, Superstores, Spice Shops and Hypermarkets. The choice of these channels is in keeping with the objectives of Maharani Cuisine’s overall marketing strategy. The strategy adopted will remain in the retail sector, which can assist in increasing market share speedily.

- **PROMOTION STRATEGY**

Advertising influences the choice behaviour of consumers by ensuring that the brand is present in the consumers’ memory at the moment that the decision to buy is reached. An

aggressive advertising strategy will be embarked upon. This will include, in-store and outdoor. The use of the print medium, television, radio, editorials, and in-store promotions, discount vouchers, will be the initial promotion strategy for Maharani Cuisine Instant Spice.

3.8 SUMMARY

The above strategic issues and marketing tactical issues, is as a result of the findings from the literature review and the case study provided in chapter 2 and chapter 3, respectively. Against this backdrop, it is becoming increasingly evident that the answers to the problem question are gradually being provided. From the existing data, there appears to be overwhelming support for the New Product Development. The research techniques discussed in the following chapter will further motivate for the development of the new product.

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CHAPTER 4: EVALUATION

4.1 DATA COLLECTION

We examine the role of marketing in New Product Development (NPD) in South Africa's food retail with special focus on the: spices market. Perhaps most importantly, marketing research can bring in valuable customer views; a stronger role for marketing research should translate into these elements contributing to more successful NPD. In particular, we show that marketing research is critical in such a market driven industry as retail food. We use the qualitative approach and case study; the research methodology techniques are taste tests, interviews, focus groups and questionnaires. Finally, some conclusions will be drawn and recommendations provided, from the findings. Descriptive statistics will emerge from the questionnaires and the relevant data, serve as valuable data for the successful development of the Maharani Cuisine Instant Spice. The feasibility of the new product development will be tested, against the backdrop of all the detailed findings. The researched data will help determine what attributes is needed for the successful development of the new product and the appropriate marketing mix required for the development.

Data Collection Plan

- Secondary data
- Taste Tests
- Focus Groups
- Questionnaires
- Descriptive

4.2 TOOLS FOR RESEARCH:

Assessing the impact of environmental change on a company's strengths and weaknesses can be augmented by analysis of how environmental changes might affect its competitors. This assessment can in practice be difficult, not only because of the difficulties of obtaining enough information to make reasoned judgements, but also because the boundaries of an industry can be unclear and are not likely to provide any precise

delineation of competition especially if, the industry is becoming increasingly global. However, despite the difficulties, attempting to understand how the competition may be affected by the environmental change, and they might be able to capitalise on their own strengths or be strained by their weaknesses, can be useful to an organisation in developing and pursuing its own strategy. (Ambrosini: 1998).

In South Africa the curry spice market is highly competitive, there are many suppliers with a relatively fast growing demand for spicy foods. We began the competitive analysis by comparing the competition with the common suppliers of curry spice in South Africa. The individual supplier products were then compared other competitor products according to Strengths, price, Packaging, weights, colours and brands. This served to be valuable in that there was a gap in the market for a “all-in-one” instant spice in the South African curry market.

4.2.1 COMPETITIVE ANALYSIS

Therefore, narrowing the gap through the Maharani Cuisine Instant Spice will pave the road for a successful demand for the new product. But, it is evident that this can only be achieved with an effective marketing strategy.

