

UNIVERSITY OF KWAZULU-NATAL

**Determination of Brand Loyalty Amongst South
African Petrol Consumers**

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degree of
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DECLARATION

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Abstract

More and more South Africans buy cars on a daily basis. They therefore join a group of existing petrol consumers. The aim of this research was to establish the existence of brand loyalty amongst South African petrol consumers. The approach of the research was based on two measurements used in the definition of brand loyalty. There is no one definition of brand loyalty as indicated from existing literature. A number of the definitions refer to behavioural and attitudinal elements of loyalty. This study was largely conducted on this basis of loyalty.

A total of eighty conveniently selected participants were interviewed in Pretoria and Johannesburg. Data collected using structured questionnaires was then analysed statistically.

Findings of the research revealed that South African consumers are not strongly loyal to their chosen petrol brands. Several factors contributed to these results, such as the non existence of marketing strategies to create brand awareness. Recommendations to improve brand loyalty were provided along the lines of loyalty programmes as well as service excellence.

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CHAPTER ONE

Introduction

1.1 Introduction

A brand according to the American Marketing Association dictionary is a name, term, design, symbol, or any other feature that identifies one seller's goods or service as distinct from those of other sellers (American Marketing Association, 1995). Many definitions of brand loyalty are based on customer behaviour, making reference to repeat buying. It occurs because the consumer perceives that the brand renders the exact product features, image and, or level of quality at the right price. Kahn & Meyer (1989) prefer the definition that states that a brand is a deliberate prior tendency to purchase often stemming from past positive experiences with its use.

The study was undertaken to determine whether there is brand loyalty amongst South African petrol consumers or not. It then established the existence or non existence of loyalty and the reasons for such, when it comes to petroleum brands such as BP, Caltex, Shell, Engen, Total and Sasol.

This chapter introduces the motivation for the study by justifying the need to carry out the research. It further discusses the focus of the study and the problem statement. For the study to be conducted appropriately a number of research questions had to be formulated. Objectives that needed to be achieved are clearly laid out below. Limitations of the study are also stated. Lastly, the layout of the chapters is introduced.

1.2 Motivation for the Study

There seems to be no research that has tested brand loyalty within the South African petroleum industry. What sparked the interest to undertake this study is that from an observational point of view South Africans seem to have no preferences in petrol brands.

This study sought to detect what customers want when purchasing petrol. A key line being to determine if the purchase behaviour of petrol is being influenced by marketing strategies or is it a matter of repeat purchasing based on proximity or on a particular brand? Alternatively is petrol bought at sites that house customer specific convenience stores such as a Woolworths? The completed research affords a greater understanding as to which factors contribute to petrol purchase behaviour.

Petrol retailers on the other hand will gain an understanding as to whether purchase is driven by fuel brand recognition or related brands on site, hence resulting in loyalty. The research considered whether loyalty to the fuel brand does exist and if so what factors cause people to decide on where to purchase fuel. It was thought that if it was found that brand loyalty is weak, strengthening tactics in elevating brand loyalty would be considered. Where brand loyalty is insignificant, or does not exist then the petrol station owners will have to concentrate on other features such as differentiated service or other forms of improvements. The findings of the research add to in-depth knowledge of petrol consumer behaviour within the industry and they could be utilised by Oil Companies in future studies.

An additional benefit of this research is that government might learn from it, as to how government regulations impact on petrol brand loyalty if indeed regulations are a contributing factor. If found to be one of the factors, the research creates an awareness of what the effects are for retailers that do not practice branding of products or services. The research explains the importance of brand loyalty in relation to market share and realised profits.

1.3 Focus of the Study

The focus of the study was limited to the brand loyalty of retail consumers when purchasing petrol. The study did not dwell on the quality of the different brands under study and worked on the assumption that all petrol in the SA market is similar.

1.4 Problem Statement

There is a perception that South African petrol consumers are not brand loyal hence this research was conducted to determine whether that is the case or not. There is currently no information that explains the consumer behaviour in the purchasing of petrol in the South African Petroleum Industry.

1.5 Research Questions

The four questions to be answered by this research are as follows:

1. Do consumers consider a brand when purchasing petrol?
2. What roles do marketing strategies of Oil Companies play in relation to consumer brand loyalty?
3. What are the inhibiting factors experienced by petrol retailers in attaining brand loyalty?
4. Do existing customer retention strategies work?

1.6 Objectives

The overall primary objective of the study under consideration is to determine whether there is brand loyalty amongst South African petrol consumers.

The Objectives of the Research are to:

- Determine if petrol consumers in South Africa consider a particular petrol brand when filling up with petrol or if they are influenced by factors such as proximity or a relationship with service stations.
- Determine the role played by Oil Company marketing strategies in attaining brand loyalty to their brand of petrol such as house customer specific convenience stores.
- Establish if there are any inhibiting factors in attaining brand loyalty experienced by the retailers.
- Establish if existing Oil Company customer retention strategies work or not.

1.7 Limitations of the Study

Limitations of the study are:

- Respondents will be sampled on a convenience basis due to time constraint.

- The sample size will not be too large due to time constraint in getting questionnaires completed as time spent by consumers at the petrol station will be dependent on the amount of fuel being poured.

1.8 Research Methodology

The research focused on the six major petrol brands found in South Africa namely BP, Caltex, Shell, Engen, Total and Sasol. Convenience sampling was used. Samples were selected from petrol stations between Johannesburg and Pretoria. The research was quantitative in nature. Questions highlighting brand loyalty, marketing strategies and factors which inhibit the attainment of brand loyalty were included in the structured questionnaire. Participants were notified that participation was voluntary. Interviews were conducted guided by the self administered questionnaire. Data was collected and statistically analysed to determine the results of the study.

1.9 Summary of Chapters

The layout of the dissertation is in the following format:

Chapter 1: Introduction and Background to the Study

This chapter includes the background to the study, problem statement, research questions, objectives and motivation.

Chapter 2: Literature Review

The chapter covers the theoretical aspect with regard to Brand Loyalty, Marketing Strategies, Petrol Brands and related issues.

Chapter 3: Research Methodology

This chapter describes the research methodology used leading up to a questionnaire that renders reliable and valid results. It also contains a discussion on the fieldwork

Chapter 4: Research Results

Chapter 4 is a presentation of the findings of the study and analysis of the results as per findings from data collection.

Chapter 5: Conclusions and Recommendations

This chapter contains the conclusion of the study and makes recommendations to address the brand loyalty issue. Suggestions for future research are made.

1.10 Summary

The chapter introduced the background to the research. It then discussed the motivation, focus, problem statement, research questions and objectives of the study. The methodology utilised to obtain results was briefly outlined. Limitations of the study were stated. The next chapter will discuss Literature relevant to Branding, Brand Loyalty, Marketing Strategies and a background overview of the South African Petroleum Industry.

CHAPTER TWO

Literature Review

2.1 Introduction

This chapter reviews the literature with an aim of establishing answers to the research questions posed in chapter one. The review has been structured in such a way that it addresses the principles of branding and loyalty. It delves into loyalty patterns and the effect loyalty has on consumers. Another aspect that relates to the research is the structure of the South African petroleum industry and consequences thereof in terms of branding and loyalty of petrol consumers. This includes theory on legislation and considers the fuel industry in other countries. Service Quality and how it facilitates customer retention is also discussed. This expands to marketing strategies utilised to promote brands with an intention of gaining loyalty and in turn increasing sales.

2.2 Brands and Branding

The American Marketing Association defines a brand as a name, term, design, symbol, or any other feature that identifies one seller's goods or service as distinct from those of other sellers (American Marketing Association, 1995). From literature review there has been several definitions and analysis of this definition. Kapferer (2008) suggests that there is no one definition of a brand. He mentions that there are disagreements between experts and as a result there are different definitions of a brand. The difficulty comes in during measurement of the brand in terms of the limited indicators that must be used to evaluate brand equity. Furthermore there is a major difference between two paradigms to be considered. One is customer based and concentrates on the relationship that the customer has with the brand i.e. total indifference to attachment, loyalty and willingness to purchase and repurchase based on beliefs of superiority and emotions. The other is associated with producing measures in monetary terms. Authors de Chernatony & Riley (1998) have unpacked and categorised the definition into some of the themes below.

2.2.1 Brands as a Logo

This emanates from the traditional definition discussed above. Many authors such as Watkins, 1986; Aaker, 1991; Dibb, Simkin, Pride & Ferrell, 1994; Kotler, Armstrong, Saunders, & Wong 1996; strictly adhere to this definition. Shell, BP and the other petrol companies have distinct logos which can be identified from a distance. Other authors add variants on the theme of the brand's visual features as differentiating devices. Crainer (1995) argues that the trouble with older definitions of brands is that they dwell on the physical product.

Koch (1994) alternatively defines a brand as "a visual design and /or name that is given to a product or service by an organisation in order to differentiate it from competing products and which assures consumers that the product will be of high and consistent quality".

2.2.2 Brand as a Legal Statement

De Chernatony & Riley (1998) suggest that the Oxford dictionary defines a brand as "A particular sort or class of goods, as indicated by the trade- marks on them". This is more a definition relating to a brand as a legal statement. They further explain that branding represents an investment hence as a result firms seek legal ownership of the brand, as protection against imitators. Keller (2003) argues that brands provide a number of valuable functions to firms such as legal protection for unique features and aspects of a product. A brand can retain intellectual property rights, providing legal title to the brand owner. This therefore protects the brand name through registered trademarks, manufacturing processes protected through patent and packaging is protected through copyrights and designs.

2.2.3 Brand as a Relationship

Hill, McGrath and Sandeep (1998) have defined branding as "creating a mutually acknowledged relationship between the supplier and buyer that transcends isolated transactions or specific individuals". This signifies a "relationship" as opposed to a product. This is confirmed by de Chernatony & Riley (1998) that having a respected personality is required prior for a relationship between

consumers and brands. They further write that if brands are personified then consumers would not just perceive them, but would have relationships with them as well. The relationship results in Customer based Brand Equity. Brand Equity is defined differently by different authors. Keller (2003) defines it as “the differential effect that brand knowledge has on consumer response to the marketing of the brand”. However Aaker (1996) on the other hand defines it as “a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/ or that firm’s customers”. This implies that customers will show preference of one petrol brand over another even when identical. The extent to which customers are prepared to pay more for one particular brand over another is a measure of Brand Equity. Pearson (1996) further adds that the quality of the relationship gives a company a competitive advantage. The frequent association with the brand may result in the likelihood of a customer buying the brand.

2.2.4 Brand as a Risk Reducer

Kapferer (2008) attest to the fact that financial analysts prefer companies with strong brands simply because they are less risky. He mentions that the certainty, the guarantee and the removal of the risk are inclusive in the price. Stock exchange listed companies like Sasol have to actually manage the vast recognition of their products. The corporate brand is a means to strengthen recognition. According to de Chernatony & McDonald (1998) a number of marketers believe that purchasing should be regarded as a process whereby buyers try to reduce the risk of a purchase decision. There is always uncertainty whenever a customer is faced with competing brands and they do not want to appear as if they are wasting money or whether they will be comfortable with the purchase. Marketing of the brand should be such that the end consumer feels minimal risk when purchasing it. If this is not done then buyers will try and minimise risk by always buying the same brand, researching for more information or settling for the smallest size. Nowadays customers will endeavour to buy the most reputable brand according to de Chernatony & McDonald (1998).

2.2.5 Brand as a Company

Brands extend beyond products and services. Companies are nowadays viewed as brands according to Keller (2003). Kay (2006) writes that corporate brands can be managed like product brands. He however differentiates between building a strong brand versus a product or service brand. Corporate brands in most cases have little impact on consumers and may not affect demand for product or service offerings. Corporate communication branding messages directed at shareholders, employees and other stakeholders are not likely to create a strong brand in which brand meaning and brand community are cultivated. However when companies develop meaning through distinctive brand associations, customers will then tend to recognise the brands. One way of doing this is through social responsibility programs. In this manner customers will identify with corporate value connections and this then result in strong corporate brands.

2.2.6 Brand as an Image in Consumers' Minds

Kotler (1988) defines brand image as the set of beliefs held about a particular brand. These sentiments are echoed by Srivastava & Kamdar (2009) by stating that brand image refers to consumer perceptions and encompasses a set of beliefs that consumers have about the brand. Looking from a consumer's perspective, the brand provides a visible representation of differences between products. Consumer behaviour literature site exposure, attention and perception as initial steps that lead to brand image stimulus as discussed by Hoyer & MacInnis (1997). Before any marketing stimulus can affect a consumer, they must be exposed to it. Through exposure consumers can physically be exposed to stimuli such as advertisement, packaging, brand names or brand attributes. As the consumer allocates part of his cognitive resources, attention is developed which may be selective and divided. Perception then occurs when stimuli is registered by any of the five senses namely vision, hearing, taste, smell and touch. Keller (2003) also agrees with this notion in the sense that a positive brand image is created by marketing programs that link strong, favourable and unique associations to the brand in memory. He further states that such programs will ensure that brand strength association is increased. The more deeply a person thinks about product

information and relates to the existing brand knowledge, the stronger the brand associations. According to Sonnier & Ainsle (2011) brand image associations are key building elements in customer based brand equity frameworks.

2.2.7 Brand as a Value System

There are a number of reasons why branding is carried out by different companies. Some of the advantages of branding according to Crainer (1995) are:

- i) Increasing customer loyalty and enhance market share.
- ii) Differentiation i.e. being different from competitor's products or services, which may otherwise be identical.
- iii) Pricing that reassures quality associated with the brand and therefore leverage on premium price.
- iv) Invent or transform markets
- v) Creating new identities by branding unbranded products and services and as a result develop new commercial possibilities, partnerships and networks.

Kotler (2003) further states that a brand identifies the seller or maker and is a complex symbol that conveys six levels of meaning. These are listed as Attributes, Benefits, Values, Culture, Personality and User.

2.3 Brand Loyalty

Aaker (1992) suggests that brand loyalty leads to brand equity which in turn leads to business profitability. This therefore gives a company a competitive advantage and reduces marketing costs in introduction of new customers. Loyal customers are less likely to switch and this can manifest in high return on investment. Reichheld (1996) also posits that there are various advantages of customer loyalty such as a continuous stream of profits, reduction of marketing costs, growth of per-customer revenue, decrease in operating costs and increase in referral. Hallowell (1969) suggests that many organisations have been trying to increase their customers' loyalty through retention programs and relationship marketing strategies. This has been observed in a number of South African petrol stations where car wash vouchers are supplied to motorists who fill petrol over a stipulated

amount. In some cases a point system is utilised to entitle a customer for a car wash. Researchers like Rothschild & Gaidis (1981) as well as Kahn & Louie (1990) have proposed and discovered empirically that if consumers have been satisfied with promoted brands, their satisfaction is reinforcing and leads to an increased probability of them choosing the same brands even after the promotion is over. In the case of petrol stations, such promotions are found inside the convenience stores located within the petrol station premises.

The question that one needs to ask is whether satisfaction leads to loyalty. According to Waddell (1995) and Oliver (1999) there is an asymmetric relationship between loyalty and satisfaction. Other authors like Baldinger & Rubinson (1996) have confirmed that highly loyal buyers tend to stay loyal if their attitude towards a brand is positive. It is therefore easier to convert a switching buyer to a loyal buyer if they have a favourable attitude towards the brand. Kabiraj & Shanmugan (2011) further argue that a loyal customer and a satisfied customer are not necessarily the same. Customers may be loyal for a number of reasons and may not be happy with the product or service. In some cases the lack of customer defections might be misinterpreted with satisfied customers. Difficulty in switching can be a result of costs or penalty attached. This is not the case in relation to petrol purchase in South Africa since the price is regulated by government throughout the country. In some cases the alternative products may not be attractive hence switching the supplier may not be necessary. There are a number of other reasons why customers may be loyal to a product. Convenience i.e. ease of access to the retailer's premises may be one of them. Some petrol stations are situated next to roadways where it is convenient to fill up. Price can also be a determinant.

Existing research confirms that there are no universally accepted definitions of brand loyalty according to Uncles, Dowling & Hammond (2003). Tucker (1964) defined brand loyalty as "simply biased choice behaviour with respect to the branded merchandise...No consideration should be given what the subject thinks or what goes on in his central nervous system; his behaviour is the full statement of what brand loyalty is". The definition explains observed behaviour as opposed to

psychological motivations. In their research article Kabiraj & Shanmugan (2011) suggest that early work devoted little attention to conceptual explanation of brand loyalty. The emphasis was more on a behavioural basis. Such research concentrated on percentage purchases or repeat purchase sequences. Day (1969) argues that brand loyalty should be discussed from a behavioural as well as an attitudinal point of view. He further states that though once attitudinal criteria has been imposed, loyalty tends to become a brand specific concept and no more a general overall behaviour pattern. A buyer would therefore have a loyalty score card for each brand that he buys in a given period based on the share of total purchases and attitude towards the brand. He further argues that loyalty measures based on reports of purchase decisions do not differentiate clearly between true or “intentional” loyalty and “spurious” loyalty or because a brand offers a series of deals as a result of purchasing one brand since there are no readily available ones or a brand offers a series of deals. Engel & Blackwell (1982) suggested that spurious loyalty is likely in situations of low involvement whereas true loyalty is more likely in cases of high involvement. Engel, Blackwell & Miniard (1990) categorised habitual purchasing into two forms. The first one was as a result of inertia that resulted from a lack of involvement with the product category. The second one was brand loyalty resulting from high involvement with the product. Jacoby & Kyner (1973) stated that “repeat purchasing behaviour and brand loyalty are functionally different phenomena and are mediated by different underlying dynamics”. Their argument was based on the fact that the notion of commitment required conceptual elaboration in order to facilitate the differentiation of different degrees of brand loyalty. Newman & Werbel (1973) on the other hand raised a different view where they argued that a measure of brand loyalty should reflect buyer resistance to persuasion to switch brands in order to have a meaningful insight to management.

