

**UNIVERSITY OF KWAZULU-NATAL**

**THE SELLING OF BROKEN AND REJECT BISCUITS**

**By**

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## **ABSTRACT**

Bakers Biscuits is the largest biscuit manufacturer in South Africa. As with most manufacturing processes across varied industries, there is a level of waste that the manufacturer has to contend with. This waste, though negligible in terms of final good production, is sold at minimal cost as a means of production cost recovery. The two re-packers who buy the broken and reject biscuits subsequently sell them in informal markets which sits outside the established retail and wholesale market structures. Consumers who purchase these biscuits do so at reduced prices in comparison to the selling prices at established retailers like Checkers and Spar. The aim of this study was to determine the level of esteem in which Bakers biscuits is held in these informal markets. The results of the study could pave the way for Bakers Biscuits to specifically target low-end consumers in the future. A probability sample of 260 consumers were drawn from the total population of 500 customers who purchase regularly from the two re-packers. Data was collected using questionnaires which were developed specifically for the project. Descriptive statistics revealed that there are a significant number of relationships between demographical data and the purchase of broken and reject biscuits. The study revealed that the Bakers brand is highly recognised and esteemed in the informal markets. Furthermore, based on the higher quality of biscuits, consumers are willing to pay more for the brand. It is recommended that the firm undertakes further studies to better appreciate and understand the lower-end consumers of biscuits. It is also recommended that the firm enhance its partnership with the re-packers to pave the way for low-end consumers to possibly become a future target market of the firm. This study can benefit Bakers biscuits by emphasising the esteem of the brand in low-end markets.

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# **CHAPTER ONE**

## **Overview of Study**

### **1.1 Introduction**

Biscuit manufacturing is a continuous process-driven operation. In the most efficient cycles of manufacturing, the result of broken and reject biscuits are concomitant and whilst it can be kept to a minimum, currently, the resulting broken and reject biscuits can never be totally eliminated. Bakers Biscuits is a leader in the South African market and is a well-known and loved brand, which many South Africans identify with. As a market leader, Bakers Biscuits have an entrenched brand and uses sophisticated manufacturing techniques to manufacture high quality biscuits. As a normal by-product of the manufacturing process, broken and reject biscuits are sold to two re-packers who de-brand the biscuits, by removing the branded packaging, and they then resell the biscuits in a retail environment that is markedly different from the formal retail markets in which the biscuits are generally sold. These informal markets are not subjected to the same levels of stringent processes as that of normal retailers. The customers' recourse in respect of unsuitable products is also severely limited. By choosing to sell its broken and reject biscuits into a fairly unregulated supply chain, Bakers Biscuits have accepted that the brand footprint is extended beyond its traditional markets. With these informal markets being largely unregulated, irregular risks are posed to the company. Key pieces of legislation like the Consumer Protection Act and Trade Metrology Act can be easily circumnavigated. Bakers Biscuits has developed deep brand equity and is a flourishing business with its success largely attributed to the strength of the brand.

In this chapter an overview of the research project will be presented as well as the motivation for the study into the sale of broken and reject biscuits. The problem statement will be identified and the specific research objectives will be presented. The limitations of the study are also discussed and an outline is presented which will logically present the research process.

## **1.2 Motivation for the study**

Bakers Biscuits do not manufacture products specifically for this re-packed market. However, by choosing to sell the broken and reject biscuits into this informal market, the business is being represented in a market that it is unfamiliar with, in respect to day-to-day dealings. This study aims to better understand the consumers of this market as well as to generate additional knowledge and better understanding of this market. The generation of this additional knowledge and the associated findings can assist the business to understand the opportunities and threats that exist for the brand.

## **1.3 Focus of the study**

There are two family-run businesses that purchase the broken and reject biscuits. Each operation comprises of a store that is open to the public for the sale of sweets and biscuits. Geographically, they are both within a 15km radius of the Bakers manufacturing site. They sell a variety of sweets, biscuits and other snacks but they acknowledge that it is the selling of biscuits that forms the major portion of their revenues. Their businesses have also become popular due to their selling of the famous Bakers brand at reduced prices. These reduced prices are in comparison to the normal retail prices for good biscuits in established retail outlets.

The study has been focused on these two stores and their biscuit-buying customers. These customers were surveyed mainly around their reception to the brand and to determine the level of esteem in which those customers connect to the Bakers brand.

This study is the first to determine the degree of esteem in which the Bakers brand is held in these informal markets and could form the basis of more detailed studies which could further benefit the Bakers Biscuits organisation. This could be especially relevant should the company decide to formally enter this lower-end market and, as such, decide to market and manufacture for these lower-end customers. This study will also assist the company in determining a first-cut risk profile for the brand in the informal markets.

#### **1.4 Problem statement of the Study**

The Bakers brand is deeply entrenched in South African society and is highly valuable from a brand equity perspective. The brand, which has been in existence since 1851, is a part of South African culture and has endured and grown in the last 65 years. Even though the volumes which are supplied to the informal markets are negligible, when compared to the company's annual sales volumes, the extension of the brand's footprint into a largely unregulated market could potentially make the brand vulnerable to threats. Despite the clear packaging in which the biscuits are sold in the informal markets, Bakers biscuits are still fairly identifiable and distinguishable.

The question then arises: What are some of the risks and opportunities for the Bakers brand equity from selling into the informal markets?

This study therefore sought to determine some of the risks and opportunities for the brand by surveying the customers who purchased the biscuits in the informal markets.

#### **1.5 Study Objectives, Aim and Research questions**

This purpose of this study is to test the elements of brand equity at the lower-level, informal re-packing market. The study also aims to determine what risks, opportunities and threats are posed for Bakers Biscuits in the re-packing market. The study also aims to determine if biscuits in the re-packing market are purchased for personal consumption or for resale. A concluding aim of the study is to ascertain the profile of the customers who buy the factory-rejected biscuits. The objectives of the study have been specifically formulated to give credence to the research questions. The objectives are as follows:

- To determine if consumers who buy broken and reject biscuits are in the current target market of the firm, for its good products
- To establish if elements of brand equity are prevalent in the re-packing market



- To determine if consumers in the re-packing market have complaints or recourse to complain
- To determine if consumers in the re-packing market have preferences for any particular biscuits in the Bakers range
- To establish whether the consumers are purchasing biscuits for personal household consumption or for resale
- To determine if consumers in the re-packing market are satisfied with the prices they pay for Bakers Biscuits
- To determine if the appointed re-packers, who are entrusted with the brand, are favourably perceived by their customers

The related research questions, based on the above objectives are:

- What are the demographic profiles of the study participants and do the participants fit into the target market of the company?
- Why do the participants buy broken and reject biscuits?
- Are the study participants satisfied with the quality of broken and reject biscuits?
- Do the study participants hold the Bakers brand in high esteem?
- Are the study participants satisfied with the prices they pay for broken and reject biscuits?
- Are the study participants satisfied with the sellers of broken and reject biscuits?

## **1.6 Methodology employed in the study**

Before starting the research process, a letter of consent, to conduct the research was obtained from Snackworks, the manufacturer of Bakers Biscuits. Ethical clearance for the study was also obtained from the University of KwaZulu-Natal. A descriptive research process was effected, in which buyers of broken and reject biscuits at both the sales outlets were asked to complete questionnaires in which they had to respond to various statements. These statements were specifically formulated to align with the objectives of the study. The personally-administered questionnaires were the most efficient data collection method for this study. This

data collection method enabled the researcher to collect all the completed responses within a short period of time. The method also assisted in establishing a friendly connection with the participants. Participants were informed that their participation was voluntary and that they could refuse to participate or withdraw from the project at any time with no negative consequences. Study participants completed the questionnaires in writing and handed them to the researcher. Two hundred and sixty questionnaires were completed. This represented the sample size of the total population of five hundred regular customers who purchase broken and reject biscuits from the two outlets. A convenience sampling method was used as the data was collected only from those customers who were conveniently present at the stores during the data collection period. A quantitative data collection and analysis approach was taken. Both rating and ranking attitudinal scales were used in the questionnaire. These scales enabled statistical procedures to be applied to the study. All responses were then collated and captured into a statistical analyses programme called Questionpro. The data was then grouped and analysed and relevant conclusions and recommendations were then drawn.

### **1.7 Limitations of the study**

The notable lack of academic literature and research, relating to the downscaled market for biscuits, was the most significant limitation that was encountered in this study. Another limitation was to follow fully the movement of the biscuits until its final end consumers, as a large proportion of first-line customers bought the biscuits for re-sale. It was not established as to how many different tiers of re-selling are taking place. Chapter five of this study expounds further on these limitations.

## 1.8 Outline of the study

A structured and systematic approach was followed in the holistic research process. Table 1.1 outlines how the study was reviewed and expounded on in each chapter.

**Table 1.1** Structure of this study

Chapter	Content
Chapter One	This opening chapter presents a synopsis of the study that was undertaken. It introduces the research process that was followed and outlines the rationale for the study. The emphasis and motivation of the study is placed into relevant context, and the problem statement, together with the applicable research questions, are presented. The specific and detailed research objectives which seek to address the research question are outlined. The study limitations and confines are also outlined.
Chapter Two	The literature review is presented in Chapter 2. This chapter introduces the concept of brand equity and the different elements of brand equity. The firm's target markets as well as related concepts like customer complaints are discussed.
Chapter Three	In this chapter the entire research process is analysed in-depth. The various phases encompassed in the research methodology are also expounded. Definitions of research and research methodology are presented and, against this backdrop, the objectives and aims of the study are developed. The different research options that are available to any researcher are

	<p>discussed and reasons are provided for the particular research method that was chosen for this study. The appropriate research method is discussed in the context of the study's aims and objectives. Decisions around the use of sampling and the appropriate data collection strategy are also presented in this chapter.</p>
<p><b>Chapter Four</b></p>	<p>Chapter Four encompasses the collection of data and its related analyses. The results of the data collection are presented, interpreted and analysed in two distinct segments. The first segment covers the demographic profiles of the consumers of re-packaged biscuits and the second section highlights the findings in relation to the objectives of the study.</p>
<p><b>Chapter Five</b></p>	<p>Chapter Five brings the conclusion to the study. Conclusions and inferences are documented. Resulting from the findings, recommendations are also made in this chapter. This chapter also outlines the limitations encountered in the study and recommendations for further research are also outlined.</p>

## **1.9 Summary**

Brand equity is a critical and key intangible asset for Bakers Biscuits and by selling rejected biscuits into a 'secondary' market, the firm has taken on risks. However, the market for re-packaged biscuits offers other opportunities for the brand and these opportunities can be exploited should Bakers Biscuits decide to cater purposefully for that market. In this chapter, the research project was outlined and motivation was provided as to why the research is needed. The objectives of the study were outlined and the focus areas were also documented. The following chapter will present a literature review focusing on published material. This will offer a clearer concept of brand equity and how it contributes to an organisation's competitive advantage. The literature review will facilitate the empirical study that will follow.

## **CHAPTER TWO**

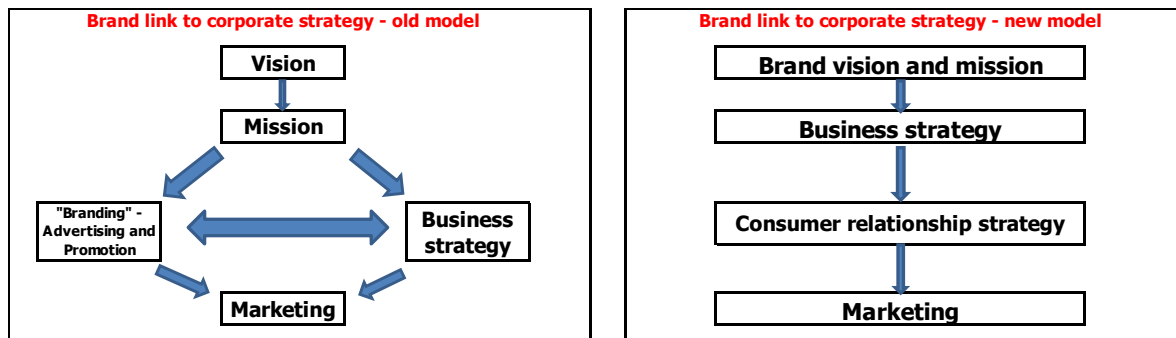
### **Brand equity driving the firm's strategy**

#### **2.1 Introduction**

Brands play a crucial part in businesses worldwide. In a dynamic, rapidly changing world, a brand can be the uniform constant with which different generations identify. According to Kotler and Keller (2012), branding allows the goods of one producer to be distinguished from that of another. According to Temporal (2002), influential and commanding brands which are developed and supported appropriately will give companies prolonged existence and the potential for immortality. Referring to a company such as Coca-Cola, Temporal (2002), asserts that the company has lasted this long due to careful brand management. According to Kotler and Keller (2012), a dependable brand represents a high quality level which gives satisfied buyers the confidence to repeat their purchases of the product. Branding can therefore be a powerful means of securing a competitive advantage. According to Temporal (2002), brand management is a holistic process that tries to govern the total image and perception of the brand. This means the need for clear identification of what the brand stands for, its personality and ultimately how it is perceived. According to Temporal (2002), the tasks of managing of a brand become more difficult when there are external factors which influence the success of the brand. The brand managers have no control over these external elements and it becomes challenging to manage the impact on the brand.

#### **2.2 The brand driving business strategy**

According to Temporal (2002), due to the success of branding over the years, brand visions and missions are replacing the traditional corporate visions and missions. In the past, branding merely provided support to business strategy. Temporal (2002) states that the business process model has changed, with vision and missions being developed for the brand, and this, in turn, is driving the business strategy and all associated activities.



**Figure 2.1** Brand link to corporate strategy

**Source:** Adapted from Temporal, Paul 2002. *Advanced brand management – from vision to valuation* 1st Ed. Singapore: John Wiley and Sons (Asia)

Temporal (2002) states that there must be increased focus on the brand-consumer relationship and by defaulting to the view of the consumer world and by soliciting customer insight, the business is able to build brand value. Temporal (2002) further asserts that the great brands are brands that care. These type of caring brands promote congruency between uplifting society and ensuring adequate profits for the organisation. A key changing role in brand management has also been an adjustment from focusing on the industry to that of a market focus.

## 2.3 Brand Equity as a critical Strength

### 2.3.1 The concept of Brand Equity

According to Aaker (1991), organisations need to fully exploit their key assets so that business performance can be maximised. One such key asset is usually the name of the brand. Aaker (1991) describes a brand as “a distinguishing name or symbol intended to identify the goods or services from either one seller or a group of sellers, and to differentiate those goods or services from those of competitors.” The brand is a source of numerous opportunities and threats for the organisation. Two of the ways in which the brand can be leveraged for growth is by extending new products or exposing the brand to new markets. (Aaker, 1991). Conversely, the brand can also be damaged and organisations must ensure that such damage is avoided. Kotler and Keller (2012) describe brand equity as the added value that is endowed to products and services. Aaker (1991) describes brand equity briefly as “a set of assets such as name awareness, loyal customers, perceived quality, and

associations that are linked to the brand and adds value to the product or service being offered". For the set of assets to underlie brand equity, it must be linked to the name and/or symbol of the brand. These assets can generally be grouped into five categories, namely:

#### **2.3.1.1 Brand loyalty**

According to Aaker (1991), brand loyalty is a measurement of the connection between a customer and a brand. That connection can translate into brand loyalty which is also tested by the likelihood of the customer to switch to another brand in the face of price or product features. According to Cheverton (2006), the application of discounts does not result in genuine loyalty from customers. Various studies have shown that when consumers buy a discounted product for reasons of price alone, they will still yearn to buy the higher-priced, brand name alternative, but money won out that time. Consumers who are dedicated to a particular brand remain loyal to the brand even when negative information about their preferred brand is presented to them (Ahluwalia et al., 2000). Committed customers were therefore biased towards their preferred brand and were against the competing brands. According to Delgado-Ballester and Munuera-Aleman (1999), brand loyalty generates substantial entry barriers to competitors and lowers customers' sensitivity to the marketing efforts of competitors. Therefore, risk-averse consumers are not always tempted to try out new products and brands and they prefer to stay with brands that are well-established and familiar. Zhou et al (2002) established that risk-averse consumers mitigate and lower their risk by choosing higher-priced brands, especially in markets where objective quality information is lacking. According to Aaker (1991), there are five levels of loyalty, with each level representing a different marketing challenge.





**Figure 2.2** The loyalty pyramid

**Source:** Adapted from Aaker, D.A., 1991. *Managing brand equity*, 1st Ed. The Free Press

The lowest level is the level where the buyer is not loyal, and that buyer is completely indifferent to the brand. The name of the brand plays no significant role in the purchasing decision. Such a buyer is referred to as a price buyer.

The second level represents the buyer who is satisfied with the product. These are habitual buyers.

The third-level consists of buyers who are satisfied and, in addition, have switching costs. These buyers can be attracted by offering them an inducement to switch.

The fourth level represents those customers who truly like the brand.

The uppermost level represents committed customers who pride themselves as users of the brand. Strong brands with high brand equity have a large number of committed customers.

Strong customer satisfaction to a brand results in customer loyalty. This loyalty, in turn, protects the brand and mitigates the effects of competition. Competitors may then be discouraged from costly programmes aimed at attracting already-satisfied customers. However, for the favoured brand, the enhanced brand loyalty means that customers expect the brand to always be available for purchase.

### **2.3.1.2 Name awareness**

Brand awareness refers to the ability of a potential buyer to recognise or recall that a brand is a member of a certain product category. Familiar brands are generally bought as customers are comfortable with the familiar. This also stems from the assumption that familiar brands are probably reliable with reasonable quality characteristics. According to de Chernatony (2001), buyers reduce risk by always buying the same brand. Therefore, recognised brands are frequently chosen over unknown brands. The name is the basic core indicator of the brand, the basis for both awareness and communication efforts. A name can serve as substantial barrier to entry once it is established. According to de Chernatony (2001), a key question would be if buyers will identify a brand that does not bear the brand name on the packaging.

There are at least four ways in which brand awareness creates value. These are:

#### ***2.3.1.2.1 Anchor to which other associations can be attached***

A brand association is anything 'linked' in memory to a brand. Over the years, the Bakers brand has been associated with goodness, best-quality ingredients, Christmas magic and children's fun times. This recognition helps the brand to be anchored in certain memory-accessed attributes. A link to a brand is stronger when it is based on many experiences or exposures, rather than few. A well-positioned brand will have a competitively attractive position supported by strong associations.

#### ***2.3.1.2.2 Familiarity / Liking***

People like the familiar, and when consumers can instantly recognise a brand, they develop a sense of familiarity with that brand. Bakers Biscuits have been around in South Africa since 1851. It is an old brand. Deeply-entrenched brands with wide footprints tend to retain high recognition over extended periods, irrespective of the amount of advertising support. As consumers are repeatedly exposed to the brand, they become more familiar with it.

#### ***2.3.1.2.3 Substance / Commitment***

The logic behind name recognition can be attributed to factors which include:

- a) Extensive advertising by the firm
- b) The firm has a long track record of being in the business

- c) The firm is widely distributed
- d) The brand is successful – it has many users and consumers

#### **2.3.1.2.4 Perceived quality**

According to Aaker (1991), perceived quality can be defined as the customer's perceptions of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceived quality is, first, a perception by customers. Perceived quality generally influences purchase decisions and brand loyalty. This perceived quality can support a premium price thus enabling higher profit margins for the selling firm. Higher margins ensure that the firm can reinvest in its brand equity. According to Erdem and Swait (1998), perceived risk can be reduced if brands develop to be synonymous with high quality. According to Sheth and Parvatiyar (1995), consumers consider brand loyalty as the best risk-reducing strategy for certain products. Further, perceived quality can lay the foundations for brand extensions. According to Bendixen et al. (2003), quality is one of the cornerstone attributes desired by business buyers. Profitable brands are committed to high quality which results in higher brand shares. Buzzell and Gale (1987) in their book the PIMS Principles concluded that "in the long run, the most important single factor affecting a business unit's performance is the relative perceived quality of its products and services, relative to those of competitors." In addition, products of perceived higher quality, will receive a higher share of the market. According to Nordmark (1999), the perceived freshness of baked products, more often than not, is considered as one of the key determinants of acceptance and choice. Perceived quality provides value in several ways. They are:

##### **2.3.1.2.4.1 Reason-to-buy**

Perceived quality greatly influences a consumer's choice of brand from various competing brands.

##### **2.3.1.2.4.2 Differentiate / Position**

Perceived quality is also key in positioning a brand. It determines whether the brand is seen as the best or competitive with other brands in its class.

#### **2.3.1.2.4.3 A price premium**

According to Aaker (1996), a price premium is the most significant contributor to brand equity. A price premium can be charged on branded products that have a perceived quality advantage over other products. The price premium translates into higher profitability for the firm, which in turn, allows the firm to further improve on quality, thereby creating even stronger competitive barriers. Conversely, de Chernatony (2001) stated that once-strong brands can decay due to actions such as price cutting.

#### **2.3.1.2.4.4 Channel member interest**

Perceived quality is also important to retailers, distributors, and other channel members because it can contribute to increased distribution. According to de Chernatony (2001), a manufacturer cannot formulate a strategy for the brand without considering the role and importance of the distributor. The success of both parties depends on their mutual understanding and reliance. Manufacturers need to identify retailers' objectives and align their brands with those retailers whose aims closely match those of their own (de Chernatony, 2001). Also, each distributor's strengths and weaknesses must be understood by the manufacturer. According to de Chernatony (2001), the brand owner should understand and account for the approach or strategy adopted by the distributor. The brand owner should know whether the distributor is opting for a good value proposition to the consumer (price) or a value-added proposition (high quality brands). Manufacturers must also evaluate whether the distribution strategy is offensive or if it is by default that products enter a certain distribution channel. Studies by Yoo et al. (2000) showed that distribution through retailers with good store images and high distribution intensity helps to build brand equity. According to Smith (1992), significant brand equity can also be created through the distribution channel. This is especially the case when consumers can purchase the product at will from several stores.

#### **2.3.1.2.4.5 Brand extensions**

A brand's high perceived quality can be advantageous for the introduction of brand extensions and the firm's entry into new product categories. Probabilities for success in brand extensions and new categories are higher for strong brands with high perceived quality features.

### **2.3.1.3 Brand associations**

The underlying value of a brand name is often based upon specific associations that are linked to the brand. Bakers Biscuits is strongly linked to family as a large portion of South Africans link it to their childhood. A further dimension of brand associations is the brand-as-organisation viewpoint. This considers the firm or organisation that lies directly behind the brand. These include factors such as whether the organisation is admired or trusted or whether the organisation has credibility. According to Campbell (2002), competitors' current and potential strategies must be understood in order to differentiate one's own brand in ways that are meaningful to customers.

### **2.3.1.4 Other proprietary brand assets**

Other proprietary brand assets include concepts such as patents and trademarks. These types of brand assets hold the most value if they prevent or inhibit competitors from eroding the loyalty of customers. For example, the Bakers logo protects the firm's brand equity from competitors who want to use a similar symbol to confuse customers.

Brand equity creates value for both the customer and the firm. As such, most firms generally tend to focus on one brand by protecting its position by pursuing a positioning strategy. Competitors tend to uncover new segments in their pursuit of gaining a position in the market.

## **2.4 Brand identity**

According to Aaker (1991), brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organisation members. Brand identity structure includes a core and extended identity. The core identity – the central, timeless essence of the brand – is most likely to remain constant as the brand travels to new markets and products. So the brand identity is how strategists want the brand to be perceived. The brand identity is linked to the value proposition. A brand's value proposition is described by Aaker (1996) as a statement of the functional, emotional, and self-expressive benefits delivered by the

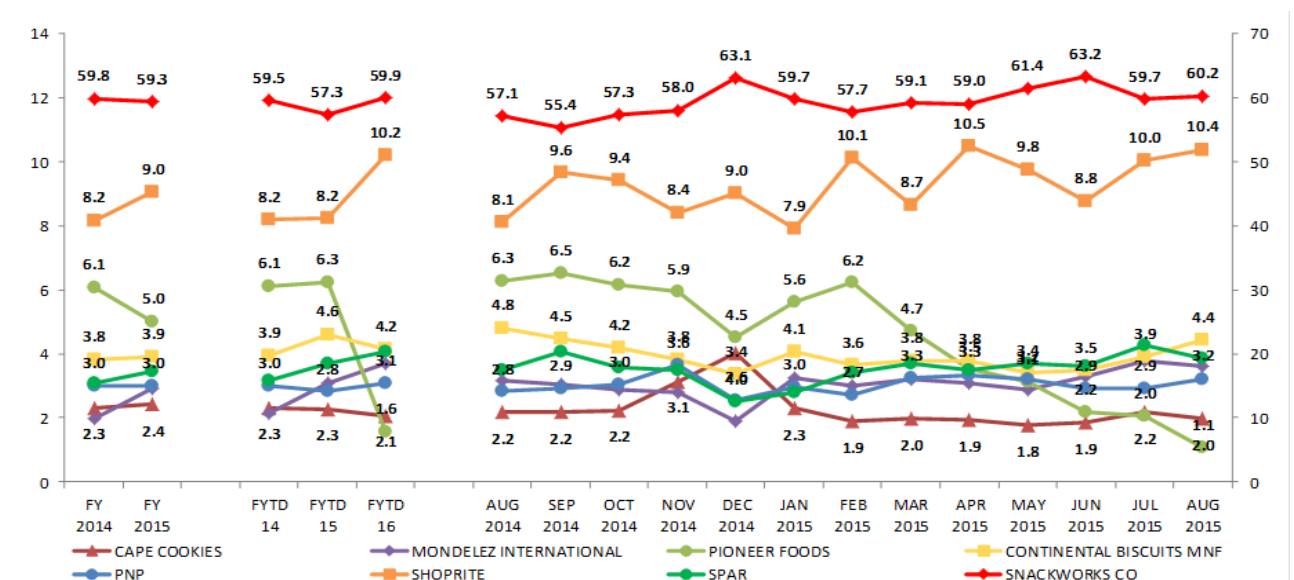
brand that provide value to the customer. Therefore, consumer purchase decisions are driven by an effective value proposition.

## 2.5 Operations efficiency to protect the brand

According to Aaker (1991), it is not enough to merely avoid damaging a brand – a brand needs to be maintained and nurtured. One of the more imperceptible dangers that a brand faces is that of competition from firms who have superior cost and efficiency structures. Operations efficiencies can sometimes distract a firm from nurturing the brand as the relentless pursuit of cost goals can compromise customer satisfaction.

## 2.6 Market share

Market share is a valid reflection of a brand's standing with its customers (Aaker 1996). An advantage is that market share and market share data is generally available. In the established formal markets in South Africa, Bakers Biscuits (Snackworks Co) has a dominant share, as confirmed by the diagram below.



**Figure 2.3** Market share of Bakers Biscuits (Snackworks) at August 2015

**Source:** Snackworks. 2015, *Internal company report*

## **2.7 Competitors**

According to de Chernatony (2001), brands are most often chosen after they have been compared to competing brands. Organisations which own strong brands tend to gain more market share than those organisations that do not have strong brands. Therefore, organisations which are brand leaders tend to become hostile and aggressive in defending their market share in times of increasing competition.