1.
 DETETIVE ANALYSIS SPICES SOUTH AFRICA

BRAND	NAME OF PRODUCT	TYPE	PRICE	COMMENT ON CONTENTS	PACKAGING	SIZE
MAN IDS	a) Cartwright's curry powder	Hot	R 3.99	Light orange	Red square box	100 g 50 g
	b) Cartwright's curry powder	Medium	R 3.99	Yellow	Yellow box	100 g 50 g
BERTSONS	a) RAJAH curry powder	Ginger and Cums powder Garlic	R 3.99	Very yellow & mild Burgundy box	Burgundy box	50 g
	b) „	Mild & spicy (curry powder)	R 3.99	Very yellow and mild	Mustard box	50 g
	c) „	All in one (curry powder)	R 3.99	Very yellow and mild	Light Red box	50 g
	d) Curry powder	Medium	R 3.99	Yellow	Yellow Box	50 g
	e) Garam Masalah	With Jecra	R 3.89	Brown	Green box	50 g
	c) Curry powder	Hot	R 3.99	Orange light	Orange box	50 g
3 'n SPICY	a) Spiced lamb pot	All-in-one packet step by step divided spices	R 6.99	Four different spices separated by a seal	Plastic sea-through. Paper back for recipe	10 g
3 'n SPICY	b) Masalah curry	All-in-one packet step by step divided spices	R 6.99	Five different spices	Paper back for recipe	15 g
	c) Biryani	„	R 6.99	„	„	25 g
	d) Saucy seafood	„	R 6.99	„	„	15 g
	e) Tandoori chicken	„	R 6.99	Four different spices	„	20 g
	E OF 3AN	a) Mutton Masala	For mutton curry	R 5.25	Orange to Red in colour	Plastic- see spice & colour
	b) Chicken masala	Chicken curry	R 5.25	„	„	„
	c) Breyani masala	Breyani	R 4.95	„	„	„
	d) Hot & spicy	All curries	R 3.69			
	e) Tandoori chicken masala	All curries	R 3.99	„	„	„
	f) Durban oriental mix masala	All meats	R 3.89	„	„	„
	g) Ginger & Garlic Masala	All meats	R 3.99	„	„	„
	h) Hot curry	All meats	R 4.50	Slightly darker		
	i)					
	j) Pure chilli powder	All meats	R 6.99	Dark Red	„	

MAN'S MAHAL	a) All mix masala	All	R 5.95	Orange to Red	Plastic-see spice & colour	200 g
	b) „ „ „					
	c) Extra special Beryani masala	All	R 4.95	„	„	100 g
	d) Extra special Mutton masala	Mutton	R 5.25	„	„	„
	e) Extra special roasted fish masala	Fish	R 4.55	„	„	„
	f) Extra special roasted madras masala	All	R 3.95	„	„	„
	g) Extra special curry powder medium	All	R 4.50	Light in colour	„	„
	h) Extra special hot	All	R 4.50	Darker	„	„
CO	Pure & roasted	Masala	R 9.95	Light orange	White & Orange	400 g
MU	Rub curry	Mix of spices chilly and herbs	R 24.99	Mix of spices colour Yellow	Round Silver reusable Tin	100 g

4.2.2 GAP ANALYSIS

Gap analysis can help the stakeholder better understand the dynamics of the competitor environment. Importantly, it can be used to reveal where an organisation has weaknesses, and where it has strengths, in relation to its competitors. Such an analysis helps the manager develop strategies to catch market leaders or strategies to stay ahead of the chasing pack.

Gap analysis is a technique that can be understood in many different ways. The common theme running through all definitions is the word 'GAP'. The dictionary defines gap as:

- as a physical space between things
- as a period of time when not involved in a particular activity
- when something is missing that prevents the successful completion of an activity
- As a great difference between two things, people or ideas.

(Ambrosini: 1998)

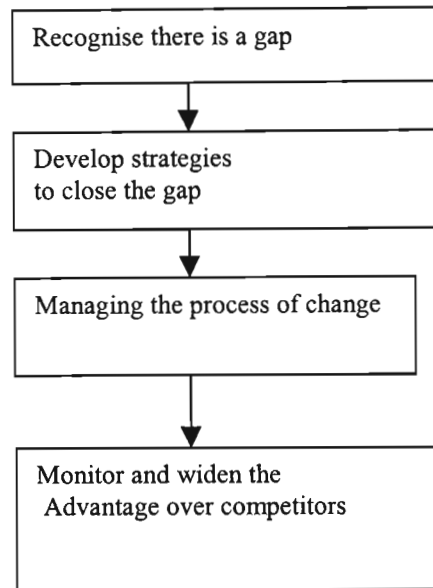
Performance gap analysis

A simple, but very powerful, approach to gap analysis centres around three questions:

- Where are we now?
- Where do we want to get?
- How can we get there?

These three questions can be portrayed graphically, as shown in the following figure, which illustrates how simple performance gap analysis can be. Used in such a manner, the three questions have relevance almost every planning forecasting scenario. Their usage tends to frame the nature of the planning and forecasting problem being faced and allows the application of other strategic planning techniques, such as STEP & SWOT.