Crainer (1995) defines Loyalty as “A measure of the commitment or obligation felt by consumers to purchase or use a particular brand”. This is a notion that Traylor (1981) agrees with. He suggested that commitment is attitudinal. The greater the degree of brand commitment, the more likely the brand is to be the only choice in

the product class. This then creates an attachment to the brand. In another article Traylor (1983) suggested that the brand commitment represents an emotional or psychological attachment to a brand whilst brand loyalty is a behavioural phenomenon. Jacoby & Chestnut (1978) defined brand loyalty as “ the biased behavioural response, expressed over time, by some decision making unit with respect to one or more alternative brands out of a set of such brands and is a function of psychological (decision making , evaluative) processes exhibited over time”. This was a more elaborate and conceptual definition according to Uncles et al (2003). Clow & Baack (2010) attest to that brand loyalty occurs when a consumer makes a concerted effort to find and purchase a specific brand. This is simply because the consumer has developed a mental affinity with the brand. However Oliver (1997) portrayed a complex multidimensional picture of the definition of brand loyalty. His framework included the full spectrum of brand loyalty based on the hierarchy of effects model with cognitive, effective, conative (behavioural intent) and action (repeat purchase behaviour) dimensions. His definition is “ A deeply held commitment to rebuy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”. He further describes loyalty in the cognitive phase as based on either prior knowledge or experience about a certain brand. Loyalty in the affective phase is a liking or attitude towards a brand as shown in Figure 2.1. This form of loyalty is subject to switching. Thirdly conative loyalty is a customer’s behavioural intention to keep on purchasing a product in the future. Such loyalty is stronger than affective loyalty according to Oliver (1999) and Pederson & Nysveen (2001). Finally action loyalty occurs when motivated intention is changed into readiness to act, which is the behavioural approach.

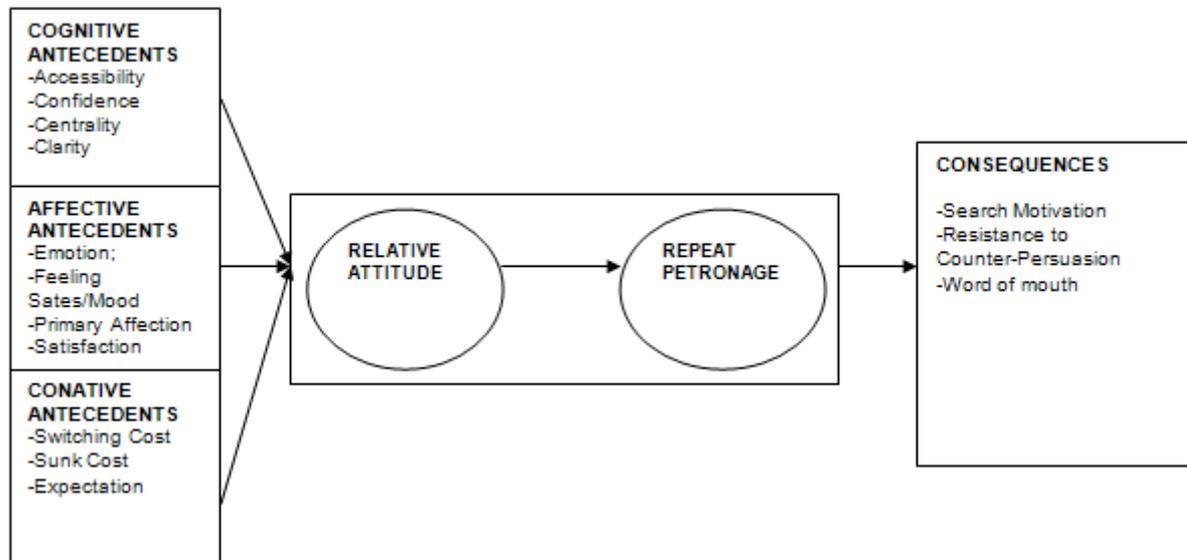


Figure 2.1 A Conceptual Framework of Customer Loyalty

Adapted from Dick, A.S. & Basu, K. 1994. Customer loyalty: toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*, vol. 22, no. 2, pp. 99-113.

2.3.1 Brand Switching

Evans, Moutinho & Raaij (1996) classify brand loyal consumers into hardcore and brand switchers. Hardcore consumers repeatedly purchase a brand regardless of the premium price of the brand. On the other hand brand switchers are those that utilise two or more brands when one brand does not satisfy all their needs.

2.3.2 Behavioural Loyalty

A number of studies of brand loyalty have been measured by the behavioural aspect of brand loyalty e.g. repeat purchases disregarding the cognitive aspect. According to Uncles et al (2003) behavioural measures define brand loyalty in terms of the actual purchases observed over a time period. The advantage of this is that the measures are firstly based on actual purchases directly related to the performance and existence of the firm. Secondly they are not likely to be incidental as they are based on behaviour over a period of time. Lastly they are relatively easier to collect than attitudinal data. An example is a study carried out by Fader & Schmittlein (1993) investigating the advantage of high share brands in brand

loyalty. In their research they concluded that high share brands have significantly greater loyalty than small market share brands. The focus of measurement was based on the behavioural aspect. According to Corstjens & Lal (2000) behavioural loyalty can be expressed in different ways. Some customers may be loyal to brands and or they can be loyal to stores. Schultz & Bailey (2000) further discusses the fact that a satisfied customer is most likely to be loyal to a brand or store over time than a customer whose purchase is as a result of other reasons like time restriction. Day, Shocker & Srivastava (1979) argue that although behavioural data is the most accurate presentation of the past behaviour, it is not necessarily a good representation of future behaviour especially under changed circumstances e.g. when a brand is out of stock.

2.3.3 Attitudinal Loyalty

As discussed above most definitions of brand loyalty consider the behavioural aspect. Day (1969) argued that to be truly loyal, the consumer must also hold a favourable attitude toward the brand. Mellens, Dekimpe & Steenkamp (1996) as well as Foxall & Goldsmith (1994) support that there has to be attitudinal commitment. They further state that a positive attitudinal response for a brand attribute like “tastes nice”, “good value for money” or “Intention to buy” is an indicative component of the consumer’s commitment and loyalty towards that brand. Buying the brand would be then a result of a consumer having liked it. They argue that if positive beliefs are reinforced by say one’s use of the brand or advertising, one would by chance purchase it more often in the future. An alternative view by Riley, Ehrenberg, Castleberry, Barwise & Barnard (1997) is that liking follows behaviour and that strengthening one’s liking of the brand would not increase repeat purchase tendencies. Jacoby and Chestnut (1978) have implied that the underlying principles of brand loyalty are the consumer’s consistency of choice. If a positive attitude displays commitment and loyalty, positive beliefs must also be stable over time. In their research findings, Riley et al (1997) concluded that attitude beliefs are not very firmly held. The attitudinal repeat rates for different brands vary about a 50% average. The variations are dependent on initial attitudinal responses regarding commitment and loyalty towards a brand as further

instance of Double Jeopardy effects i.e. the statistical selection effect that has to happen every time two or more items only differ by popularity but otherwise are of equal merit, McPhee (1963). It was found that the variation of repeat rates is not brand specific.

A number of authors like Jacoby & Chestnut (1978), Dick & Basu (1994) and Reichheld (1996) support the notion that brand loyalty is as a result of strong attitudinal commitment. This is associated with favourable set of stated beliefs on the brand purchased. The attitudes are actually measured by enquiring how much people like the brand, how much they feel committed to it, whether they would recommend to any person as well as positive beliefs and feelings in comparison with competing brands. The strength of the attitudes is regarded as the major predictor of a brand's purchase and repeat patronage. It is expressed in terms of revealed behaviour i.e. past purchase patterns. It is also displayed through buying moderated by individual's characteristics, circumstances, and or the purchase situation.

2.4 The South African Petroleum Industry

2.4.1 Background

The history of the South African oil industry dates as far back as 1884, when a company was established to manage importation of and sale of petroleum products (Oil and Gas ... 2011). The industry grew as a result of growth in the motoring industry and industrial enterprises that utilised liquid fuels.

From the 1950s for political, strategic and economic reasons, the South African government started a programme to reduce dependence on crude oil imports. Importation of all oil products occurred before 1954 and after that the first oil refinery was built in Durban by Mobil, now known as Engen. Later during the same decade Sasol I oil was built from coal plant to create liquid fuels. More refineries were built thereafter as a result of demand. These comprised of Sapref (Shell and BP) in 1964 also in Durban. In 1966 there was the introduction of Calref (Caltex) in Cape Town followed by Natref (Sasol and Total) in 1972. The Sasol II and III plants

were established in Secunda close to the coal fields. Towards the end of the 1980s, construction of Mossgas started to produce liquid fuels from natural gas in the Bredasporp basin. Since then the industry has grown and matured and exploration for gas and oil has been ongoing. There are currently seven major players in the industry according to Maleka, Mashimbye & Goyns (2010). These are BP, Chevron, PetroSA, Sasol, Shell and Total.

South Africa has small oil reserves that are situated in off-shore fields off the west coast and south coast according to Maleka et al (2010). It relies heavily on imports to meet its growing demand. The main source of crude oil in 2009 shown in Figure 2.2 below was Saudi Arabia (29%), followed by Iran (23%), Nigeria (16%), Angola (15%), Russia (3%) and other countries (14%). The Oribi/Oryx fields supply enough crude oil for about 2% of South Africa's fuel requirements. A recent one that will supply 7% to 10% is the Sable field that just came into production. The synthetic fuel plants of PetroSA and Sasol supply about 38% of the final liquid fuel demand. PetroSA is currently at an advanced stage with Project Mthombo in the Eastern Cape's Coega Industrial Development Zone, which will create the biggest refinery in Africa (400 000 bbl/d). The project will commence in 2012 and will be completed by 2025 (Project Mthombo ... 2011)

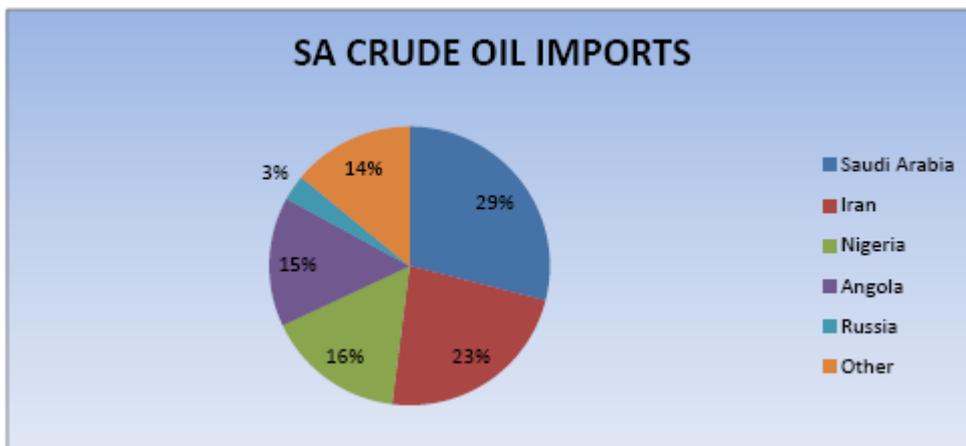


Figure 2.2 SA Crude Oil Imports

Adapted from Energy Information Administration. 2010. [Online]. Available

WWW: <http://www.eia.gov/countries/country-data.cfm> (Accessed 22 January 2011).

The South African refineries in 2009 contributed 708000 barrels per day of petrol. The amount of petrol consumed approximately 11.3 billion litres in 2009 according to the South African Petroleum Industry Association (2010).

The oil industry is a tightly regulated industry. During the apartheid years the industry was characterised by secrecy and a high degree of state regulation according to Miller & van Meelis (2005). Oil refineries were designated National Key Points under the National Key Points Act of 1980 with strict access control. With advent of democracy and lifting of sanctions, the industry opened up and state ownership declined.

In 2002 the government decided to form the Petroleum, Oil and Gas Corporation of South Africa (PetroSA), which serves as South Africa's national oil company, (PetroSA Historic Milestones ... 2011). It owns, operates and manages South Africa's petroleum industry commercial assets. PetroSA owns and operates one of the world's largest Gas to liquid refineries, recognised around the world for producing the cleanest fuels through an environmentally responsible process.

The Minister of Minerals and Energy is responsible for the governance of the liquid fuels industry in South Africa (White Paper on... 2003). Maleka et al (2010) revealed that in 2009 the department was split into two independent departments namely Department of Energy (DOE) and Department of Mineral Resources (DMR). Price Control is managed by the Minister of Energy in terms of the Petroleum Products Act (Act 120 of 1977). According to this act the Minister of Minerals and Energy is "the liquid fuels industry regulator and may prescribe the price at which any petroleum product may be sold or bought, method of trading, publishing of prices and quantities of crude oil or petroleum products to be maintained by any person".

From a wholesaling perspective the South African Petroleum Industry Association (SAPIA) members BP Southern Africa, Chevron South Africa, Engen Petroleum, PetroSA, Sasol Oil, Shell South Africa and Total South Africa are the main players in the South African oil industry. They operate storage terminals and distribution facilities throughout the country. Until recently, there were very few non-refining wholesalers supplying petrol and diesel in South Africa. Today, there are a number that are registered with the Department of Energy.

There are approximately 4 600 service stations (forecourts, company owned and dealer owned) in South Africa. Licensing of the petroleum industry occurred for the first time in 2005, in terms of the Petroleum Products Amendment Act, 2003. Government limits the number of licences allocated. Manufacturers and wholesalers are prohibited from holding a retail licence except for training purposes. SAPIA members are therefore restricted to a limited number of retail licences (Industry Overview – South ... 2011).

SAPIA members do have the option to franchise a station to an independent dealer and directly supply it with petroleum products. There are also stations that are independently operated and unbranded.

2.5 Regulation of Petrol

2.5.1 Regulatory Framework

The Liquid industry is highly regulated by Government's Department of Energy which, in turn, is monitored by a Parliamentary Portfolio Committee. Currently there are licensing requirements regulations pertaining to, among other things; Importation and exportation of Crude oil, Importation and exportation of petroleum products, Importation and exportation of blending components, Operation of petroleum pipelines including setting of tariff structures, Operation of storage facilities and loading facilities, including approval of tariff structures, Manufacturing of petroleum products, Wholesale of fuels ,Retailing of fuels, including the pump price of petrol by grade and location, Recovery of transport costs, Liquefied petroleum gas refinery gate price, Retail price for illuminating paraffin, Retail and

wholesale margins and Petroleum products specifications and standards (Industry Overview – South ... 2011).

The Service Station Rationalisation Plan (Ratplan) places limitations on the opening of new sites. Self-service is still illegal in South Africa for purposes of job protection. Credit card payments were not allowed for service station sales until 2009 when amendments were made to the Petroleum Products Act, 1977 to allow for payment cards such as credit cards, debit cards, cheque cards, fleet cards or garage cards for purchase of petroleum products. Several aspects of existing regulations are not being strictly enforced while the future regulation of the industry is being deliberated. The existing regulations provided a delicate balance between the various stakeholders and proposed changes to this balance have been strongly resisted by the stakeholders whose shares are likely to diminish in a new dispensation. They also provide a strong entry barrier to companies such as Agip, Elf, Mobil and others which might have intentions to operate in the country (Oil and Gas ... 2011).

The attributes required for the liquid fuel industry can ultimately be met in an environment of minimum government intervention and regulation (White Paper on... 1998). This statement indicated government's stand on the deregulation of the petroleum liquid fuel sector. The goal would be to achieve an international competitiveness and investment for the purpose of contributing to low cost and availability of products.

According to Terry & Frank (1990) "deregulated society means a society free from government imposed restrictions, directives or orders". This shift away from the sovereignty of government makes an opportunity for sovereignty at the level of the consumer. A deregulated market is characterised by competitive pricing driven by forces of supply and demand. Such a market is different from a liberated one which has simpler and less regulations that increase efficiency and protect consumer's rights. The South African petroleum industry currently exercises a managed liberalisation, reason being that consumers are protected from exorbitant fuel prices and increase efficiencies. According to Government the minimal

intervention aids in promoting and protecting employment within this industry. It further facilitates the entry of historically disadvantaged communities in the sector. This actually resulted in the Liquid Fuels Empowerment Charter being signed by key industry players in 2002.