## **2.8 Cost-driven brand or value-added brand?**

According to de Chernatony (2001), brands succeed because they are positioned to capitalise on their unique characteristics. These characteristics contribute to the brand's competitive advantage because it is difficult for competitors to replicate those characteristics in their own products. Consumers perceive value in brands when it costs less to buy them than competing brands offering similar benefits (cost driven brands) and / or when they have unique benefits which offset their premium prices (value-added brands).

Cost-driven brands thrive because action is continually being taken to curtail costs. Some marketers shun the idea of cost-driven brands since they equate low cost with low quality. In certain cases, they are justified. Reducing quality standards can reduce costs but extreme caution should be exercised because it will lead to consumer dissatisfaction.

Value-added brands are those that offer more benefits than competitors' brands, and for which a premium price is charged. By making the brand different, it is likely that consumers will notice this and be prepared to pay a higher price. According to Davies (2002), in the past there was the belief that own-brand products were purchased mainly by poor people. Own-brand products are generally retailer house brands. However, in a review of thirteen earlier studies, McEnally and Harris (1984) found only one study which reported increased rates of purchase for own-brands among low-income households. Consumers generally tend to view own brands as being similar to supplier brands (Uncles and Ellis, 1989).

## **2.9 Moving a brand down and accessing downscale markets**

In today's value-centred markets, increasing numbers of buyers are shunning prestigious and luxury brands in favour of brands that cost less but also comprises satisfactory quality and features. According to Aaker (1996), firms need to adopt branding strategies that can cater for downscale product versions, without posing any risks of erosion to the brand. One of the rudimentary forces driving the augmented sensitivity to value and price is that of overcapacity. This overcapacity arises out of the combination of new competitors and markets that are moderately static. Overseas competitors and revitalised store-owned brands which are continually increasing in quality, pose threats to entrenched brands. The introduction of equivalent products which lack innovative and unique value propositions, results in the new market entrants, as well as struggling third-or-fourth placed brands emphasising price promotions – instead of product promotions. This approach by suppliers leads customers to believe that brands are essentially similar and that there are very little perceptible differences between brands. The result is an erosion of brand loyalty and customers then tend to concentrate on acceptable features and lower prices. With a decreasing number of customers keen to pay the historical brand premium, sellers who maintain their historical premium pricing, start to lose their market share. In South Africa there a host of overseas brands being stocked at local retailers. The current economic situation in South Africa has created a sizable and growing value market. It is very tempting for firms to shift down into these opportunistic markets, especially when an opportunity emerges within a brand's current low-cost distribution channel.

Brands can move down easily but the principal challenge is to avoid damage and harm to the brand, specifically around perceived quality associations (Aaker, 1996). This challenge is heightened because moving a brand downwards affects brand perception more extensively than any other brand management alternative. However, it must not always be assumed that moving a brand downwards is risky. By making use of sub-brands to conspicuously position the new product as being different to the parent brand, the risk can be reduced. This was successfully proven by Sony Corporation's supply of high-end products which included televisions, whilst they were selling lower-end products like audio sets at lower prices. This proposes that consumers can compartmentalise perceptions. Verhoef, Neslin and Vroomen (2007) investigated the propensity of consumers to use one type of channel to



research the product but another one for purchasing the product. They found that there are distinct segments that relate to consumer demographic and psychological variables.

Expanding products into multiple markets enhances a firm's capability to manage a portfolio of brands (Aaker, 1996). A solution could include having a management team for each market and comparing the major categories, namely, brand loyalty, perceived quality, brand associations and brand awareness, across the different markets.

Brand management must include the guarding of the brand's equity and particularly the brand's perceived quality. Some risks, however, can still be taken by a brand. Strong brands are characterised by their resilience and extension difficulties can be endured. Selling price reduction is the most direct avenue of moving a brand downwards. However, significant price reductions may lead consumers to assume that the brand has no substantial differentiation from other brands and that the quality is average or mediocre. Conversely, there are many brands that preserve a very valuable segment at the premium end of the market. Their products' premium characteristics and high quality ensure that new competitors' offerings have no discernable comparison, especially in terms of cost. Therefore, if these premium brands were to be moved down, they would have to still retain some of their quality differentiation. The firm and the brand are then tested and challenged because the brand has to now compete at lower price points whilst still retaining its higher-quality status. Firms must guard against inferior quality. Silverstein (2006) points out that many leading brands have reduced the objective quality of their products to meet low-cost competition. Ehrenberg (1986) describes how the relationship of price-to-brand differentiation was identified through an experiment. United Biscuits' Rich Tea cookie was presented to consumers in both the standard pack format as well as in an otherwise-identical pack format which contained the word "NEW". The firm's premium brand, Pennywise, was also presented in two identical generics, differentiated only by price. The results from the consumer tests indicated that "for near identical brands, even a small price differential will result in the higher-priced brand receiving only a small share of purchases; however, if the higher-priced brand is markedly differentiated from the other brand in some way, it can hold a large share of the market" (Ehrenberg, 1986, p.5). According to Mayer and Vambery (2013), reducing selling prices is likely to be interpreted by consumers as an indication that

the national brand recognises that it is worth less than its previous premium price. This, in turn, undermines the brand's value in the consumers' minds. This is a phenomenon that is called unbranding.

### **2.10 Wholesale intermediaries, Price Points and Low-priced competitors**

According to Rosenbloom (2004), wholesalers consist of businesses that sell goods for resale. Merchant wholesalers are firms that buy, take title to, store and physically handle products in comparatively large quantities. The products are then sold in smaller pack formats or quantities. Modern well-managed merchant wholesalers are suitably positioned to provide wide coverage of products in the market, to hold significant levels of inventory and to be also able to collect appropriate market information. According to Keller (2008), a specific distribution channel can directly affect the equity of the brands they sell because of customers' associations linked to the retail stores. There are opposing perceptions of the same brand by consumers depending on the type of store in which the brand is being sold. When the brand is sold by an exclusive and prestigious sales outlet, it is then perceived differently to when it is sold in a store dedicated to bargain shoppers. The image of the store where the brand is sold is then associated with the brand and this could have either positive or negative connotations for the brand.

According to Rosenbloom (2004), price points are defined as specific prices, usually at the retail level, to which consumers have become accustomed. There is therefore an expectation from customers that certain products will be available at prices to which they have become accustomed. Inflationary forces over the years have eroded consumer perceptions of price points for many product categories (Rosenbloom, 2004). Potential problems could therefore arise for manufacturers and their channel partners if products are not available to customers at the customers' expected price points.

According to Keller (2008), a recent worldwide phenomenon has been the increased market penetration of generic and lower-priced replicates of market-leading products. The advent of globalisation has also contributed to the increased number of competitors in established, existing markets.

### **2.11 The use of sub-brands**

According to Aaker and Joachimsthaler (2000), the development of a new or separate brand is expensive and difficult and using an established brand in a branded house strategy, by comparison, will reduce the investment required and lead to enhanced synergy and clarity across the offerings. According to Aaker (1996), the advantage of using sub-brands is that it can allow entry into lower-end markets without posing significant risks to the equity of the parent or master brand in the premium higher-ends of the market. This is especially true when the bulk of a brand's customers are willing to pay a price premium. Aaker (1996) confirms that there are two problems which arise when lower priced sub-brand offerings are allowed to use the premium brand name. The first is possible cannibalisation, a process in which buyers migrate to the lower-priced cheaper versions. The second problem is that if brands are extended downwards then the brand name could become tarnished. Furthermore, those consumers who move from the premium brand to the newly-introduced sub-brand could have done so by avoiding an attraction they might have had to the value brand of another manufacturer. So the brand ends up being strategically protected despite the suggestion of cannibalisation. To prevent the confusion of identity when a brand is moved down, the inherent characteristics of the sub-brand can be used to differentiate and position the new, lower-priced offering (Aaker, 1996). Consequent risks of cannibalisation and image tainting can be significantly reduced if the sub-brand has robust characteristics which is markedly different from that of the original brand.

### **2.12 Customer satisfaction and complaint behaviour**

According to Stauss and Seidel (2004), customers will tend to try and rid themselves quickly of the uncomfortable feeling they have when they are disappointed in their expectations and when they experience dissatisfaction. The behavioural alternatives of dissatisfied customers may resort to several activities at the same time. Such activities or behaviour could be:

- Switching by changing brands or exiting the market altogether
- Engaging in negative word-of-mouth communication
- Complaining to the firm or to a third-party institution

### **2.13 Price premiums generated by the brand name**

All of the five categories of brand equity assets described above have the potential to provide the brand with a price premium. Indeed, the price premium is one of the key determinants for brand equity (Aaker, 1991). Thus, brand equity only exists if income streams over and above the average for the sector result from putting a particular brand on a product.

### **2.14 Threats to brand equity and forecasting the erosion of equity**

According to Aaker (1991), very often, there is belated recognition of brand damage. As such, associated costs of rectifying the problem can be exorbitant when compared to maintaining the brand equity. Of further concern is that brand erosion is generally so gradual that it is fairly difficult to develop a preventative sense of urgency. According to Johnson and Peppas (2003), constant intervention is needed to protect and preserve brand image. This involves the identification of weaknesses and threats and effective management of reducing or eliminating them. They also indicated that the longer it took for an organisation to respond to an acute brand-related incident, the greater would be the long-term damage to the brand equity, the organisation's reputation and the ultimate financial impact.

### **2.15 Food safety and brand equity**

According to Manning and Baines (2004), food manufacturers must first comply with private quality assurance programmes if they want to continue supplying products within global food supply chains. Early (2002) proposed that science and technology developments must be managed sensitively if the food industry's conduct and place in society is to be seen as morally acceptable and ethically supportable. Aaker (1991), states that very often, the realisation and recognition of brand damage occurs when it is too late. As such, the cost incurred in remediating the problem can be extremely high when compared to simply maintaining the brand equity. Of further concern is that erosion of a brand occurs so gradually that the brands managers are not compelled to develop a sense of urgency. According to Manning (2007), effective food safety management protocols must be at the core of organisational strategy and in the event that such controls fail, crisis management plans should be implemented quickly and effectively otherwise the financial viability of the firm could be seriously under threat.

## 2.16 The Living Standards Measure (LSM)

The South African Audience Research Foundation's Living Standards Measure (LSM) has become the most widely used research marketing tool in South Africa (SAARF, 2015). It divides the population into ten living standards measure groups with 10 being the highest and 1 being the lowest. In June 2014, a latest set of Living Standards Measure groupings were presented by the South African Audience Research Foundation, which included household income per month. The household income per month across the ten different LSM groups were

LSM Group	Population percentage	Household income per month
LSM 1	2.4%	R 1 666 average per month
LSM 2	4.1%	R 2 290 average per month
LSM 3	6.2%	R 2 619 average per month
LSM 4	12.6%	R 3 268 average per month
LSM 5	16.8%	R 4 242 average per month
LSM 6	22.7%	R 6 648 average per month
LSM 7 low	6.2%	R 10 857 average per month
LSM 7 high	5.4%	R 13 225 average per month
LSM 8 low	4.4%	R 15 070 average per month
LSM 8 high	3.8%	R 17 462 average per month
LSM 9 low	4.6%	R 20 488 average per month
LSM 9 high	4.8%	R 23 746 average per month
LSM 10 low	3.4%	R 30 882 average per month
LSM 10 high	2.6%	R 35 919 average per month

**Table 2.1** Categories of Living Standards Measure

**Source:** South African Audience Research Foundation, 2016, *LSM Categories* [online] Available at: <<http://www.saarfte.co.za/>> [Accessed 05 June 2015]

Bakers Biscuits' target LSM groups are LSM Groups 5 to 10.

## **2.17 The Consumer Protection Act (CPA)**

The Consumer Protection Act is a key piece of legislation that was signed into law in April 2009. According to Melville (2011), amongst the various objectives of the Act is the protection of the vulnerable, such as low-income communities from exploitation and unsafe products. Melville (2009) asserts that even though manufacturers and suppliers were not negligent, they could still be sued by consumers for damages. Section 20.2 of the Act outlines a consumer's rights to return goods and Section 61(1) of the Act enables consumers to sue more than one party who is potentially liable (Melville, 2011). This means that if the consumer sues one party and receives payment, that party can then sue others for a contribution towards the payment. Melville (2011), describes Section 61(1) as the section that potentially has the most drastic effect for business. Melville (2011) states that, Section 54 of the Act, requires quality to be a minimum requirement for customers, and no longer just an extra requirement. Section 55 of the Act addresses both the quality and safety of goods and according to Melville (2011), it makes no difference whether a product defect was latent or patent, or whether it could have been detected by a consumer before taking delivery of the goods. As such, it is important to determine if the re-packers are ensuring quality and safety in the downstream handling of the broken and reject biscuits and to determine if their customers have any complaints.

## **2.18 Customer complaints**

According to Kotler and Keller (2012), studies have shown that customers are dissatisfied with their purchases about 25 percent of the time, and that only about 5% of the customers will complain. Kotler and Keller (2012) state further that the remaining 95% of the customers feel that complaining is not worth their effort or they don't know how or to whom they should complain. According to Kotler and Keller (2012), these customers simply stop buying the product. They further state that of the customers that do complain, 54 percent to 70 percent will continue doing business with the organisation, if their complaints are resolved. Kotler and Keller (2012) state that the customers whose complaints are satisfactorily resolved, will tell an average of 5 people about the good treatment they received. However, the dissatisfied customer shares his gripes with an average of 11 people. If these people tell other people, then the negative product image grows

exponentially. It is therefore imperative to determine if broken and reject customers have complaints and whether the two re-packers are dealing effectively with those complaints.

## **2.19 Conclusion**

Kotler and Keller (2012) confirm that branding is a powerful means of securing a competitive advantage. The vision for the brand can drive the business strategy and all associated activities (Temporal, 2002). The brand must be nurtured and protected and any threats to the brand must be eliminated or mitigated. Aaker (1991) confirms that the brand is a source of numerous opportunities and threats for the organisation. Brand management becomes more difficult when the brand is exposed to external factors (Temporal, 2002). So when a brand is introduced into a secondary market, which is not the target market of the firm, the brand is faced with both opportunities and threats. The firm must then assess the value of extending the brand's traditional footprint and how to counter any threats in the unfamiliar markets.

## **CHAPTER THREE**

### **Research Methodology**

#### **3.1 Introduction**

This chapter will introduce and discuss in-depth, the research methodology that was used. Accordingly, the entire research process will be analysed in detail. The various steps involved in the research process will be outlined and its significance will be placed in the appropriate perspective. A selection of the various research options will be presented and their proposed uses will be justified against the backdrop of the research objectives.

Research design, sampling and the strategy of data collection will be described together with any ethical considerations.

#### **3.2 The research objectives**

The objectives of the study are as follows:

- To determine if consumers who buy broken and reject biscuits are in the current target market of the firm, for its good products
- To establish if elements of brand equity are prevalent in the re-packing market
- To determine if consumers in the re-packing market have complaints or recourse to complain
- To determine if consumers in the re-packing market have preferences for any particular biscuits in the Bakers range
- To establish whether the consumers are purchasing biscuits for personal household consumption or for resale
- To determine if consumers in the re-packing market are satisfied with the prices they pay for Bakers Biscuits
- To determine if the appointed re-packers, who are entrusted with the brand, are favourably perceived by their customers

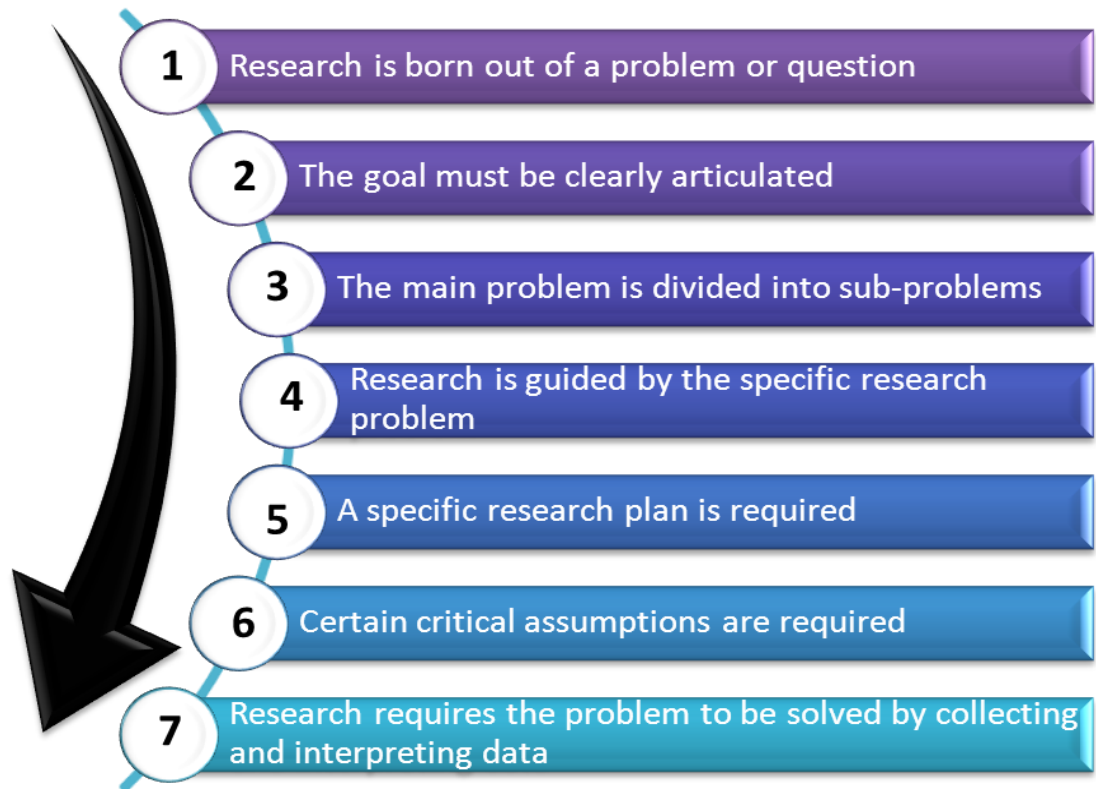


### **3.3 A broad understanding of research**

Most people would commonly associate research with the process of information gathering. Goddard and Melville (2001) state that, rather, it is about answering unanswered questions or creating that which does not currently exist. Sekaran and Bougie (2010) describe research plainly as an initiative of discovering solutions to problems after completing an in-depth study and subsequent analyses of all the prevailing factors.

According to Leedy and Ormrod (2013), the trigger behind a particular research process that is embarked on by researchers is the pursuit of those researchers in wanting to broaden their knowledge of specific phenomena which is impacting or influencing the problem at hand. According to Saunders, Lewis and Thornhill (2009), it is the improvement of one's knowledge of a specific management or business problem that constitutes the main purpose of conducting research. Zikmund et al (2013) confirm that often, business research is directed toward an element of an organisation's internal operations. As such, business research can be defined as the application of a scientific method in searching for the truth about business occurrences and trends. Business research therefore seeks to test preconceived ideas rather than seek to support them. Basic business research, also known as pure research, is conducted without a specific decision in mind and it usually does not address the needs of a specific organisation. Applied business research is conducted to address a specific business decision for a specific firm or organisation (Zikmund, et al, 2013).

While there are varied definitions of research, Leedy and Ormrod (2013) outline that generally, there are seven distinct characteristics of all types of research processes undertaken. These 7 steps are as depicted below in Figure 3.1



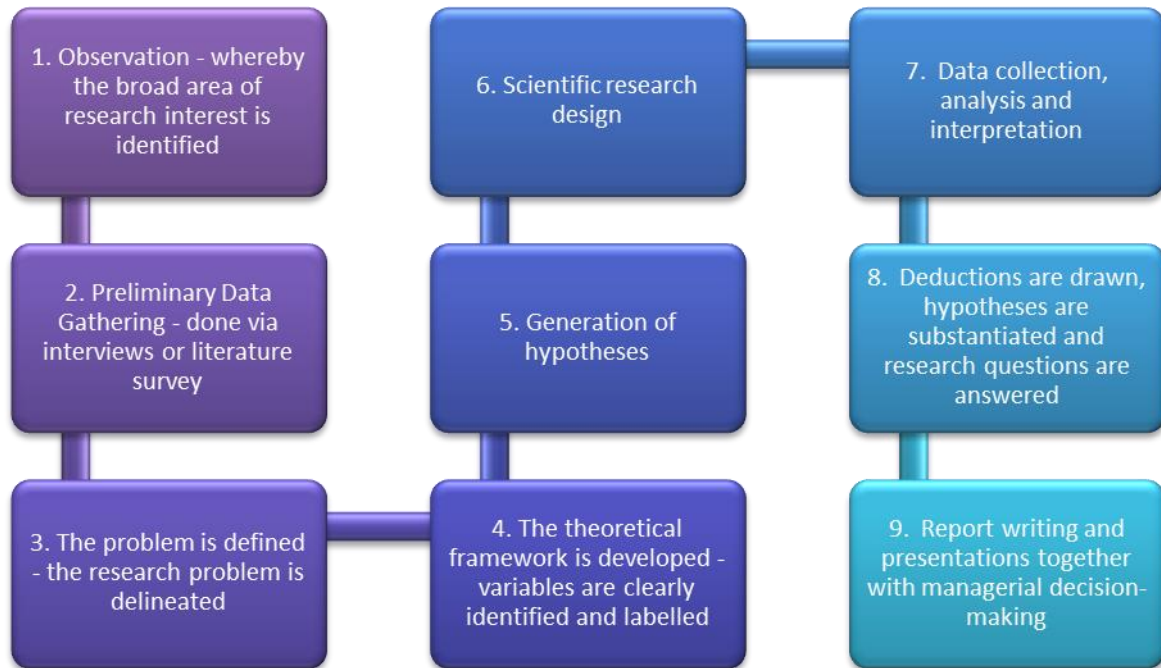
**Figure 3.1** The seven attributes of research

**Source:** Adapted from Leedy, P.D. and Ormrod, J.E., 2013. *Practical research planning and design*, 10<sup>th</sup> Ed. USA: Pearson Education Inc

### 3.3.1 Research Methodology

Leedy and Ormrod (2013) described research methodology as the broad methodology that the researcher undertakes to effectively conclude the research project. It also encompasses the general direction of the research as well as the various tools used by the researcher to arrive at his conclusions. Goddard and Melville (2001) state that good research is systematic in that it is always planned for, and that it is organised and has a specific goal.

Sekaran and Bougie (2010) defines the research process as one of problem solving. A logical, step-by-step approach is taken of recognising the problem and other related concern areas, then of rounding-up of the data and then, subsequent analysis of the data which should facilitate the drawing of valid conclusions. This holistic process of research is set out in Figure 3.2.



**Figure 3.2** A holistic approach to research

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

The diagram, Figure 3.2, depicts that the steps in the process must be followed in an orderly manner for the research process to be thoroughly completed. Sekaran and Bougie (2010) note that it is only through this systematic inquiry of arriving at solutions to the problem areas that makes the eventual findings and results deemed to be reliable.

### 3.4 Participants and Location of the study

The unit of analysis for a study must be specified during the research design phase of the research process. The unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage (Sekaran and Bougie,

2010). The unit of analysis for a study indicates what or who should provide the data and at what level of aggregation (Zikmund et al, 2013). The formulation of the research question must coincide with the determination of the unit of analysis, as the unit of analysis guides the research process that will follow. A participant is defined by Leedy and Ormrod (2013) as the business entity or natural person who will answer the research questions as part of the data-collection process. The various tools used in data collection include interviews, questionnaires and surveys.

The participants in the study are the customers who purchase broken and reject biscuits from the re-packers. As these customers make up the market for the broken and reject biscuits, it is appropriate that they participate in the study. Their responses to the various questions enabled the study to be completed. Based on their store visitations, it was established that most of the customers reside in the Durban and surrounding areas. The location of the two stores in Pinetown and Queensburgh are depicted in the map, as illustrated in Figure 3.3.



**Figure 3.3** Map - Pinetown and Queensburgh region

**Source:** Googlemaps, 2016, *Map of Pinetown and Queensburgh districts* [online]  
Available at:<<http://www.google.co.za/maps/place/Pinetown/@>> [Accessed 05 June 2015]

### 3.5 Purpose and type of study

According to Leedy and Ormrod (2013), the purpose of a study is to increase knowledge or understanding of a specific phenomenon. The specific type of study which must be embarked on is mainly reliant on the study purpose. It is also dependent on the degree to which information and knowledge on the subject has been developed (Sekaran and Bougie, 2010). The type of study that the researcher pursues is part of the research design phase of the total research process. This is presented in Figure 3.2.

#### 3.5.1 Purpose of study

Sekaran and Bougie (2010), provide descriptions of different types of research processes including the objectives of each different type. This is depicted in Figure 3.4.

Exploratory	Descriptive	Hypothesis Testing	Case Studies
<ul style="list-style-type: none"><li>• Undertaken when there is little knowledge of the problem or when no information is available on how similar problems have been solved in the past</li></ul>	<ul style="list-style-type: none"><li>• Carried out in order to ascertain and describe the characteristics of the variables of interest in a situation.</li></ul>	<ul style="list-style-type: none"><li>• These studies generally explain the nature of relationships or seek to establish differences between factors in a situation.</li></ul>	<ul style="list-style-type: none"><li>• These are in-depth or contextual analyses of situations which exist in other organisations.</li></ul>

**Figure 3.4** Types of research

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

As depicted in Figure 3.4, the nature of the research determines the purpose of each different type of study. The groundwork and basis for this study was derived from the conclusions of the literature review. This literature review was covered in Chapter Two. A descriptive study will be pursued as the general attributes of the study are broadly documented and, as suggested by Bougie and Sekaran (2010), the researcher aims to eventually explain them distinctly. Some of the risks and opportunities arising from the sale of broken and reject biscuits will be determined.

### **3.5.2 Type of investigation**

According to Cooper and Schindler (2014) the type of study which is undertaken is determined by its objectives. Zikmund et al (2013) define causal research as research which seeks to identify cause-and-effect relationships. Sekaran and Bougie (2010) describe a correlational study as one in which the researcher tries to determine all the associated factors which are linked to a particular problem. According to Leedy and Ormrod (2013), the difference between a correlational and causal study is directed by the nature of the various research questions. The research question and the broad definition of the problem statement confirms that this study is a correlational study whereby the various risks, opportunities, strengths and weaknesses stemming from the sale of broken and reject biscuits will be investigated.

### **3.6 Approach**

Saunders, Lewis and Thornhill (2009) confirm that there are two data collection and analyses techniques. One of these techniques is the quantitative approach. In this approach, systematic questions are used to ultimately generate numerical data. The second technique is the qualitative approach, which results in the generation of data which is non-numerical. The various methods used in quantitative approaches include the controlled use of questionnaires, resulting in data which can be statistically analysed. Qualitative approaches involve basic methods like interviews, which enables data classification of grouping. Zikmund et al (2013) describe quantitative business research as business research that addresses research

objectives through empirical assessments that involve measurement and analysis. They define qualitative business research as research that addresses business objectives through techniques that allow the researcher to provide elaborate interpretations of phenomena without depending on numerical measurement. Thus, Zikmund et al (2013), state that qualitative business research focuses on discovering true inner meanings and new insights.

The type of study that is being undertaken will determine whether a quantitative or qualitative approach is needed. This choice could either be a descriptive study or an exploratory study. An exploratory study is a study whereby not much is known about the research area (Sekaran and Bougie, 2010). A descriptive study is a study whereby unique qualities of the different variables of interest are outlined in specific circumstances (Sekaran and Bougie, 2010). According to Cooper and Schindler (2014), exploratory studies are particularly useful when researchers lack a clear idea of the problems they will encounter during the study.