Figure 4.1 A Model of Gap Analysis



Source (Ambrosini, 1998: 221)

When gaps are found, the manager has three alternative courses of action:

- **Redefine the Objectives**

The first thing to do when a discrepancy between objectives and forecast is found is to check that the objectives have is realistic and achievable. If objectives have deliberately been set at has to co a very high level to stimulate action, it is usually advisable to set less high, intermediate objectives. This course of action avoids the problem of the manager perceiving that his or her actions will not make any significant impact upon objectives, which can lessen motivation.

-

- **Do Nothing**

The “do nothing”, this option is under-utilised by the manager, but should always be considered. Reorganisation and redirection is commonplace in the business environment,

but it is clear that people become. To 'change-weary' and that continual change can lead to defensive behaviour, increased staff turnover, decreased levels of satisfaction and the gap b lower levels of commitment. Sometimes giving people time to 'bed in' to a new structure and new ways of doing things pays greater dividends than another change. This is particularly the case, when previous initiatives have centred around the development of talent, the training of staff, or the introduction of new staff, as all of these will Weber is take time to have an effect.

- **Change the strategy**

When a gap is found between objectives and forecast and the first two options have been considered and rejected, the only alternative is to change the current strategy and develop a new one. Having identified the gap, the manager now uses the other strategic tools to analyse the various options available.

4.2.3 FOCUS GROUPS

The objectives of the focus group was to establish:

- Is there a demand for the new product :Maharani Cuisine Instant Spice
- Design the product attributes and characteristics from consumer input
- Establish the appropriate marketing mix strategies
- Provide the researcher with the most frequently asked questions about curry spices and develop a questionnaire for the 100-sample size.
- The Focus group has successfully fulfilled all of the above objectives.

Methodology

In a one-hour focus group of 12 participants, with 25 issues, each had 30 seconds on average to react to each issue. A clear agenda for the group discussion was essential. Homogenous group composition, with similar consumers and respondents were included in the group, all united by the common interest in Indian Food or Indian cooking

Recruitment was done through completing a screening questionnaire. No participants with family who worked for newspapers or advertisers were allowed to participate. No family members or relatives or any persons associated with the researcher was allowed. No person who was in a focus group in the last year was allowed. Participants must have had experience with the products. There were prepared questions for the focus group, conducted by experienced and highly qualified marketing lecturer, Prof. Kanti Bhowan. A comfortable venue in the library and air-conditioned was provided. All participants were then meal vouchers from Campus Foods for lunch. The entire session was video and audio recorded?

- **SUMMMARY OF DISCUSSION**
- FOCUS GROUP – Friday 12 September 2003

- **What does the word ‘Maharani’ means to you?**

Princess, get-togethers (hotel), Indian food, curries, prestige, royalty in India, Food.

- **Top spice brands/spices?**

Robertson’s – wide range, in your face

Knorr – wide range

Taj Mahal – Osmans – all over shelves, may be more affordable

- **Top hot spice?**

Osmans

No brand name, freshly ground and special blend mixed

- **Male view + white lady:**

One combined mixture of spices to cook

Not familiar with procedure to cook curry

One complete combination of frozen/dry ingredients

- **Common perception amongst most:**

Fresh is better and packaged spices are not fresh.

- **What makes you choose your container?**

Transparent glass

Airtight for freshness

Plastic container (Tupperware) in fridge

Size

- **Brand associations:**

Not very clear in the mind of consumers.

- **Experiences with brand:**

Male view: wants sales help and glass bottle to avoid plastic packet being torn

Black female: yellow/red packaging to stand out and attracts consumers

Indian females: clear plastic, durable container. Spices should not be too finely ground since implies a variety of spices have not been used.

White lady: wants in-store assistance and a refill (plastic packet in a box)

- ***Buying Quantity?**

Indian female: experienced cook therefore will buy a large quantity in small pre-packed portions.

White lady: no clue in terms of grams

Others: new product must be sold in small quantities first and then in larger portions.