During the Energy Summit held by the Department of Minerals and Energy, there were a number of schools of thoughts when it comes to regulating the Petroleum industry (Outcomes of the ... 2007). The one school of thought is of the idea that there is no need for regulation to increase competition in the energy market and that removing regulation is not tantamount to influencing competition in the market. Furthermore that the liquid market is oligopolistic and given constrained logistical capacity it is not conducive to convert it to a market driven industry. The following arguments were laid against deregulation taking into account the few developments expected in the deregulated environment:

- intensified competition and sporadic price wars in the major urban areas;
- regional wholesale price differentials reflecting variations in transport costs;
- volume concentration of retail sales through larger outlets;
- diversified use of outlet sites with expanded accessory and grocery stores;
- relocation of outlets from restricted inner city sites to sites with lower land values;
- wholesaler acquisition and franchising of strategic sites, to secure market shares; and
- continued niche markets for smaller suburban and rural outlets.

Another school of thought is entirely against competition. Its argument is that competition will increase the prices of energy services which might affect the poor in terms of affordability. Examples quoted were that of Norway where a competitive market introduced in the electricity market resulted in initial reduced

rates but subsequently in increased electricity prices. However in Adelaide, Melbourne and Sydney (Australia) deregulation in 1998 resulted in relatively low petrol prices according to Davey (2010). It was found that regulation imposed increased production costs that were ultimately paid by the consumers in relatively high retail prices.

On the other hand some organisations are for deregulation of the industry. SAPIA which also represents major oil companies has supported deregulation according to the South African Petroleum Industry Association (2010).

2.5.2 Price of Petrol

As discussed above government regulates wholesale margins and controls the retail price of petrol. The SAPIA website provides a detailed explanation of the breakdown of the Fuel price.

The petrol retail price is changed every month on the first Wednesday by the Central Energy Fund (CFE) on behalf of the Department of Energy. The petrol pump price is divided into a number of components namely international and domestic elements. The international element known as the Basic Fuel price (BFP) is based on what it would cost a South African importer to purchase petrol from an international refinery and to transport the product onto South African shores. The diesel retail price on the other hand is not regulated. The retail margin is estimated to be similar to the regulated retail margin on petrol.

2.6 Marketing Strategies

Strategy is “management’s game plan for growing the business, staking out a market position, attracting and pleasuring customers, competing successfully, conducting operations, and achieving targeted objectives” according to Thompson, Strickland & Gamble (2005). A company strategy forms a map of how its managers choose to attract and please customers, how to respond to changing market conditions, how to compete successfully and how to grow the business. The strategy formulated should assist the organisation in achieving a competitive

advantage over its competitors.

Marketing Strategy according to Day, Weitz & Wensley (1990) refers to the marketing activities and decisions related to generating and sustaining competitive advantage for the business. Kotler (2003) discusses that most large companies have four organisational levels namely, corporate level, division level, business unit level and product level. Strategy development within the different levels differ in the planning process. The corporate headquarters formulate a corporate strategic plan for the whole enterprise in terms of resources allocation and business alignment. Business units are responsible for crafting strategic plan to direct the business unit to a profitable plan. Lastly, the product level within a business unit develops a marketing plan to achieve its objectives within the chosen target market. The marketing plan is divided into Strategic as well as tactical plans. The strategic marketing plan addresses the target markets and value proposition. On the other hand the tactical marketing plan looks at the marketing tactics to be utilised consisting of the marketing mix i.e. product, price, distribution and promotion. For purposes of this study, promotion and service quality strategies will be discussed. Price as mentioned earlier is a constant factor.

In view of the fact that the South African government is looking at deregulation of the petroleum industry, Bytheway & Onojaefe (2009) suggest that as some national economies deregulate and emerging economies take shape, market and competitive forces are bound to change. As a result the competitive strength of companies in those economies will greatly depend on their image created through marketing and branding management. Those consumers that had no choice under a sovereign government will now be empowered and enabled to choose. The industry is thus presented with a need to strategise.

2.6.1 Service Quality Strategy

According to Agyapong (2011), the definition of quality may differ from person to person and from situation to situation. The definitions of service quality vary only in wording but typically involve determining whether perceived service delivery

meets, exceeds or fails to meet customer expectations as expressed by Cronin & Taylor, 1992; Oliver, 1993; Zeithaml, Berry & Parasuraman, 1993. Czepiel (1990) defines service quality as customer perception of how well a service meets or exceeds their expectations. Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Previous studies by Spreng & Mackoy (1996) suggests that service quality is an important indicator of customer satisfaction. Attention to service quality can make an organisation different from other organisations and gain a lasting competitive advantage writes Boshoff & Gray (2004). In particular, consumers prefer service quality when the price and other cost elements are held constant. Services have grown dramatically and constitute 67% of the South African gross domestic product according to Kotler & Armstrong (2010). There are several Service industries ranging from Government sector to profit making organisations like the airline industry and petroleum industry. The nature and characteristics of a service is categorised by Kotler & Armstrong (2010) in Figure 2.3 below into:

- I. Service Intangibility- Services cannot be smelled, tasted, felt, heard or seen. Buyers tend to look for signals or tangible clues about the service quality. They tend to draw conclusions about the quality from the place, people, price, equipment and communications. A good example is a hospital.
- II. Service Inseparability – Services are first sold, then produced and consumed at the same time. This is contrary to a physical product which is first produced, stored, sold and then consumed. Inseparability refers to the fact that services cannot be separated from their providers, regardless of whether the providers are people or machines.
- III. Service Variability- Quality of service depends on who provides it as well as when, where and how it is rendered. One employee may provide a different service as compared to another within the same organisation.

- IV. Service Perishability - Services may not be stored for later sale or use. The authors explain that Perishability of services is not an issue when demand is steady. Hotels charge lower prices during off peak season to attract a number of guests striking a balance between demand and supply.

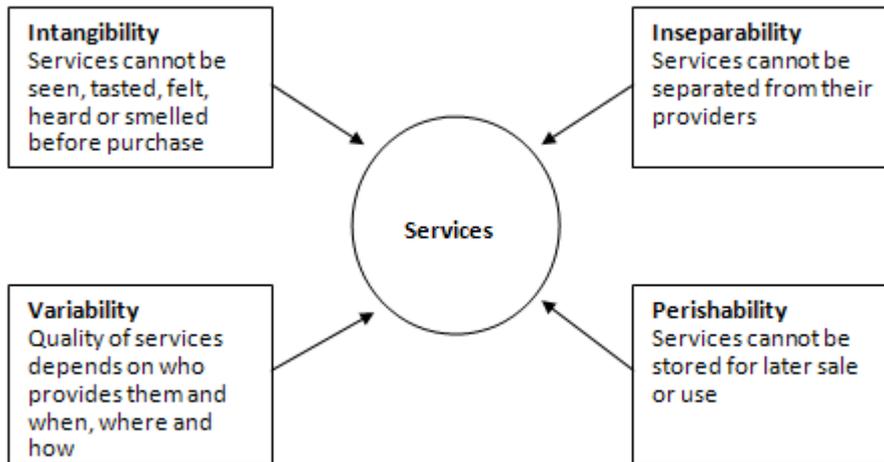


Figure 2.3 Four Service Characteristics

Adapted from Kotler, P. & Armstrong, G. 2010. *Principles of Marketing: Global and Southern African Perspectives*. Pearson Education, Cape Town.

A company must therefore consider these four special services characteristic when designing marketing programmes.

Agyapong (2011) posits that the concept of quality, efficiency, productivity, growth and survival pose a big challenge for the survival and growth of all corporate bodies. These growth and survival demands are further deepened by the need to attract and retain customers, as customers are the main focus of any successful business. Business success depends on a firm's understanding and meeting customers' needs and demands. Kotler & Armstrong (2010) elaborate on the Service profit chain as a link between service business profits with employees and customer satisfaction. The chain comprises of five namely:

- Internal Service Quality: Superior employee selection and training, a quality work environment and strong support for those dealing with customers results in...
- Satisfied and productive service employees i.e. more satisfied, loyal and hardworking employee resulting in.
- Satisfied and loyal customers: satisfied customers who remain loyal, repeat purchases and refer other customers which end up in.
- Healthy service profits and growth: superior service business performance.

Berry, Parasuraman & Zeithaml (1994) on the other hand emphasise on the point that delivering excellent service is a winning strategy and is essential for competitive advantage. Quality service sustains customer's confidence. They further state that excellent quality service acts as a profit strategy for the mere reason that it results in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and less mistakes requiring services to be rendered again. Marquardt (1989) and Power (1992) also attest to the fact that Service quality improvement becomes the most critical issue in the service industry since it can improve the productivity, decrease the cost, build customer satisfaction, and increase profits to firms. The continual improvement of service quality is detrimental for the competitive advantage of a service business. A number of service organisations are trying their best to improve service delivery and avoid failures.

In a study carried out by Akbar, Som, Wadood & Alzaidiyeen (2010) on revitalisation of service quality, they concluded that revitalisation of service quality has direct effect on the customer loyalty, and indirect effect on customer value and satisfaction. This implies that customers gain loyalty from the process of revitalisation in cases of service failures and therefore expect to receive better service next time. It is imperative that there is consistency in service delivery.

Excellent service can be a source of energy towards building an organisational culture in which people are challenged to perform to their potential. As a result they will be recognised and rewarded. It is therefore important in petrol service stations to excel on service as this will act as a differential from fellow competitors.

In the case of the South African Petrol Retail industry, petrol prices are the same as determined by Government and self service is banned. In a research done by Mlonzi (1996) he emphasized on the importance of improvement of service delivery in order to satisfy consumers at petrol stations in black areas.

According to Lofstock (2003) in the United States of America there are certain states such as New Jersey and Oregon where petrol is filled by petrol attendants and in other states self service exist. In cases where a petrol attendance needs to fill the tank, sometimes the response experienced is slow. Petrol attendants tend to delay when they have to attend to customers that have been waiting. A typical example is one that was experienced by an editor at a LUKOIL petrol station on the Garden State Parkway where he waited for more than five minutes for an attendant to come to the car and pump petrol. The employees were busy joking with one another and the editor out of frustration decided to pump the petrol herself (Editor's Eye ... 2007). On another occasion in a West Virginia convenience store, a CSNews staff member stopped to buy a couple of items. The store was not clean at all and moreover the cashier was not friendly when she was asked for a plastic bag to carry the items. As a result the CSNews staff vowed never to set foot in that garage any time soon. This goes to show how important excellent service is.

In a petrol service station the service given by the petrol attendant plays a vital role in keeping the customer happy. Most petrol stations in South Africa provide extra services such as checking tyre pressure or washing of the windscreen over and above filling petrol. This is a means of rendering a differentiated service. According to Kotler & Armstrong (2010) managing service differentiation is important more especially in cases of intense price competitions. In the petroleum industry in South Africa service differentiation is very important because of the fixed prices. Quality service should not end with the petrol attendant but also with the Convenience store employees. Service firms can therefore differentiate their service by having more able and reliable customer contact people. This improves

the image of the brand. Another differentiating factor is consistent delivery of high quality exceeding customers expectations, that sets a company apart from competitors as supported by Disend (1991)

In a survey carried out in the United Kingdom less than 1% of shoppers think petrol stations deliver good customer service (Customer service in ... 2010). The national customer satisfaction revealed that 0.8 % of shoppers felt that they had received good service at forecourts. A good 92% expressed that they had left the place without making a purchase due to poor customer service. On the other hand 74% expressed that they would be prepared to pay more for a product if it meant that they get better service. This shows that service is generally not good and petrol stations have a competitive advantage to improve customer loyalty and repeat business by delivering excellent service.

2.6.2 Promotion

How do marketers communicate with their target markets? Koekemoer, Blem, Duckles, Skinner & van der Westhuizen (1998) assert that the process of communication with consumers and customers is called promotion. In reaching the target market the marketer uses the marketing mix. They further state that promotion consist of advertising, personal selling, sales promotion, direct marketing, public relations and sponsorship. Promotion is not something marketers do to consumers but something that happens when marketers are sensitive to consumers' needs and wants and communicate it in a respectful, responsible and relevant way.

It is to be noted though that promotion is supported by the other elements of the marketing mix. Kotler & Armstrong (2010) support this notion by arguing that an effective marketing programme blends all of the marketing mix elements into an integrated programme that serves to deliver value to the customer.

The fuel retail sector has diversified so much in recent years according to Hadland (2002). Petrol stations have become access points for a range of services including banking, retail and other services. You find ATM, car sales, postal

services, dry cleaning, lotto ticketing, bakeries, food retail outlets and convenience stores which incorporates retail shops like Woolworths. There are also cell phone supplies, car wash arrears and recently movie outlets within the convenience shops. This is a clear shift from the core business and has changed the face of the fuel retail sector, allowing many marginal outlets to survive. A number of these outlets open 24 hours.

According to Pearson (1996) today's brands were created by mass marketing and by television advertising. Television is a powerful and involving medium that is engaging, entertaining and compelling. It clearly communicates features, benefits and values that motivate customer choice. In the South African context, a few petrol brands are advertised on television. BP has been a prominent brand on television screens. There are no aggressive advertisements of the different petrol brands. Pearson (1996) criticises the effectiveness of television advertisement in recent times. He attributes this to addition of more channels hence resulting in less audiences targeted, more advertisers, higher media costs and lower production.

In a study carried out in Singapore by Ang & Tan (1990) after deregulation of diesel and petrol, they found that promotion strategies of petrol and diesel yielded different results. The main promotional strategy utilised was giving away of free gifts and having lucky draws. Chemical additives intended to enhance fuel quality was also used as an advertising tool for product differentiation and to improve company image. The diesel was mostly utilised by taxi drivers and heavy goods vehicles whilst private cars and most light vehicles used petrol. It was observed that the majority of diesel customers were not easily lured by promotions. The companies had brand loyal diesel customers. The reason for this was that these taxi drivers were cost conscious and insensitive to different types of promotions. Furthermore taxi diesel users had established a relationship with retail outlet operator through other services provided such as car washing. The commercial heavy goods and buses had credit facilities, hence were brand loyal. Petrol sales on the other hand were more volatile and competition was more intense. It was found that petrol consumers were highly additive conscious due to the fact that

they took good care of their cars. Advertising created great awareness especially during product launch. Promotions of free gifts and lucky draws also lured petrol customers. The reason was that they were not brand loyal except for the convenient location of the retail outlet and traditional habits.

According to Dugar (2007) for about hundred and forty odd years petrol existed as an undifferentiated product in India. There were three government regulated selling companies enjoying a monopoly status. After deregulation of the petroleum industry suddenly there was a need to differentiate or brand petrol. The companies never realised the seriousness of marketing of petrol to fight for market share after so many years of regulation. Even consumers never thought they would be standing at petrol pumps thinking about the brand to fill. The other need came from the entry of private players in the market that had not been there before. Brand Management strategies were employed by these companies to effect differentiation competitive edge. The petrol commodity product has been changed to a branded product. Value added services have been introduced to make the clients experience in the purchase a very pleasant one. Examples were formation of Retail Brand clubs that ensured high quality personalised Vehicle and consumer care.

Govender (1997) suggests that there seems to exist a clear understanding of the need for marketing at service station level, despite the franchise system that exists in the South African industry. Service station managers have generally underestimated the degree of regulation of their marketing activities. Most service station managers did seem to have marketing objectives, but they did not communicate such objectives to their staff. In a later study Bytheway & Onojaefe (2009) supports this notion that in South Africa, petroleum retailers acknowledge the need for branding and understand the huge financial and human resources that will be needed to achieve it.

Hadland (2002) however suggests that oil companies in South Africa do not compete amongst each other like in many countries around the world and as a result consumers in general care less of the petrol brand they utilise. The oil

companies are more concerned with their image and branding than the products.

2.7 Summary

This chapter discussed the theory on branding and brand loyalty. It further looked at the South African petroleum industry and how it operates. Literature on marketing strategies was discussed, relevant to the topic under study. The next chapter will discuss the research methodology that was used for the study.

CHAPTER THREE

Research Methodology

3.1 Introduction

The purpose of this chapter is to describe the Research methodology used in answering the research questions posed in Chapter one. The methodology utilised in obtaining data to assist in the analysis of the study is laid out with justifications of the sample size chosen as well as the location. The method used to analyse the data is defined and outlined.

White (2002) suggests that “Research is a process, a series of events unfolding over time.”It involves several things such as choice of research design, collection of data and evaluation of the results. Eriksson & Kovalainen (2008) asserts that the “research questions dictate the choice of methods and type of research setting and not the other way round”.

3.2 Aim and Objectives of the Study

The aim of the study was to establish if there is brand loyalty amongst South African petrol consumers.

The objectives under consideration were to:

- Determine if petrol consumers in South Africa consider a particular petrol brand when filling up with petrol or if they are influenced by factors such as proximity or relationship with service stations.
- Determine the role played by Oil Company marketing strategies in attaining brand loyalty.
- Establish if there are any inhibiting factors in attaining brand loyalty experienced by the retailers.
- Establish if existing Oil company customer retention strategies work or not.