The investigation embarked on in this study is a descriptive study. As such, a quantitative approach will be followed to establish and describe the various attributes associated with the sale of broken and reject biscuits.

### **3.7 Sampling**

Sampling is described by Kothari (2008), as a process through which information can be obtained about a total population by examining only a portion of that population. Zikmund et al (2013) describe sampling as a procedure that involves drawing conclusions based on measurements of a portion of the population. The use of sampling techniques enable a researcher to draw conclusions on the entire population of interest, by analysing and considering data from a smaller sub-group of that main population. This reduces the amount of data that needs to be analysed whilst still enabling the researcher to draw conclusions based on the entire population (Saunders, Lewis and Thornhill, 2009).

When an entire population is of a manageable size, the researcher is able to collect data from all the possible elements of the entire population. However, according to Saunders, Lewis and Thornhill (2009), most research studies require the

appropriate sampling of the entire population to facilitate the accomplishment of the research.

### **3.7.1 Description of the population**

According to Bryman and Bell (2010), a population can be described as a universe of units from which a sample can be selected. A population is thus the whole, fully-inclusive group of subjects of interest that the researcher wants to investigate and draw inferences about. A single unit of the total population is referred to as an element (Sekaran and Bougie, 2010).

In this study, the total population consists of the individuals and small businesses that buy the broken and reject biscuits from the two re-packers.

### **3.7.2 Need to sample**

Sekaran and Bougie (2010) describe sampling as the process of selecting an adequate quantity of the correct elements from the population, thereby ensuring that a study of the sample and an understanding of its properties or characteristics is sufficient to then generalise similarly across the entire population. When it is impractical to test the entire population under the study consideration, the use of sampling is a credible alternative (Saunders, Lewis and Thornhill, 2009). Cooper and Schindler (2014) list several compelling reasons for sampling, including, lower cost, greater accuracy of results, greater speed of data collection and the availability of population elements. Figure 3.5 illustrates the major reasons why sampling is needed.





**Figure 3.5** Reasons why sampling is needed

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

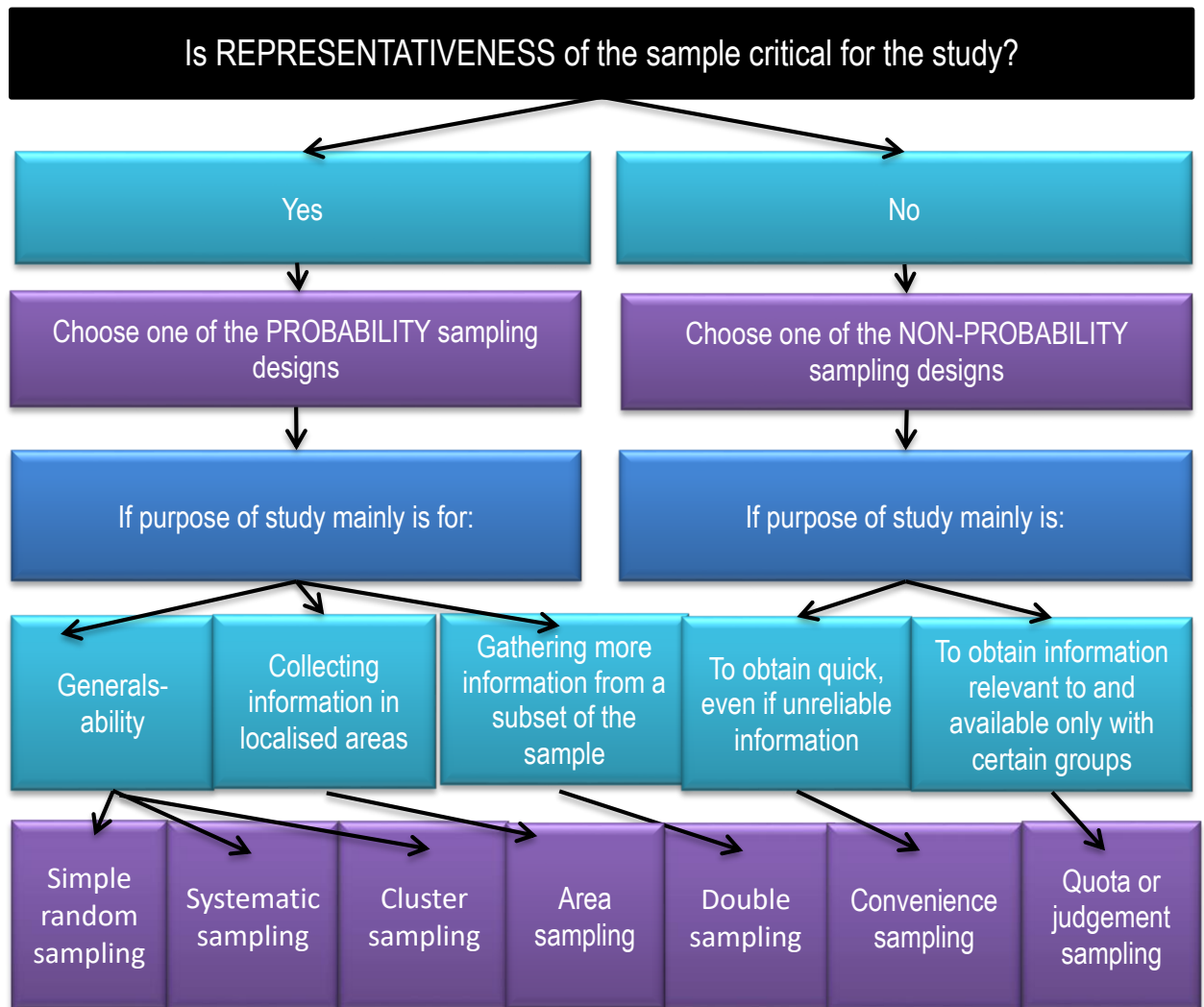
Figure 3.5 illustrates that time and cost are two of the major constraints that impact the testing of the entire study population. In this study that was conducted, it would have required a very long time to survey the entire population of 500 customers as it would have been impossible to confirm how long it would have been until every customer makes a repeat purchase. Therefore, the use of sampling is required.

### 3.7.3 Sampling Design and Sampling Method

As confirmed by Sekaran and Bougie (2010), sampling entails the selection of an adequate number of the appropriate elements from the total population. The study of this sample then allows a researcher to draw generalisations and conclusions to the entire population. Sekaran and Bougie (2010) also confirm that there are two

categories of sampling design. These two types of sampling are called probability and non-probability sampling. In probability sampling, the elements in the population have some known, non-zero chance or probability of being selected as sample subjects. This enables the research questions to be addressed and also enables the research objectives to be achieved. The researcher is able to estimate statistically the characteristics of the population from the sample. Bryman and Bell (2011) confirm that the aim of probability sampling is to keep sampling error to a minimum. In non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects. Bryman and Bell (2011), state that non-probability sampling essentially implies that some units, in the population, are more likely to be selected, than others. This compromises the study and the responses cannot be used by the researcher to make statistical inferences about the characteristics of the population as a whole. A researcher can draw general conclusions about the population from the use of non-probability samples, but these conclusions cannot be arrived at statistically.

Figure 3.6 below shows the decision tree and how it determines the sampling design approach that needs to be selected. The approach must be matched to the research requirements for the specific study that is embarked on.



**Figure 3.6** Sampling decision tree

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

In this study, it was determined that representativeness was not a key criterion. In addition to demographic differences between the elements of the total population, questionnaires were conducted over a 3-week period. This limited time frame meant that not all the elements had an equal chance of being chosen as the subject. Their chances of selection depended very much on them attending the store within that specific 3-week window period.

In this study, it was determined that convenience sampling is the most appropriate method as it allowed for data collection from customers who were conveniently present at the stores and those customers who were willing and able to provide the data. Bryman and Bell (2011) define a convenience sample as one that is simply available to the researcher by virtue of its accessibility. According to Cooper and Schindler (2014), convenience sampling is frequently used in the early stages of exploratory research. Cooper and Schindler (2014) also state that the results may present evidence that is so overwhelming that a more sophisticated sampling procedure is unnecessary. Zikmund et al (2013) confirm that “researchers generally use convenience samples to obtain a large number of completed questionnaires quickly and economically”. Sekaran and Bougie (2010) advise that convenience sampling is probably the best method of obtaining information from a population from which it would be difficult to get adequate responses.

#### **3.7.4 Sampling frame**

Zikmund et al (2013) define a sampling frame as a list of elements from which a sample may be drawn. The sampling frame is also referred to as a working population because these units will eventually provide units involved in analysis. Bryman and Bell (2011) define the sampling frame as the listing of all units or elements in the population from which the sample will be selected.

The sampling frame for the study was the estimated 500 customers who bought broken and reject biscuits from the two stores.

#### **3.7.5 Sample size**

Bryman and Bell (2011) confirm that one of the most basic considerations with regards to sample size is that it is the absolute size of a sample that is more important than its relative size. Leedy and Ormrod (2013) confirm that the sample size chosen must encapsulate the variation in the population parameters of the study and this must be aligned with the estimated precision or accuracy that is required. It is important that the estimated precision is applied. This is due to the

fact that any researcher can never be fully certain that the population is truly represented by the sample. Bryman and Bell (2011) state that increasing the sample size increases the precision of a sample, but a large sample cannot guarantee precision. Hence, as sample size increases, sampling error decreases. According to Bryman and Bell (2011), an important component of any sample size decision should be how much sampling error one is prepared to tolerate. Saunders, Lewis and Thornhill (2009) similarly note that the study sample size options used by the researcher must be coupled with the confidence level required. The confidence level must also take into consideration the margin of error which the researcher wants to accept within the study. In this study there are a total of 500 elements which comprises the total population. Every element represents a repeat customer who buys broken and reject biscuits from either of the 2 stores. Sekaran and Bougie (2010) published a guide sample size table, which was used to establish the necessary sample size. The table determined that the total sample size required for this study was 260 participants.

### **3.8 Data Collection methods**

An appropriate data collection method must follow the research design phase. Sekaran and Bougie (2010) confirm that data can be obtained from both primary and secondary sources. Cooper and Schindler (2013) defines primary data as data that the researcher collects first-hand to address the specific problem at hand – the research question. Sekaran and Bougie (2010) state that secondary data is information which is collected from pre-existing sources. The literature review as outlined in Chapter 2 is an example of secondary data.

The diverse sources of primary data include panels, interviews, focus groups, administered questionnaires or observations (Sekaran and Bougie, 2010). Sekaran and Bougie (2010) further state that sources of secondary data include government publications, archives, company records and industry analyses.

The data presented in this study is primary data. The data reporting on broken and reject biscuits has never been collected before and the data seeks to answer the research question. According to Sekaran and Bougie (2010), three of the most

common systems of data collection include interviews (face-to-face and telephonic), questionnaires and observation. According to Cooper and Schindler (2014), the questionnaire is the most common data collection instrument in business research. The advantages and disadvantages of each data collection method is summarised in Table 3.1.

**Table 3.1** Comparisons between the different methods of data collection

Data Collection Method	Advantages	Disadvantages
<b>Face-to-Face Interviews</b>	<ul style="list-style-type: none"> <li>• Data that is provided is rich.</li> <li>• Researcher can adapt the questions to provide clarity and to ensure that responses are properly understood.</li> <li>• Presents an opportunity for the researcher to detect nonverbal cues from the respondents</li> </ul>	<ul style="list-style-type: none"> <li>• There is potential for interviewer bias</li> <li>• Can have significant cost and time constraints if large number of subjects involved</li> <li>• Respondents may feel uneasy about their anonymity</li> </ul>
<b>Telephone Interviews</b>	<ul style="list-style-type: none"> <li>• Helps to contact subjects dispersed over various geographic regions</li> <li>• Obtain immediate responses</li> <li>• Efficient data collection method when specific questions need to be asked and responses are quickly needed</li> </ul>	<ul style="list-style-type: none"> <li>• Interviewer cannot observe non-verbal responses</li> <li>• Interviewee can block the call</li> </ul>
<b>Personally Administered Questionnaires</b>	<ul style="list-style-type: none"> <li>• It is inexpensive</li> <li>• Provide clarification to respondents on the spot</li> <li>• Questionnaires are collected immediately after completion</li> </ul>	<ul style="list-style-type: none"> <li>• Administering questionnaires can be expensive, especially if respondents are geographically dispersed</li> </ul>

	<ul style="list-style-type: none"> <li>• Establishes rapport with respondents while introducing the survey</li> <li>• Instant feedback obtained</li> </ul>	
<b>E-mailed Questionnaires</b>	<ul style="list-style-type: none"> <li>• Advantageous when responses to many questions have to be obtained from a geographically dispersed sample</li> </ul>	<ul style="list-style-type: none"> <li>• Low response rate</li> <li>• Excludes respondents who do not have e-mail</li> </ul>
<b>Observational Studies</b>	<ul style="list-style-type: none"> <li>• Can comprehend complex issues through direct observation</li> <li>• Data obtained is rich and uncontaminated by self-report bias</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive method due to long periods of observation</li> <li>• Potential for observer bias in the data</li> </ul>

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

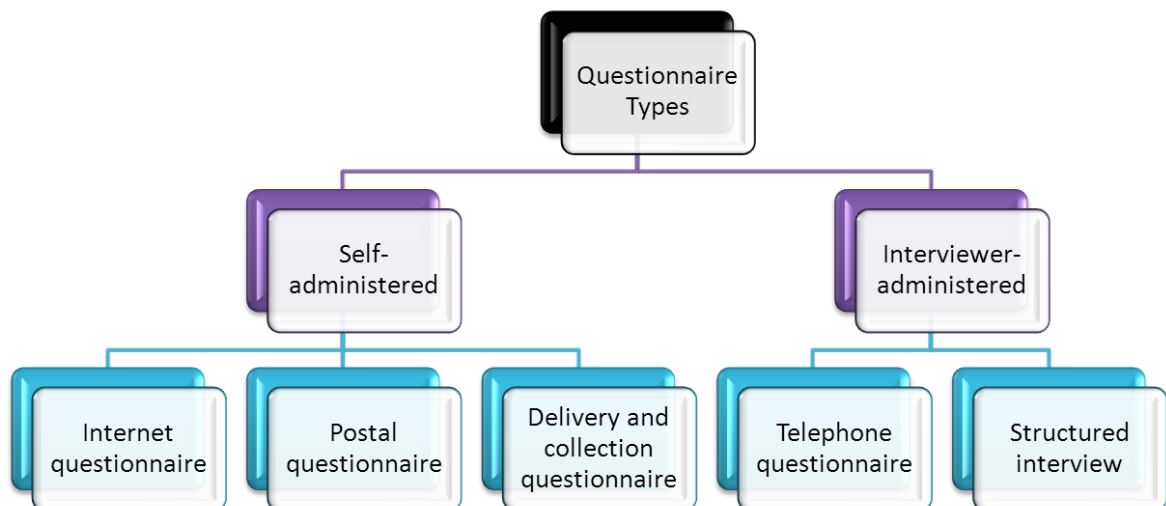
Personally-administered questionnaires were the most efficient data collection method for this study. It was inexpensive and allowed for convenient grouping of respondents in the 2 stores. All questionnaires were completed and collected simultaneously.

### 3.8.1 Description and purpose of data collection instrument

According to Cooper and Schindler (2014), the questionnaire is the most common data collection instrument in business and management research. Bryman and Bell (2011) note that questionnaires that are completed by respondents themselves are one of the main instruments for gathering data using a social survey design. According to Kotler and Keller (2012), it is the flexibility of the questionnaire that makes it the most common instrument for the collection of data. Sekaran and Bougie (2010) define a questionnaire as “a preformulated written set of questions to

which respondents record their answers, usually within closely defined alternatives”. Therefore, when the researcher is clear on what the study objectives are and how to measure them, then questionnaires serve as an effective and efficient data collection mechanism. Sekaran and Bougie (2010) confirm that the main advantage of using personally administered questionnaires is that the researcher can collect all the completed responses within a short period of time. Personally administered questionnaires also afford the opportunity of clarifying respondents’ doubts on the spot.

The diverse categories of questionnaires which can be utilised are depicted in Figure 3.7.



**Figure 3.7** The different categories of questionnaires

**Source:** Adapted from Saunders, M. Lewis, P. and Thornhill, A., 2009. *Research methods for business students*, 5<sup>th</sup> Ed. UK: Pearson Education Ltd

The questionnaires in this study were administered personally in-store and the questionnaires were completed by the respondents themselves.



### 3.8.2 Construction and design of the questionnaire

Zikmund et al (2013) confirm that questionnaires must meet the basic criteria of relevance and accuracy if it is to fulfil the researcher's purposes. Sekaran and Bougie (2010) confirm that effective design of questionnaires must focus on three specific areas. Successful overall questionnaire design must encompass the efficient and effective wording of the questions. Further, planning diligence must be exercised to categorise, code and scale the variables. The overall general questionnaire appearance must then be developed (Sekaran and Bougie, 2010).

The questionnaire that was used in this study was designed to gather data from customers who purchase broken and reject biscuits from the two stores. The questions posed to respondents were appropriate to address the research question together with the objectives that were presented in the literature review. Table 3.2 shows how the different research objectives were specifically addressed within the questionnaire.

**Table 3.2** Linking of questions to the research objectives

Section	Objective	Question Number
1	Demographic details	1,2,3
2	To determine if consumers who buy broken and reject biscuits are in the current target market of the firm, for its good products	2,7,17
3	To establish if elements of brand equity are prevalent in the re-packing market	6,8,9,10,11,12, 13,14,18
4	To determine if consumers in the re-packing market have complaints or recourse to complain	20,21,22
5	To determine if consumers in the re-packing market have preferences for any particular biscuits in the Bakers range	23,24

<b>6</b>	To establish whether the consumers are purchasing biscuits for personal household consumption or for resale	4,5
<b>7</b>	To determine if consumers in the re-packing market are satisfied with the prices they pay for Bakers Biscuits	18,19
<b>8</b>	To determine if the appointed re-packers, who are entrusted with the brand, are favourably perceived by their consumers	24,25,26

Table 3.2 outlines that the research objectives were adequately addressed by the various questions on the questionnaire. This ensures that the data that is gathered is sufficient to answer the research questions. The guidelines for good questionnaire design as set out by Sekaran and Bougie (2010) have been adhered to. Accordingly, all the questions that have been put to respondents were properly worded without ambiguous and double-barrelled questions. Questions were also of appropriate length.

### **3.8.3 Measurement : Scaling**

Zikmund et al (2013) define measurement as the process of describing some property of a phenomenon of interest, usually by assigning numbers in a reliable and valid way. According to Sekaran and Bougie (2010), a scale can be defined as a tool or instrument which allows the researcher to draw a distinction between how individuals participating in a study differ from one another on the variables of interest. Bryman and Bell (2011) state that a scale is also referred to as an index and is a multiple-indicator measure which provides a composite score for an individual. (Sekaran and Bougie (2010), confirm that attitudinal scales fall into two principal categories. The first is the rating scale which comprises numerous

response categories which are intended to obtain responses from respondents relating to the person, event or object that is being studied. The second of the main attitudinal scales is the ranking scale. The ranking scale facilitates comparisons among or between the person, event or object by eliciting responses for the respondents' preferred choices which results in the choices determining the ranking of alternatives offered. Scale measurements are further delineated into four types: the nominal scale, the ordinal scale, the interval scale and the ratio scale. The nominal scale permits the researcher to allocate subjects to specific groups or categories. The codes used nominal data are completely arbitrary and no calculations can be performed on these codes (Keller, 2012). Ordinal data may appear to be nominal but the order of the values is significant (Keller, 2012). The ordinal scale both categorises the variables to highlight differences among the categories as well as ensuring that the categories are meaningfully ranked to facilitate calculations and data analyses. The interval scale permits arithmetical functions to be executed on data that has been gathered by the researcher. The ratio scale has a dual purpose of both measuring the extent of the difference between two points on a scale as well as also highlighting the magnitudes in the differences. Leedy and Ormrod (2013) confirm that the statistical procedures to be used depend on the scales of measurement that were used. The different categories of scales that were applied to this study are shown in Table 3.3. Appendix 1 represents the questionnaire that was used for this study.

**Table 3.3** Categories of scales used in the questionnaire

Attitudinal Scale	Type	Type of Scale(4 types)	Question
<b>Rating</b>	Dichotomous	Nominal	6,7,8,22
	Category scale, single response	Nominal	1,2,3,4,5,16,17,20,21
	Numerical scale	Interval	15,18,19,24,25,26
	Likert scale	Interval	9,10,11,12,13,14,
<b>Ranking</b>	Forced choice	Ordinal	23

Table 3.3 denotes the questions used in the questionnaire and its relevant categorisation. Each question is presented under its appropriate attitudinal scale. In order to expand the analyses, different scales were selected.

### **3.8.4 Validity and Reliability**

Following the processes of defining the variables and the subsequent application of appropriate scaling, it is imperative that the research instrument can meet the requirements of reliability and validity (Sekaran and Bougie 2010). Bryman and Bell (2011) define reliability as an indicator of a measure's internal consistency and they define validity as the accuracy of a measure or the extent to which a score truthfully represents a concept. Hence the measures must be tested for its effectiveness – a concept that Sekaran and Bougie (2010) refer to as the “goodness” of measures.

#### **3.8.4.1 Validity**

A valid questionnaire must facilitate and enable the consistent collection of accurate data (Saunders et al, 2009). The questions must be fully understood by respondents in the situation or framework as intended by the researcher. Similarly, the researcher must understand the respondents' answers in the same context or manner as intended for by the questionnaire respondents. There must be unambiguous communication between the researcher and respondents.

Sekaran and Bougie (2010) confirm that there exists several types of validity tests which can be used to test the goodness of measures. These validity tests fall under three broad categories. They are content validity, criterion-related validity and construct validity.

- i) Content validity refers to the degree that a measure covers the breadth of the domain of interest (Zikmund et al, 2013). It is therefore the extent to which the questionnaire adequately covers the research questions. Saunders, Lewis and Thornhill (2009) confirm that content validity can be achieved through careful research of the available literature as well as prior discussions with subject matter experts.

- ii) Sekaran and Bougie (2010) confirm that criterion-related validity is established when the measure can distinguish individuals on a variable or criterion that it was expected to predict. Zikmund et al (2013) refers to criterion validity as a pragmatic or practical validity.
- iii) According to Zikmund et al (2013), construct validity exists when a measure reliably measures and truthfully represents a unique concept. Sekaran and Bougie (2010) state that construct validity affirms how well the obtained results fit the theories or assertions around which the test was designed.

The various criteria for validity were cogitated for this study. Based on feedback from senior managers of the company and from the study supervisor, the researcher acknowledges that the observed responses sufficiently cover the research objectives.

#### **3.8.4.2 Reliability**

Sekaran and Bougie (2010) refer to the reliability of a measure as the extent to which it is free from error or bias. As such, the reliability of a measure indicates whether the research tool measured the concepts consistently, adequately and robustly. The extent of the stability, robustness and consistency of the research process must be to such a degree that it can be ascertained if different timelines and conditions would have yielded different findings (Saunders, Lewis and Thornhill, 2009). The concept of reliability revolves around consistency. Consistency indicates how well the items measuring a concept hang together as a set (Sekaran and Bougie, 2010). Cronbach's alpha is a reliability factor that denotes the degree to which items in a set are positively correlated to one another. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability (Sekaran and Bougie, 2010). Two tests of stability are used to check the ability of the measure to remain the same, in similar testing conditions. They are the test re-test reliability and internal consistency of measures tests.

- i) Test re-test method requires administering the same scale or measure to the same respondents at two separate points in time, to test for stability (Zikmund et al, 2013). This test represents a measure's repeatability.

- ii) Internal consistency represents a measure's homogeneity (Zikmund et al, 2013). Internal consistency is therefore an association or correlation of the responses to each question with other questions in the research tool.

#### **3.8.4.3 Reliability versus Validity**

Zikmund et al (2013) confirm that "reliability is a necessary but not sufficient condition for validity". Therefore, a reliable but invalid instrument will yield results that are consistently inaccurate.

#### **3.8.5 Pretesting of Questionnaire and Validation**

Cooper and Schindler (2014) confirm that a final step of improving research results is that of pre-testing the instrument, before the start of the study. Cooper and Schindler (2014) state that some of the reasons for pretesting include discovering ways to include participant interest, increasing the likelihood that respondents will remain engaged to completing the questionnaire and discovering errors. Conducting pre-tests also ensure that the questions are understood by the respondents.

Saunders, Lewis and Thornhill (2009) noted that pre-testing offers the opportunity to refine the questionnaire, thus enabling the actual respondents to easily record the data. Saunders, Lewis and Thornhill (2009) state that obtaining information from the pilot test group will assist the researcher in ensuring that any problems or ambiguity in the questionnaire is identified and corrected. Some of this information must include appropriateness of the length of questions, ease of answering the questions, whether there is prevalence of ambiguous questions and clarity of instructions. In this study, pre-testing was done with senior managers of the firm and the questionnaire was deemed to be satisfactory.

### **3.8.6 Administration of the Instrument**

Saunders, Lewis and Thornhill (2009) confirm that the next step following the steps of designing the questionnaire, pilot testing and amending the questionnaire, must be the use of the questionnaire to collect the actual data. Hence, the final stage must be the actual administering of the questionnaire. Key to the administration of the questionnaire in the collection of data is the need to abide by a code of ethics. Cooper and Schindler (2014) confirm that the goal of ethics in research is to ensure that no one is harmed or suffers adverse or negative consequences from the research activities. In this research project, an “Informed Consent Letter” was made available to all participants.

Figure 3.7 presented the various types of questionnaires that researchers can use. For this research project, the personally-administered questionnaire was selected as being the most appropriate research tool. It was noted by Saunders, Lewis and Thornhill (2009) that a table with clear timelines is essential to identify and track the various tasks that need to be completed and also that it is imperative to know the various resources that will be needed to complete the research process.

In this research project, the questionnaire was personally administered to the different individuals, who purchased broken and reject biscuits from the stores. Sekaran and Bougien (2010) state that some of the benefits from personally administering questionnaires are, that it establishes rapport with respondents, it provides instant clarification sought by respondents and questionnaires can be collected immediately after they are completed. All completed questionnaires were captured onto an online survey tool called Questionpro. The data from Questionpro was used to analyse the responses.

### **3.9 Analysis of the data**

Sekaran and Bougie (2010) confirm that the collected data from the questionnaires must be coded, keyed into an analysis tool and subsequently edited. Any data that is inconsistent must be recognised and appropriately managed. Inconsistent data will include data outliers as well as blank responses.

The first step in data preparation is that of data coding. Data coding is a process which involves assigning a number to the participants' responses, thereby enabling the responses to be entered into a database (Sekaran and Bougie, 2010). Non-responses must also be coded or dealt with in any other consistent manner. After all responses have been coded, they can then be entered into a database. The raw data can be entered through any software programme for analysis. A commonly-used data analyses programme is The Statistical Package for Social Sciences (SPSS) software programme. This programme facilitates the capturing, editing and viewing of the data. After all the data is keyed in, the data needs to be edited. During this editing phase, anomalies within the responses must be recognised and appropriately revised or corrected. According to Sekaran and Bougie (2010), these illogical and inconsistent responses can distort the project results. Therefore they need to be corrected.

The manual questionnaires used for this project was keyed into Questionpro. This electronic tool further assisted in the analysis of the basic data.