- **Price:**

Not higher than the price of competitors at first, will be willing to pay a premium later after proven to be an excellent product

Not too cheap

- **Promotions?**

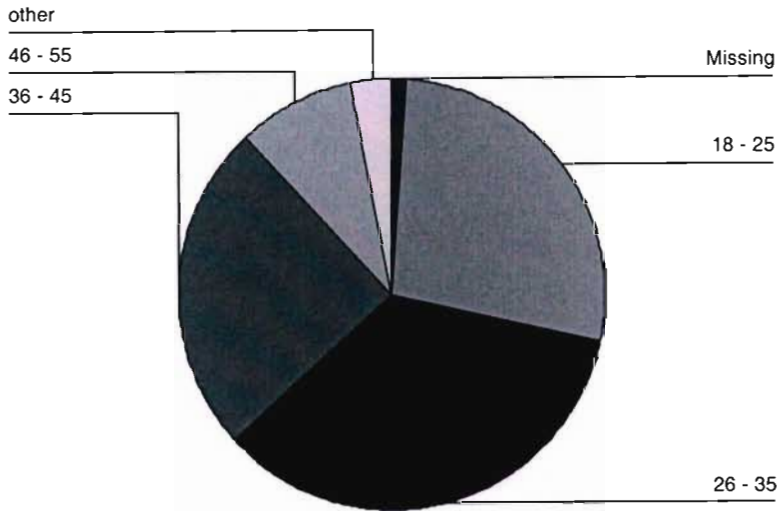
Consider taste testing in store (pot of tasty-smelling curry in-store to make consumers want to taste it) and introduce other race groups to perfect easy-to-make curry.

Also consider free small-pack samples.

4.3 DESCRIPTIVE STATISTICS: QUESTIONNAIRES

100-sample size was selected for this particular research comprising of all race groups and a satisfactory representation of the demographics of the population. However, the underlining criteria were that all participants had to have some experience with Indian Cuisine. The limitations and delimitations of the research have been discussed. The following is an analysis of the descriptive statistics compiled from the 100 questionnaires, which provides valuable insight into the consumer behaviour surrounding Indian Curry Spices and their reactions. The frequency tables and results will provide a detailed analysis for each of the questions asked. The answers will help the researcher to establish the marketing mix strategies that are required and also provide answers to the problem questions in chapter one.

Age Categories



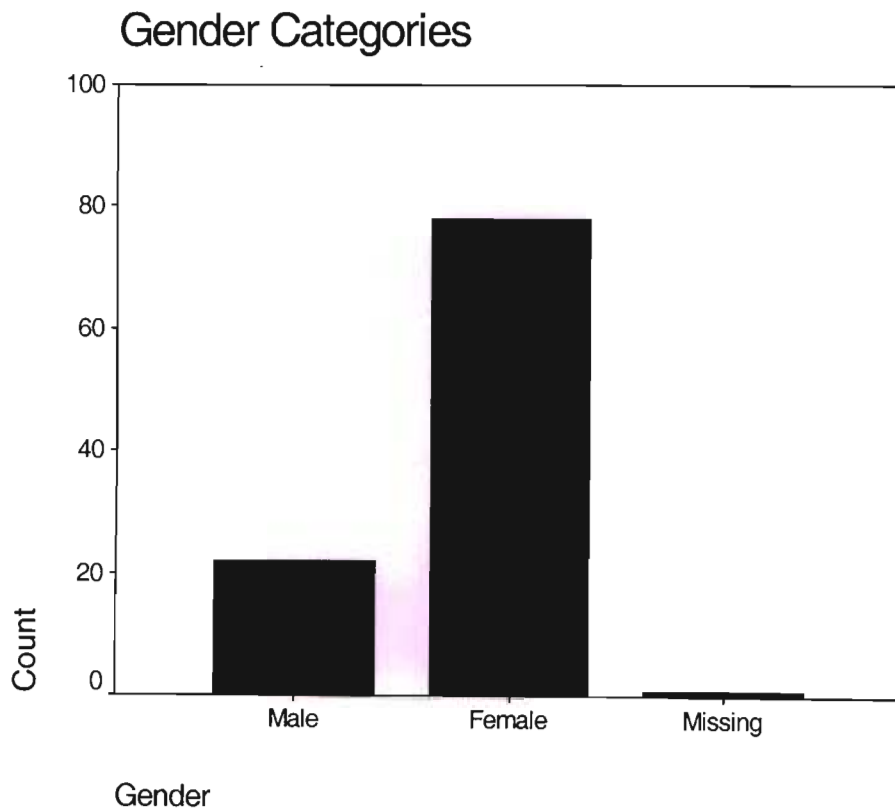
Findings:

- Age categories from 18-25 were 28%, 26-35 was 35%, 36-45 was 25%, 46-55 was 9%, and older was 3%. The categories represented the age groups adequately.