3.3 Sample Technique and Data Collection Strategy

3.3.1 Sample Population and Size

Cooper & Schindler (1998) describe sampling as a means of selecting some elements in a population to be able to draw conclusions about the entire population, particularly where one cannot survey the whole population. Saunders, Lewis & Thornhill (2003) define a population as “a full set of cases from which a sample is taken”. In this particular study the population chosen was from parts of Johannesburg and Pretoria found in the chosen Petrol stations under study namely BP, Caltex, Shell, Engen, Total and Sasol. The target sample was made up of private petrol users in these regions. Equal samples were selected for the different brands within the designated petrol stations. Diesel users were excluded from the study. The sample was representative and saved time considering the timelines of the research. Saunders et al (2003) further suggest that collecting data from fewer cases can result in the collection of detailed information.

A sample size of 80 customers was selected to participate in the research. Bryman & Bell (2007) assert that the decision about a sample size is not easy. It is dependent on a number of factors such as time and cost. Ideally the sample size should be as large as possible to represent the population. Time and cost constraints were the reasons why this sample size was chosen. Saunders et al (2003) advise that the choice of sample size can also be determined by the confidence required in the data i.e. the level of certainty that the data collected will represent characteristics of the whole population.

3.3.2 Sample Technique

A non probability method called Convenience Sampling was used to collect data at selected petrol stations. The main reason for utilising such a strategy was due to time and cost constraints as stated above. Probability sampling on the other hand requires a statistically chosen sample which might sometimes require time and preparation. The assumption used in making the decision was that people at a filling station want to fill petrol and then leave. Chances of them staying and

responding to surveys would be minimal. The other reason was to ensure that the respondents sampled were actually people who filled petrol. Zikmund, Babin, Carr & Griffin (2010) define Convenience sampling as “sampling by obtaining people or units that are conveniently available”. The advantage of using this method is that it is easy, fast and cost effective. Bryman & Bell (2007) however point out that the disadvantage of this method is that it can sometimes result in unbiased results that cannot be generalised as the population is not defined.

3.3.3 Data Collection Strategy

The primary data was collected using an interviewer administered questionnaire that was structured. The time limit was the main reason for employing this approach to accommodate a short span of time that customers will be spending while pouring petrol. Another reason is that by utilising this method it was ensured that the respondent was the actual person that used the brand of petrol and therefore increasing the reliability of the questionnaire. A set of defined questions were posed to all respondents which ensured conformity. Saunders et al (2003) attest to the fact that self administered questionnaire respondents are highly unlikely to please the interviewer. Though the interview takes time it can be guaranteed to get responses as opposed to utilising methods such as online or postal interviews. Bryman & Bell (2007) argue that the advantage of having structured questions is that interviewer variability and misinterpretation of replies is minimised. The interviewers were well trained and guided in carrying out the interviews.

3.4 Research Design and Methods

3.4.1 Description and Purpose

Research design is a term that covers different but related issues according to White (2002). This comprises of the aim of the research, final selection of a relevant methodology, data collection techniques and analysis in conjunction with the reviewed literature. Cooper & Schindler (2002) define it as a “plan for selecting the sources and types of information used to answer the research questions...a framework for defining the relationships amongst the study variables”. Burns &

Burns (2008) distinctively differentiates between research design and research method. They state that research design is a framework for collection and analysis of data. A research method on the other hand is a technique for collecting data, a definition that Bryman & Bell (2007) subscribe to.

A cross sectional approach was used for this design so as to establish the main aim of the research and other objectives stated. Time constraint was of utmost concern. Burns & Burns (2008) suggest that cross sectional studies are less resource intensive as compared to longitudinal studies especially when looking at relative popularity of brands.

The study conducted was descriptive. According to Burns & Burns (2008) descriptive studies can either be qualitative or quantitative in nature. The aim is to document what is actually occurring. In absence of existing information about the subject of study, this was the most appropriate route to take. A structured survey interview methodology was deemed suitable with use of a structured questionnaire. The structured interview is sometimes referred to as a standardised interview as described by Bryman & Bell (2007). The main objective is to ensure that all interviewees are provided with the same questions to answer, hence variation in replies is due to true variation and not the interview context.

The interview method is considered to be expensive over other methods as indicated by Bryman & Bell (2007). However in this case the Geographic dispersion between Pretoria and Johannesburg was not costly in conducting the interviews. The fact that interviews were conducted over weekends was an added advantage in making sure that ample time is properly utilised as patrons of the petrol stations were not in so much of a hurry.

This particular study was quantitative in nature due to the fact that the main aim of the study was to establish brand loyalty amongst South Africans; hence statistics played a vital role. White (2002) suggests that surveys conducted by marketing people using questionnaires where interview responses are given numerical

values qualify as quantitative research. The results of such a study are analysed mathematically and statistically. In cases of qualitative research non mathematical procedures are employed when analysing the results.

Saunders et al (2003) posits that all research will consist of some numerical data or data that can be quantified. He further states that it can range from mere counts such as frequency of occurrences to test scores or prices. It must be quantified and then analysed and interpreted in order to be of value. In the study variables such as the brand preference, consistent use of brand and recommendation of brand formed an integral part of the analysis to address the main aim of the study.

3.4.2 Construction of the Instrument

The questionnaire was designed in such a way that the relevant information would be obtained within reasonable time as earlier stated. Questions were arranged in a manner that addressed the research questions and objectives. Closed ended questions were posed so as to get prompt answers from the interviewees. Gill & Johnson (2002) argue that questionnaires are mostly suited to closed specific questions as unstructured and open ended questions cannot be easily coded for analysis purposes. Arguments against this practice are that respondents might come up with interesting replies that are not part of the fixed answers or respondents might be irritated when the required category cannot be found according to Gill & Johnson (2002). The questions were short and to the point. According to White (2002) the questionnaire must not be excessive in length.

Cooper & Schindler (2002) defines scaling as “a procedure for the assignment of numbers to a property of objects in order to impart some of the characteristics of the numbers to the properties in question”. For this research some questions were closed question with Yes or No and Not Sure. A majority of the questions were constructed using the summated rating Likert Scale. White (2002) suggests that if one is to gauge a degree of opinion then the Likert scale is appropriate for use.

Questions were categorised according to the research questions as follows:

Demographic

Gender

Age

Brand loyalty

- Is there a Petrol brand that you prefer?
- Amongst the six petrol brands which brand would you prefer to fill?
- Do you always fill the same brand of petrol?
- Would you buy the same brand of petrol even if you are in a hurry and the station is out of your way?
- Do you use any other brands of petrol
- How likely are you to recommend your preferred brand to other people?

Influence of Marketing Strategies:

- Does advertising influence the choice of the Petrol brand that you use?
- Is the decision to purchase petrol in your preferred filling station influenced by the presence of services around the petrol station?
- Do Loyalty programs such as Car wash Vouchers or points gained when filling petrol make you fill the same brand of petrol?

3.4.3 Recruitment of Study Participants

Study participants were recruited from the petrol stations. They were approached on a convenience basis. These participants were the relevant group as they were filling up petrol on their vehicles as opposed to questioning any individual found at the filling station. Permission to perform interviews on site was granted by the petrol station owners.

All participants were advised upfront that the survey was voluntary and could withdraw at any point in time without prejudice. A confidentiality measure of all participants' names and responses was explained to them and guarantees of anonymity given. Anonymity of all respondents was handled by use of coding.

Benefits of the research were explained to all participants and those participants that required seeing the end report were noted.

3.4.4 Pretesting and Validation

Bryman & Bell (2007) argue that the two terms Validity and Reliability seem to be synonymous though they are very different. They define Reliability as “consistency of a measure of a concept”. This implies that another researcher can make use of your design and obtain the same results.

Three main factors are to be considered when talking about reliability;

- **Stability:** A measure must be stable over time such that there is confidence that the results for a sample does not fluctuate. This means there will be little variation if the same exercise was carried out later.
- **Internal Reliability:** Indicators that constitute the scale or index are consistent
- **Inter-observer consistency:** Whether similar observations will be reached by other observers

Subject or participant error has been cancelled out by making sure that participants are interviewed during a period where there were no fuel increases. Furthermore a weekend was utilised when most participants are relaxed and not at work. This might contribute to error margins according to Saunders et al (2003). For internal reliability the Cronbach’s alpha was utilised which according to Bryman & Bell (2007) calculate all average split half reliability coefficients. The coefficient varies between 1 denoting perfect reliability and 0 showing no reliability at all. A figure of 0.8 is considered as acceptable reliability and 0.7 denotes efficiency. The coefficient was calculated using SPSS for Windows and was found to be 0.728.

White (2002) suggests that validity is merely a measure of whether the research design entirely addresses the research questions and research objectives. In other words whether the research findings are about what they appear to be about. The construct of the research instrument displays that the questions posed were

thoroughly linked to the research questions.

A pilot study was successfully conducted prior to the actual interviews to predict respondent's behaviour and responses. Gill & Johnson (2002) advise that conducting a pilot study or pre-test assist in identifying problems in the structure of the questionnaire which can subsequently be corrected. It further assisted the interviewers to familiarise themselves with the interview process and question sequence.

3.4.5 Administration of the Questionnaire

All questions were pre-coded prior to interviews being conducted. This facilitated easier administration of the questionnaires. Saunders et al (2003) advise that pre-coding should be carried out before collecting data if possible. Since most of the questions were closed questions, then it was easy to develop coding schemes.

Once the data had been collected then it was then entered into the SPSS for Windows software for analysis.

3.4.6 Analysis of the Data

As this research was quantitative, the analysis of the data was carried out using descriptive statistics. White (2002) suggests that for both quantitative and qualitative analysis the data should be reduced in bulk in order for it to be manageable. He further explains that Descriptive Statistics has to do with describing and displaying of results in the form of tables and diagrams like bar charts or pie charts. There are also arithmetical calculations that measure the spread of the dispersion or spread of data. It is for this reason that this method was chosen for analysing findings of this research in the absence of petrol brand loyalty constants. White (2002) posits that diagrams and tables are a superb way to describe and compare data. Due to structure of tables arranged in columns and rows, it is easy to establish trends and patterns. Figures on the other hand assist in enhancing the visual illustration of data. By using graphs and pie charts the relationship between the different variables could be easily illustrated. Cross

tabulation tables were presented for easier bi-variate analysis of variable relationships. Chi-square values were calculated and displayed to determine the statistical significance of variables.

Variables were defined for all the questions during administration of the questionnaire to facilitate easier analysis of the data. Since the Likert Scale method had been utilised the scale statements were evaluated by Item analysis per response category.

3.5 Summary

This chapter explored the research methodology used in collecting data by means of a questionnaire. It further delved into how statistical analysis of the data collected was carried out to determine the extent of petrol brand loyalty. The next chapter will present the data collected.

CHAPTER FOUR

Presentation of Results

4.1 Introduction

This chapter presents the results obtained from the collection of data. The data was captured on the Statistical Package for the Social Scientists (SPSS version 19) and then results were generated. In presenting the data, descriptive statistics was used. A variety of descriptive tools such as graphs, bar charts and frequency tables were utilised to display appropriately the data obtained using the questionnaire. Cross tabulation tables and Calculated Chi-Square values were also presented for Bi-variate analysis of variables.

The data collected was based on the following questions and objectives:

Questions:

- Do consumers consider a brand when purchasing petrol?
- What roles do marketing strategies of Oil Companies play in relation to consumer brand loyalty?
- What are the inhibiting factors experienced by petrol retailers in attaining brand loyalty?
- Do existing customer retention strategies work?

Objectives:

- Determine if petrol consumers in South Africa consider a particular petrol brand when filling up with petrol or if they are influenced by factors such as proximity or a relationship with service stations.
- Determine the role played by Oil Company marketing strategies in attaining brand loyalty to their brand of petrol such as house customer specific convenience stores.
- Establish if there are any inhibiting factors in attaining brand loyalty experienced by the retailers.
- Establish if existing Oil Company customer retention strategies work or not.

4.2 Demographic Frequency Analysis

4.2.1 Gender

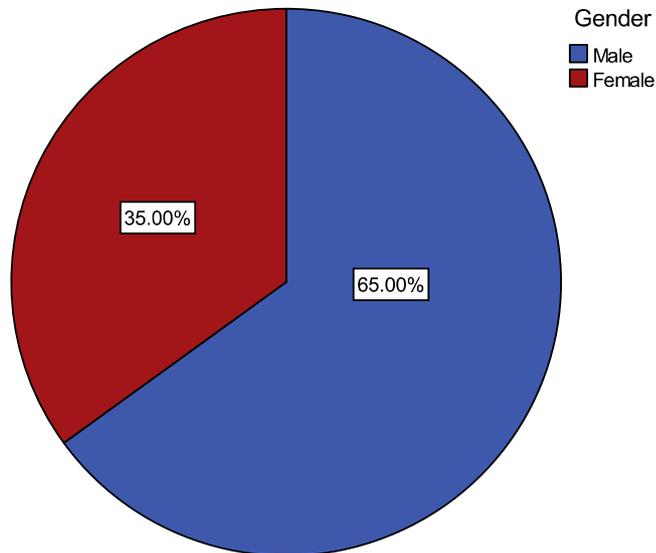


Figure 4.1 Gender of Respondents

Out of the total of 80 respondents, there were 52 (65%) males that were conveniently selected. Females on the other hand constituted 28 (35 %) of the total respondents.

4.2.2 Age

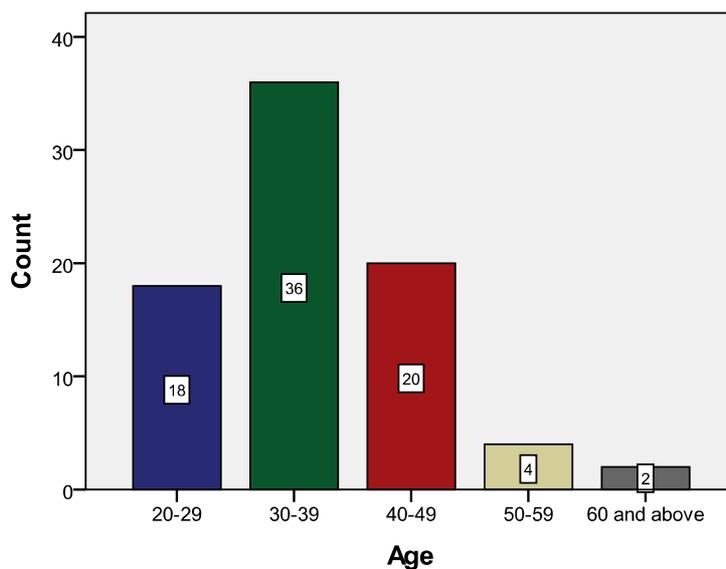


Figure 4.2 Age of Respondents

The age category of respondents is displayed in Fig 4.2 above. A majority of respondents fall within the 30-39 age range and comprised of 36 (45.0%) of participants. Within the 20-29 categories there were 18 (22.5%) respondents. There were 20 (25.0%) respondents in the 40-49 age range. Participants that were in the 50-59 as well as 60 and above age category had the least numbers represented by 4 (5.0%) and 2 (2.5%) respondents respectively.

4.3 Brand Loyalty Frequency Analysis

4.3.1 Is there a petrol brand that you prefer?

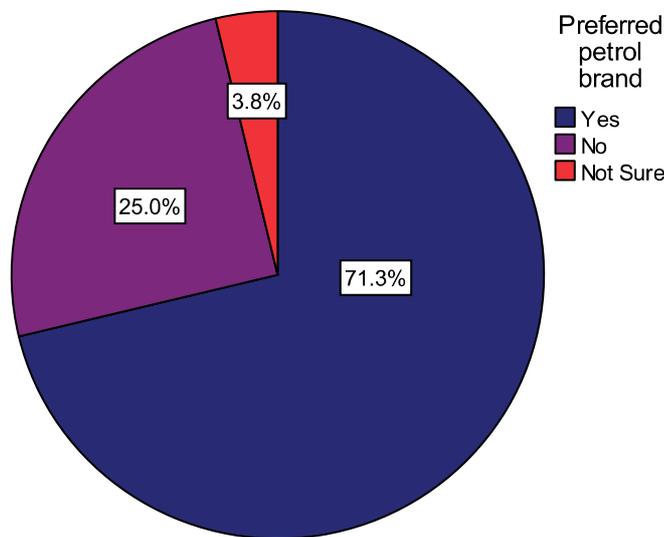


Figure 4.3 Existence of Preferred Petrol Brand

From the survey it can be noted that 57 (71.3%) respondents indicated that they have a preferred brand of petrol. Twenty (25%) respondents indicated that they do not have a preferred brand upfront. Only 3 (3.8%) of the respondents were not sure whether they have a preferred brand or not.

4.3.2 Amongst the petrol brands provided which brand do you most prefer?

Petrol Brand	Frequency	Percent
BP	14	17.5
Caltex	8	10.0
Engen	9	11.3
Sasol	8	10.0
Shell	15	18.8
Total	4	5.0
None	21	26.3
Other	1	1.3
	80	100

Table 4.1 Petrol Brand Most Preferred

Of the six brands of petrol chosen for the purposes of the research, Shell was the most favoured brand with 15 (18.8%) respondents confirming that they prefer it. It was closely contested by BP with 14 (17.5%) respondents choosing it as their most preferred brand of petrol. The rest were Engen with 9 (11.3%), Sasol and Caltex each having 8 (10%) of the respondents. Total had the list number of respondents at 4 (5.0%) favouring the brand. Twenty one respondents constituting 26.3% did not have a preferred brand whilst only 1 (1.3%) chose Excel as a preferred brand. In total there were 59 (73.7%) confirmed their preferred brand of petrol.