According to Sekaran and Bougie (2010), we can get a feel for the data by obtaining a visual summary or by checking the central tendency and the dispersion of a variable. A further appreciation of the data can be developed by examining the relation between two different variables. Such statistics which describe what the data looks like are appropriately called descriptive statistics. Some of these descriptive statistics describe the data in terms of centre or midpoints, how broadly data is spread, how closely two or more variables are related and so on (Leedy and Ormrod, 2014).



### **3.10 Ethical considerations**

Cooper and Schindler (2014) describe ethics as norms or standards of behaviour that guide moral choices about behaviour and relationships with others. Zikmund et al (2013), state that ethical issues exist in research, just as in all other human interactions. Cooper and Schindler (2014) confirm that the goal of ethics in research is to ensure that no one is harmed or suffers adverse or negative consequences from the research activities. According to Bryman and Bell (2011), ethical principles must always be considered in four main areas. These are whether there is harm to participants, whether there is a lack of informed consent, whether there is an invasion of privacy or whether deception is involved. To adequately address ethical principles, a letter of consent to conduct this research was obtained from the Operations Executive of Snackworks (Appendix 5). The University of KwaZulu-Natal also granted ethical clearance for this study (Appendix 4). Appendix 2 represents the informed consent that was requested from all the respondents to the questionnaire.

### **3.11 Conclusion**

A synopsis of the research process was outlined in this chapter. Various steps of research methodology were also presented. To meet the aims and objectives of the study, the participants, the location of the study as well as the investigative approach were presented. The various data collection methods were outlined and the most appropriate method of data collection was confirmed.

The need for sampling and the appropriate sample size were presented, together with the approach to data collection. Data analysis was also touched on. Important ethical considerations were also outlined together with the relevant steps that were taken to ensure that research ethics were not breached.

The analysis of the data that was collected from the questionnaires, in line with the appropriate sample size, will be presented and discussed in the next chapter.

## **CHAPTER FOUR**

### **Analysis and Discussion of results**

#### **4.1 Introduction**

The different and most appropriate methods of research were presented in Chapter 3 and the collection of data was in line with these approaches. In this chapter, the data that was collected from the participants in the study will be presented and analysed. The interpretation and analyses of the data collected will be presented in two distinct sections. The first section will cover the demographic profiles of the participants and the second section will specifically address the aims and objectives of the study as presented in Chapter 2.

The findings of the study, together with any conclusions drawn, are contextualised against the original objectives which were determined for the study. It must be highlighted that the results of the study cannot be generalised across the entire consumer population of broken and reject biscuits. This is due to the fact that non-probability sampling was used. The most easily accessible members were chosen as participant subjects.

Two hundred and sixty questionnaires were completed. These 260 participants are in line with the sample size as required across the total population size. The actual time that was taken by each respondent to complete the questionnaire was less than ten minutes.

#### **4.2 Treatment of data**

The data that was collected is presented graphically and also, where applicable, the data is also be presented in table format. This presentation was chosen to facilitate easier interpretation of the study results. The data is presented with the use of descriptive and inferential statistics, using Table 4.1 below as a guide. The different responses on the instrument were categorised within the different scale types. The responses were then analysed and the relationships between the variables were presented visually. Percentages have been rounded off to 2 decimals.

**Table 4.1** A guide for quantitative data analyses

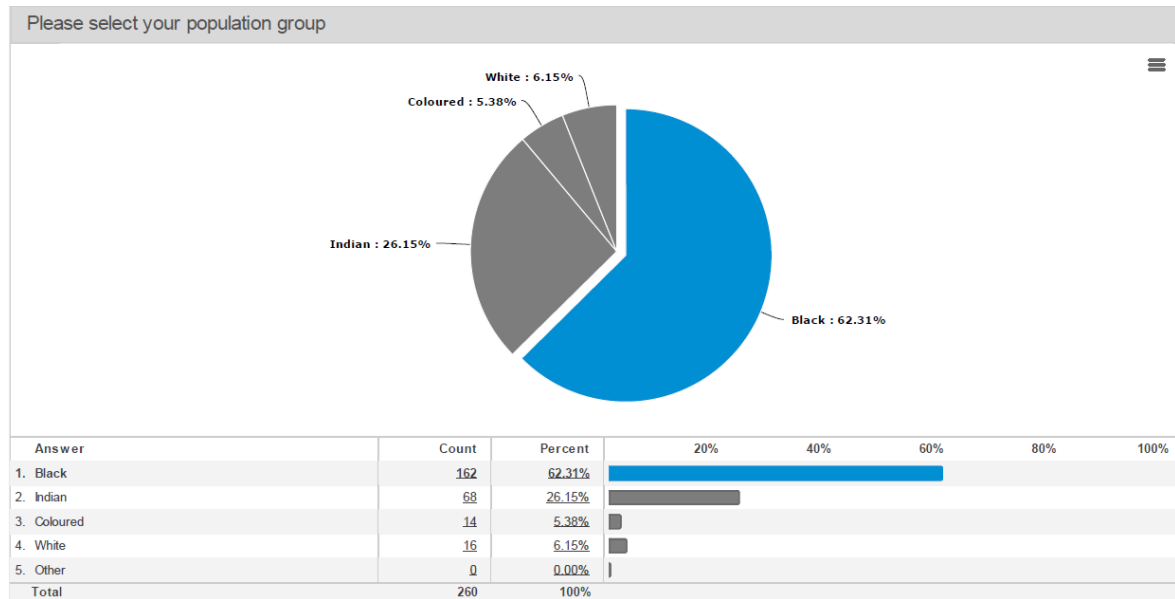
	Scale	Measures of Dispersion for a Single Variable	Tests of significance of Relationships between Variables	Measures of Central tendency for a Single Variable	Visual Summary for a Single Variable	Measure of relationships between Variables
1	Nominal scales	Nil	Chi-square	Mode	Bar graph, Pie Chart, Table showing frequencies	Cross tabulation
2	Ordinal scales	Semi-interquartile range	Rank order correlations	Median	Bar graph, Pie Chart, Table showing frequencies	Cross tabulation
3	Interval scales	Standard deviation, Variance, Coefficient of variation	t-statistic, F-statistic	Arithmetic Mean	Histogram, Scatterplot, Box and whisker diagram	Correlations
4	Ratio scales	Standard deviation, Variance, Coefficient of variation	t-statistic, F-statistic	Arithmetic or Geometric Mean	Histogram, Scatterplot, Box and whisker diagram	Correlations

**Source:** Adapted from Sekaran, U. and Bougie, R., 2010. *Research methods for business*, 5<sup>th</sup> Ed. West Sussex: Wiley and Sons Ltd

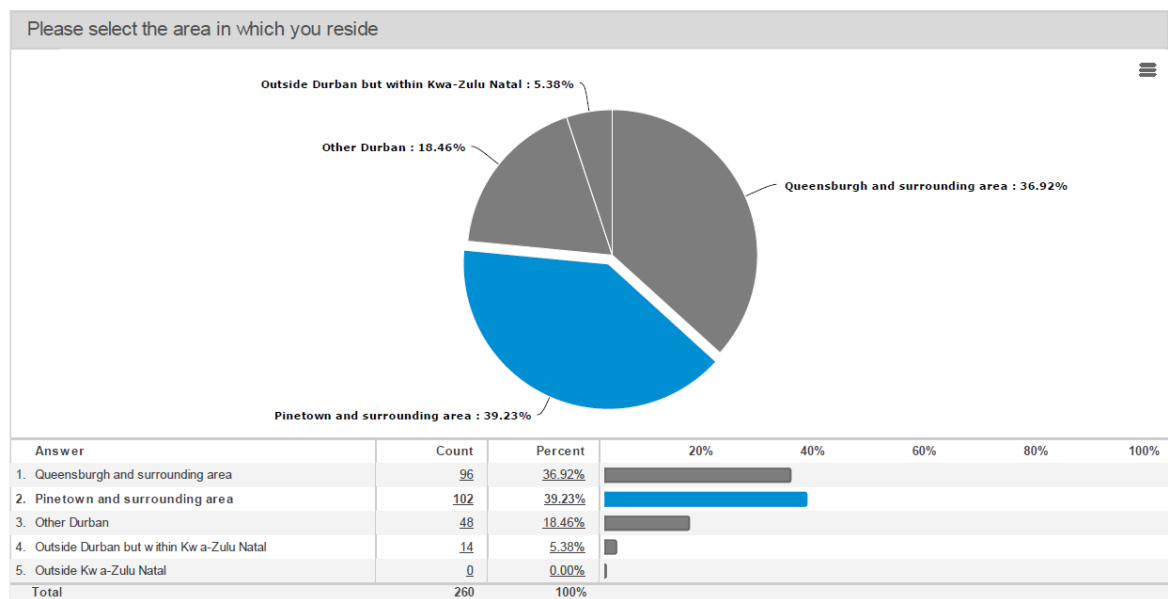
In addition to the use of cross tabulation and correlations, bar and pie charts were also used to visually present the responses.

### 4.3 Demographic profile of the respondents

The demographic profile of the questionnaire respondents included the race of the respondents as well as the greater areas in which they live. The geographical areas in the questionnaire also specifically covered the areas in which the two repacking stores are located.



**Figure 4.1** Population grouping of respondents



**Figure 4.2** Residential areas of respondents

### 4.3.1 Population groups of the respondents

The majority of the respondents were Black (62.3%). The second largest population group was Indian at 26.15%. Together, Blacks and Indians make up 88% of the total respondents. This majority is reflective of the population groups residing in these areas. Refer Figure 4.1 and 4.2

### 4.3.2 Residential areas of the respondents

The majority of the respondents resided in Pinetown and surrounding areas (39.2%) and this was closely followed by residents from Queensburgh and surrounding areas (36.9%). The two repacking stores are situated in Pinetown and Queensburgh and the results confirm that these stores are largely supported by residents from these areas.

## Pinetown

Main Place 599116 from Census 2011

**Area:** 86.15 km<sup>2</sup>

**Population:** 144026 (1671.71 per km<sup>2</sup>)

**Households:** 43293 (502.50 per km<sup>2</sup>)

Gender	People	Percentage
Female	73705	51.17%
Male	70321	48.83%

Population group	People	Percentage
Black African	97598	67.76%
White	25876	17.97%
Indian or Asian	13383	9.29%
Coloured	6264	4.35%
Other	904	0.63%

**Figure 4.3** Population groups residing in Pinetown

**Source:** Census 2011- Main Place "Pinetown" [online] Available at:<<http://census2011.adrianfrith.com/place/599116>> [Accessed 05 June 2015]

# Queensburgh

Main Place 599160 from Census 2011

**Area:** 22.88 km<sup>2</sup>

**Population:** 54846 (2397.58 per km<sup>2</sup>)

**Households:** 16878 (737.82 per km<sup>2</sup>)

Gender	People	Percentage
Female	28005	51.06%
Male	26841	48.94%

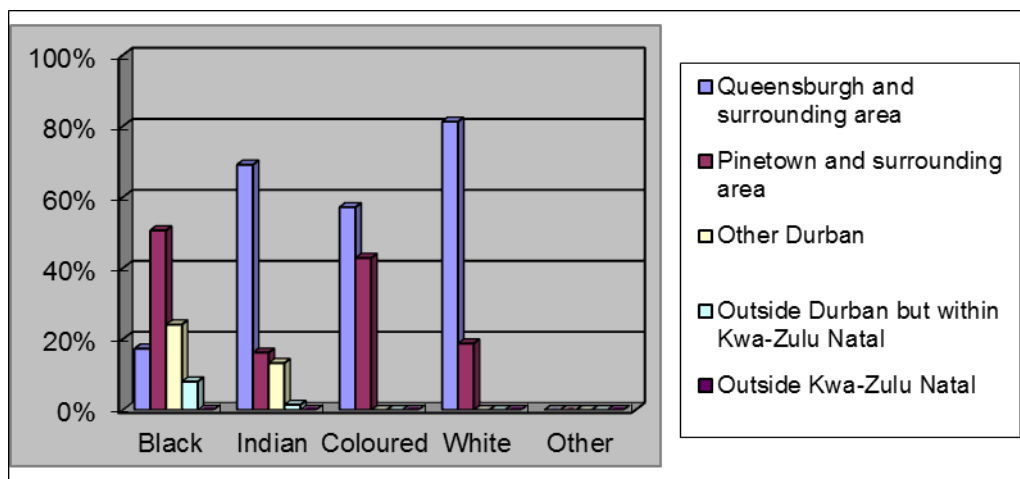
Population group	People	Percentage
Indian or Asian	29503	53.79%
Black African	13038	23.77%
White	11063	20.17%
Coloured	889	1.62%
Other	353	0.64%

**Figure 4.4** Population groups residing in Queensburgh

**Source:** Census 2011- Main Place “Queensburgh” [online] Available at:<<http://census2011.adrianfrith.com/place/599160>> [Accessed 05 June 2015]

## 4.3.3 Cross tabulation – Race and Area

A cross tabulation of customers across race and residing areas shows that 76%, of respondents live Queensburgh and surrounding areas or Pinetown and surrounding areas. The majority of the respondents are Black (56%) and Indians (29%). These population groups also make up the main population groups of the residential areas of Pinetown and Queensburgh.



**Table 4.2** Cross tabulation of Race and Residential area

#### 4.3.4 Cross tabulation – Race and Household Income

A cross tabulation of customers across race and household income shows that Blacks and Indians, almost exclusively, make up the 38.8% of customers who earn less than R4242 per month and are, by definition, members who are in bands lower than LSM5. The small number of White and Coloured respondents were generally in the higher income brackets.

	Cross Tabulation Frequency / Percent	Q2.Please select the average monthly income in your household (Total: 260)								
		Less than R 3 267 per month	Between R 3 268 and R 4 241 per month	Between R 4 242 and R 6 647 per month	Between R 6 648 and R 13 224 per month	Between R 13 225 and R 17 461 per month	Between R 17 462 and R 23 745 per month	Greater than R 23 745 per month	Row Total	Mean
Q1.Please select your population group (Total: 260)	Black	74	24	22	21	6	11	4	162	2.444
		45.68%	14.81%	13.58%	12.96%	3.7%	6.79%	2.47%		
	Indian	2	0	1	1	10	25	29	68	6.059
		2.94%	0%	1.47%	1.47%	14.71%	36.76%	42.65%		
	Coloured	1	0	0	1	2	4	6	14	5.786
		7.14%	0%	0%	7.14%	14.29%	28.57%	42.86%		
	White	0	0	0	1	3	3	9	16	6.250
		0%	0%	0%	6.25%	18.75%	18.75%	56.25%		
	Other	0	0	0	0	0	0	0	0	0.000
		0%	0%	0%	0%	0%	0%	0%		
Q2.Please select the average monthly income in your household (Total: 260)	Less than R 3 267 per month	77	0	0	0	0	0	0	77	1.000
		100%	0%	0%	0%	0%	0%	0%		
	Between R 3 268 and R 4 241 per month	0	24	0	0	0	0	0	24	2.000
		0%	100%	0%	0%	0%	0%	0%		
	Between R 4 242 and R 6 647 per month	0	0	23	0	0	0	0	23	3.000
		0%	0%	100%	0%	0%	0%	0%		
	Between R 6 648 and R 13 224 per month	0	0	0	24	0	0	0	24	4.000
		0%	0%	0%	100%	0%	0%	0%		
	Between R 13 225 and R 17 461 per month	0	0	0	0	21	0	0	21	5.000
		0%	0%	0%	0%	100%	0%	0%		
	Between R 17 462 and R 23 745 per month	0	0	0	0	0	43	0	43	6.000
		0%	0%	0%	0%	0%	100%	0%		
	Greater than R 23 745 per month	0	0	0	0	0	0	48	48	7.000
		0%	0%	0%	0%	0%	0%	100%		
	Column Total	154	48	46	48	42	86	96	520	
	Column Percent	29.62%	9.23%	8.85%	9.23%	8.08%	16.54%	18.46%	100%	
	Mean	3.526	4.000	4.522	5.125	6.048	6.488	7.208		

**Table 4.3** Cross tabulation between race and household income

#### 4.3.5 Cross tabulation – Household Income and purchase from formal retailers

A cross tabulation of customers across household income and purchasing from formal retailers shows that most of the lower-income customers do not buy biscuits from established retailers. However, it is encouraging to note that the majority of the higher-end consumers (91.67%) are buying biscuits from established retailers. We can conclude that these higher-income respondents purchase broken and reject biscuits when they are seeking a good deal or when, perhaps, their biscuit of choice is not available in the formal stores. The majority of the low-income respondents (72.73%) do not purchase from other stores. We can conclude that the low-income customers cannot afford the good packaged biscuits and therefore resort to purchasing mainly broken and reject biscuits at lower prices.



	Cross Tabulation Frequency / Percent	Q7.Do you buy biscuits from other established retail stores, like Checkers, Pick 'n Pay, Spar etc ? (Total: 260)			
		Yes	No	Row Total	Mean
Q2.Please select the average monthly income in your household (Total: 260)	Less than R 3 267 per month	21	56	77	1.727
		27.27%	72.73%		
	Between R 3 268 and R 4 241 per month	11	13	24	1.542
		45.83%	54.17%		
	Between R 4 242 and R 6 647 per month	11	12	23	1.522
		47.83%	52.17%		
	Between R 6 648 and R 13 224 per month	14	10	24	1.417
		58.33%	41.67%		
	Between R 13 225 and R 17 461 per month	16	5	21	1.238
		76.19%	23.81%		
	Between R 17 462 and R 23 745 per month	34	9	43	1.209
		79.07%	20.93%		
	Greater than R 23 745 per month	44	4	48	1.083
		91.67%	8.33%		
	Column Total	151	109	260	
	Column Percent	58.08%	41.92%	100%	
	Mean	4.795	2.431		

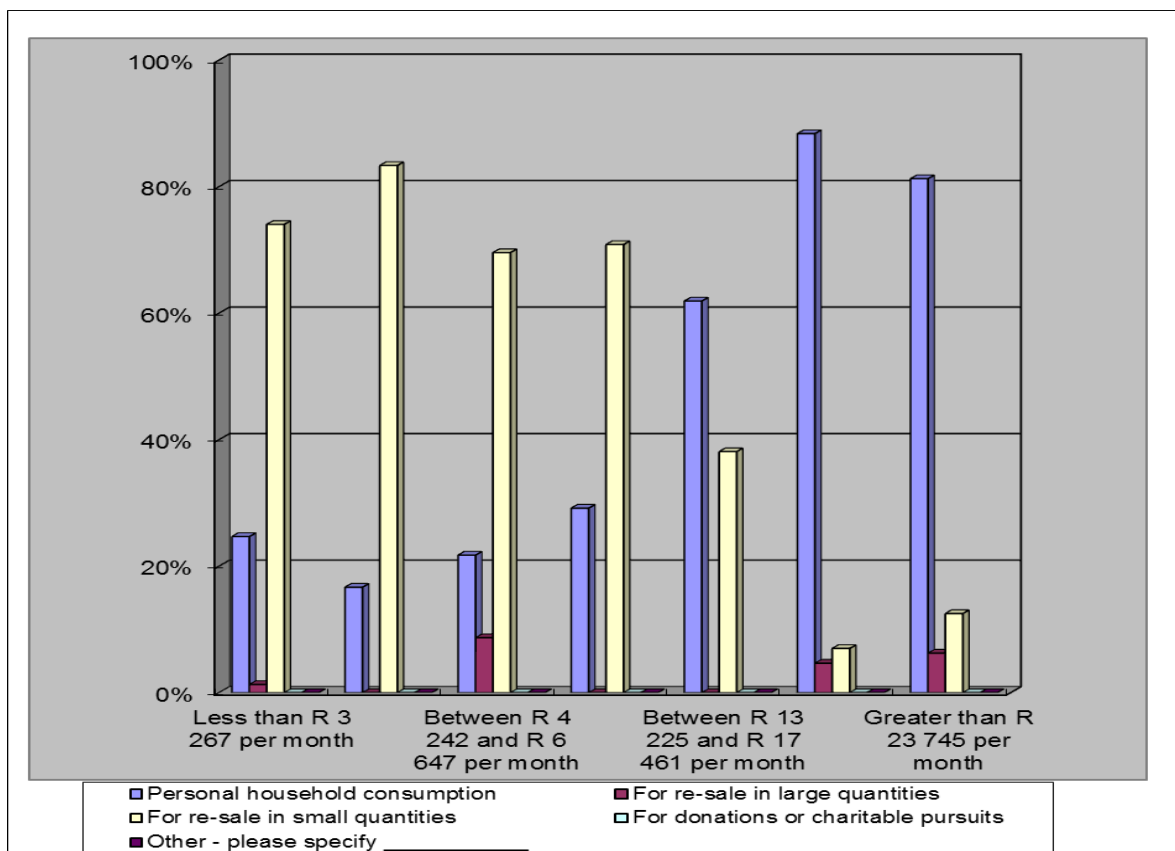
**Table 4.4** Cross tabulation between household income and purchasing of biscuits from formal retailers

#### 4.3.6 Cross tabulation – Household Income and reasons for purchasing broken and reject biscuits

A cross tabulation of monthly household income and reasons for purchasing broken and reject biscuits shows that the lower-income respondents mainly buy biscuits for re-sale and that the respondents with higher income tended to purchase the biscuits mainly for personal consumption. We can conclude that a significant fraction of broken and reject purchasers, who have low monthly household incomes, are buying and selling broken and reject biscuits to supplement their incomes. The onward re-selling of the broken and reject biscuits poses further threats to the brand. This study was confined to the customers of the 2 re-packers who purchase the biscuits directly from the manufacturer. This study cannot confirm if the onward sales of the biscuits results in hygienic and food-safe distribution. This is a potential threat to the brand.

	Cross Tabulation Frequency / Percent	Q4.I buy biscuits from this outlet mainly for .... ( Please choose the most appropriate option ) ( Total: 260)						
		Personal household consumption	For re-sale in large quantities	For re-sale in small quantities	For donations or charitable pursuits	Other - please specify _____	Row Total	Mean
Q2.Pleas e select the average monthly income in your househol d (Total: 260)	Less than R 3 267 per month	19	1	57	0	0	77	2.494
		24.68%	1.3%	74.03%	0%	0%		
	Between R 3 268 and R 4 241 per month	4	0	20	0	0	24	2.667
		16.67%	0%	83.33%	0%	0%		
	Between R 4 242 and R 6 647 per month	5	2	16	0	0	23	2.478
		21.74%	8.7%	69.57%	0%	0%		
	Between R 6 648 and R 13 224 per month	7	0	17	0	0	24	2.417
		29.17%	0%	70.83%	0%	0%		
	Between R 13 225 and R 17 461 per month	13	0	8	0	0	21	1.762
		61.9%	0%	38.1%	0%	0%		
	Between R 17 462 and R 23 745 per month	38	2	3	0	0	43	1.186
		88.37%	4.65%	6.98%	0%	0%		
	Greater than R 23 745 per month	39	3	6	0	0	48	1.312
		81.25%	6.25%	12.5%	0%	0%		
Column Total		125	8	127	0	0	260	
Column Percent		48.08%	3.08%	48.85%	0%	0%	100%	
Mean		5.088	5.000	2.465	0.000	0.000		

**Table 4.5** Cross tabulation between household income and reasons for purchasing broken and reject biscuits



**Table 4.6** Table showing household income and reason for purchasing broken and reject biscuits

#### **4.4 Objectives of this study**

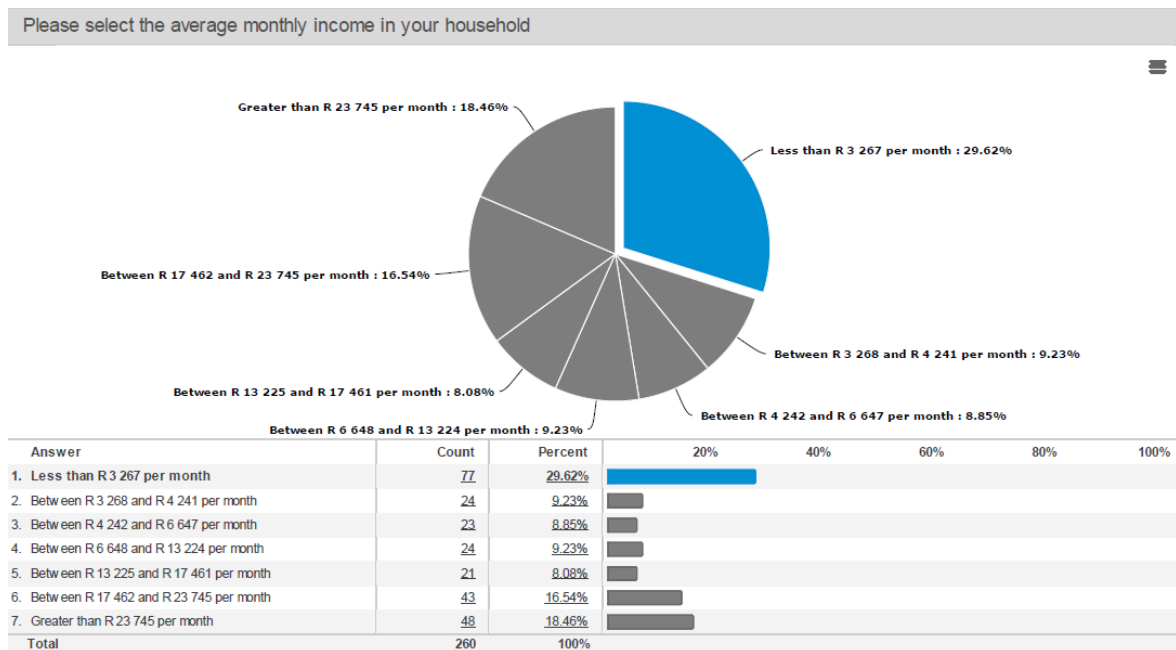
The research questionnaire was structured to ensure that sufficient data was collected to meet the research objectives. The data and analyses of the results are presented below for each of the study objectives.

#### **4.5 Objective 1: To determine if consumers who buy broken and reject biscuits are in the current target market of the firm, for its good products**

Bakers Biscuits are primarily bought by consumers in the LSM categories of 5 to 10. These consumers generally purchase their biscuits in established retail stores like Checkers, Spar etc. It is this formal market data that enables the firm to track their market dominance, customer complaints and other key market and consumer data.