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 25	28	27.7	28.0	28.0
	26 - 35	35	34.7	35.0	63.0
	36 - 45	25	24.8	25.0	88.0
	46 - 55	9	8.9	9.0	97.0
	other	3	3.0	3.0	100.0
	Total	100	99.0	100.0	
Missing	.00	1	1.0		
Total		101	100.0		

2. Gender

Gender played a major role in the research but it is a satisfactory representation of the main decision making players per household. It is evident that almost 78% of the respondents are females and 22% of the respondents were male. Although a larger percentage of respondents may be females but a large number of households make joint decisions on what brands and type of products to purchase, but not necessarily be present everytime such a purchase is made. Realistically, the gender criteria are not crucial in this research.



Gender**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	22	21.8	22.0	22.0
	Female	78	77.2	78.0	100.0
	Total	100	99.0	100.0	
Missing	0	1	1.0		
Total		101	100.0		

Question 6. Do you have any experience in shopping for food?**Question 6**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	98	97.0	97.0	97.0
	No	3	3.0	3.0	100.0
	Total	101	100.0	100.0	

Question 7. Do you do the shopping for all your food and groceries?**Question 7**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	77	76.2	76.2	76.2
	No	24	23.8	23.8	100.0
	Total	101	100.0	100.0	

Question 8. Have you ever heard of the name Maharani?**Question 8**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	73	72.3	73.0	73.0
	No	27	26.7	27.0	100.0
	Total	100	99.0	100.0	
Missing	0	1	1.0		
Total		101	100.0		

Question 9. Can you associate the name Maharani with food?

Question 9

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	1.0	1.0	1.0
	Yes	71	70.3	71.0	72.0
	No	28	27.7	28.0	100.0
	Total	100	99.0	100.0	
Missing	0	1	1.0		
Total		101	100.0		

Question 10. Do you eat Indian food?

Question 10

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	100	99.0	99.0	99.0
	No	1	1.0	1.0	100.0
	Total	101	100.0	100.0	

Question 11. Have you experienced cooking curry before?

Question 11

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	96	95.0	95.0	95.0
	No	5	5.0	5.0	100.0
	Total	101	100.0	100.0	

Question 12. What is your daily type of food?

Question 12

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Indian	40	39.6	40.4	40.4
	English	32	31.7	32.3	72.7
	African Cuisine	16	15.8	16.2	88.9
	Other	11	10.9	11.1	100.0
	Total	99	98.0	100.0	
Missing	0	2	2.0		
Total		101	100.0		

Question 13. Your cooking curry before was the experience?

Question 13

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Relatively easy	68	67.3	68.0	68.0
	Followed a recipe/needed	24	23.8	24.0	92.0
	Very difficult	5	5.0	5.0	97.0
	Only bad experiences	1	1.0	1.0	98.0
	Never	2	2.0	2.0	100.0
	Total	100	99.0	100.0	
Missing	.00	1	1.0		
Total		101	100.0		

Question 14. What curry spices do you currently buy?

Question 14

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Osmans	32	31.7	32.0	32.0
	Robertson's	37	36.6	37.0	69.0
	Alifas	1	1.0	1.0	70.0
	Harribias	7	6.9	7.0	77.0
	Special blend	18	17.8	18.0	95.0
	Other	5	5.0	5.0	100.0
	Total	100	99.0	100.0	
Missing	.00	1	1.0		
Total		101	100.0		

Question 15. Where do you buy your curry spice?

Question 15

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Supermarkets - retail	49	48.5	48.5	48.5
	Spice shops/specialised	46	45.5	45.5	94.1
	Private sellers	3	3.0	3.0	97.0
	Other	3	3.0	3.0	100.0
	Total	101	100.0	100.0	

Question 16. What strengths do you currently buy?