4.3.3. I always fill the same brand of petrol.

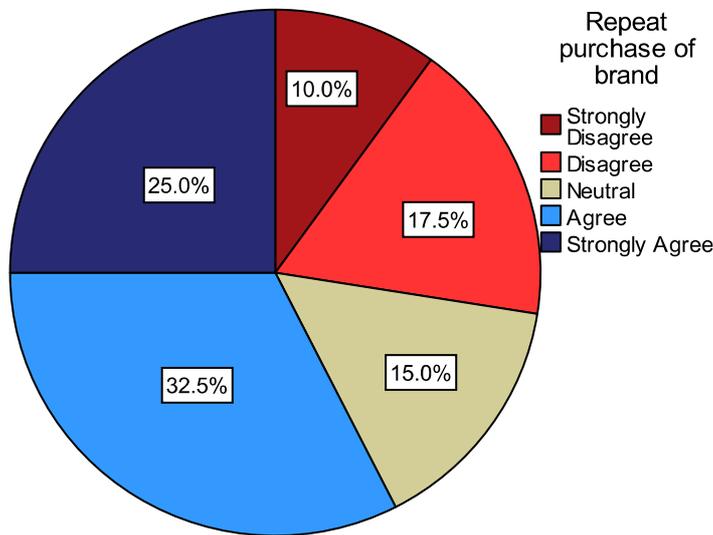


Figure 4.4 Repeat Purchase of Brand

There were 46 (57.5%) respondents that indicated that they use the same brand whenever they fill petrol. Of this 20 (25.0%) strongly agreed and 26 (32.5%) just agreed. Cumulatively, 22 (27.5%) of the respondents did not purchase the same brand everytime. This is as a result of a breakdown of 8 (10%) that strongly disagreed and 14 (17.5%) that disagreed. Twelve (15.0%) respondents neither disagreed nor agreed that they fill the same brand of petrol. A total of 37 (42.5%) respondents did not agree that they purchase the same brand of petrol. Considering the 15% of respondents that did not clearly state their loyalty, the total number of respondents that do not conform to repeat purchase would be 49(57.5%). Looking at the respondents that strongly agreed versus those that strongly disagreed, the percentage difference is only 7.5%. The difference between those that merely disagreed and agreed was 22.5%, which is a bigger difference.

4.3.4 I would buy the same brand of petrol even if i am in a hurry and the station that stocks my preferred brand is out of my way.

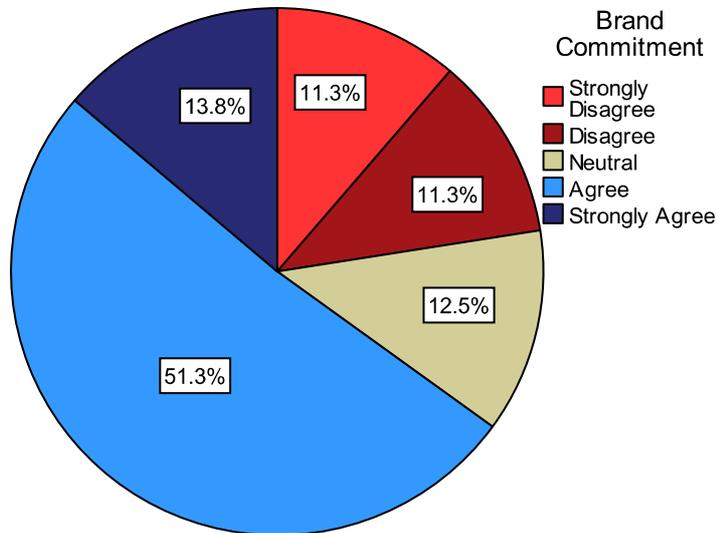


Figure 4.5 Brand Commitment

Out of the eighty respondents a total of 52 (65.1%) suggested that they would rather seek their petrol brand even if they are in a rush. Out of this number only 11 (13.8%) strongly agreed and 41 (51.3%) just agreed. Respondents that neither agreed nor disagreed with the statement were 10 (12.5%). There was a total of 18 (22.6%) of the respondents that would not look for a preferred brand when in a hurry. A total of 28(35.1%) of the respondents were not brand committed if one includes the neutral portion of the respondents. However if one considers the committed participants the value would be 62 (77.6%). The percentage difference between the strongly committed and the ones not strongly committed is 2.5%. A bigger percentage difference amounting to 40% was observed between those that just agreed and those that disagreed on the statement.

4.3.5 I use other brands of petrol

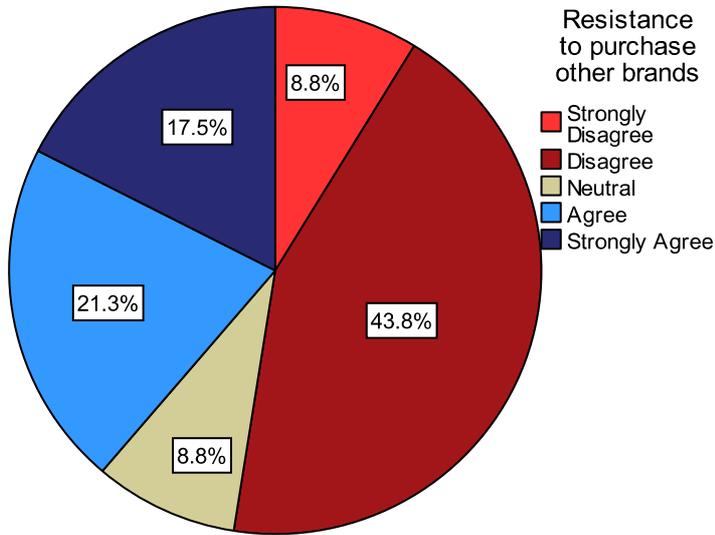


Figure 4.6 Resistance to Purchase Other Brands

A total of 42 (52.6%) respondents avoided switching brands. Only 35(43.8%) disagreed whilst 7 (8.8%) strongly disagreed. On the other hand 17 (21.3%) agreed with the statement and 14 (17.5%) strongly agreed. In total there were 31(38.8%) that do not use the same brand of petrol. Seven (8.8%) respondents neither agreed nor disagreed with the statement. If one considers that the neutral group did not state that they were not resistant to other brands, this would then come to a total of 38 (47.6%) respondents that are not resistant to other brands. However if the unsure 8.8% respondents were to disagree with the statement, then the total figure changes to 49 (61.4%).

4.3.6 How likely am I to recommend my preferred brand of petrol?

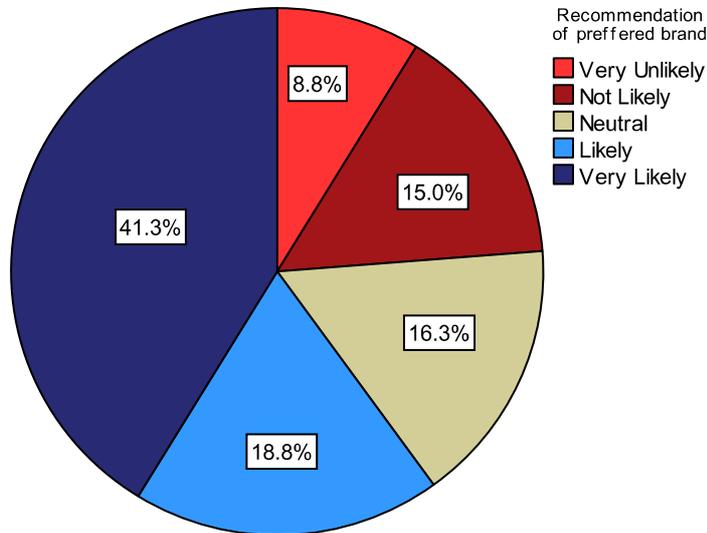


Figure 4.7 Likeliness of Recommending Preferred Brand

There were 33 (41.3%) respondents that would very likely recommend their preferred brand to others. Fifteen (18.8%) respondents alluded to the fact that they are likely to recommend their preferred brand. Therefore a total of 48 (60.1%) would recommend their brands of petrol. Thirteen (16.3%) were neutral, implying that they were not sure as to whether they would provide recommendations. Seven (8.8%) respondents were very unlikely to recommend their brand to anyone whilst 12 (15.0%) were not likely. This resulted in a total of 19 (23.8%). If the neutral respondents all decide to recommend the brand then this would yield a total of 61 (76.4%). However if they decide not to recommend the brand then the figure would change to 32 (40.1%)

4.4 Effect of Marketing Strategies Frequency Analysis

4.4.1. Advertising influences the choice of the petrol brand that I use.

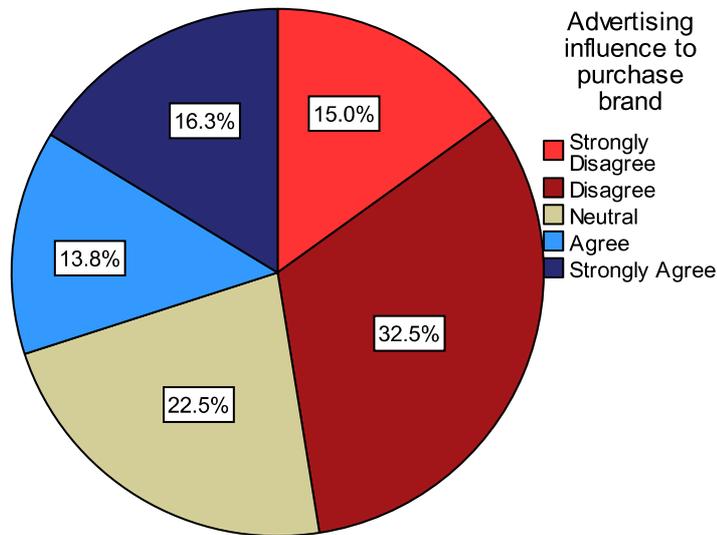


Figure 4.8 Effect of Advertising on Petrol Brand Purchase

A majority of the respondents disagreed that advertising influences their choice in terms of petrol purchase. There were 26 (32.5%) of the respondents that disagreed with this statement and 12(15.0%) strongly disagreed. This gave rise to a total of 38 (47.5%) respondents not influenced by advertising. On the other hand there were 24 (30.1%) respondents whose buyer behaviour is influenced by adverts. Of these 16.3%Thirteen (16.3%) of them strongly agreed that they are influenced by adverts. Eleven (13.8%) just agreed hence making the total of those that agreed to be 24 (30.1%). Those that did not confirm whether advertising influences their purchase behaviour were 18 (22.5%).These participants can either be in agreement with the statement or in disagreement. If they can be in agreement then the figure changes to 42 (52.6%).However if on the contrary they would disagree then a total of 56 (70.0%) would be obtained.

4.4.2 The decision to purchase petrol from a petrol station is influenced by the presence of the following:

Reasons to purchase at petrol station

	Frequency	Percent	Valid Percent	Cumulative Percent
Convenience Shop	28	35.0	35.0	35.0
ATM	12	15.0	15.0	50.0
Lotto Ticket Sales	1	1.3	1.3	51.3
Car Wash	5	6.3	6.3	57.5
None	25	31.3	31.3	88.8
Other	9	11.3	11.3	100.0
Total	80	100.0	100.0	

Table 4.2 Reasons to Purchase at Petrol Stations

The existence of convenience shops in petrol stations influenced people to purchase petrol there. This comprised of a group of 28 (35.0%) respondents. Almost equally, there were 25 (31.3%) of the participants confirmed that nothing influences them within the petrol station surroundings to pour petrol there. Respondents that attributed purchase to ATM presence were 12 (15.0%). Nine (11.3%) of the respondents attributed their purchase on other reasons. There were 5 (6.3%) that indicated that their purchase is determined by car wash facilities located within the premises. A single participant played the Lotto when filling petrol.

4.4.3 Promotions run by petrol stations are beneficial.

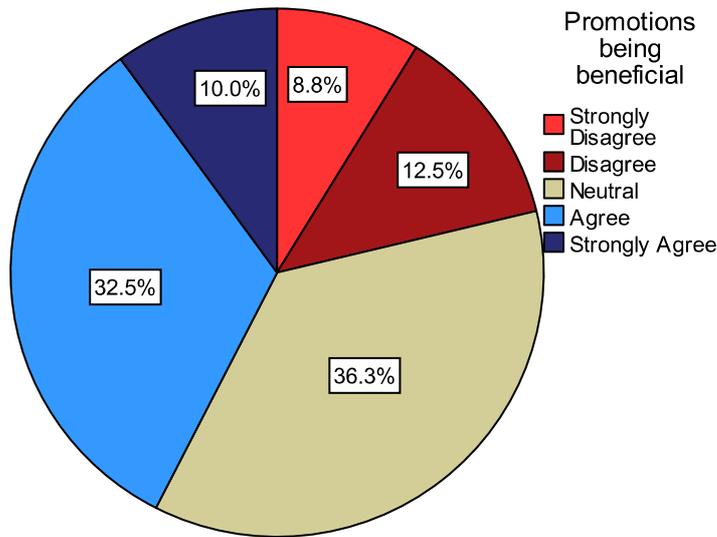


Figure 4.9 Beneficial Aspect of Promotions on Brand Loyalty

Out of 80 respondents, 29 (36.3%) of the respondents did not consider promotions run by petrol stations. This forms the largest quadrant in the pie chart above. However 26 (32.5%) on the other hand confirmed that they were beneficial. A further 8 (10%) strongly agreed that the statement was true which resulted in a total of 34 (42.5%) agreeing about the correctness of the statement. A total of 17 (21.3) of the participants disagreed with the statement. Out of this figure 10 (12.5%) disagreed and 7 (8.8%) strongly disagreed. If the neutral value had to be considered as participants that do not think promotions are of value when purchasing petrol, then the total would be 46 (57.6%). However if the neutral value is added to the value of participants that agree with statement, it would then total to 63 (78.8%).

4.4.4 Loyalty programmes such as car wash vouchers or points gained when filling petrol, make me use the same brand of petrol.

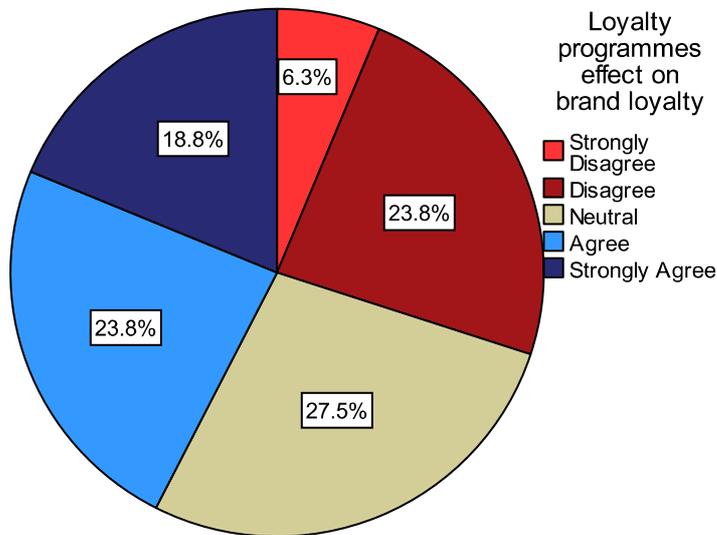


Figure 4.10 Brand Loyalty as a Result of Loyalty Programmes

There were 34 (42.6%) respondents that agreed with this statement. Of these 19 (23.8%) simply agreed and 15 (18.8%) strongly supported the statement. On the other hand 24(30.1%) were in disagreement. From this total figure, 19 (23.8%) disagreed and 5 (6.3%) strongly disagreed. It can be noted that the greatest number of participants i.e. 22(27.5%) could not confirm whether loyalty programmes make a difference during petrol purchase. If this figure is therefore added to the number of those that do not find any value in loyalty programmes, the value would increase to 46 (57.6%).

4.4.5 Good Customer Service received from a particular petrol station makes me come back to fill petrol.

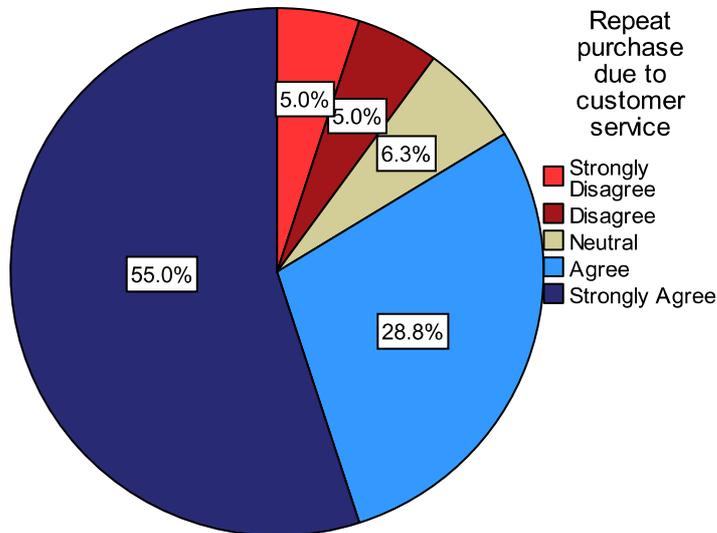


Figure 4.11 Repeat Purchase as a Result of Good Service

A number of participants agreed that good customer service is an essential factor in them purchasing petrol from designated petrol stations. There was a total of 67 (83.8%) of such participants. Out of this number 44 (55.0%) strongly agreed and 23 (28.8) agreed. There were 8 (10.0%) participants that disagreed with this statement. Of these 4 (5.0%) disagreed and 4 (5.0%) strongly disagreed. Only 5 (6.3%) were neutral.