##### **4.5.1 To determine the Living Standards Measure (LSM) of the various respondents**

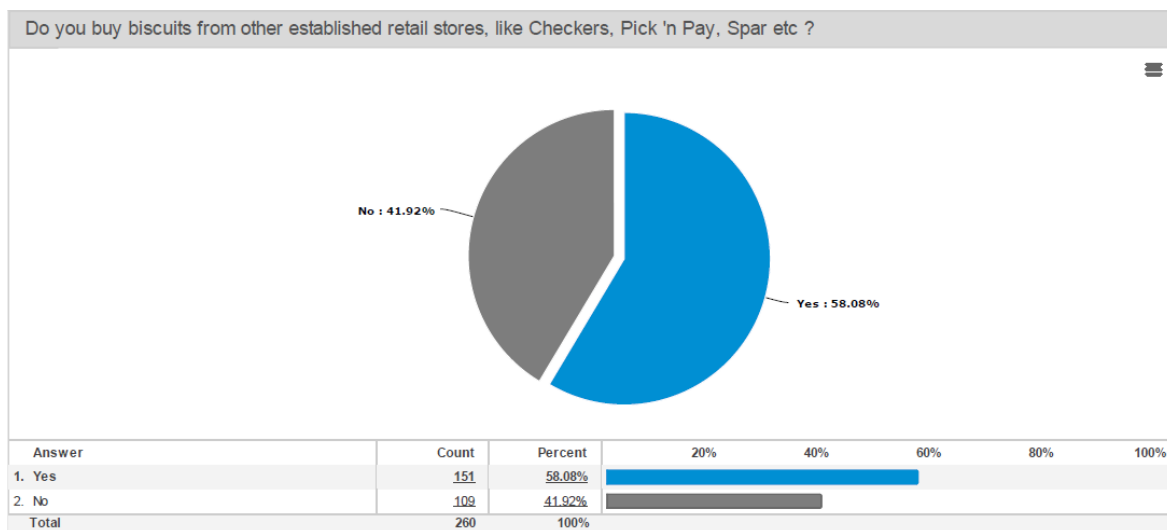
The data that was collected indicated that the primary purchasers in the broken and rejects market represent all categories of the Living Standards Measure. The majority of respondents (29.62%) earn less than R3 267 per month and 61.15% of the respondents are at LSM 5 or higher, placing them well within the target market of the firm in the formal, regulated markets. Interestingly, 18.46% of the respondents are in the LSM 9 and higher categories.



**Figure 4.5** Average household monthly income of respondents

#### 4.5.2 To determine if the respondents purchased biscuits in the established, formal markets

58% of the respondents stated that they did buy biscuits from the normal retail outlets. A cross-tabulation of the respondents showed that consumers in the higher LSM generally also purchased from the established retailers. De Chernatony (2001) confirmed that buyers reduce risk by always buying the same brand. De Chernatony (2001) also questioned if buyers will identify a brand that does not bear the brand name on the packaging. The higher LSM consumers have purchased Bakers biscuits in the informal markets due to their strong brand loyalty. This could be due to their favourite biscuits not being available on formal retailers' shelves or the lure of purchasing the same quality biscuits at lower prices. Due to the unique markings on Bakers biscuits, consumers generally do not need branded packaging to identify Bakers biscuits.



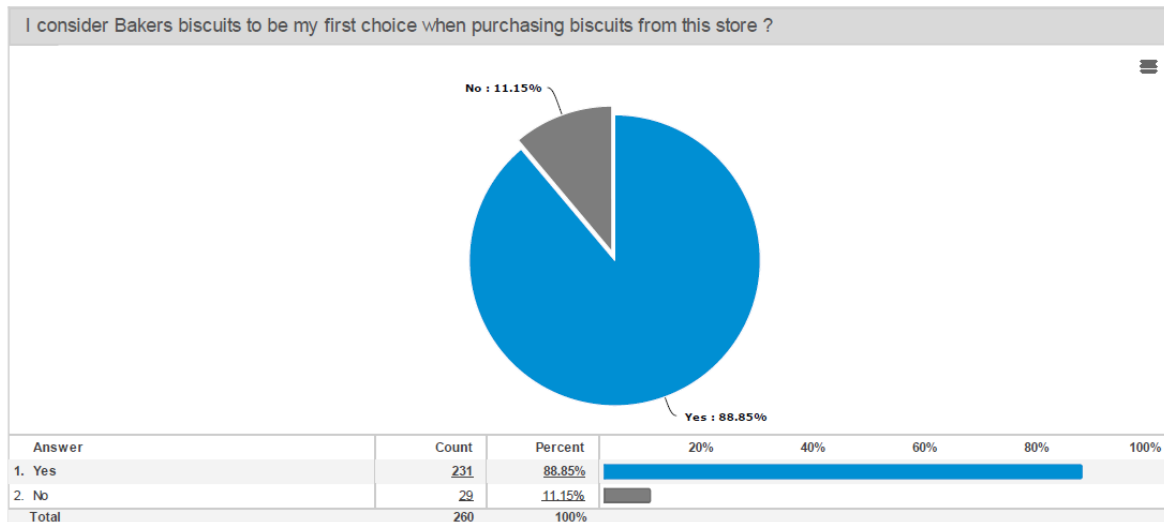
**Figure 4.6** Percentage of respondents who purchase biscuits in formal retail

#### 4.6 Objective 2: To establish if elements of brand equity are prevalent in the re-packing market

Brand equity of the firm is deeply entrenched in the formal markets and Bakers Biscuits has the major market share of biscuits in South Africa. There are various determinants of brand equity and some of these factors were tested to see if they were prevalent in the informal markets.

##### 4.6.1 Respondents preference for Bakers Biscuits

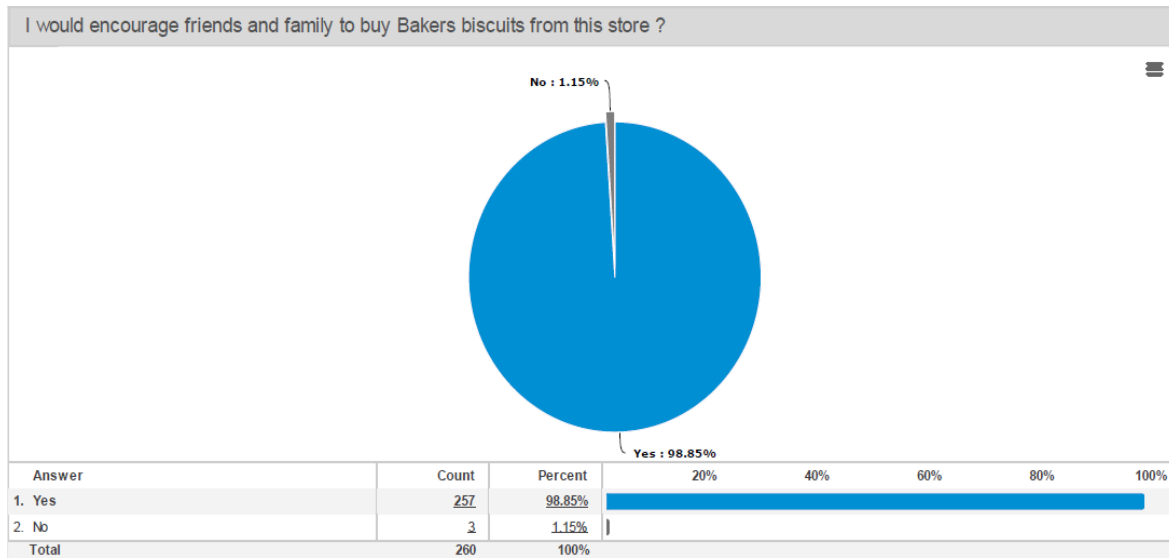
The majority of the respondents (88.85%) stated that Bakers biscuits were their first choice when making biscuit purchases. Aaker (1991) confirmed that brand loyalty is a measurement of the connection between a customer and a brand. A key asset of brand loyalty is that of name awareness. According to de Chernatony (2001), buyers reduce risk by always buying the same brand. Aaker (1991) confirmed that perceived quality, which is also a category of brand loyalty, is the customer's perception of the overall quality or superiority of a product. The respondents' preference for Bakers biscuits ties in with their brand loyalty and the perceived high quality of the brand.



**Figure 4.7** Bakers biscuits as first choice for respondents

#### 4.6.2 Respondents propensity to encourage others to purchase Bakers Biscuits from the two outlets

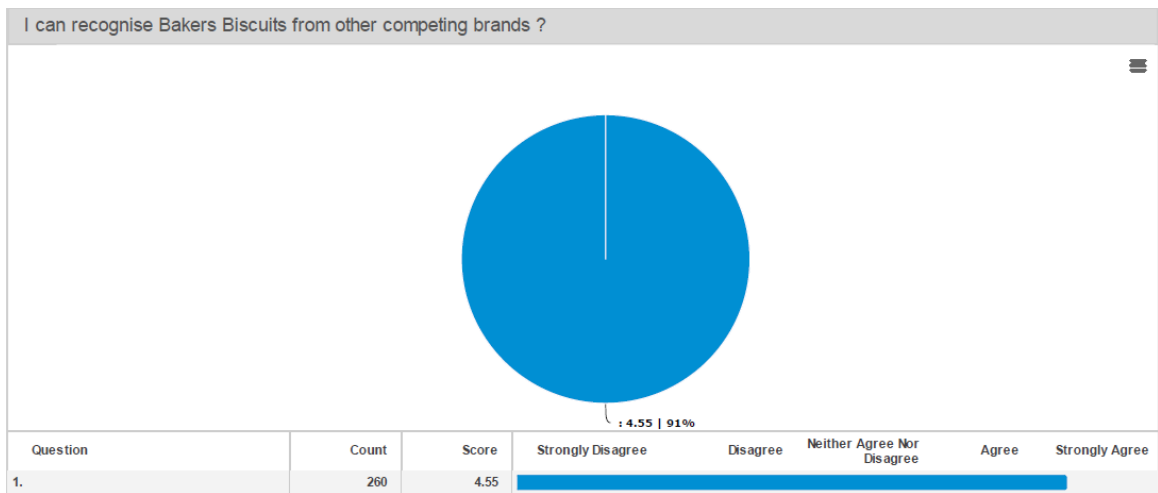
The majority of the respondents (98.85%) stated that they would encourage their friends and family to buy Bakers biscuits from the re-packaged stores. According to Aaker (1991), familiarity or liking is a channel for brand awareness to create value. Studies by Yoo et al. (2000) showed that distribution through sellers with good store images helps to build brand equity. Stauss and Seidel (2004) stated that customers will tend to rid themselves quickly of the disappointment when they experience dissatisfaction. One of the resultant behaviours of dissatisfaction is the engaging of negative word-of-mouth communication. Based on the respondents' feedback, it certainly seems that the two re-packers are favourably representing the Bakers brand and consumers are satisfied enough to promote both the brand and the stores.



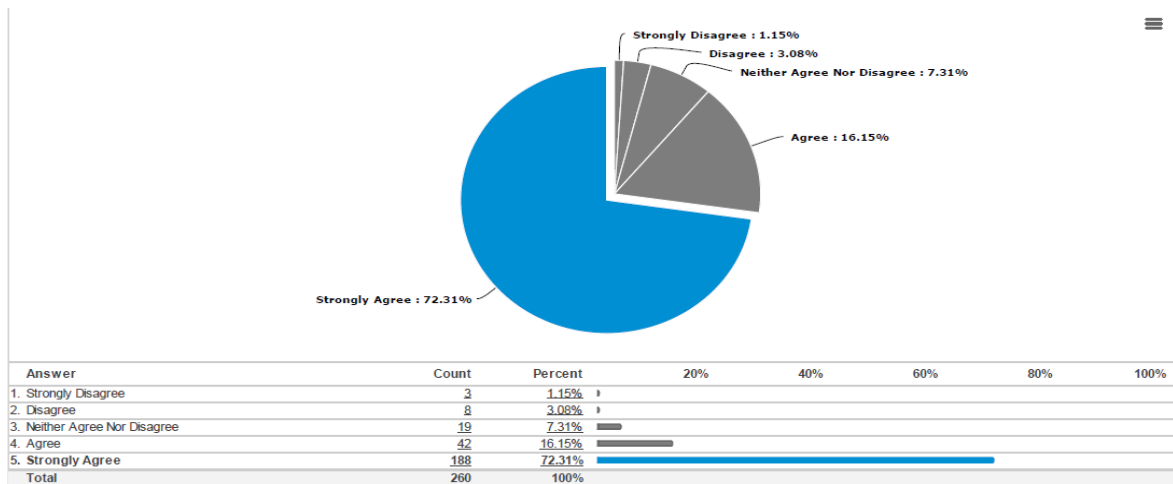
**Figure 4.8** Respondents' encouragement to others to buy Bakers biscuits

#### 4.6.3 Respondents ability to recognise the Bakers brand from other competing brands

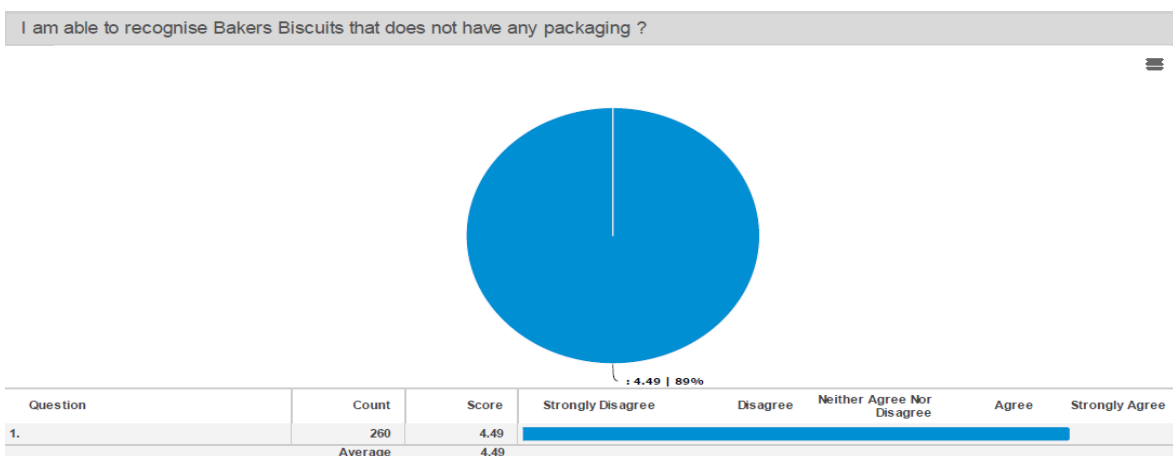
The majority of the respondents (88.46%) stated that they can recognise Bakers biscuits from other competing brands. Bakers biscuits are sold in the two outlets in clear packaging and 86.15% of the respondents were able to recognise Bakers biscuits without normal branded packaging. Aaker (1991) describes a brand as a distinguishing name or symbol intended to identify products from those of competitors. De Chernatony (2001) asserts that when consumers can instantly recognise a brand, they then develop a sense of familiarity with that brand. Therefore, recognised brands are frequently chosen over unknown brands. It is clear that the respondents have a sense of familiarity with the Bakers brand and are able to easily recognise the Bakers brand from other competing brands.



**Figure 4.9** Respondents' ability to recognise Bakers biscuits (favourable)

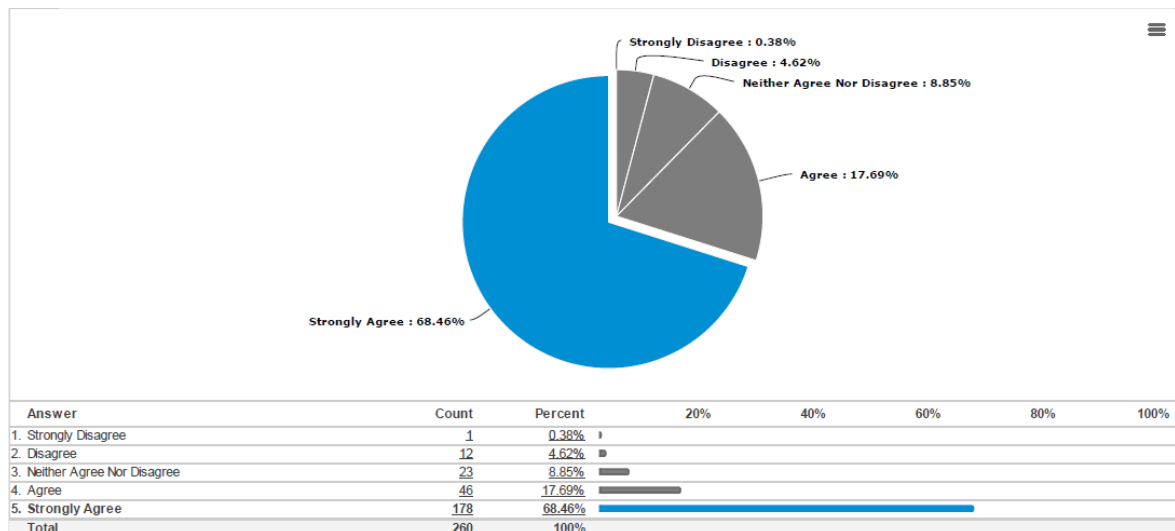


**Figure 4.10** Respondents' ability to recognise Bakers biscuits



**Figure 4.11** Respondents' ability to recognise Bakers biscuits without packaging

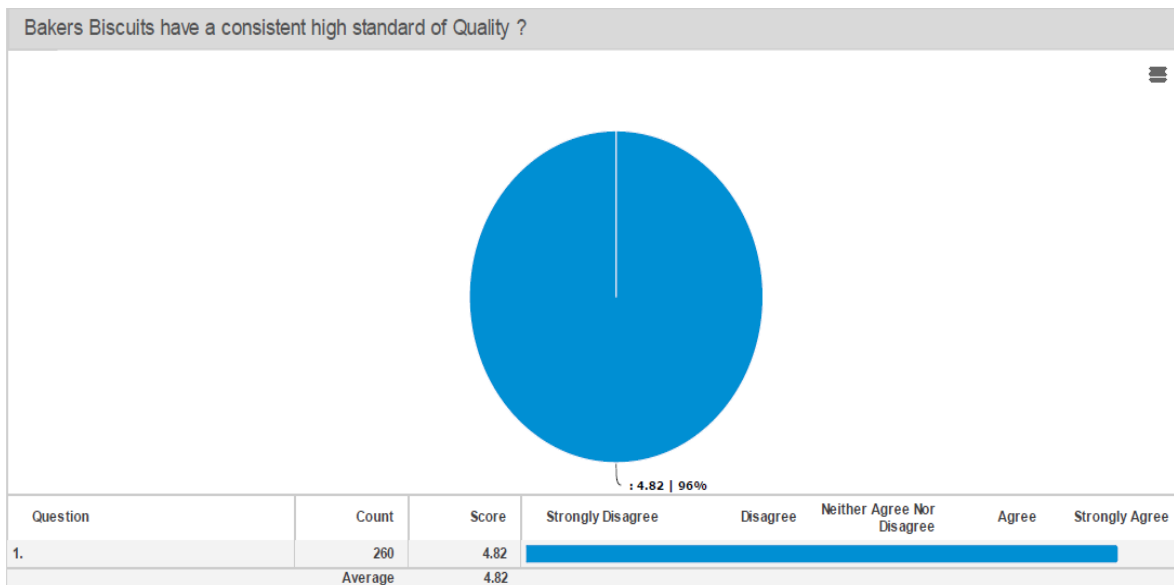




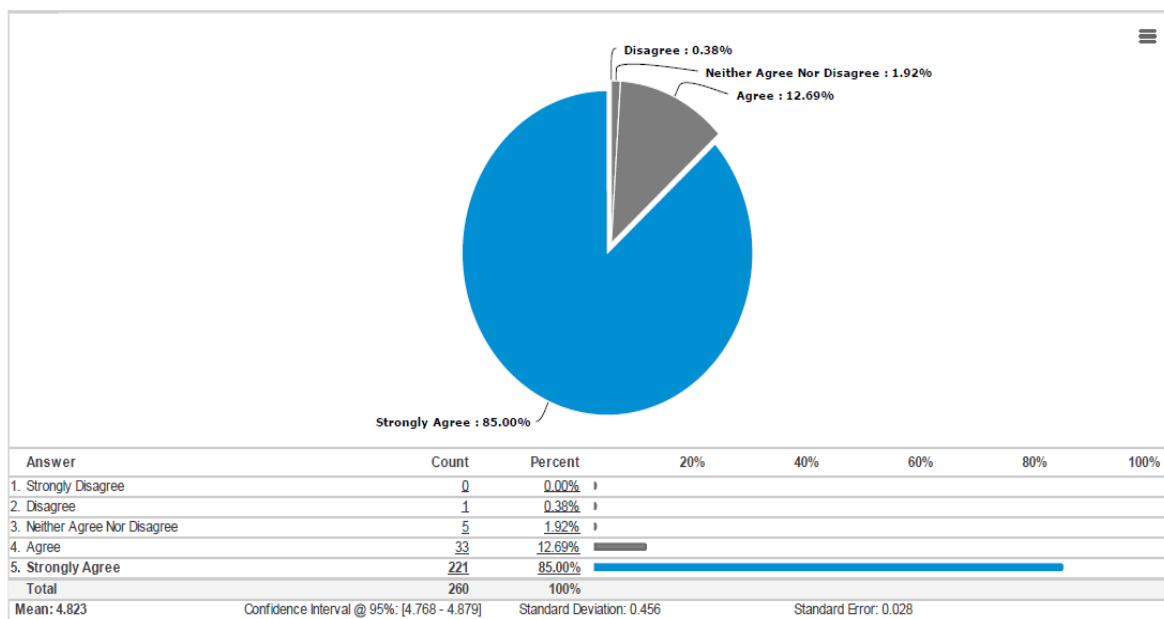
**Figure 4.12** Respondents' ability to recognise Bakers biscuits without packaging (%)

#### 4.6.4 Respondents perception of the Bakers brand being of high quality and of being unique

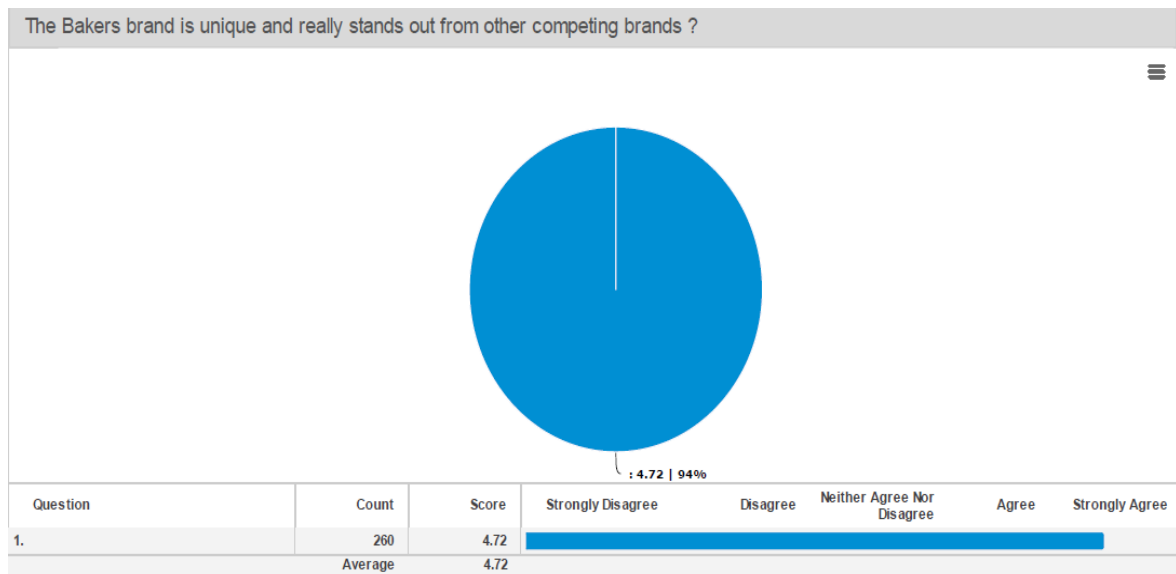
The majority of the respondents (97.69%) stated that Bakers biscuits are of high quality with 85% of the respondents agreeing strongly that the quality is high. Conversely, only 3.47% of the respondents stated that Bakers biscuits did not stand out and is not unique. Aaker (1991) stated that perceived quality is a category of brand equity. Perceived quality is the customer's perception of the overall quality or superiority of a product (Aaker, 1991). Perceived quality greatly influences a consumer's choice of brand from various competing brands. Perceived quality also determines whether the brand is seen as best or competitive with other brands in its class. According to Erdem and Swait (1998), perceived risk can be reduced if brands become synonymous with high quality. Based on the feedback from the respondents, Bakers biscuits are perceived to be of good quality and there is a high level of name awareness that prevails.



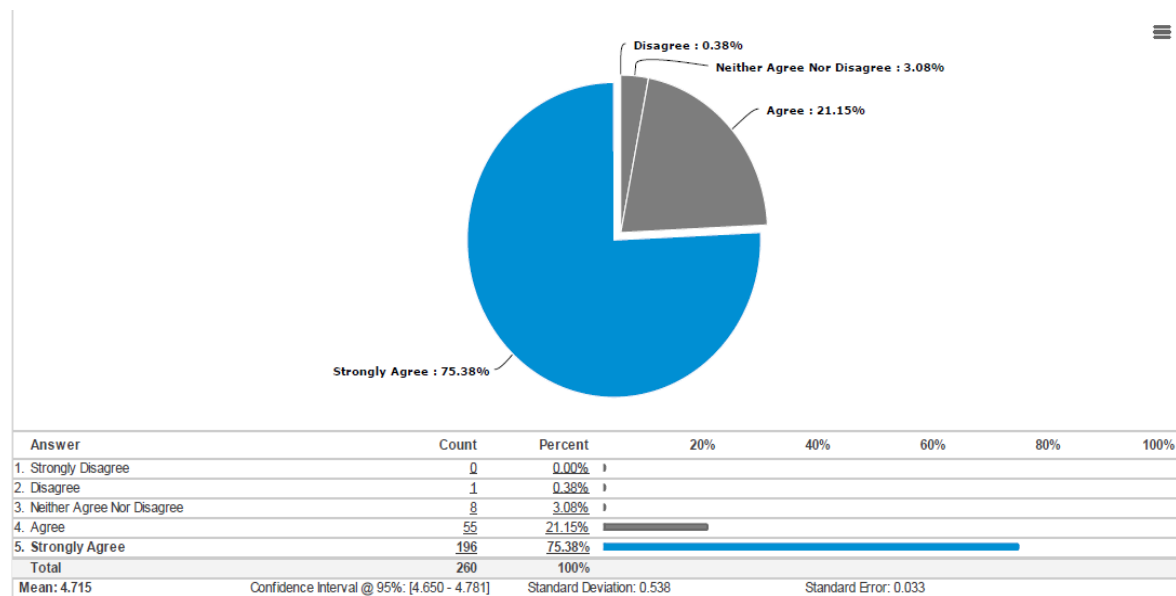
**Figure 4.13** Respondents' rating of the quality of Bakers biscuits (favourable)



**Figure 4.14** Respondents' rating of the quality of Bakers biscuits (%)



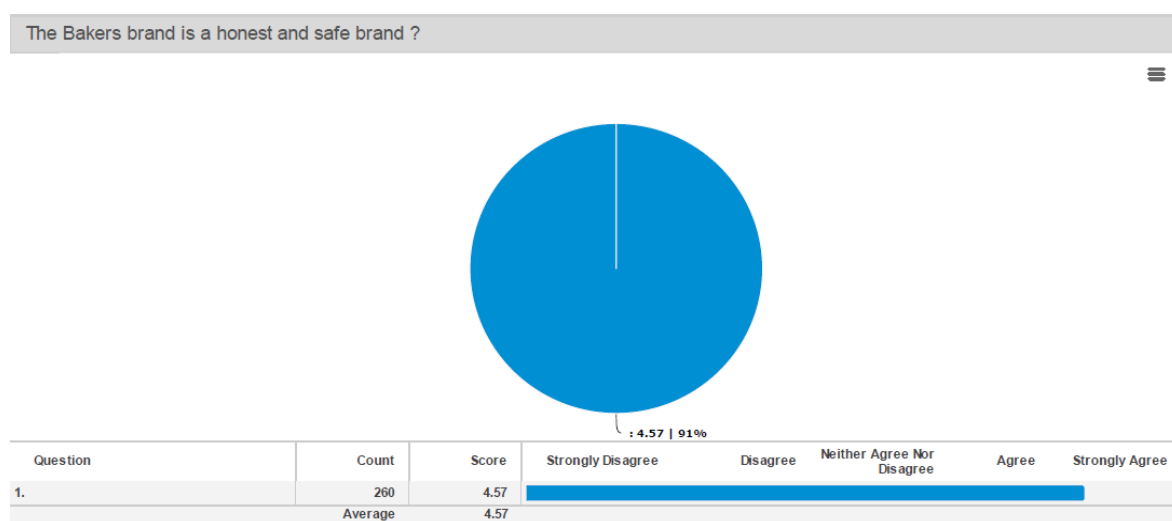
**Figure 4.15** Uniqueness of the Bakers brand (favourable)



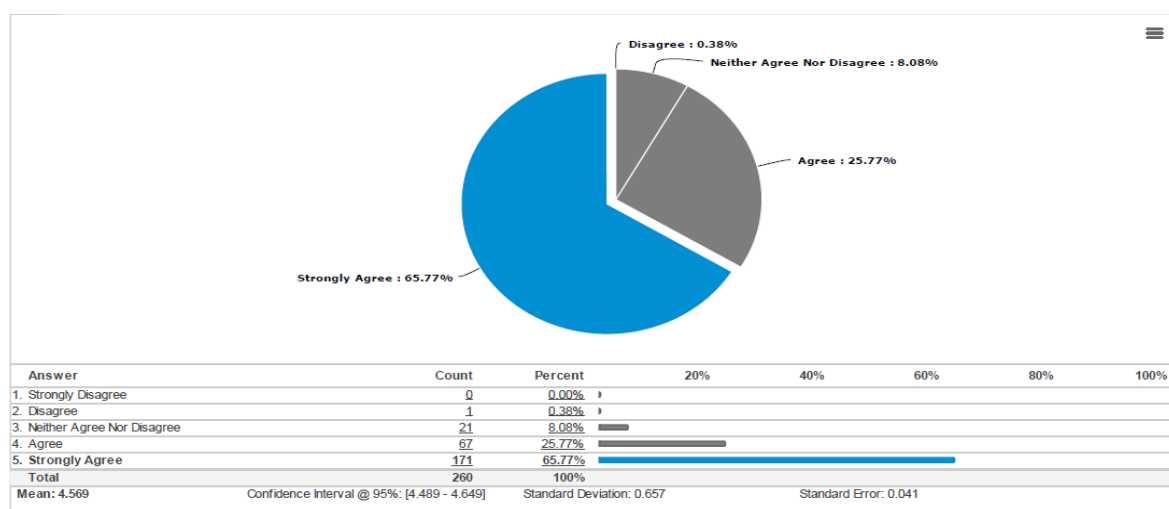
**Figure 4.16** Uniqueness of the Bakers brand (%)

#### 4.6.5 Respondents perception that the Bakers brand is an honest and safe brand

The majority of the respondents (91.54%) stated that the Bakers brand is an honest and safe brand. According to Munuera-Aleman (1999), risk-averse consumers prefer to stay with brands that are well established and familiar. Zhou et al. (2002) established that risk-averse consumers mitigate and lower their risk by choosing higher-priced brands. According to de Chernatony (2001), buyers reduce risk by always buying the same brand. The respondents have come to trust in the Bakers brand and they purchase the brand as part of risk mitigation.