Question 16

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mild	17	16.8	16.8	16.8
	Medium	40	39.6	39.6	56.4
	Hot	36	35.6	35.6	92.1
	Extra - hot	7	6.9	6.9	99.0
	7.00	1	1.0	1.0	100.0
	Total	101	100.0	100.0	

Question 17. What do you look for when you buy your curry spice?

Question 17

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Colour	5	5.0	5.0	5.0
	Strength	4	4.0	4.0	8.9
	Texture	7	6.9	6.9	15.8
	Packaging	2	2.0	2.0	17.8
	Taste	27	26.7	26.7	44.6
	Price	9	8.9	8.9	53.5
	All of the above	47	46.5	46.5	100.0
	Total	101	100.0	100.0	

Question 18. When buying your spices, do you like?

Question 18

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personalised service assistance	42	41.6	41.6	41.6
	Promotions/testing	19	18.8	18.8	60.4
	Left alone/personal choice	34	33.7	33.7	94.1
	Good advertising	6	5.9	5.9	100.0
	Total	101	100.0	100.0	

Question 19. Should your instructions on the curry packaging be?

Question 19

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Easy and Short	73	72.3	72.3	72.3
	Detailed	21	20.8	20.8	93.1
	None	7	6.9	6.9	100.0
	Total	101	100.0	100.0	

Question 20. Should your curry spice be packaged in?

Question 20

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Transparent glass	32	31.7	32.3	32.3
	Attractive tin	16	15.8	16.2	48.5
	Attractive plastic	16	15.8	16.2	64.6
	Attractive bottles	23	22.8	23.2	87.9
	Packets	9	8.9	9.1	97.0
	Not packaged	3	3.0	3.0	100.0
	Total	99	98.0	100.0	
Missing	.00	2	2.0		
Total		101	100.0		

Question 21. How would you respond to a new curry spice on the market?

Question 21

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	At last!	16	15.8	16.2	16.2
	Will try it	73	72.3	73.7	89.9
	Satisfied not interested	10	9.9	10.1	100.0
	Total	99	98.0	100.0	
Missing	.00	2	2.0		
Total		101	100.0		

Question 22. In what sizes would you like to see this new curry spice?

Question 22

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Per servings (no of persons)	17	16.8	17.3	17.3
	250g	46	45.5	46.9	64.3
	500g	23	22.8	23.5	87.8
	1Kg	8	7.9	8.2	95.9
	Other	4	4.0	4.1	100.0
	Total	98	97.0	100.0	
Missing	.00	3	3.0		
Total		101	100.0		

Question 23. What strengths would you like from the new instant curry spice?

Question 23

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mild, medium, hot	59	58.4	60.2	60.2
	Medium, hot, extra-hot	34	33.7	34.7	94.9
	Mild, medium, hot, volcanic	5	5.0	5.1	100.0
	Total	98	97.0	100.0	
Missing	.00	3	3.0		
Total		101	100.0		

Question 24. What price would you be prepared to pay for this spice?

Question 24

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Premium for premium product	8	7.9	8.2	8.2
	Market related	24	23.8	24.5	32.7
	Cheap	9	8.9	9.2	41.8
	Price must equal quality and style	52	51.5	53.1	94.9
	Price is no problem	5	5.0	5.1	100.0
	Total	98	97.0	100.0	
Missing	.00	3	3.0		
Total		101	100.0		

Question 25. Where would you like to buy this spice?

Question 25

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Supermarkets/retail	52	51.5	53.1	53.1
	Makro/trade centre	6	5.9	6.1	59.2
	Spice shops	32	31.7	32.7	91.8
	Convenient stores	8	7.9	8.2	100.0
	Total	98	97.0	100.0	
Missing	.00	3	3.0		
Total		101	100.0		

4.4 EVALUATION OF RESULTS

The detailed data provided from the descriptive statistics adequately presents the researcher with the necessary information to establish the feasibility of the new product development, specifically the development of the Maharani Cuisine Instant Spice. The gap analysis provided information regarding the demand for the product. The focus group and questionnaires provided substantial information regarding the attributes of the product. The research process as a whole provided the data for the appropriate marketing mix strategies to be used in the new product development.