4.4.6 Petrol attendant staff at your preferred petrol station give good service.

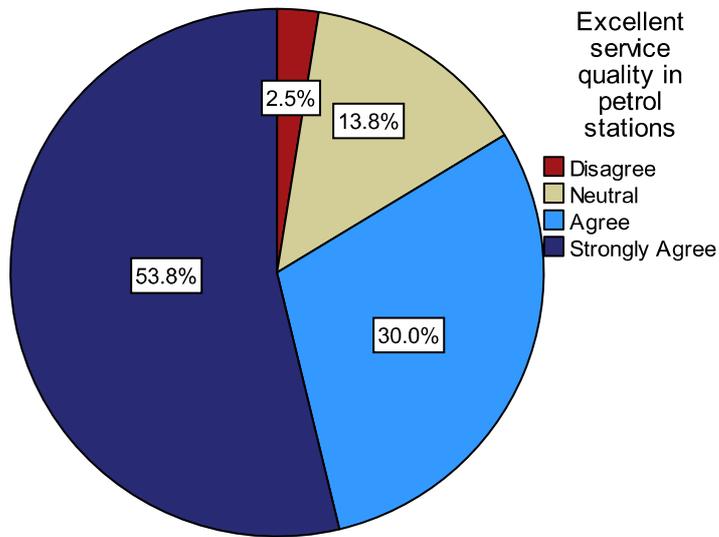


Figure 4.12 Service Excellence Rendered at Preferred Petrol Stations

In terms of good service provided by petrol attendants in petrol stations, 67 (83.8%) participants agreed that they receive good service. There were 43(53.8%) participants that strongly agreed and 24 (30.0%) just agreed. Only 2 (2.5%) disagreed with the statement. Eleven (13.8%) respondents did not pay any attention to the service conditions in the petrol stations.

4.4.7 Cleanliness at filling stations is important.

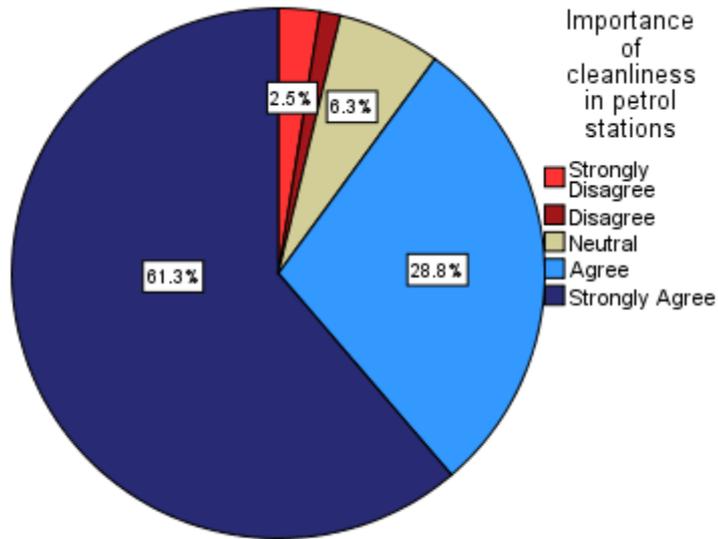


Figure 4.13 Importance of Cleanliness at Petrol Stations

A majority of the participants regard cleanliness in garages as an important factor. This is shown by a total of 72 (90.1%) participants agreeing with the statement. This figure can be partitioned into 49 (61.3%) that strongly agreed and 23 (28.8%) that just agreed. A mere three (3.8%) participants disagreed with the above statement, broken down to 2 (2.5%) that strongly agree and 1 (1.3%) that agrees. The rest of the respondent 5 (6.3 %) neither agreed nor disagreed with the statement.

4.4.8 Quality of the petrol brand is an important factor when purchasing petrol

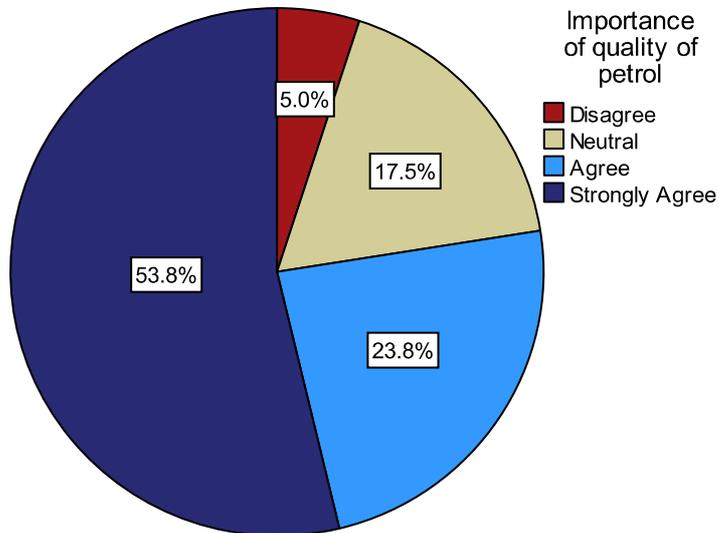


Figure 4.14 Quality of Petrol as a Factor in Purchase Decision

A total of 62 (77.6%) respondents regarded petrol quality as an important factor when deciding which brand to fill. This consist of a breakdown of 43 (53.8%) that strongly agreed and 19 (23.8%) that just agreed. Fourteen (17.5%) were not sure whether quality made a difference in the choice of the brand used. Only 4 (5.0%) felt that the quality of the petrol did not influence their purchase behaviour.

4.4.9 Conducting customer satisfaction surveys would help improve service conditions at the petrol stations

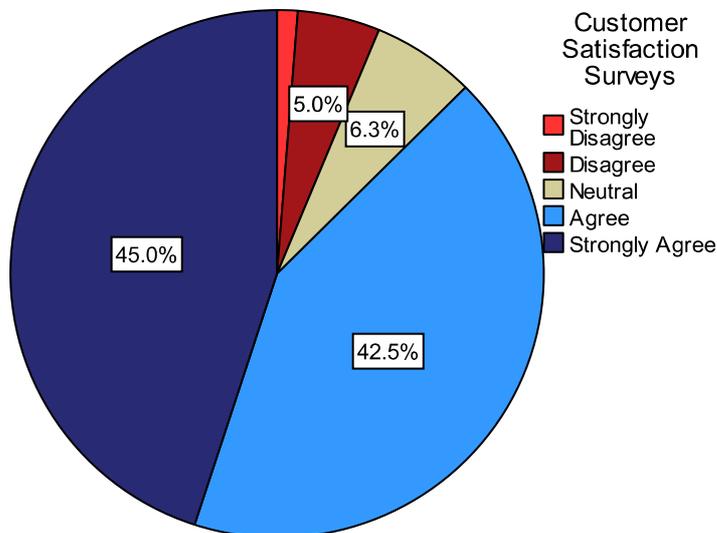


Figure 4.15 Customer Satisfaction Survey as Means of Service Improvement

A very high percentage of the respondents supported the idea of implementing customer satisfaction surveys in petrol stations. A total of 70 (87.5%) participants were in agreement. This constituted 36 (45.0%) respondents that strongly agreed whilst 34 (42.5%) just agreed. A mere 4 (5.0%) respondents disagreed and 1 (1.3%) strongly disagreed. Only 5 (6.3%) respondents neither agreed nor disagreed with the statement.

4.4.10 Who owns the vehicle?

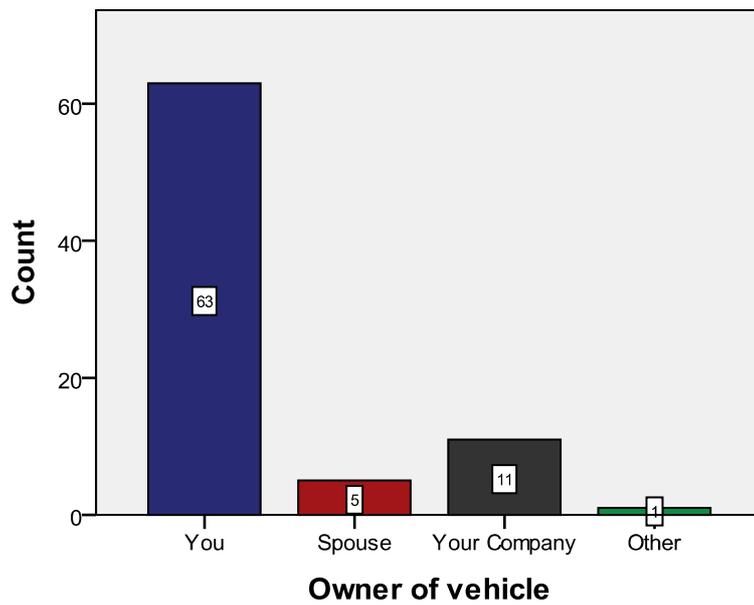


Figure 4.16 Owner of Vehicle Being Driven

A majority of the respondents owned the vehicle they were driving i.e. 63 (78.8%) of them. Eleven (13.8%) were company cars. There were only 5 (6.3%) of the cars that were owned by spouses. Only 1 (1.3%) respondent chose in terms of ownership of the car.

4.5 Comparison Statistics Results

4.5.1. Repeat Purchase of Brand and Age.

Repeat purchase of brand * Age Crosstabulation

			Age					Total
			20-29	30-39	40-49	50-59	60 and above	
Repeat purchase of brand	Strongly Disagree	Count	3	4	1	0	0	8
		% within Age	16.7%	11.1%	5.0%	.0%	.0%	10.0%
	Disagree	Count	0	6	6	1	1	14
		% within Age	.0%	16.7%	30.0%	25.0%	50.0%	17.5%
	Neutral	Count	5	6	0	0	1	12
	% within Age	27.8%	16.7%	.0%	.0%	50.0%	15.0%	
	Agree	Count	8	11	7	0	0	26
		% within Age	44.4%	30.6%	35.0%	.0%	.0%	32.5%
	Strongly Agree	Count	2	9	6	3	0	20
		% within Age	11.1%	25.0%	30.0%	75.0%	.0%	25.0%
Total		Count	18	36	20	4	2	80
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		Age	%	%	%	%		%

Table 4.3 Contingency Table Displaying the Relationship Between Repeat Purchase and Age

Results on the table above show that 13 (65.5%) respondents within the 40-49 age range use their brands repeatedly more than the other age groups. This is followed by 20 (55.6%) of the participants in the 30- 39 age group.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.399 ^a	16	.081
Likelihood Ratio	31.275	16	.012
Linear-by-Linear Association	.195	1	.659
N of Valid Cases	80		

Table 4.4 Chi-Square Test Results for Repeat Purchase and Age Crosstabulation

Chi square = 24.399 and the p value is .081. The significance level is greater than .05. This indicates that there is no statistical significance between repeat purchase of the brand and age variables.

4.5.2. Repeat Purchase of Brand and Gender

Repeat purchase of brand * Gender Crosstabulation

			Gender		Total
			Male	Female	
Repeat purchase of brand	Strongly Disagree	Count	6	2	8
		% within Gender	11.5%	7.1%	10.0%
	Disagree	Count	12	2	14
		% within Gender	23.1%	7.1%	17.5%
	Neutral	Count	4	8	12
		% within Gender	7.7%	28.6%	15.0%
	Agree	Count	14	12	26
		% within Gender	26.9%	42.9%	32.5%
	Strongly Agree	Count	16	4	20
		% within Gender	30.8%	14.3%	25.0%
Total		Count	52	28	80
		% within Gender	100.0%	100.0%	100.0%

Table 4.5 Contingency Table Showing the Relationship Between Repeat Purchase of Brand and Gender

The relationship between repeat purchase and gender shows that both males and females almost equally refuel with their preferred brand. The total value for females that agreed to the statement was at 57.2% whilst males were 57.7%. However the percentage of males that strongly agreed is higher than females.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.681 ^a	4	.020
Likelihood Ratio	11.929	4	.018
Linear-by-Linear Association	.063	1	.802
N of Valid Cases	80		

Table 4.6 Chi-Square Test Results for Repeat Purchase of Brand and Gender Crosstabulation

The value of the Chi-square for the Repeat purchase of brand and Gender combination is 11.681 whilst the p value was found to be 0.020. There is statistical significance between the two variables. Repeat purchase of the brand is dependent on the gender.

4.5.3. Brand Commitment and Age.

Brand Commitment * Age Crosstabulation

		Age					Total
		20-29	30-39	40-49	50-59	60 and above	
Strongly Disagree	Count	2	3	3	1	0	9
	% within Age	11.1%	8.3%	15.0%	25.0%	.0%	11.3%
Disagree	Count	1	4	2	2	0	9
	% within Age	5.6%	11.1%	10.0%	50.0%	.0%	11.3%
Neutral	Count	5	5	0	0	0	10
	% within Age	27.8%	13.9%	.0%	.0%	.0%	12.5%
Agree	Count	7	19	12	1	2	41
	% within Age	38.9%	52.8%	60.0%	25.0%	100.0%	51.3%
Strongly Agree	Count	3	5	3	0	0	11
	% within Age	16.7%	13.9%	15.0%	.0%	.0%	13.8%
Total	Count	18	36	20	4	2	80
	% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.7 Contingency Table Showing the Relationship Between Brand Commitment and Age

The 40-49 age groups displayed the highest percentage (75%) of brand committed respondents. The age group 30-39 followed with a 66.7%. Interestingly the younger generation between ages 20 to 29 were not committed to their brands.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.474 ^a	16	.356
Likelihood Ratio	18.547	16	.293
Linear-by-Linear Association	.273	1	.601
N of Valid Cases	80		

Table 4.8 Chi-Square Test Results for Brand Commitment and Age Crosstabulation

The Chi-square calculated was equal to 17.474 whilst the p value was found to be 0.356. There is no statistical significance between the two variables namely brand commitment and age.

4.5.4. Brand Commitment and Gender.

Brand Commitment * Gender Crosstabulation

			Gender		Total
			Male	Female	
Brand Commitment	Strongly Disagree	Count	7	2	9
		% within Gender	13.5%	7.1%	11.3%
	Disagree	Count	5	4	9
		% within Gender	9.6%	14.3%	11.3%
	Neutral	Count	7	3	10
		% within Gender	13.5%	10.7%	12.5%
	Agree	Count	26	15	41
		% within Gender	50.0%	53.6%	51.3%
	Strongly Agree	Count	7	4	11
		% within Gender	13.5%	14.3%	13.8%
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.9 Contingency Table Displaying the Relationship Between Brand Commitment and Gender

From a gender perspective 67.9% females indicated that they would seek their preferred brand even when in a hurry. This value is greater than males at 63.5%.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.163 ^a	4	.884
Likelihood Ratio	1.203	4	.878
Linear-by-Linear Association	.220	1	.639
N of Valid Cases	80		

Table 4.10 Chi-Square Test Results for Brand Commitment and Gender Crosstabulation

The Chi-square value for the Brand Commitment and Gender variables was found to be 1.163 and the p value at 0.884. There is no statistical significance between these variables.

4.5.5. Resistance to Purchase Other Brands and Age.

Resistance to purchase other brands * Age Crosstabulation

			Age					Total
			20-29	30-39	40-49	50-59	60 and above	
Resistance to purchase other brands	Strongly Disagree	Count	2	3	2	0	0	7
		% within Age	11.1%	8.3%	10.0%	.0%	.0%	8.8%
	Disagree	Count	4	18	10	1	2	35
		% within Age	22.2%	50.0%	50.0%	25.0%	100.0%	43.8%
	Neutral	Count	5	2	0	0	0	7
	% within Age	27.8%	5.6%	.0%	.0%	.0%	8.8%	
	Agree	Count	4	7	3	3	0	17
		% within Age	22.2%	19.4%	15.0%	75.0%	.0%	21.3%
	Strongly Agree	Count	3	6	5	0	0	14
		% within Age	16.7%	16.7%	25.0%	.0%	.0%	17.5%
Total		Count	18	36	20	4	2	80
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.11 Contingency Table Showing the Relationship Between Resistance to Purchase Other Brands and Age

The respondents within the age group of 50-59 mostly indicated that they purchase different types of brands. They constituted 75% of the group. The next group with the highest percentage at 40% was the 40-49 one. This was closely matched by 38.9% respondents in the age category of 20-29.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.008 ^a	16	.114
Likelihood Ratio	22.458	16	.129
Linear-by-Linear Association	.149	1	.699
N of Valid Cases	80		

Table 4.12 Chi-Square Test Results for Resistance to Purchase Other Brands and Age Crosstabulation

The Chi-square value for the Brand Commitment and Age variables was found to be 23.008 and the p value at 0.114. There is no statistical significance between these variables.