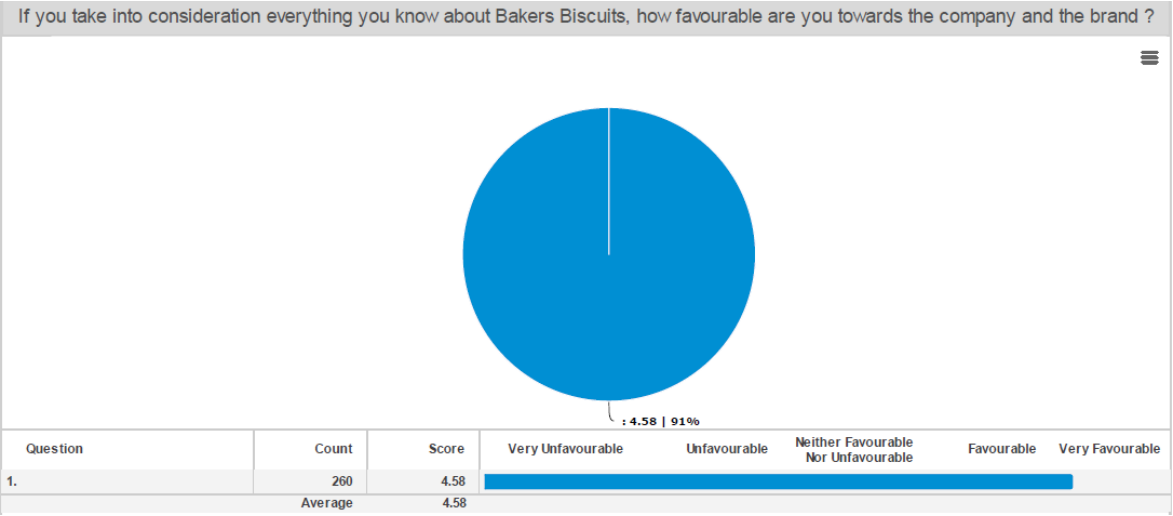
**Figure 4.17** Respondents rate the Bakers brand for honesty and safety (favourable)



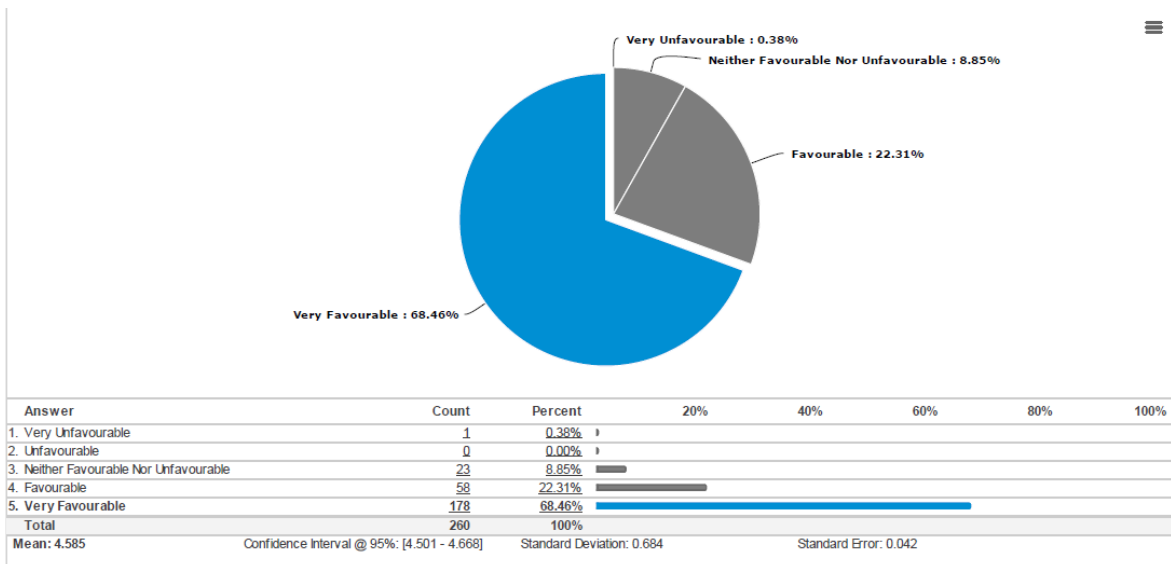
**Figure 4.18** Respondents rate the Bakers brand for honesty and safety (%)

**4.6.6 How favourable are the respondents to the Bakers brand and to the company?**

The majority of the respondents (90.77%) stated that they are favourable towards the Bakers brand and the company. Aaker (1991) confirmed that the underlying value of a brand name is often based upon specific associations that are linked to the brand. A further dimension of brand associations is the brand-as-organisation viewpoint (Aaker, 1991). This considers the firm that lies directly behind the brand and includes factors such as whether the organisation is admired or trusted (Aaker, 1991). According to Aaker (1996), a brand identity is how strategists want the brand to be perceived. The brand identity is linked to the value proposition. Aaker (1996) describes a brand’s value proposition as a statement of functional and emotional benefits delivered by the brand that provide value to the customer. It is clear, based on the feedback from the respondents, that the Bakers brand and organisation is highly favoured by consumers.



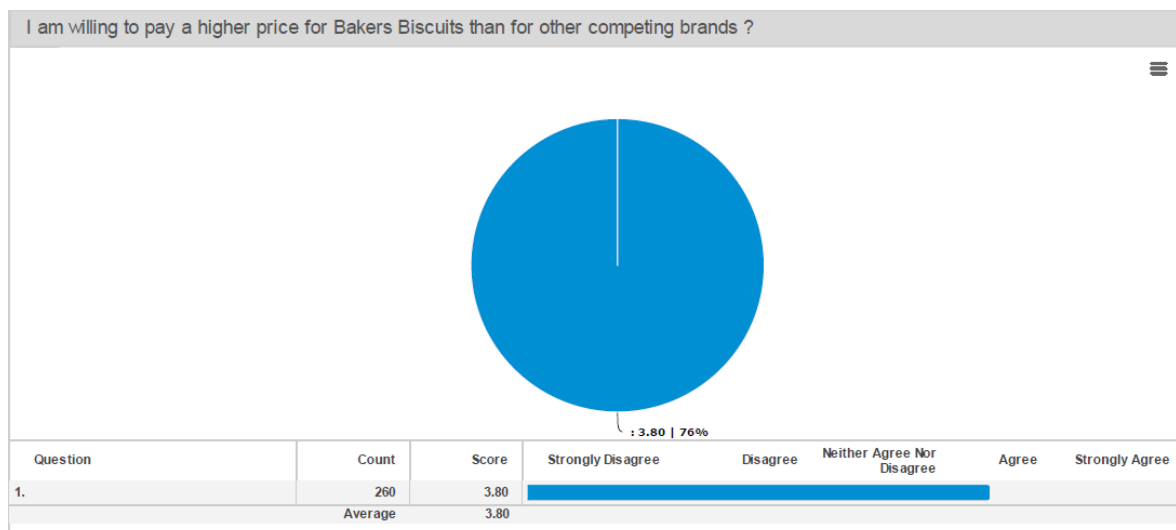
**Figure 4.19** How favourable are respondents toward the Bakers brand? (favourable)



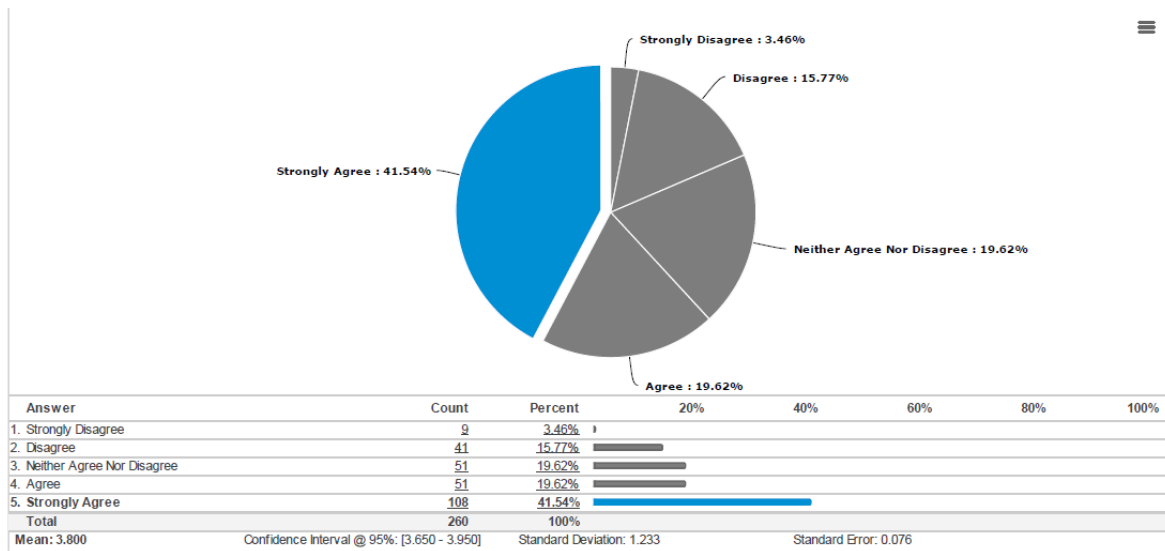
**Figure 4.20** How favourable are respondents toward the Bakers brand? (%)

#### 4.6.7 Respondents willingness to pay a higher price for Bakers biscuits

Price premium is generally regarded as the main determinant of brand equity (Aaker, 1996). Whilst the majority of respondents (61.16%) stated that they are willing to pay a higher price for Bakers biscuits, it is not the overwhelming majority as seen thus far for the other determinants of brand equity.



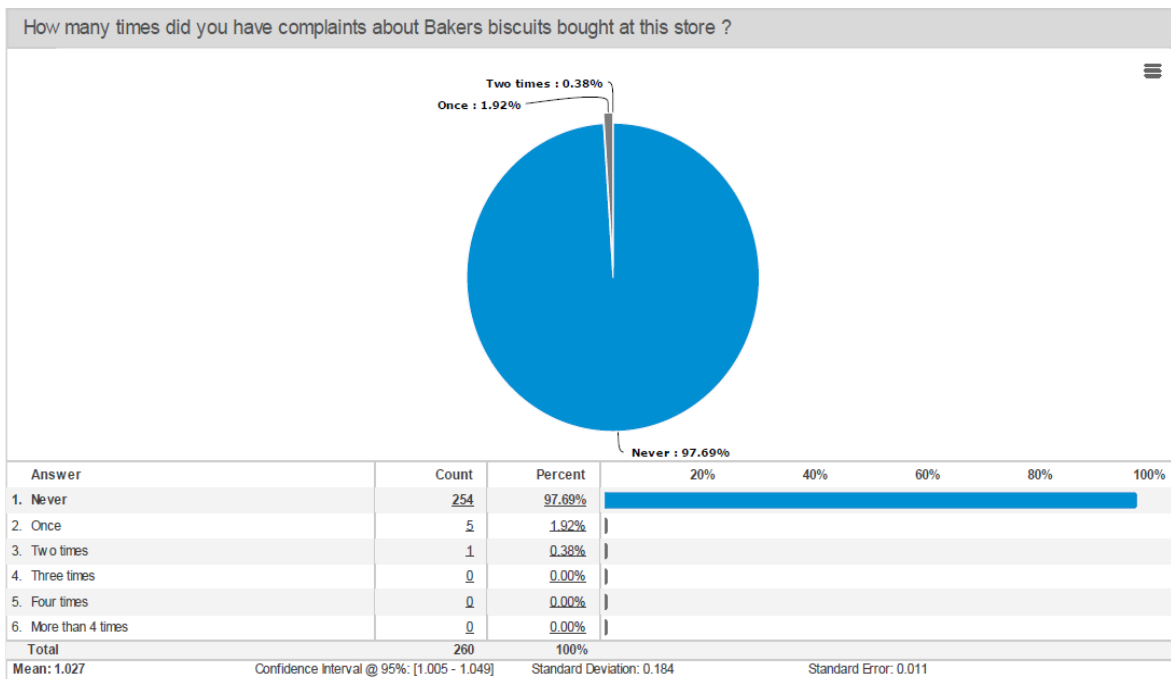
**Figure 4.21** Willingness to pay a higher price for Bakers biscuits (favourable)



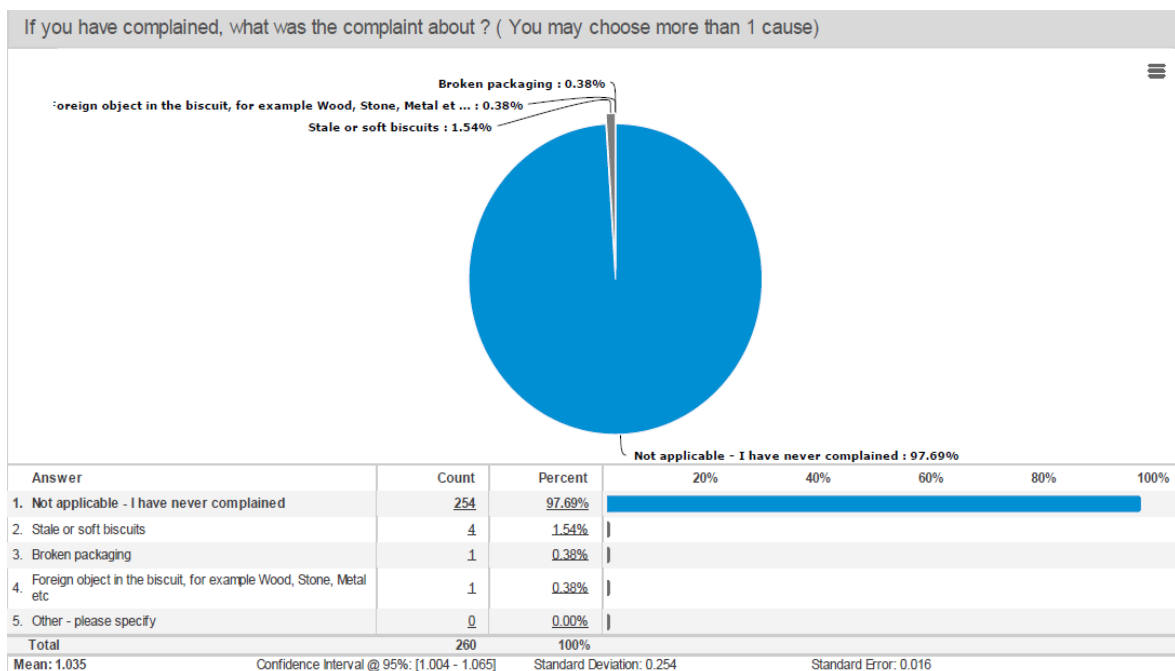
**Figure 4.22** Willingness to pay a higher price for Bakers biscuits (%)

#### 4.7 Objective 3: To determine if consumers in the re-packing market have complaints or right of recourse to complain

Kotler and Keller (2012) stated that only 5% of dissatisfied customers actually do complain. The remaining 95% of dissatisfied customers feel that complaining is not worth their effort or they don't know how or to whom they should complain. According to Kotler and Keller (2012), these customers simply stop buying the product. Of the customers who do complain, 54% to 70% will continue to do business with the organisation, if their complaints are resolved. Kotler and Keller (2012) state that dissatisfied customers share their gripes with an average of 11 other people. This poses a huge risk of negative product image. Only 6 of the respondents (2.31%) have complained about the purchased biscuits. Of those 6 respondents, 3 were happy with the way their complaints were handled. Coupled with the overall good customer perception of the brand and the stores, there seems to be low risk of negative product image from customer complaints.

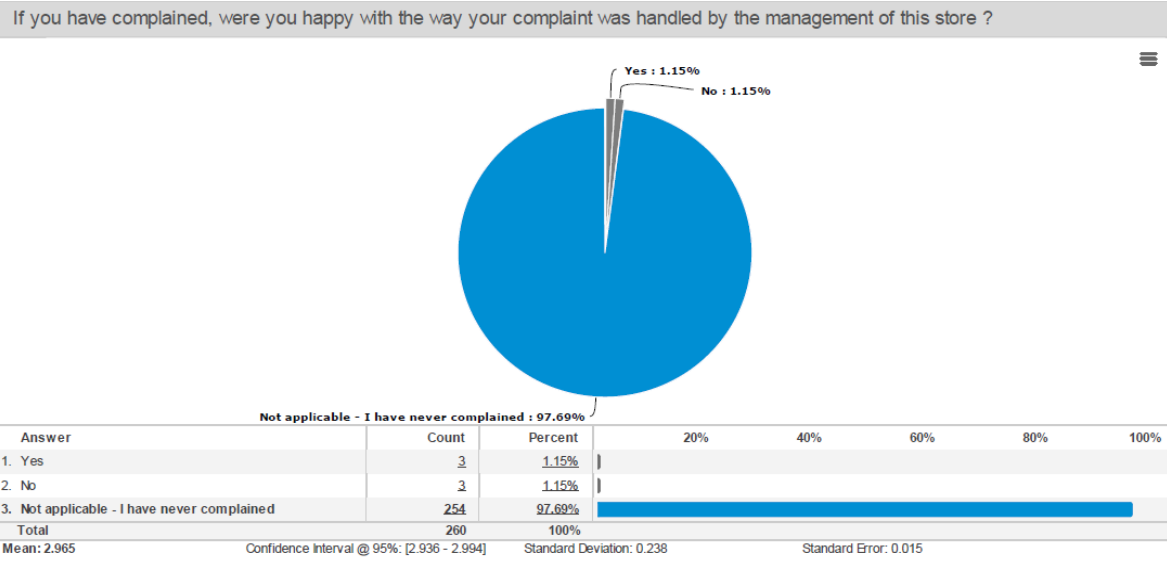


**Figure 4.23** Respondents' complaints about Bakers biscuits (favourable)



**Figure 4.24** Respondents' complaints about Bakers biscuits (reason)

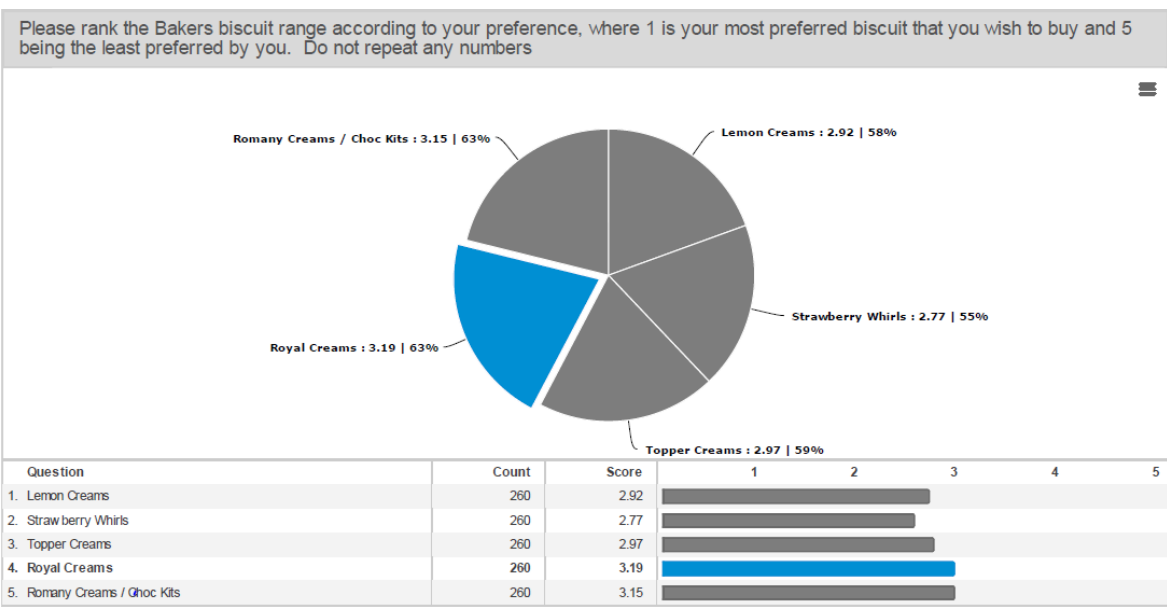




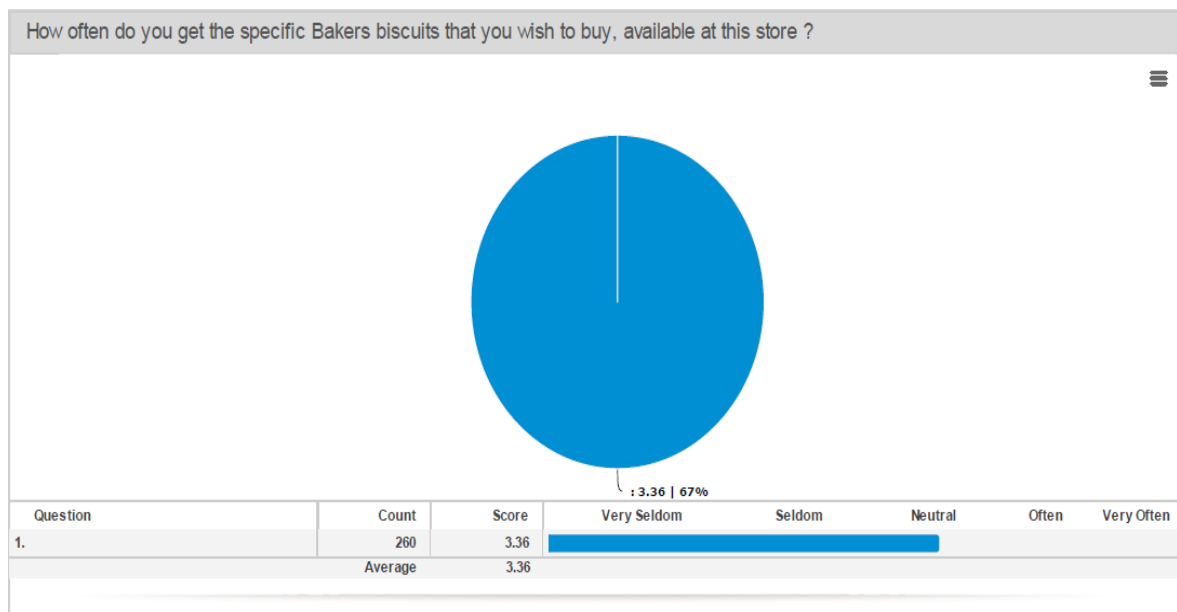
**Figure 4.25** The handling of respondents' complaints

#### 4.8 Objective 4: To determine if consumers in the re-packing market have preferences for any particular biscuits in the Bakers range

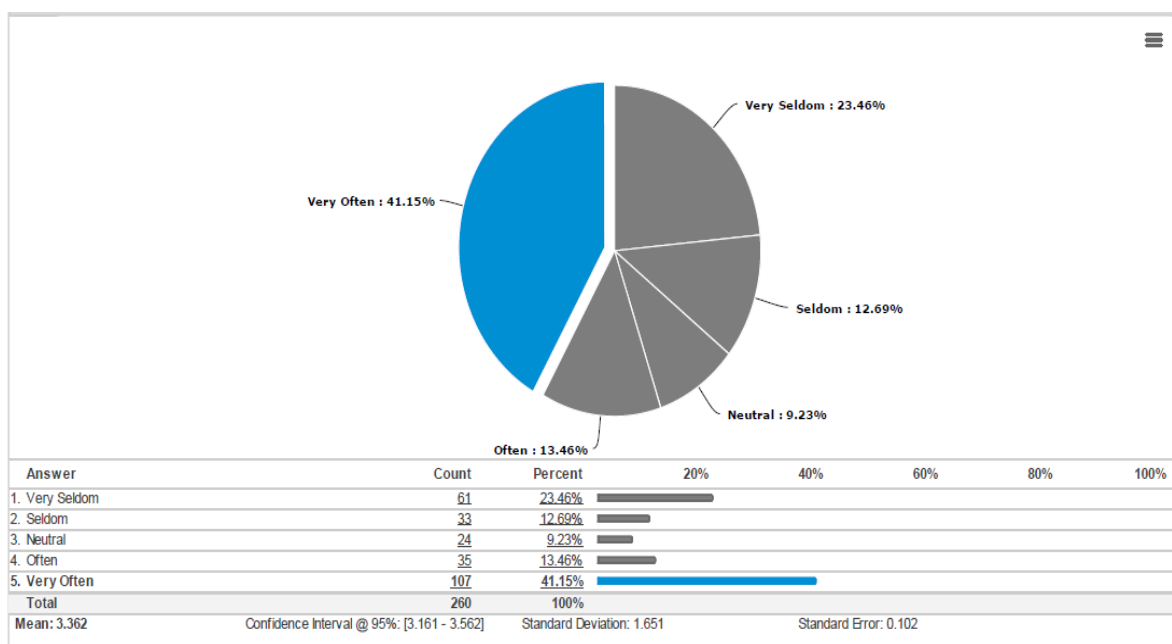
Royal Creams and the Romany Creams / Choc Kits range are the most preferred biscuits that are purchased. If the firm decides to manufacture biscuits specifically for this market, in the future, then the biscuits being offered should be similar to these ranges.