CHAPTER 5

5.1 INTRODUCTION

Did the research process succeed in achieving what it set out to achieve? Did the findings meet the objectives of the study? Yes, After a thorough evaluation of all the data collected through the different research methodologies, adequate data provided, overwhelmingly support for the development of the new product: 'Maharani Cuisine Instant Spice' (MCIS).

5.2 RECOMMENDATIONS

Following the findings from the descriptive statistics the Maharani Cuisine Instant Spice has the following recommendations from the sample size population:

- **PRODUCT**

Firstly, a market demand has been established because 73.7% claimed that they would try it. Only 16.2% said at last excited. The sizes that are highly recommended are 250g and 500g. It is further recommended after the brand is well known other sizes could be introduced. The range of strengths will be Mild, Medium and Hot because 60,2 % requested this range. The categories will be Maharani Cuisine Instant Spice-Poultry; Meat, Fish and Breyani.

- **PRICE**

Although Maharani Cuisine Instant Spice will enter the market as a differentiated product, unique and the first of its kind, the price is recommended to be market related in the introductory phase and can possibly change in the growth phase.

However 53% claimed that the price should be equal to the quality and style. This can conclude that with regard to spices the consumers are prepared to buy the product as long as the product gives them the satisfaction.

- **PLACE (DISTRIBUTION CHANNEL)**

The retail market is the primary target market therefore it is appropriate to have the products at all retail supermarkets and spice shops. 53 % of the respondents requested that the spices are at supermarkets and 32% requested spice shops. The spice shops normally will be a challenge due to competition from their own brand. The marketing strategy will have to be tactful and be seen to have a product-mix value for spice shops. The avenue can be explored in order to increase the potential market share.

- **PROMOTION**

For any new product the importance of effective advertising and promotions is crucial to the successful launch of that product. The life and death of a new product depends strongly on the marketing strategies during the introductory phase. 41,6% of the respondents require personalised service when purchasing curry spice, but 33% requested that they be left alone. However, 72% of the respondents requested that the instructions on the packaging be short and easy. These requests are typical of Maharani Cuisine Instant Spice, which ensures the success of the product. 20% requested that it be detailed. In the case of MCIS there is no need for detailed instructions.

5.3 CONCLUSIONS

Conclusions drawn and recommendations made in favour of the development of MCIS have prepared the road to the successful development and marketing of the product. The answer to the strategic question; is it feasible or not, has proved to be highly feasible and if marketed appropriately could result in a very lucrative business venture. The appropriate marketing mix that fit Maharani Cuisine Instant Spice, with regard to; product, price, place and promotion has been firmly established. The successful

development of the product can now begin. Thereafter, a detailed marketing plan will follow. The descriptive statistics derived from the questionnaires allude to the fact that the Maharani Cuisine Instant Spice will be a successful product and need to be developed.

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Marketing Research Screening Questionnaire
(Focus Group)

Would you like to participate in shaping the future marketing strategies of a South African Company? Do you want your voice heard? If so, please fill in the following questionnaire and hand back to Mark Moodley at Campus Foods.

1. Name _____
2. Age _____ 3. Gender: _____
4. Telephone Number _____ (H) _____ (Cell)
5. Occupation (or course being studied) _____
6. Have you participated in any market research in the past 6 months?
- Yes No
7. Do you have a relative who works in the Food Industry?
- Yes No
- If Yes, please state for which company _____
8. Do you have a relative working in an Advertising Agency?
- Yes No
9. Do you do the shopping for household goods and food?
- Yes No

Should you be successful we will call you to confirm your place. The focus group will be conducted on Friday 12th at 12:00 hrs in a Library Group Study Room (venue: Room 413)

Should you participate, to thank you for your valuable contribution, you will receive a voucher entitling you to a free lunch at Campus Foods.

I declare the above information is true and correct at the time of signature.

Signature _____

Date _____ 11 September 2003

APPENDIX TWO

MODERATOR'S DISCUSSION GUIDE

1. Welcome, and brief explanation of the Focus group

Introduction and Opening

- Moderator introduces himself
- Explains that they are being taped and that they should speak one at a time.
- The moderator gives his age, number of children, career, and favourite pastimes and describes his lifestyle in one or two words. (This should encourage the respondents!)