4.5.6. Resistance to Purchase Other Brands and Gender.

Resistance to purchase other brands * Gender Crosstabulation

			Gender		Total
			Male	Female	
Resistance to purchase other brands	Strongly Disagree	Count	5	2	7
		% within Gender	9.6%	7.1%	8.8%
	Disagree	Count	21	14	35
		% within Gender	40.4%	50.0%	43.8%
	Neutral	Count	4	3	7
		% within Gender	7.7%	10.7%	8.8%
	Agree	Count	12	5	17
		% within Gender	23.1%	17.9%	21.3%
	Strongly Agree	Count	10	4	14
		% within Gender	19.2%	14.3%	17.5%
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.13 Contingency Table Showing the Relationship Between Resistance to Purchase Other Brands and Gender

The percentage of males that were resistant to other brands was higher than that of females. There were 42.3% males that were resistant to other and only 32.2% females.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.189 ^a	4	.880
Likelihood Ratio	1.195	4	.879
Linear-by-Linear Association	.414	1	.520
N of Valid Cases	80		

Table 4.14 Chi-Square Test Results for Resistance to Purchase Other Brands and Gender Crosstabulation

The Chi-square value for the Brand Commitment and Gender variables was found

to be 1.189 and the p value at 0.88. There is no statistical significance between these variables.

4.5.7. Recommendation of Preferred Brand and Age.

Recommendation of preferred brand * Age Crosstabulation

			Age					Total
			20-29	30-39	40-49	50-59	60 and above	
Recommendation of preferred brand	Very Unlikely	Count	1	5	1	0	0	7
		% within Age	5.6%	13.9%	5.0%	.0%	.0%	8.8%
	Not Likely	Count	3	4	1	2	2	12
		% within Age	16.7%	11.1%	5.0%	50.0%	100.0%	15.0%
	Neutral	Count	5	3	5	0	0	13
		% within Age	27.8%	8.3%	25.0%	.0%	.0%	16.3%
	Likely	Count	2	7	5	1	0	15
		% within Age	11.1%	19.4%	25.0%	25.0%	.0%	18.8%
	Very Likely	Count	7	17	8	1	0	33
		% within Age	38.9%	47.2%	40.0%	25.0%	.0%	41.3%
Total		Count	18	36	20	4	2	80
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.15 Contingency Table Showing the Relationship Between Recommendation of Preferred Brand and Age

The table above shows that 75% of respondents in the age group 40-49 would refer their preferred brand to others. This is followed by the age group 30-39 with 66.6% of the respondents that would refer their brands. The age group 20-29 displayed a lower percentage at 50%.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.419 ^a	16	.081
Likelihood Ratio	20.840	16	.185
Linear-by-Linear Association	.493	1	.483
N of Valid Cases	80		

Table 4.16 Chi-Square Test Results for Recommendation of Preferred Brand and Age Crosstabulation

The Chi-square value for the Brand Commitment and Gender variables was found to be 24.419 and the p value at 0.81. There is no statistical significance between these values.

4.5.8. Recommendation of Preferred Brand and Gender.

Recommendation of preferred brand * Gender Crosstabulation

			Gender		Total
			Male	Female	
Recommendation of preferred brand	Very Unlikely	Count	4	3	7
		% within Gender	7.7%	10.7%	8.8%
	Not Likely	Count	5	7	12
		% within Gender	9.6%	25.0%	15.0%
	Neutral	Count	8	5	13
		% within Gender	15.4%	17.9%	16.3%
	Likely	Count	12	3	15
		% within Gender	23.1%	10.7%	18.8%
	Very Likely	Count	23	10	33
		% within Gender	44.2%	35.7%	41.3%
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.17 Contingency Table Showing the Relationship Between Recommendation of Preferred Brand and Gender

There were more males than females who would refer their preferred brands. Only 46.4% females would recommend as opposed to 67.3% males.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.934 ^a	4	.294
Likelihood Ratio	4.910	4	.297
Linear-by-Linear Association	2.489	1	.115
N of Valid Cases	80		

Table 4.18 Chi-square Tests for Recommendation of Preferred Brand and Gender Crosstabulation

The Chi-square value for the two variables Recommendation of preferred brand and Gender was found to be 4.934. The p value was calculated at 0.294. There is no statistical significance between the variables.

4.5.9 Quality of Petrol and Gender.

Importance of quality of petrol * Gender Crosstabulation

		Gender		Total	
		Male	Female		
Importance of quality of petrol	Disagree	Count	1	3	4
		% within Gender	1.9%	10.7%	5.0%
	Neutral	Count	10	4	14
		% within Gender	19.2%	14.3%	17.5%
	Agree	Count	10	9	19
		% within Gender	19.2%	32.1%	23.8%
Strongly Agree	Count	31	12	43	
	% within Gender	59.6%	42.9%	53.8%	
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.19 Contingency Table Showing the Relationship Between Quality of Petrol and Gender

Table 4.19 above shows that both males and females are particular about the quality of petrol they use. Evidence is shown by the 78.8% of males and 70% of females.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.296 ^a	3	.151
Likelihood Ratio	5.136	3	.162
Linear-by-Linear Association	1.841	1	.175
N of Valid Cases	80		

Table 4.20 Chi-square Test Results for Importance of Quality of Petrol and Gender Crosstabulation

The Chi-Square value calculated for the above variables was found to be 5.296. The calculated p value was 0.151. There is no statistical significance between the two variables.

4.5.10 Importance of Cleanliness in Petrol Stations and Gender.

Importance of cleanliness in petrol stations * Gender Crosstabulation

			Gender		Total
			Male	Female	
Importance of cleanliness in petrol stations	Strongly Disagree	Count	2	0	2
		% within Gender	3.8%	.0%	2.5%
	Disagree	Count	1	0	1
		% within Gender	1.9%	.0%	1.3%
	Neutral	Count	4	1	5
		% within Gender	7.7%	3.6%	6.3%
	Agree	Count	12	11	23
		% within Gender	23.1%	39.3%	28.8%
	Strongly Agree	Count	33	16	49
		% within Gender	63.5%	57.1%	61.3%
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.21 Contingency Table Showing the Relationship Between Cleanliness in Petrol Stations and Gender

A high percentage of both males and females regarded cleanliness as an important factor in petrol stations. However women at 96.4% thought more highly of cleanliness as compared to 86.6% males.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.892 ^a	4	.421
Likelihood Ratio	4.840	4	.304
Linear-by-Linear Association	.418	1	.518
N of Valid Cases	80		

Table 4.22 Chi-square Test Results for Cleanliness in Petrol Stations and Gender Crosstabulation

The Chi-Square value for cleanliness in petrol stations and Gender was 3.892. The p value was calculated to be 0.421. There is no statistical significance between the two values.

4.5.11 Name of Most Preferred Brand and Gender.

Name of most preferred petrol brand * Gender Crosstabulation

		Gender		Total	
		Male	Female		
Name of most preferred petrol brand	BP	Count	11	3	14
		% within Gender	21.2%	10.7%	17.5%
Caltex	Count	4	4	8	
	% within Gender	7.7%	14.3%	10.0%	
Engen	Count	5	4	9	
	% within Gender	9.6%	14.3%	11.3%	
Sasol	Count	7	1	8	
	% within Gender	13.5%	3.6%	10.0%	
Shell	Count	10	5	15	
	% within Gender	19.2%	17.9%	18.8%	
Total	Count	3	1	4	
	% within Gender	5.8%	3.6%	5.0%	
None	Count	11	10	21	
	% within Gender	21.2%	35.7%	26.3%	
Other	Count	1	0	1	
	% within Gender	1.9%	.0%	1.3%	
Total	Count	52	28	80	
	% within Gender	100.0%	100.0%	100.0%	

Table 4.23 Contingency Table Showing the Relationship Between the Name of Petrol Brand Preferred and Gender

The table above shows that only 21.2% males prefer to fill up with BP. This figure was closely matched by those 19.2% males that preferred Shell. The next one that nearly matched this figure was Sasol with a percentage of 13.5%. On the other hand a number of females (17.9%) preferred Shell. The next highest preferred brand by females was Engen and Caltex. Each of these brands accounted for 14.3% of the female population.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.260 ^a	7	.510
Likelihood Ratio	6.901	7	.439
Linear-by-Linear Association	.692	1	.405
N of Valid Cases	80		

Table 4.24 Chi-square Test Results for Name of Petrol Brand Preferred and Gender Crosstabulation

The Chi-Square value for cleanliness in petrol stations and Gender was 6.260. The p value was calculated to be 0.510. There is no statistical significance between the two values.

4.6 Summary

This chapter presented results on the different aspects of brand loyalty under study. A majority of the participants confirmed that they have preferred petrol brands. From then a series of brand loyalty factors percentages were displayed. The degree of brand commitment, repeat purchase and resistance to purchase was comparatively shown with Likert scales ranging from strongly agree to strongly disagree per statement. Figures that depicted the attitude of research participants towards marketing strategies were also shown. Clearly good service, petrol quality and cleanliness were of utmost importance to most respondents. Also a very high percentage of them approved of service improvement by use of customer satisfaction surveys.

The next chapter will discuss these set of results in detail. The findings will determine the extent of loyalty to petrol brands and effectiveness of retention methods.

CHAPTER FIVE

Discussion

5.1 Introduction

In this chapter detailed analysis and interpretation of respondent's views is discussed. Inferences of the findings are explained with reference to existing literature on the topic. This includes analysis of purchase behaviour by petrol consumers and ways in which this behaviour can be encouraged to assist brand loyalty improvement. As discussed in the literature true brand loyalty is made up of the attitudinal and behavioural aspect. Behavioural loyalty is complemented by attitudinal loyalty and as a result this discussion delves into both loyalty forms.

5.2 Analysis and Interpretation of Results

5.2.1 Gender

The gender representation showed that during the research there were more males that took part than females. Males constituted 65% of the population sample and females were at 35%. It is important to note that there cannot be any deduction made from these results as the participants were randomly chosen.

5.2.2 Age

The spread in the age difference of respondents gave a better insight into the brand loyalty aspects. The ages ranged from youth to the older generation. The majority of the participants were between ages of 30 and 39. This was followed by the age category 40- 49 which consisted of 20 respondents. The youth of the age category 20–29 were also adequately represented. This figure represents purchase behaviour of the younger generation. It appears as if there were less of the older generation greater than 50 years in the petrol stages visited. Getting responses from this generation would have assisted perhaps in understanding the loyalty behaviour of this sector of the population over a number of years.

5.2.3 Brand Loyalty

5.2.3.1 Existence of a Preferred Petrol Brand

A majority of the respondents confirmed that they have a preferred brand of petrol, a figure over 70% of the sample size. The rest use any petrol brand. From the data collected Shell was the most preferred brand, closely followed by BP with a difference of 1.3%. The results show that there is a considerable level of brand preference. The petrol consumers have tendencies of choosing their preferred brands within a number of competing brands. The level though is reflected as being balanced as shown by the small differences in percentages between competing brands. Caltex for instance has the same percentage as Sasol. This observation may be explained by Jacoby & Kyner (1973) in their conclusion that preference for a certain brand is a single factor that consumers regard during the purchasing exercise and sometimes not an important factor. Engen depicted a 1.3% value greater than Sasol and Caltex. Total was the least favoured brand.

5.2.3.2 Repeat Purchase of Brand

Participants were asked if they always purchase the same brand of petrol when filling their cars. The response showed that only 57.5% purchased the same brand. A majority of these within the 30-39 age categories. The rest either did not purchase the same brand or could not account for their purchase behaviour. It is interesting to note that only 25% of this group could definitely confirm that they always purchase the same brand, i.e. they strongly agreed. A slightly greater number than this at 32.5% just agreed that they purchase the same brand. The degree of certainty was therefore not very high within a greater number of consumers. This is even exacerbated by the fact that 15% of this group did not confirm their purchase behaviour. If one were to consider the 15% of neutral consumers and assume that they would disagree with the statement, then the total percentage would increase to 57.5% as well. This would imply that petrol consumers' attitudinal component of brand loyalty is not very strong. However if the opposite were to occur then the figure would increase to 72.5%. It would still not be convincing as the true repeat purchasers would constitute only 25% plus

15% giving a total of 40%. Jacoby & Chestnut (1978) suggest that one of the basic principles of brand loyalty is consumer's consistency of choice. This is a behavioural phenomenon in the brand loyalty field.

5.2.3.3 Brand Commitment

To test this factor a question was posed to the respondents whether they would buy the same brand of petrol, even if they were in a hurry and the station that stocks their brand was out of the way. The test was to find out if they were truly committed to their preferred brands. Literature review suggested that brand commitment is one of the measures of attitude. Results showed that 65.1% respondents were committed to their brands. However those that were truly committed were only 13.8%. They would go out of the way to look for their desired brand. Those that were just committed were 51.3%, meaning that they would seek their brand by all means if possible. If not possible they would buy from another petrol outlet. There is a big gap between the true loyal committed consumers and those that are just loyal i.e. agreed to the statement. A total of 22.6% were not brand committed at all. An additional 12.5% were neutral. If these two last figures are added together then they total to 35.1%, assuming that the 12.5% would sway to this group. Looking at this figure and the ones representing those that are just committed, one would come to a conclusion that brand commitment is not really strong. This assessment shows that there are consumers that are truly brand loyal and those that are in a state of inertia and purchase the brand for other reasons other than affection. If say the 12.5% would regroup with the strongly committed lot, the figure would still not be convincing at 26.3%. A majority of the committed consumers also came from the 30-39 age groups. This is followed by the 40-49 age categories. The trend shows that as consumers get older they get committed

towards their brands. Riley et al (1997) attributed the lack of attitudinal response to lack of reinforced positive beliefs, perhaps through advertising. In their research findings they concluded that attitude beliefs are not firmly held.

5.2.3.4 Resistance to Purchase Other Brands

Participants were asked whether they do purchase other brands of petrol. This question was aimed at establishing whether the petrol consumers are resistant to the purchase of other brands. If so then it would mean that they exhibit brand loyalty. There were only 52.6% respondents that confirmed that they do not use other brands of petrol. Out of this number only 8.8% were found to be hardcore brand loyal consumers. These customers are the kind that would look for their brand of petrol and fill up. They will not at any point in time just see any petrol station and decide to pour petrol there for the sake of filling up their tanks. Such consumers are not even drawn by special promotions run by competing brands. A further 43.8% were not hardcore loyal consumers. This group would by all means try to resist offers to switch to other brands. However they have a potential to switch. The rest, 38.8% are switchers. If the neutral group is added to this group then a potential total of 47.6% would be switchers. If one looks at the true loyal consumers, it is evident that the figure is low and switching behaviour is prevalent within the group. As discussed petrol price is the same in South Africa and as a result the switching costs are very minimal or none at all for the consumers. A consumer can substitute one brand with another at no cost.

5.2.3.5 Likelihood of Recommending a Preferred Brand of Petrol

The consumers were asked the level of likelihood in recommending their preferred

brands to anyone. The objective of this question was to find out if they like their brand to an extent that they can exert a level of influence to other people. It was established from the results that a slightly higher percentage at 41.3% said they would very likely recommend the brand. This implied that the respondents held a favourable set of stated beliefs about the brands that they utilised. As literature suggests the measurement would be recommendation of the preferred brand instead of competing ones. It also signifies the level of commitment. In total including ones that would just likely recommend their brands a figure of 60.1% was observed. A total of only 23.8% would not recommend their brand at all which was quite a low figure.

The results show that there is willingness to recommend the brands for different reasons that have not been precisely established in this study. Rosen & Olshavsky (1987) conducted a study on brand choice strategies involving recommendations. Their findings were that a consumer may obtain a recommendation from a personal or non personal source for purchasing purposes. Seventy five percent of these referrals were from friends. After getting key attribute value from the referrer they would then search for more information on the brand's attribute. Such referrals can help boost brand loyalty. Through such referrals brand loyalty can be increased. It is interesting to note again that the age group with the highest referral rate is the 30-39 one. One can merely conclude that referral marketing of the petrol brands would highly occur at this age group.

5.2.4 Effect of Marketing Strategies

5.2.4.1 Effect of Advertising on Petrol Brand Purchase

As highlighted earlier when reviewing literature, advertising in the South African Petroleum industry is very minimal. Not all the petrol companies aggressively carry out advertising either on the available media channels. The results obtained definitely concur with this fact. A total of 47.5% of the respondents did not find advertising vital in their petrol purchase decision making. A total of 22.5% were not aware if advertising matters when they purchase petrol. This shows that promotions of these brands are not in the face of the consumers. Had effective brand communication been visible then they would have immediately agreed with the statement. If the neutral respondents were to be converted not to agree with statement, then a total figure of 70% would represent a section that is not influenced by advertising. There were 30.1% respondents that said that they are influenced by petrol advertising in the choice of brands they use. This number may be reached via the small number of TV adverts that are currently shown on the different channels. Alternatively it could be through promotional material at petrol locations. Shell for example is associated with Formula 1 racing. Consumers might then associate the petrol brand with speed characteristics. The other source of awareness could be through sponsorships. Most of them are involved in sports. BP has in the past before 2008 been sponsoring the BP Top 8 soccer tournament (MTN8 Final goes ... 2010). Similarly Total is involved in motorsport (Total Motorsport ... 2012).The company is also engaged in Soccer development programmes (Soccer Development ... 2012). Engen is involved in Soccer, Motorsport, Cycling, Basketball and Athletics (Sports Sponsorships...2012).