**Figure 4.26** Preferences for biscuits (ranking)



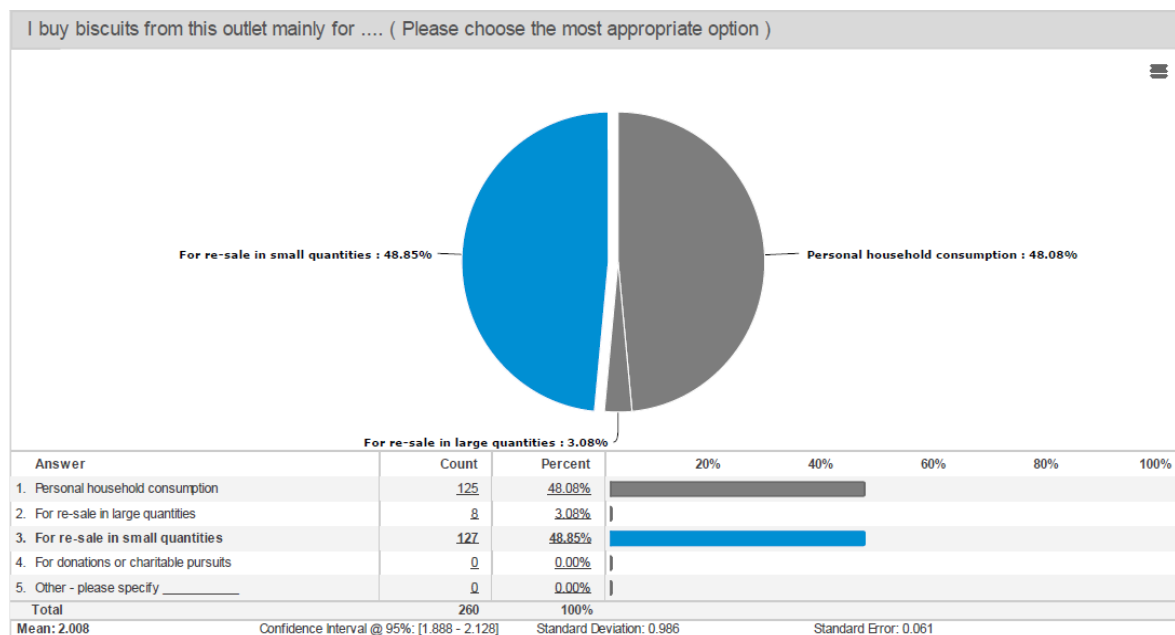
**Figure 4.27** Availability of preferred biscuits (overall)



**Figure 4.28** Availability of preferred biscuits (intervals)

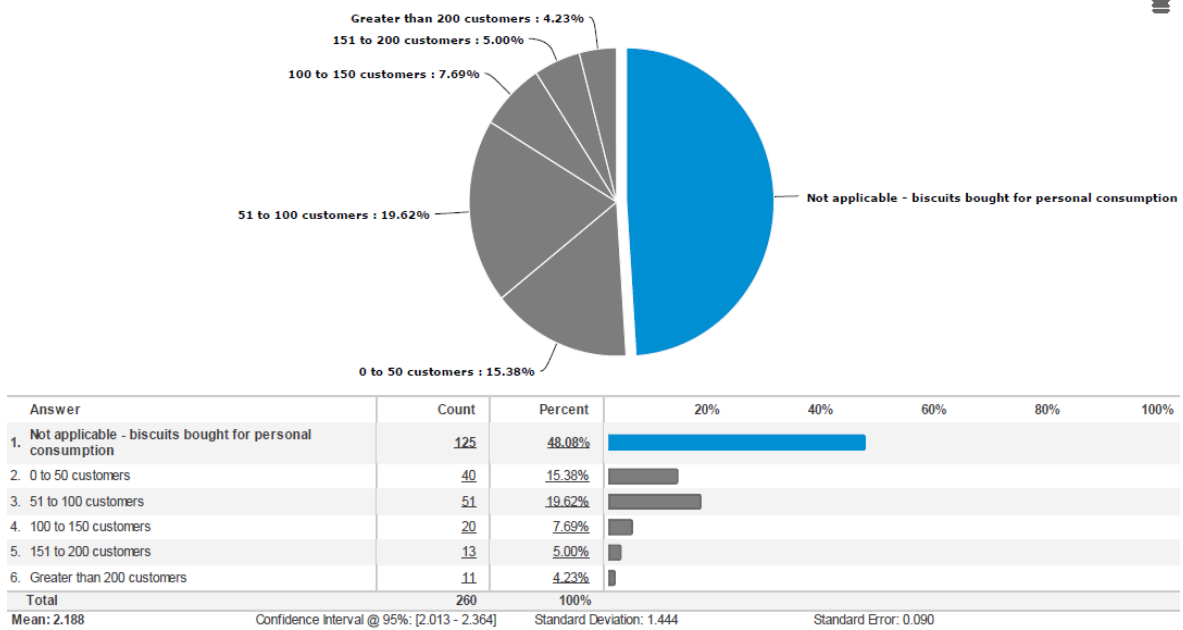
#### 4.9 Objective 5: To establish whether the consumers are purchasing biscuits for personal household consumption or for re-sale

51.16% of the respondents surveyed, purchase broken and reject biscuits for selling them. This is an added risk for the brand as the final consumer is further down the supply chain. According to Johnson and Peppas (2003), constant intervention is needed to protect and preserve brand image. This involves the identification of weaknesses and threats and effective management of reducing or eliminating them. The longer it takes for an organisation to respond to an acute brand-related incident, the greater would be the long-term damage to the brand equity, the organisation's reputation and the ultimate financial impact (Johnson and Peppas, 2003). The handling and packaging of the biscuits further down the supply chain could be very consequential to the firm. The firm needs to better understand these risks and effectively manage these risks.



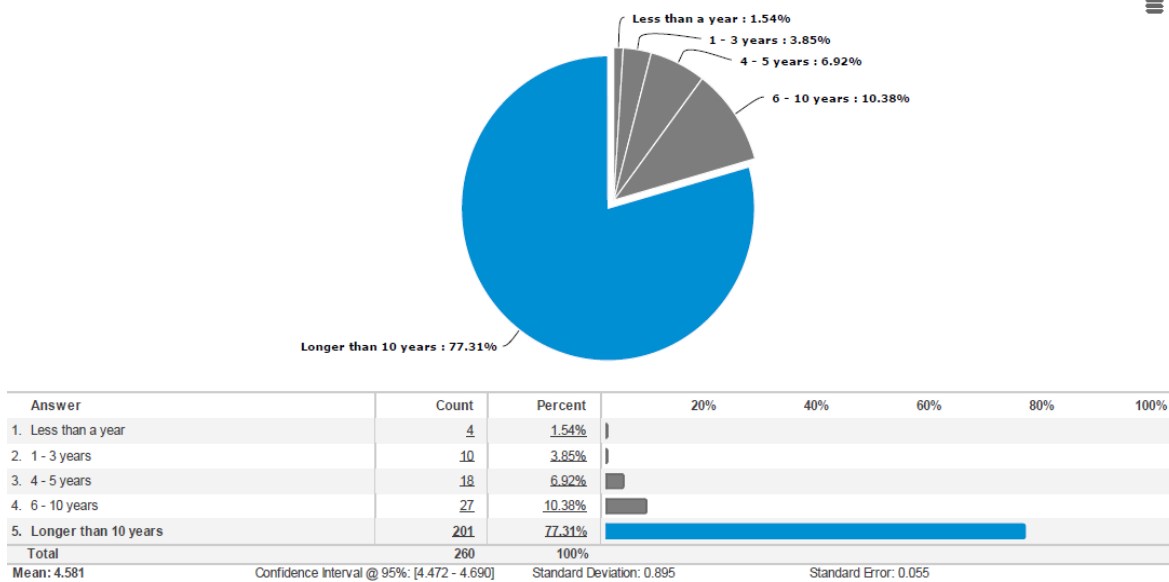
**Figure 4.29** Reasons for buying biscuits

If biscuits are bought for re-sale, what is the average number of different customers that you re-sell to ?

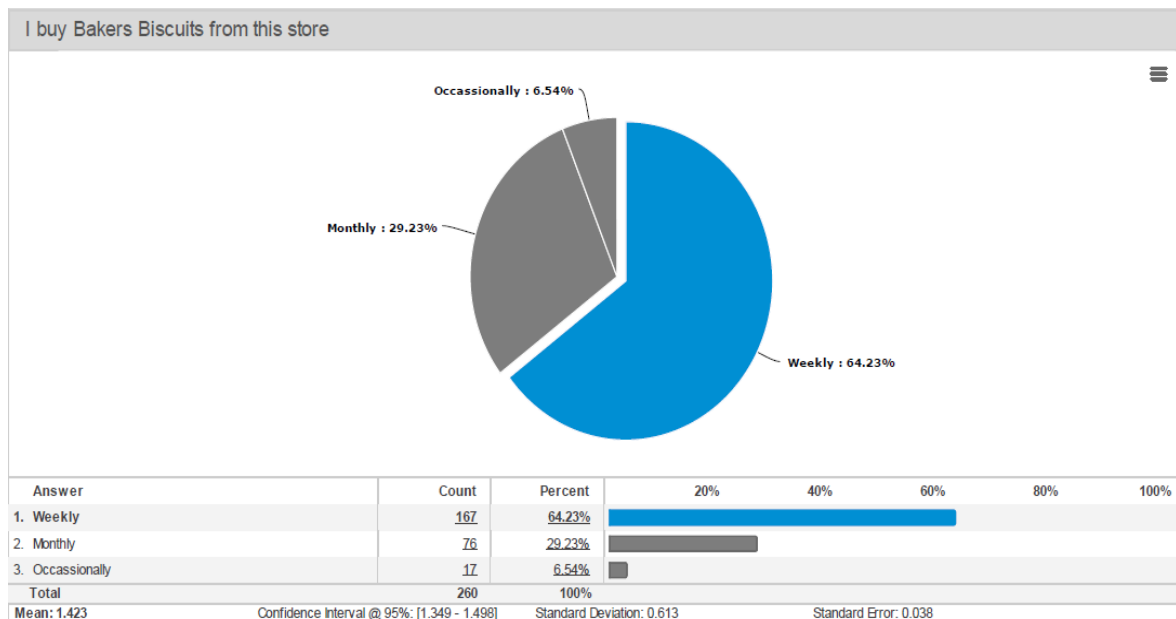


**Figure 4.30** Customer base for re-sale of broken and reject biscuits

For how long have you, or anyone in your household, been buying Bakers Biscuits ?



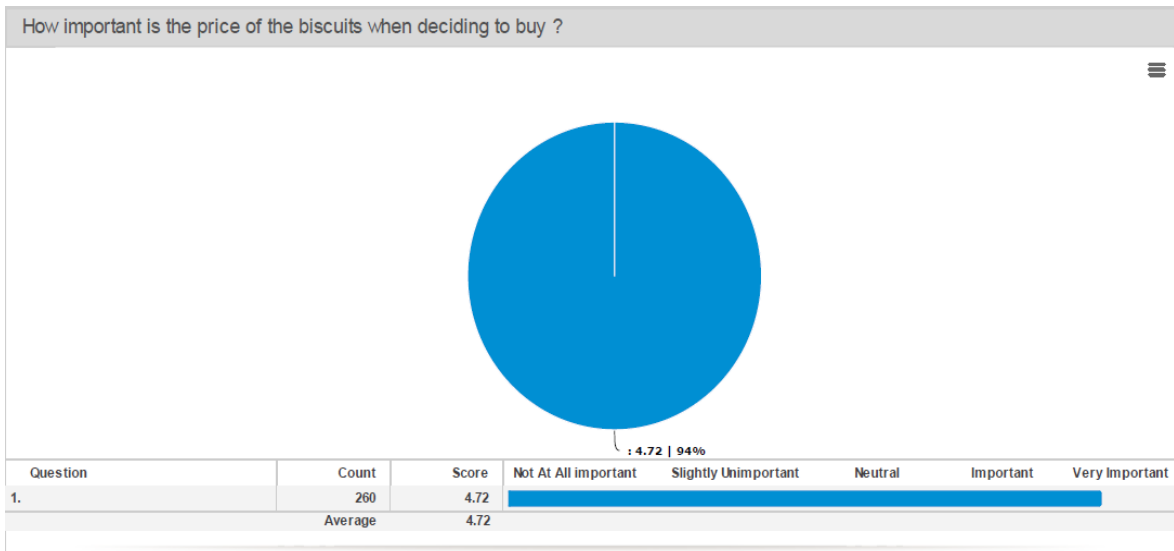
**Figure 4.31** For how long have respondents been buying broken and reject biscuits?



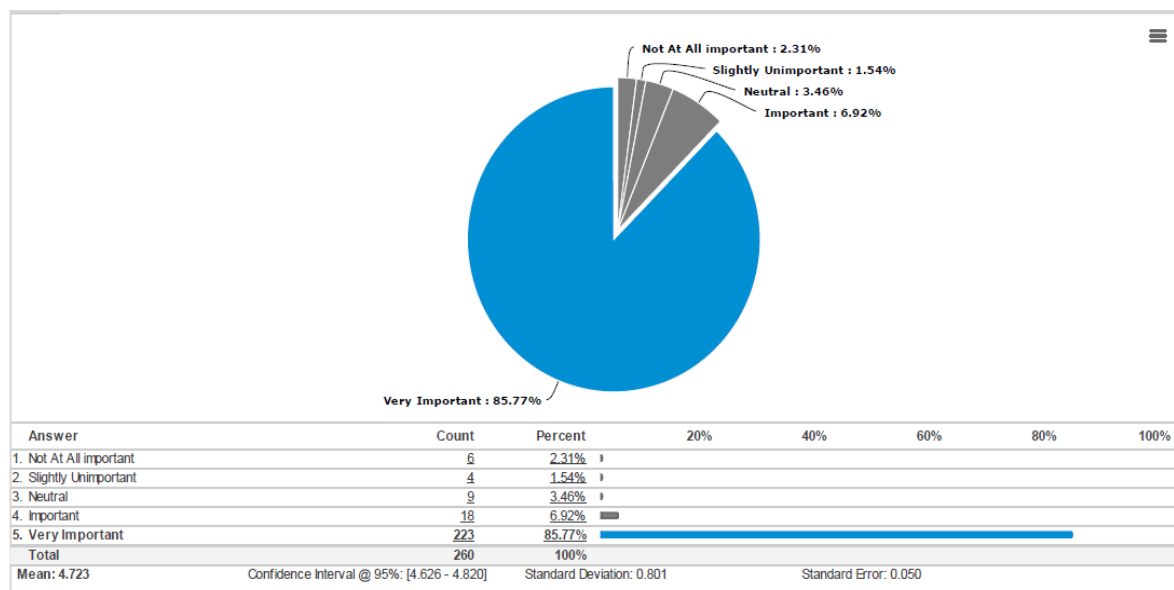
**Figure 4.32** How often do respondents buy broken and reject biscuits?

#### 4.10 Objective 6: To determine if consumers in the re-packing market are satisfied with the prices they pay for Bakers Biscuits

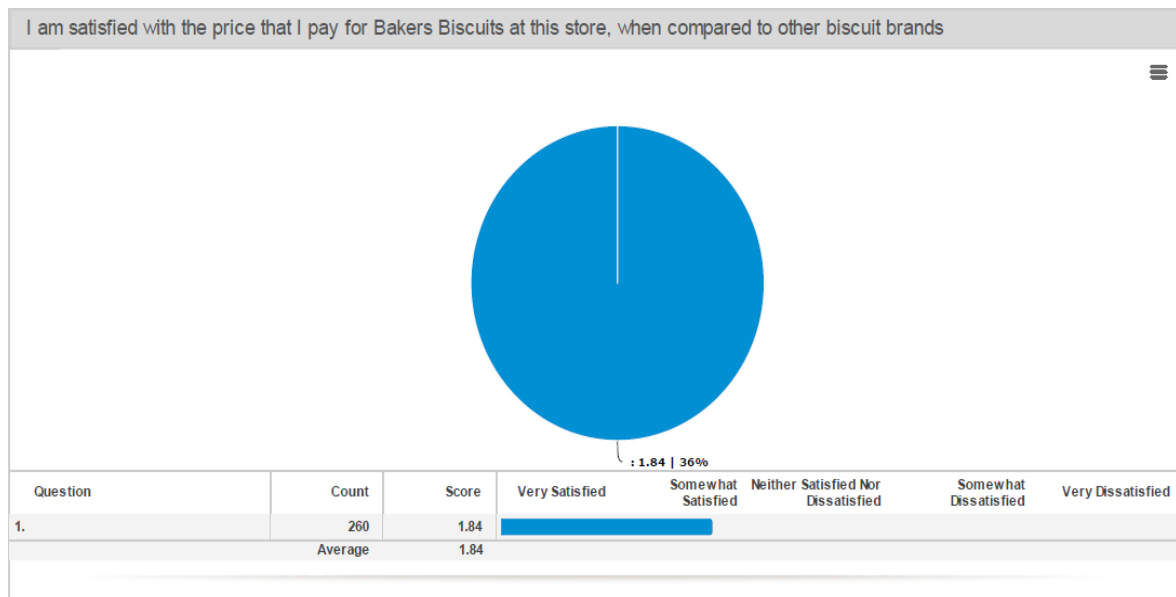
According to Rosenbloom (2004), price points are specific prices to which consumers have become accustomed. Potential problems could therefore arise for manufacturers and their channel partners if products are not available to customers at the customers' expected price points (Rosenbloom, 2004). 92.69% of respondents confirm that price is very important to the purchasing decision. Further, of the total respondents, 78.07% state that they are very satisfied or somewhat satisfied with the prices they are paying for the broken and reject biscuits. 13.46% of the respondents are somewhat or very dissatisfied.



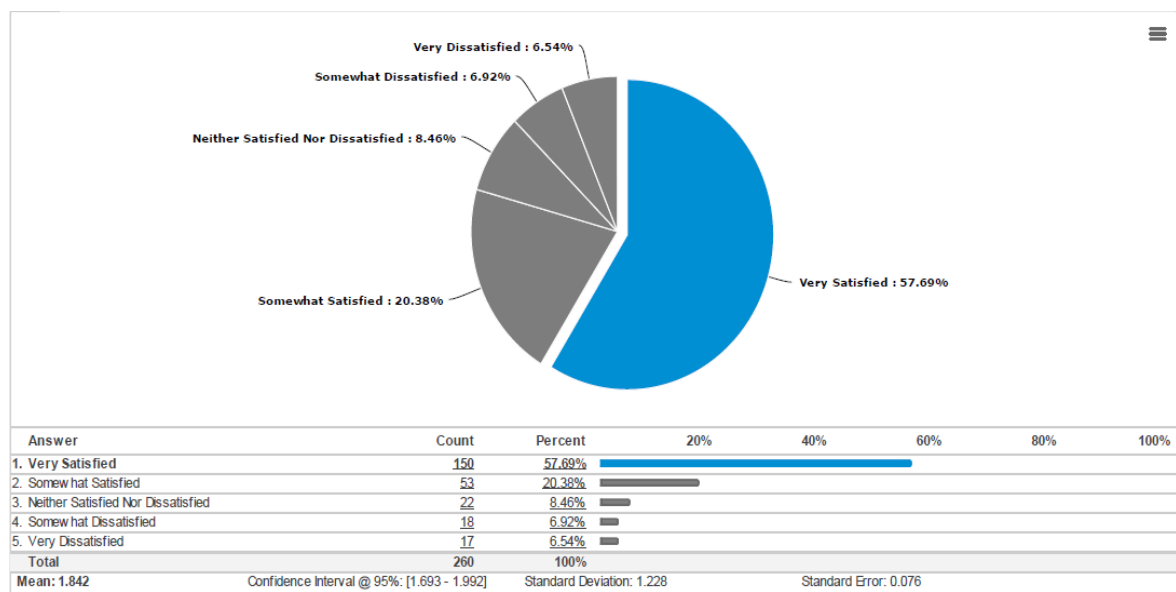
**Figure 4.33** How important is price? (overall)



**Figure 4.34** How important is price?



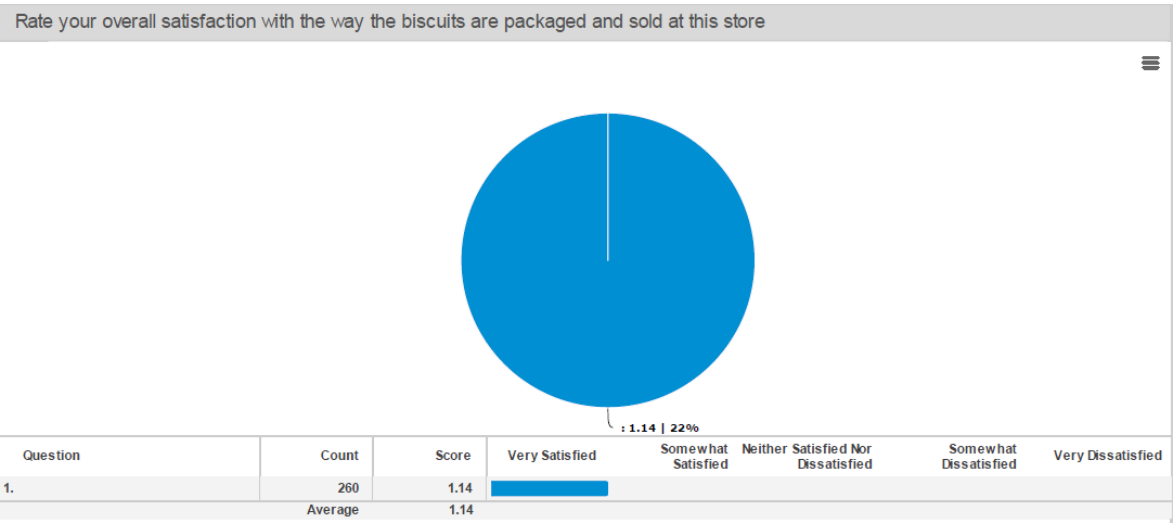
**Figure 4.35** How satisfied are respondents with the prices they pay? (overall)



**Figure 4.36** How satisfied are respondents with the prices they pay?

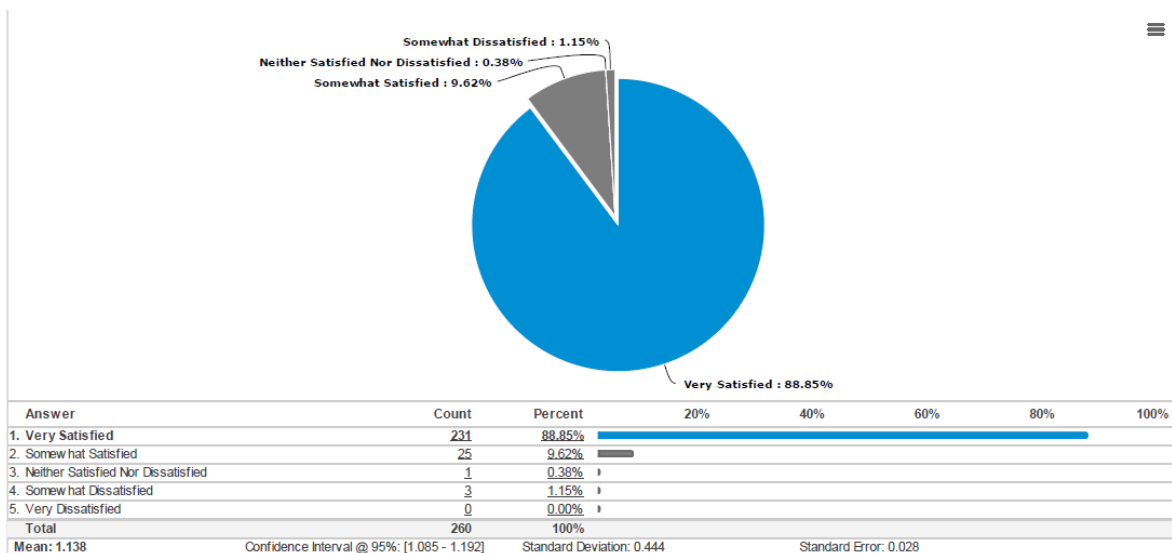
**4.11 Objective 7: To determine if the appointed re-packers, who are entrusted with the brand, are favourably perceived by their customers**

According to de Chernatony (2001), a manufacturer cannot formulate a strategy for the brand without considering the role and importance of the distributor. The success of both parties depends on their mutual understanding and reliance. Studies by Yoo et al. (2000) showed that distribution through sellers with good store images and high distribution intensity helps to build brand equity. According to Keller (2008), a specific distribution channel can directly affect the equity of the brands they sell because of customers' associations linked to the retail stores. 98.47% of respondents were somewhat satisfied or very satisfied with the manner with which the broken and reject biscuits were sold at the 2 stores. Further, of the total respondents, 98.08% were somewhat satisfied or very satisfied with the service at the 2 stores. It is evident that the re-packers are favourably perceived by their customers, which in turn, augurs well for the brand.