2. Housekeeping

- Cellphones off please!
- Being watched by client
- Five minute smoke break (not necessary)
- Type of answers open ended

3. Please introduce yourself

- Name
- Occupation
- Do you do the household shopping
- Alone or accompanied
- Decisions are they shared or independent of the family

moderator write list on white board

4. What (would make you) make you buy a particular spice: – three words only?

5. What do you associate with Maharani ?

Experiences with purchasing spices:

- Sales assistance, service, brands, packaging, merchandising?
- What was good about the experience and why?
- What was bad about the experience and why?
- Where do you buy your spices?

6. Lead discussion on the choice of spices?

- Which companies do the following “brands belong to”?
 - “Rajah”
 - “Taj Mahal”
 - “Original blend”
 - “Pure roasted masala”
 - “Home Made”
 - “Step by step”

7. **Does it matter to you what brand of clothing/ car you wear/ drive?**
 - **Would you wear/drive it regardless of price?**
8. **What will be your first choice of spice and why?**
9. **What do you associate with the name “Maharani”**
10. **What would your reaction be about a new spice “A new product”**

11. **What features would you like to see in the new product?**
12. **What quantity packages would be convenient?**

13. **What price would you like to pay for such a product**
14. **Where would you prefer to purchase this new spice?**

15. **Top spice Brands in South Africa?**
 - **Name any three “Top Brands of spices”?**
 - **Why do you consider them “Top Brands?**

16. **Close and thanks.**
 - **Thank the respondents for their valuable input and time.**
Client representative hands out vouchers for Campus Foods.

APPENDIX THREE

Marketing Research Questionnaire

Pg: 1

(SURVEY QUESTIONNAIRE)

SECTION A

- 1. Respondent Name (optional) _____
- 2. Age: 18 – 25 26 –35 36 – 45 46 – 55 56 60
- 3. Gender: _____
- 4. Telephone Number _____ (H) _____ (Cell)
- 5. Occupation _____

SECTION B: FOOD

- 6. Do you have experience in shopping for food?
Yes No
- 7. Do you do the shopping for all your food and groceries?
Yes No
- 8. Have you heard of the name Maharani?
Yes No
- 9. Can you associate the name Maharani with food?
Yes No
- 10. Do you eat Indian food?
Yes No
- 11. Have you experienced cooking curry before?
Yes No

Tick any ONE of the following:

12. What is your daily type of food?

Indian English African Cuisine Other

13. Did you cook any Indian curry before and was the experience?

Relatively easy followed a recipe/ needed help
 Very difficult only bad experiences never

14. What curry spices do you currently buy?

Osmans Robertson's Alifas Harribias
 Special blend Other: Name: _____

15. Where do you buy your curry spice?

Supermarkets –Retail Spice Shops /Specialised
 Private Sellers Other: Name: _____

16. What strength do you currently buy?

Mild Medium Hot Extra-Hot

17. What do you look for when you buy your curry spice?

Colour Strength Texture Packaging
 Taste Price All of the above:

18. When buying your spices do you like?

personalised service assistance promotions/ tasting
 Left alone/ personal choice good advertising

19. Should instructions on curry packaging be?

Easy and short detailed none

20. Should your curry spice be in?

Transparent glass attractive tin attractive plastic
 Attractive bottles packets not packaged

21. How would you respond to a new curry spice (dry), “instant curry”, all in one?
(Procedure: like making instant coffee)

_____ At Last! _____ Will try it _____ satisfied not interested

22. In what sizes would you like to see this new “Instant curry spice?”
(U can tick more than one)

_____ Per servings (no of persons) _____ 250g _____ 500g

_____ 1kg _____ Other.

23. What strengths would you like from the new “Instant spice”?

_____ Mild, Medium, Hot _____ Medium, Hot, Extra-Hot

_____ Mild, Medium, Hot, Volcanic

24. What price would you is prepared to pay for the new “instant spice”?

_____ Premium for premium product _____ Market related

_____ Cheap _____ Price must equal Quality and style

_____ Price is no problem.

25. Where would you like to buy this “Instant Spice”?
(U can tick more than one)

_____ Supermarkets/Retail _____ Makro/Trade Centre

_____ Spice Shops _____ Convenient stores