Though there are such promotions, they do not reach a greater audience as not everyone is a soccer or motorsport fanatic.

5.2.4.2 The Reason to Purchase Petrol from a Petrol Station Within a Provided List

From the consumer's response, the amenities found within the petrol stations do not have much of a role in terms of convincing them to purchase a particular brand or use that petrol station. A number of them at 35% attributed the presence of a convenience shop as part of the reason why they use a certain brand of petrol. This however does not really mean that they would purchase from one particular petrol station. If they come across a Sasol convenience shop they will purchase and might at the same time fill petrol. They can stop at another petrol station, say Total the following day. Some may be in the habit of purchasing either bread or a newspaper on their way home and decide to pour petrol.

The convenience shops are priced a little bit more than your normal grocery shops and this might discourage some of the consumers and hence not work to the advantage of the petrol station in increasing brand loyalty. The results do concur with this observation as there were 31.3% participants that confirmed that existence of Convenience shops does not influence their petrol purchase decision making. An important factor to note is that until recently the shopping experience within these outlets has been tremendously improved by introducing new outlets such as Woolworths and DVD rental sections at Engen petrol stations, accessible 24 hours. Consumers therefore can fill petrol and buy the same Woolworths perishable products found in standard stores. Though this research did not go to the extent of finding out what exactly consumers buy from these convenient stores,

it appears that these convenience stores are attaining more customers, judging by the high percentage observed over other amenities. Food stops have been deemed an incredible success (Woolworths Food Stops ... 2010). There were initial concerns whether an oil company could succeed in combining a niche Woolworths brand of products with the Engen national brands at its Quick Shops. However a consistent brand image was delivered and maintained with “flying colours”. Homeward bound based stores were found to be very successful than highway stores. According to the article food stores have increased the customer base though there was still a lot to be done.

The second item that was found to attract customers to petrol station was ATM's (Automated Teller Machines). Their being located within the premises facilitates the purchase of petrol. It was also convenient when filling petrol before the introduction of use of debit and credit cards as customers could draw money to pay. As to whether it will still allure customers in future due to use of cards it is unknown.

Eleven percent of the respondents were drawn to petrol stations by other reasons not listed on the questionnaires. Only 6.3% of them stated that car wash facilities draw them to certain petrol stations. It was noted during fieldwork that it is not all petrol stations that have car wash facilities. Those that had were competing with independent car washes within surrounding areas, which would explain the reason why this figure is low.

It is important that petrol station owners provide amenities that will appeal to their customers. An improved car wash programme can be initiated and points linked to petrol purchase. These outlets must ensure that they have the right people for the

job and pose competition for independent car wash companies. Those petrol brand outlets that are not in joint ventures with independent store providers can investigate the possibilities of doing so. They may conduct research as to what customer experience is required at these petrol stations. Brand loyalty will therefore be increased.

5.2.4.3 Beneficial Aspect of Promotions on Brand Loyalty

As Pearson (1996) puts it, today's brands owe their growth to mass marketing and advertising. Petrol stations normally run promotions in their convenience shops. Promotional items are sold such that whilst you fill petrol you go into the shop and buy these items. Total for instance runs a back to school promotional campaign to entice customers (Total Promotions ... 2012). Sometimes there are banners and promotional material that are found at the premises. The question raised was whether consumers regarded promotions that are run at petrol stations beneficial. The question was posed to seek an insight as to whether there is situational brand loyalty created because of such promotions. Clearly from the results it shows that consumers do not regard any of these as a contributing factor for repeat purchase of petrol. A large number of respondents were neutral in their response. This shows that they did not know whether promotions were beneficial or not. This value was at 36.3% whilst those that strongly associated promotions with benefits were at 10 %. The rest of the 32.5% that just agreed were not too convincing about their belief in such activities. The figures show that petrol retailers and companies are not doing enough to create awareness of their brands. The promotional items found in the convenience shops do not have a greater impact in

attaining brand loyalty. It is imperative that other promotional methods are devised so that customers can associate with these brands. There are no educational promotions to educate consumers of the petrol brands that are sold by each of the outlets. The franchising system is stifling brand loyalty growth through promotions as the individual retailers cannot do as they please to increase brand loyalty and hence increase the sales margin. The situation is more aggravated by the fact that these oil companies do not compete against each other as indicated by Hadland (2002).

5.2.4.4 Brand Loyalty as a Result of Loyalty Programmes

A higher percentage of consumers are not aware whether loyalty programmes assist their purchase decisions. Customers were asked if loyalty programmes are the reason why they use their preferred brands. There were 27.5% that could not identify with such programmes. Only 18.8% strongly agreed with the statement. The high number of neutral respondents may be due to the fact that there are not a lot of loyalty programs in the South African petroleum industry. The old traditional types of loyalty programs such as car wash vouchers are scarce to come across these days. Only a few garages around Gauteng still run them. Loyalty programmes have been prevalent in the aviation industry and of note is the Voyager programme. However according to an article online, the extent of rewards has been reduced by 50% leading programmes operators in South Africa such as British airways and Virgin due to an increase in the cost of points (Loyalty programs reign ... 2005). Recently the financial industry players have seen the opportunity in running loyalty programmes in partnership with petrol retailers.FNB

has launched the FNB Fuel Rewards programme (Fuel Rewards ... 2012). Consumers get up to 15% back when buying petrol using an FNB Cheque, Credit or Linked Petro Card. The reward is in the form of eBucks (FNB multi-partner rewards programme) or cash into the clients account. Consumers would therefore find value in such a programme and also the petrol stations that accept cards will have an opportunity to increase brand loyalty. Furthermore eBucks members can use their eBucks to purchase petrol in Engen petrol stations. The advantage of the eBucks programme is that it does not have any yearly subscriptions, but eligibility is based on one having an FNB account.

Such an innovation quoted above can benefit the retailer and for that reason it would be advisable for retailers to investigate other avenues like these to attain and maintain loyalty of their brands.

5.2.4.5 Repeat Purchase as a Result of Good Service and Service at Petrol Stations

Literature suggests that service quality is an essential indicator of customer satisfaction as indicated by Spreng & Mackoy (1996). This can further lead to profitable gains. The results of the survey showed that South African consumers do value service as a critical component when pouring petrol. Participants of the study were asked whether service would be the determining factor in them coming back to a particular petrol station to fill petrol. In other words would good service rendered lead to repeat purchases. An overwhelming number of respondents agreed to the statement. Over 50% customers strongly agreed, making the figure of total affirmative responses to 83.8% considering those that just agreed. The fact that only 6.3% of the respondents were neutral indicated that South African

consumers really cared about service delivery at petrol stations. This is not surprising as mentioned in the literature that the price of petrol in South Africa is highly regulated. The only differentiating factor between the brands is customer service. Previous studies by Mlonzi (1996) also emphasized the importance of service.

Another question was raised to find out if customers were happy with the service rendered in petrol stations. The reply in this case was also very positive. In total 83.8% agreed to the statement, with 53.3% strongly agreeing. It goes to show that not all petrol stations give bad service. There is only a minimal percentage of not more 16% that get bad service from petrol stations. This implies that there is still more room for improvement to deliver excellent service.

It is up to retailers to seize the opportunity to improve on service levels within their petrol stations. Excellent service can be utilised as a means to attaining brand loyalty as suggested by Akbar, Som, Wadood & Alzaidiyeen (2010).

5.2.4.6 Importance of Cleanliness at Petrol Stations

The main objective of this question was to establish if cleanliness was also an important factor to consumers of petrol in South Africa. Some petrol stations surroundings are filthy and the ablutions are not well cleaned. This sparked an interest as to how many people consider hygiene when choosing a brand. Surprisingly results of the study showed that almost every respondent thinks highly of hygiene. There were 90.1% of the respondents that agreed that cleanliness is very important. Of these interestingly 61.3% strongly agreed.

This revelation would go a long way in attaining brand loyalty. Petrol retailers must

therefore ensure that they keep their premises clean, as this might be a competitive advantage. Customers must not think of petrol stations as greasy and filthy places.

5.2.4.7 Quality of Petrol as a Factor in Purchase Decisions

Over fifty percent of the respondents feel strongly about the quality of the petrol that they buy. Including those that do not feel strongly but agree with the statement, the figure totals to 77.6%. This shows that the South African consumer thrives on quality brands. As discussed earlier the only question that remains is where this high percentage of consumers get education regarding quality of their brands as there is insufficient marketing activities around petrol.

As it is evident that quality is a factor in petrol purchasing, the retailers need to create more awareness of the quality of their brands to retain those clients that are currently loyal and further attract new ones. The fact that there were 17.5% of the respondents that were not sure that quality makes a difference in their decision process leaves room to convert them to believe in the brand.

5.2.4.8 Customer Satisfaction Surveys as Means of Service Improvement

Petrol consumers were asked whether customer satisfaction surveys would improve service conditions at petrol stations or not. A relatively high number of respondents (45%) felt strongly that such an exercise would be very beneficial. Those that just agreed but not strongly increased the figure to 87.5%.

Generally petrol stations do not carry out surveys to find out from their clients if they are receiving good service. The fact that the results show a high figure of

consumers that regard customer satisfaction surveys a critical component of service improvement implies that retailers must take heed of this warning. Customer satisfaction surveys could steer the petrol station in the right direction. Petrol retailers would know what the current complaints are and furthermore be in a position to know what amenities are required within the petrol station that can add value to the customer's experience.

5.2.4.9 Owner of Vehicle Being Driven

These stats were solely taken to find out who the owner of the vehicle is. Those that were driving their own vehicles determined which brand to use without influence. A majority of the participants i.e. over seventy five percent were driving their own vehicles. This further strengthens the validity of the results.

5.2 Summary

This chapter has discussed and highlighted the extent of brand loyalty within the South African petrol consumers. Both the behavioural and attitudinal aspects have been explored. Brand loyalty has been found not to be very strong. Existing marketing strategies have also been found to be inadequate in increasing brand loyalty amongst consumers. The consumers have affirmed that cleanliness, quality of petrol and customer satisfaction survey can play a role in attaining brand loyalty.

The next chapter will conclude the findings of the research and make recommendations based on the aims and objectives of this research as well as suggestions for future research.

CHAPTER SIX

Conclusions and Recommendations

6.1 Introduction

In this chapter the research findings are concluded upon. Furthermore the chapter shows the contribution of this research in understanding brand loyalty in line with aims and objectives of this study. Suggestions to improve brand loyalty are also discussed. Recommendations for future studies to further enhance knowledge in this field are made.

6.2 Discussion of Findings in Relation to Aims and Objectives

6.2.1 Brand Loyalty

The main aim of this research as discussed in preceding chapters was to establish whether there is brand loyalty within South African petrol consumers. Findings from the research have shown that there is lack of brand loyalty amongst these consumers even though a greater number had indicated their preferred brands. Both the attitudinal and behavioural aspect has been found to be not strong. The percentage of consumers that feel strongly about their brands was not high. A number of the consumers simply agreed with the statements posed to them. This showed that they were not confident with their brands otherwise they could have indicated a strong association with the brands. The fact that price is the same for all brands, is a contributing factor as there is no competition to try and attain high levels of brand loyalty. This affected repeat purchases and commitment from consumers. In addition to this, switching tendencies were found to exist.

6.2.2 Marketing Strategies

Marketing strategies that are currently employed by the oil companies are not effective as shown by the study. A number of consumers have attested that their purchase behaviour is not really influenced by marketing programs. Advertising of

the different brands is minimal. So is promotion of the different brands. When consumers were asked about loyalty programmes, many indicated that they were not aware of any. This therefore does not create brand awareness to increase the level of brand commitment and repeat purchase. The petrol retailers need to take cognisance of the fact that if brand loyalty increases so does profit margins.

With respect to marketing of the brands brand loyalty attainment by petrol retailers can be infringed due to the structure of the industry. As indicated Oil companies are responsible for the marketing drives and as a result the retailers who are franchisees do not determine the programs.

Most of the customers were happy with service given by petrol staff. Service as the only differentiator in this industry seems to be fine, though improvement is always required to be on top of things. Petrol retailers are in control of this important element to achieve competitive advantage.

6.3 Suggestions

6.3.1 Brand Loyalty

Brand loyalty improvements can be driven by either marketing strategies or service excellence improvement. In terms of marketing of brands a suggestion would be for petrol retailers to communicate ideas to the oil companies through the Fuel Retailers Association to help improve marketing of brands. This includes educational marketing about the quality of the different brands. Secondly loyalty programmes can be setup. If designed correctly the loyalty programmes can help the retailers know their clients. Currently in the South African situation there are no Customer Relationship Management systems in place in this industry. The most important thing to do is to ensure that correct data is collected, that will be useful as stated by Uncles et al (2003) .They further state that one of the aims of customer loyalty programmes is to build a stronger bond between the customer and the brand, hence retain the existing customer base. Customers must also see value in the loyalty programmes.

The other sector that petrol retailers can still improve on would be service

excellence. To further maintain and improve service, they can ensure that their staff attend customer service training programs and encourage refresher courses. Hadland (2002) suggested that a number of petrol retail outlets lacked proper management. He further stated that staff lacks training and they work long hours. The long shift hours can also have a detrimental effect on service provided. They can further ensure that hygienic practices are instilled. By constantly engaging their customers via surveys, they will know what their customers want and apply necessary improvements.

6.4 Recommendations for Future Research

For future studies it would be beneficial to look into the following:

- ◆ Study the brand loyalty on a national scale so as to get an accurate view, as the sample in this case was only taken from one province.
- ◆ Ensure that data collection is given ample time. Interviews at the petrol station took a long time per customer.

6.5 Summary

This chapter concludes the research in line with aims and objectives. It has been established that brand loyalty is not strong amongst South African petrol consumers. Ways to improve consumer fuel brand loyalty have been suggested. Recommendations for future research have also been made.

If the recommendations made are carefully implemented and monitored for deviation from the hoped for improvement in brand loyalty amongst fuel consumers, it is probable that the recommendations will contribute to brand loyalty.

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APPENDICES

Appendix 1 Questionnaire

Introduction

Good Day

You are invited to participate in the survey “**Determination of Brand Loyalty Amongst South African Petrol Consumers**”. It will take approximately 7 minutes to complete the questionnaire. Your participation in this study is completely voluntary. There are no foreseeable risks associated with this project. However, if you feel uncomfortable answering any questions, you can withdraw from the survey at any point.

Your survey responses will be strictly confidential and data from this research will be reported only in the aggregate. Your information will be coded and will remain confidential. If you have questions at any time about the survey or the procedures, you may contact Wandile Shongwe by email at wandile.shongwe@iburst.co.za.

Q1. What is the Gender of respondent?

1. Male
2. Female

Q2. Where does your age fall in the categories below?

1. 19 and below
2. 20-29
3. 30-39
4. 40-49
5. 50-59
6. 60 and above

Q3. Is there a Petrol station brand that you prefer?

1. Yes
2. No
3. Not Sure

Q4. Amongst the petrol brands below which brand would you prefer to fill?

1. BP
2. Caltex
3. Engen
4. Sasol
5. Shell
6. Total
7. None
8. Other-(Please Specify).....

Q5. You always fill the same brand of petrol

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q6. You would buy the same brand even if you are in a hurry and the station is out of your way

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q7. You use any other brands of petrol

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q8. How likely are you to recommend your preferred brand to other people?

	Very Unlikely	Not likely	Neutral	Likely	Very Likely
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q9. Advertising influences the choice of the Petrol brand that you use

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q10. The decision to purchase petrol in your preferred filling station is influenced by the presence of the following:

1. Convenience Shop
2. Restaurant
3. ATM
4. Lotto Ticket Sales
5. Car Wash
6. Other-(Please Specify).....

Q11. Loyalty programs such as Car wash Vouchers or points gained when filling petrol makes you use the same brand of petrol.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q12. Good Customer Service received from a particular petrol station makes you come back to fill petrol.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q13. Petrol attendant staff is trained in giving good service.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q14. Cleanliness at filling stations is important.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q15. Quality of the petrol brand is an important factor when purchasing petrol

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q16. Conducting customer satisfaction surveys would help improve service conditions at the petrol stations

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q17. Promotions run by petrol stations are beneficial.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>	5 <input type="checkbox"/>

Q18. Please indicate below the person who owns the vehicle that you are driving.

1. You
2. Spouse
3. Your Company
4. Rental Company
5. Other

Appendix 2 Ethical Clearance



7 December 2012

Mr WT Shongwe 203518093
Graduate School of Business and Leadership
Westville Campus

Dear Mr Shongwe

Protocol reference number: HSS/1320/012M
Project title: Determination of Brand Loyalty Amongst South African Petrol Consumers

EXPEDITED APPROVAL

I wish to inform you that your application has been granted Full Approval through an expedited review process.

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 school/department for a period of 5 years.

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

Yours faithfully

Professor Steven Collings (Chair)

/pm

cc Supervisor: Alec Bozas
cc Academic leader: Dr S Bodhanya
cc School Admin.: Mrs Wendy Clarke

Professor S Collings (Chair)
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