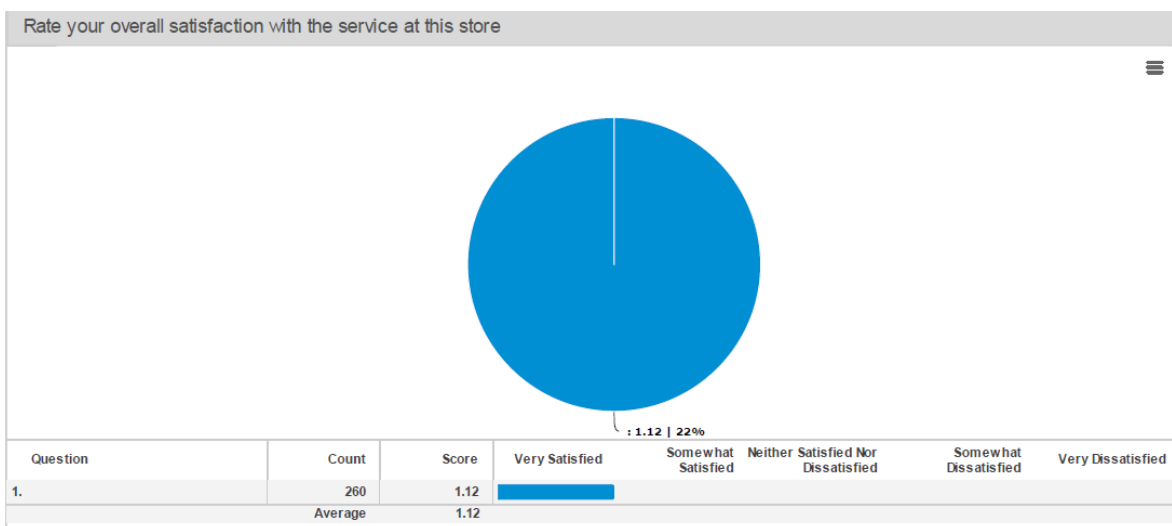


**Figure 4.37** Respondents' satisfaction with packaging (overall favourable)

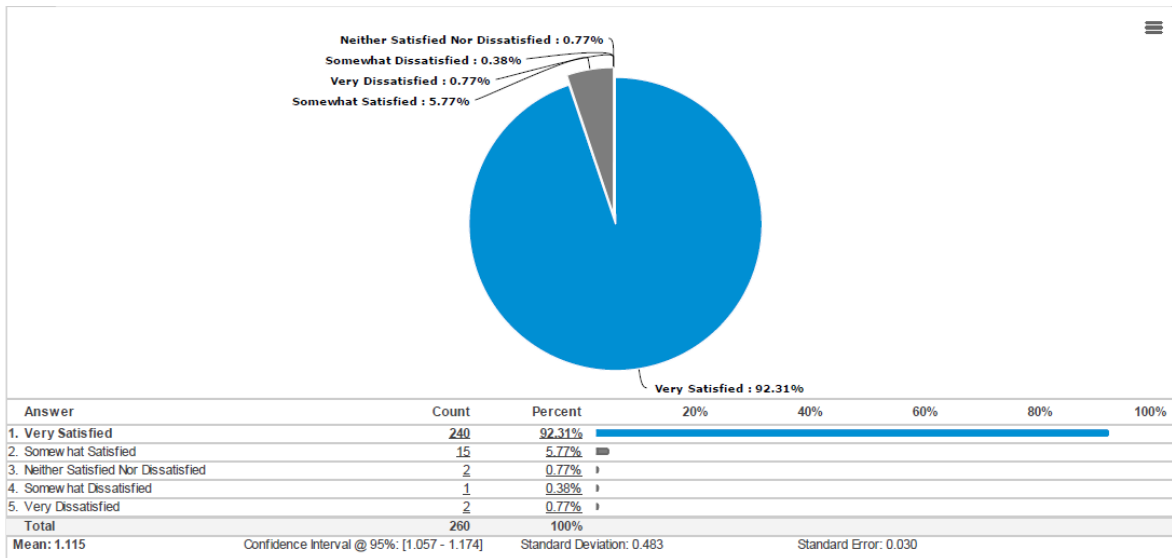




**Figure 4.38** Respondents' satisfaction with packaging



**Figure 4.39** Respondents' overall satisfaction with the stores (overall favourable)



**Figure 4.40** Respondents' overall satisfaction with the stores

## **CHAPTER FIVE**

### **Conclusions, Limitations and Recommendations**

#### **5.1 Conclusions on the major findings**

The data that was collected and its analyses provided significant insight into the consumers of the firm's broken and reject biscuits. The data also showed the esteem in which the brand was held in the broken and rejects market. The study was concluded based on the responses of respondents who were readily available. This use of non-probability sampling dictates that the results of the study cannot be generalised to the entire population of consumers who purchase broken and reject biscuits. The analyses of the data have resulted in certain conclusions being made, based on the empirical findings. The conclusions are presented below, in relation to the study objectives.

##### **5.1.1 Conclusions based on literature review**

Temporal (2002) states that the vision for the brand can drive the business strategy and associated activities. This study has indicated that Bakers could develop a peripheral vision for the brand which can be linked to a new lower-income target market. Further, Temporal (2002) confirmed that brand management is further enhanced when a firm makes an adjustment from focusing on an industry to focusing on a market. The low-end broken and reject biscuits market presents potential market-growing opportunities. This is evidenced by the high esteem in which the brand is held in the informal markets. Aaker (1991) confirmed that a brand is a source of numerous opportunities and threats for an organisation. Whilst the low-end markets could provide opportunity for brand growth, the re-sale of the broken and reject biscuits poses uncertainty and unquantified risk for the brand and the firm. Aaker (1991) stated that name awareness, loyal customers, perceived quality and brand-linked associations tend to add value to the brand. The study respondents confirmed that the Bakers brand is held in high esteem by themselves and that they have strong familiarity and affinity with the brand. The Bakers brand also represents good quality to them and they normally choose Bakers over other

brands of biscuits. These responses are in line with Aaker's (1991) definitions of brand strength. Aaker (1996) stated that a price premium is the most significant contributor to brand equity. The majority of the study respondents (61.16%) stated that they would be willing to pay a higher price for Bakers biscuits. According to de Chernatony (2001), a manufacturer cannot formulate a strategy for the brand without considering the role and importance of the distributor. The two re-packers are highly regarded by the consumers of broken and reject biscuits, with 98.47% of respondents being appreciative of the manner in which the biscuits are presented and sold. The re-packers are playing an active role in preserving the brand image. This augurs well for any future low-income strategy by the firm, in association with the re-packers as official distributors of biscuits. According to Aaker (1991), firms need to adopt branding strategies that cater for downscale product versions, without posing any risks of erosion to the brand. The low-income markets present an opportunity for Bakers biscuits to offer downscale product versions which will replace the premium products which are active in the low-income markets in the form of broken and reject biscuits. However, according to Aaker (1996), the firm must guard against negative quality perceptions around the downscaled products which could harm the brand. Silverstein (2006) stated that many leading brands have reduced the objective quality of their products to meet low-cost competition. Keller (2008) stated that a specific distribution channel can directly affect the equity of the brands they sell. Consumers can have opposing perceptions of the same brand depending on the type of store in which the products are sold. A brand that is sold in a formal, established retailer can be perceived to be different when it is sold in a store dedicated to bargain shoppers. The image of the store is then associated with the brand. However, Bakers Biscuits must understand the investigations of Verhoef, Neslin and Vroomen (2007) in which they identified the propensity of consumers to compartmentalise perceptions of products in different channels. The image of Bakers biscuits, which is a South African premium brand, can therefore be tainted due to the association with the re-packers who generally sell lower-priced consumer goods. According to Manning and Baines (2004), food manufacturers must first comply with private quality assurance programmes in food supply chains. Bakers Biscuits needs to ensure that the broken and reject biscuits, in its own informal supply chain, comply with the highest food safety standards, similar to the biscuits found in formal, established retailers. Any food safety risks

associated with broken and reject biscuits can lead to brand tainting. Aaker (1991) states that very often firms recognise brand damage when it is too late. Bakers Biscuits rely on the re-packers to maintain the same level of food safety standards as they themselves do. Based on the respondents' feedback, they are satisfied with the manner in which the re-packers are packaging and selling the broken and reject biscuits. Further, respondents' complaints about quality and food safety risks are negligible. 97.69% of respondents have never complained about the biscuits that they purchased.

### **5.1.2 Conclusions based on the empirical study**

The questions posed to respondents were appropriate to address the research question together with the objectives that were presented in the literature review. The analyses of the data have resulted in certain conclusions being made, based on the empirical findings. The conclusions are presented below, in relation to each of the study objectives.

#### **5.1.2.1 Race and residential areas of customers**

The findings show that the majority of the respondents are Black and Indian. These population groups also make up the main population groups of the dominant residential areas of Pinetown and Queensburgh. 76.1% of the respondents reside in Pinetown or Queensburgh. These 2 population groups make up, exclusively, the 38.8% of customers who earn less than R4242 per month and are, by definition, members who are in bands lower than LSM5. The small number of White and Coloured respondents were generally in the higher income brackets.

#### **5.1.2.2 The Living Standards Measurement (LSM) categories of the respondents**

The firm normally targets consumers in the LSM categories of 5 to 10. 38.8% of the respondents fall below the target bands of the firm. However, the majority of broken and reject customers fall within the firm's target market. 18.46% of respondents

who purchased broken and reject biscuits have a household monthly income of more than R23,745. These are customers whom one would normally expect to be purchasing good packaged biscuits from established retailers. Based on the mix of respondents, we can conclude that certainly lower-end consumers can only afford the broken and reject Bakers biscuits but there are broken and reject customers who potentially could become customers of good packaged biscuits.

#### **5.1.2.3 The quantum of broken and reject customers who also purchase biscuits from established retailers**

Following on from the LSM mix, it is encouraging to note that the majority of the higher-end consumers (91.67%) buy biscuits from established retailers. We can conclude that these respondents purchase broken and reject biscuits when they are seeking a good deal or when, perhaps, their biscuit of choice is not available in the formal stores. The majority of the low-income respondents (72.73%) do not purchase from other stores. We can conclude that the low-income customers cannot afford the good packaged biscuits and therefore resort to purchasing mainly broken and reject biscuits at lower prices.

#### **5.1.2.4 Prevalence of brand equity? Preference for Bakers Biscuits**

The overwhelming majority of respondents (88.85%) stated that they preferred the Bakers brand over other brands. Only 11.15% stated that they did not prefer the Bakers brand. As a first test of the existence of brand equity in the informal market, the respondents have confirmed that the Bakers brand is the 'brand-of-choice' and we can conclude that in this informal market for biscuits, Bakers is the stand-out brand.

#### **5.1.2.5 Prevalence of brand equity? Encouragement to other potential buyers**

Almost all the respondents (98.85%) stated that they would encourage their friends and family to buy the broken and reject biscuits from the 2 stores. We can conclude that the brand is well received by respondents and that the 2 stores are favourably perceived as the suppliers of the brand.

#### **5.1.2.6 Prevalence of brand equity? Ability to recognise the Bakers brand**

Despite the absence of normal branded packaging, the majority of the respondents (88.46%) stated that they agree or strongly agree that they can recognise Bakers biscuits from other competing brands. We can conclude that the Bakers brand is highly differentiated thus enabling the majority of the respondents to instantly recognise the brand, even though the packaging is clear.

#### **5.1.2.7 Prevalence of brand equity? Perception of uniqueness and high quality**

An overwhelming majority of respondents (97.69%) stated that Bakers biscuits have a consistently high standard of quality. 96.53% of the respondents agreed, in varying degrees, that the Bakers brand is unique and really stands out from other competing brands. We can conclude that the Bakers brand is very favourably received by the respondents in terms of product quality and uniqueness.

#### **5.1.2.8 Prevalence of brand equity? Consumers' perception of a safe and honest brand**

Only 1 respondent (0.38%) disagreed with the statement that "the Bakers brand is an honest and safe brand". Correspondingly, only 1 respondent (0.38%) was unfavourable towards the company and the brand. The majority of the respondents felt that the brand was honest and safe and they were favourable towards the company and the associated brand. We can conclude that the broken and reject customers generally have a good impression of the company and the Bakers brand.

#### **5.1.2.9 Prevalence of brand equity? Respondents' willingness to pay a higher price for Bakers Biscuits**

Price premium is generally regarded as the main determinant of brand equity. Whilst the majority of respondents (61.16%) stated that they are willing to pay a higher price for Bakers biscuits, it is not the overwhelming majority as seen thus far for the other determinants of brand equity. We can conclude that there is a willingness to pay higher prices for Bakers biscuits when compared to other brands. However, there were 38.85% of respondents who did not agree or strongly agree. This suggests that this market is very sensitive to lower prices.

#### **5.1.2.10 Customer complaints**

97.69% of the respondents have never complained about the Bakers biscuits that they have bought from either of the 2 stores. Only 6 of the 260 respondents have complained and from those six customers, three customers were satisfied with the way their complaints were handled. We can conclude that there is generally a high degree of satisfaction amongst the broken and reject customers. We can also conclude that neither stale biscuits, broken packaging or the presence of foreign objects feature prominently as pitfalls for the brand.

#### **5.1.2.11 Consumer preference for specific Bakers biscuits**

Based on the high rankings for the Royal Creams and Romany Creams/Choc Kits range of biscuits, we can conclude that certain biscuit ranges are guaranteed to continuously be in high demand, in this market. By gaining an appreciation of the consumer's taste preferences, the company can specifically cater to this if required to do so in the future. None of the main biscuit ranges scored lowly in terms of preference. 36.15% of respondents stated that they did not always get the specific biscuits that they wanted to buy.



#### **5.1.2.12 Reasons for purchasing broken and reject biscuits**

125 respondents bought broken and reject biscuits for household consumption. 135 respondents (51.93%) bought the broken and reject biscuits for selling them on at a profit. The majority of the 135 respondents (94%) re-sold the broken and reject biscuits in small quantities. A cross tabulation of monthly household and reasons for purchasing biscuits shows that the lower-income respondents mainly buy biscuits for re-sale and that the respondents with higher income tended to purchase the biscuits mainly for personal consumption. We can conclude that a significant fraction of broken and reject purchasers, who have low monthly household incomes, are buying and selling broken and reject biscuits to supplement their incomes. The onward re-selling of the broken and reject biscuits poses further threats to the brand. This study was confined to the customers of the 2 re-packers who purchase the biscuits directly from the manufacturer. This study cannot confirm if the onward sales of the biscuits results in hygienic and food-safe distribution. This is a potential threat to the brand.

#### **5.1.2.13 Customer satisfaction with current prices of Bakers' broken and reject biscuits**

92.69% of respondents confirm that price is very important to the purchasing decision. Further, of the total respondents, 78.07% state that they are very satisfied or somewhat satisfied with the prices they are paying for the broken and reject biscuits. 13.46% of the respondents are somewhat dissatisfied or very dissatisfied. We can conclude that this market is very sensitive to price and despite Bakers biscuits commanding a slight price premium, customers are very cognisant of price. For the enlightenment of the partnership between the manufacturer and the re-packers, it seems that the current pricing can continue as the prices are not yet inhibiting general sales.

#### **5.1.2.14 Customer perceptions of the 2 re-packers**

98.47% of respondents were somewhat satisfied or very satisfied with the manner with which the broken and reject biscuits were sold at the 2 stores. Further, 98.08% of the total respondents were somewhat satisfied or very satisfied with the service at the 2 stores. We can conclude that the appointed 2 re-packers are safeguarding the brand as part of their first-line sales. They are favourably received by their customers and they are protecting the brand through good presentation of the biscuits. Generally, they also do not receive customer complaints. This is a good working partnership between the manufacturer and the re-packer.

### **5.2 Recommendations**

It is imperative that Bakers Biscuits dedicate more time to better understand the broken and rejects markets and the implications of this market for the brand image. It is therefore recommended that even though the two re-packers already form a valuable partnership with the firm, the re-packers must also be used as a means of effective customer feedback. The re-packers have a deep understanding of the informal market and can provide valuable insight into low-end customers and low-income market dynamics. The low-income market is a sizeable market which could offer significant opportunities for Bakers Biscuits like future sub-brand offerings or cheaper biscuits for the low-income market. It is also recommended that the firm maintain the regular food safety audits of the two re-packers. This ensures that the brand is not compromised in the informal market. A further recommendation is for the firm to continue on a trajectory to decrease the levels of broken and reject biscuits in the manufacturing process. This will ensure lower levels of broken and reject biscuits which, amongst other benefits, will keep target-market customers purchasing biscuits from established retailers. The lower levels of broken and reject biscuits will also reduce the risks further down the informal supply chain, especially where broken and reject biscuits are bought for re-sale.

### **5.3 Contribution of the study to knowledge**

This study has contributed to the body of knowledge in the following ways:

- This study is the first to determine the degree of esteem in which the Bakers brand is held in low-income, informal markets.
- This study has assisted the company in determining a first-cut risk profile for the brand in the informal markets.
- This study has given the firm an indication of the type of biscuits that is predominantly demanded by the low-income markets. This will enable the firm to appreciate the type of biscuit that should be introduced if the firm decides to specifically target low-income consumers.

### **5.4 Limitation of study**

As a means to enable further relevant research, a researcher should comprehensively outline any limitations that were contended with during the study. Opportunities and approaches to surmount some of the limitations are presented in the section which covers recommendations for further research. In this project, some of the limitations which were encountered include the following:

- A significant limitation was the deficiency of academic and industry research and literature regarding the sale of broken biscuits. There are numerous studies on waste but no research was found specifically on reject biscuits. This made it difficult to draw comparisons with findings from other studies.
- Another limitation was the tracing of the sale of biscuits further down the supply chain after the 2 re-packers had sold the biscuits. This limited the extent to which conclusions could effectively be drawn about quality and brand protection. However, the scope of the study was limited to the sales by the 2 re-packers.

- Geographically, this study was restricted to the Pinetown and Queensburgh regions, as these are the areas where the manufacturing site and the two re-packers are situated. The results and conclusions drawn from the study may not be valid for other geographic regions where broken and reject Bakers Biscuits are sold.
- The study made use of non-probability sampling and therefore the findings of the study could not be generalised to the entire population. The sampling method employed was appropriate for this research project but it is noted that the use of convenience sampling does not allow for full generalisation.

### **5.5 Direction for future research**

All the findings from this research study, seen in conjunction with limitations that were identified, provide guidance around recommendations for further research into the topic. Whilst the lack of prior research was cited as a significant limitation, this study can facilitate further research into the treatment and sale of broken and reject biscuits. Recommendations for future studies include the following:

- A similar study can be done to fully trace the biscuits to the final consumers. This study concluded that a large percentage of customers buy broken and reject biscuits specifically for resale. Further risks and opportunities down the total supply chain can be determined.
- Due to the condensed geographical locations of the 2 re-packers, a further study can be done to determine what impact the sales of broken and reject biscuits have on sales of good Bakers products in the region.
- A study can be done to determine what the potential for normal revenue streams will be if the company decided to stop selling their broken and reject biscuits, thereby forcing all broken and reject customers to procure Bakers biscuits from the normal established retail outlets.

- A study can be done to determine the financial feasibility of Bakers Biscuits producing biscuits specifically for these informal markets.
- A further study can be done by using probability sampling. Such an approach will be more reliable enabling complete generalisation across the population.

## **5.6 Summary**

It is of the utmost importance that Bakers Biscuits understand the various risks and opportunities that are present in the markets in which they sell their broken and reject biscuits. Information gleaned from this market can enable the company to mitigate or eliminate risks and to also possibly exercise any opportunities to further entrench the brand. This study sought to identify the consumer base as well as to test how favourably the brand was received in informal markets. The objectives that were established for the study were designed to answer the research question as well as to provide sufficient data for the various study objectives.

This study has successfully met the research objectives that were set out. Despite the limitations, the questionnaire responses still enabled the key objectives to be addressed. This study has highlighted the make-up of the customer base and has confirmed that there is an extended supply chain further down from the two re-packers. This extension of the supply chain poses further risks for the brand which could be addressed in subsequent studies. Bakers Biscuits is a market leader in the manufacturing and sales of biscuits. The Bakers brand is well known and favourably perceived by customers in formal, regulated markets. By selling the limited quantities of broken and reject biscuits into informal markets, the company has accepted risks but has also positioned itself for further opportunities in markets for which the company does not specifically manufacture. The study has shown that there is significant demand for the broken and reject biscuits. Customers of the broken and reject biscuits view the company, and its products, very favourably. The high esteem in which the brand is held, coupled with customers' willingness to pay a price premium, offers other opportunities for the firm. The contact with the informal market is not very intentional by the firm, but it is a huge market that can offer significant benefits. By paying closer attention to the informal market, Bakers Biscuits can proactively reduce risks as well as position itself to benefit from the opportunities offered by the informal market.

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# Appendix 1

## INTRODUCTORY LETTER

<b>Informed Consent Letter</b>
--------------------------------

**UNIVERSITY OF KWAZULU-NATAL  
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

**MBA Research Project**

**Researcher:** Kubandran Chetty (071 866 5139)

**Supervisor:** Dr Willem Bester (083 407 3291)

**Research Office:** Mr P Mohun 031-2604557

I, Kubandran Chetty, am an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled The selling of broken and reject biscuits. The aim of this study is to: understand the profile of customers as well as to determine the level of customer loyalty to Bakers Biscuits™.

Through your participation I hope to understand if customers are satisfied with prices and quality of the biscuits that are purchased. The results of the questionnaires are intended to help Bakers Biscuits™ to better understand this market and to explore the potential for the company to cater better to this market, in the future.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 15 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

**Appendix 2**  
**CONSENT LETTER**

**UNIVERSITY OF KWAZULU-NATAL**  
**GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

**MBA Research Project**  
**Researcher:** Kubandran Chetty (071 866 5139)  
**Supervisor:** Dr Willem Bester (083 407 3291)  
**Research Office:** Mr P Mohun 031-2604557

**CONSENT**

I.....(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

## **Appendix 3**

### **Questionnaire**

Dear Participant,

You are invited to participate in a research project entitled The selling of broken and reject biscuits. The aim of this study is to determine whether the different elements of brand equity exist in this re-sale market. Through your participation I hope to understand how the reject biscuits are perceived and accepted by the purchasers. This will enable me to identify risks, opportunities and threats and will also assist my in to identify the improvements that may be necessary. Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN. The survey should take you about 10 minutes to complete. If you have questions at any time about the survey or the procedures, you may contact           Kuban           Chetty           at           031           717           1616.

Thank you very much for your time and support. Please start with the survey now by ticking the "I Agree" box

☐ I Agree

1. Please select your population group
  - ☐ Black
  - ☐ Indian
  - ☐ Coloured
  - ☐ White
  - ☐ Other
  
2. Please select the average monthly income in your household
  - ☐ Less than R 3 267 per month
  - ☐ Between R 3 268 and R 4 241 per month
  - ☐ Between R 4 242 and R 6 647 per month
  - ☐ Between R 6 648 and R 13 224 per month
  - ☐ Between R 13 225 and R 17 461 per month
  - ☐ Between R 17 462 and R 23 745 per month
  - ☐ Greater than R 23 745 per month
  
3. Please select the area in which you reside
  - ☐ Queensburgh and surrounding area
  - ☐ Pinetown and surrounding area
  - ☐ Other Durban
  - ☐ Outside Durban but within Kwa-Zulu Natal
  - ☐ Outside Kwa-Zulu Natal
  
4. I buy biscuits from this outlet mainly for ... (Please choose the most appropriate option)
  - ☐ Personal household consumption
  - ☐ For re-sale in large quantities
  - ☐ For re-sale in small quantities
  - ☐ For donations or charitable pursuit
  - ☐ Other – please specify \_\_\_\_\_
  
5. If biscuits are bought for re-sale, what is the average number of customers that you re-sell to
  - ☐ 0-50 customers
  - ☐ 51- 100 customers
  - ☐ 100 – 150 customers
  - ☐ 151-200 customers

- Greater than 200 customers

6. I consider Bakers Biscuits to be my first choice when purchasing biscuits from this store?

- Yes
- No

7. Do you buy biscuits from other established retail stores, like Checkers, Pick n Pay, Spar etc?

- Yes
- No

8. I would encourage friends and family to buy Bakers Biscuits from this store?

- Yes
- No

9. I can recognise Bakers Biscuits from other competing brands?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

10. I am able to recognise Bakers Biscuits that does not have any packaging?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

11. Bakers Biscuits have a consistent high standard of Quality?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

12. The Bakers brand is unique and really stands out from other competing brands?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

13. I am willing to pay a higher price for Bakers Biscuits than for other competing brands?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

14. The Bakers brand is a honest and a safe brand?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

15. If you take into consideration everything you know about Bakers Biscuits, how favourable are you towards the company and the brand?

Very Unfavourable	Unfavourable	Neither Favourable nor Unfavourable	Favourable	Very Favourable
1	2	3	4	5

16. For how long have you, or anyone in your household, been buying Bakers Biscuits ?

- Less than a year
- 1 – 3 years
- 4 – 5 years
- 6 – 10 years
- Longer than 10 years

17. I buy Bakers Biscuits from this store

- ☐ Weekly
- ☐ Monthly
- ☐ Occasionally

18. How important is the price of the biscuits when deciding to buy?

Not At All Important				Very Important
1	2	3	4	5

19. I am satisfied with the price that I pay for Bakers Biscuits at this store, when compared to other biscuit brands

Very Satisfied	Somewhat Satisfied	Neither Satisfied nor Dissatisfied	Somewhat Dissatisfied	Very Dissatisfied
1	2	3	4	5

20. How many times did you have complaints about Bakers biscuits bought at this store?.

- ☐ Never
- ☐ Once
- ☐ Two times
- ☐ Three times
- ☐ Four times
- ☐ More than 4 times

21. If you have complained, what was the complaint about? ( You may choose more than 1 cause)

- ☐ Not applicable – I have never complained
- ☐ Stale or soft biscuits
- ☐ Broken packaging
- ☐ Foreign object in the biscuit , for example Wood, Stone, Metal etc
- ☐ Other ( please specify) \_\_\_\_\_

22. If you have complained, were you happy with the way your complaint was handled by the management of this store

- ☐ Yes
- ☐ No



23. Please rank the Bakers' biscuit range according to your preference, where 1 is your most preferred biscuit that you wish to buy and 6 the least preferred by you. Do not repeat any numbers.

- Lemon Creams \_\_\_\_
- Strawberry Whirls \_\_\_\_
- Topper Creams \_\_\_\_
- Royal Creams \_\_\_\_
- Romany Creams \_\_\_\_
- Choc Kits \_\_\_\_

24. How often do you get the specific Bakers biscuits that you wish to buy, available at this store?

Very Seldom				Very Often
1	2	3	4	5

25. Rate your overall satisfaction with the way the biscuits are packaged and sold at this store?

Very Satisfied	Somewhat Satisfied	Neither Satisfied nor Dissatisfied	Somewhat Dissatisfied	Very Dissatisfied
1	2	3	4	5

26. Rate your overall satisfaction with the service at this store?

Very Satisfied	Somewhat Satisfied	Neither Satisfied nor Dissatisfied	Somewhat Dissatisfied	Very Dissatisfied
1	2	3	4	5

27. Do you have any comments or suggestions about purchasing biscuits at this store?

## Appendix 4

### Ethical Clearance



02 November 2015

Mr Kubandran Chetty 205522388  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Chetty

Protocol reference number: HSS/1546/015M  
Project Title: The selling of broken and reject biscuits

#### Full Approval – Expedited Application

In response to your application received on 20 October 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted FULL APPROVAL.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
Dr Shenuka Singh (Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

Supervisor: Willem Bester  
Academic Leader Research: Dr Muhammad Hoque  
School Administrator: Ms Zarina Bullyraj

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Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

## Appendix 5

### Gatekeeper's letter



#### Gatekeeper's Letter

To Whom it May Concern

I, **Kisbey Boy**, the undersigned, hereby give permission for **Kubandran Chetty** to conduct research at Snackworks towards his dissertation entitled **The selling of broken and reject biscuits**. He may collect data from customers who purchase broken and reject biscuits, provided that it does not interfere with the normal operations of Bakers Biscuits.

I am aware that dissertations and subsequent academic papers based on this data will be available in the public domain and the following condition applies in this regard:

The work may not be published in the public domain within five years of completion.

Yours faithfully

K. BOY  
Operations Executive

12 October 2015

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Company Secretary: S Naidoo

**Executive Management:** GC Porcetti (Managing Director); J O'Meara (Finance Director); E Venter (Sales Director);  
Y Trevian (Marketing Director); S P Harwood (Operations Director); H De Groot (HR Director)

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