

**A study on Convenience Marketing in the petroleum industry in South Africa,
specifically relating to Engen Petroleum Limited**

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Date: June 2005

CONFIDENTIALITY CLAUSE

Date: June 2005

TO WHOM IT MAY CONCERN

RE: CONFIDENTIALITY CLAUSE

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

Sincerely

CGJ Pieterse

116004

DECLARATION

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

Signed..... *Buten*

Date..... 10 / 4 / 2006

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ABSTRACT

The purpose of this study was (1) to gain a better understanding of convenience marketing in the petroleum industry in South Africa, (2) to determine whether convenience marketing has positively contributed towards Engen's business objectives, (3) and whether implementation of the concept by Engen has been successful. During this study an in-depth literature review was done to analyse convenience marketing in the petroleum industry in South Africa by using various theories and models, such as the Buyer Behaviour Models, monadic models and multi-variable models, which are helpful in creating a basic and general foundation for the understanding of consumers and the relationships between external and internal influences that may affect the purchase behaviour of a consumer.

Pathway modelling is also utilised for a better understanding of consumer preferences. Extensive brand research was undertaken to identify areas of strength and weakness within the Engen forecourt c-store network. The Ansoff Market/Product Matrix was used to recommend an effective product strategy.

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1. CHAPTER ONE

1.1. Introduction

Most petroleum companies in South Africa, namely Engen, Shell, BP, Caltex, Total, Sasol and Exel have the manufacturing, marketing and distribution of petroleum and other petrochemical products as their core business. The industry is regulated and the Government controls the price of fuel. Since the early 1990's and with deregulation becoming a topic of discussion, the oil companies have had to devise alternate profit opportunities if deregulation became a reality. Added to this is the fact that most service station businesses are marginal volume businesses and operators have found it increasingly difficult to sustain their incomes because of the small fuel wholesale marketing margins. The weaker Rand/US dollar exchange rate and increased crude oil prices in the 1990's have also had a significant impact on the petroleum industry.

Retailer, Pick 'n Pay, was in favour of deregulation, and wanted to enter the fuel market by discounting fuel and to provide the consumer with a convenience offering on the forecourt.

This resulted in a major change in strategy for these petroleum companies. These companies had to seek alternate profit opportunities in the form of convenience stores (c-stores) on the forecourt, following from the trends in overseas countries.

Convenience shopping has become an important concept for the consumer today. People would like to be able to fuel their vehicles and buy their newspaper, bread and milk at one point. Safety and security, especially at night, has also become a major issue with consumers. Retailers such as Shoprite, Pick 'n Pay, Woolworths, Spar, Hyperama do not offer a 24-hour service.

This study focuses on the benefits that convenience marketing has brought to Engen and aims to determine whether implementation of the concept has been successful.

1.2. Background

The South African petroleum industry is very competitive, the competitors being Engen, Shell, BP, Caltex, Total, Sasol and Exel. There is fierce competition for market share of fuel. Engen is recognised in South Africa as a major player in the local automotive fuels, lubricants and chemicals sector. The company has a Head Office in Cape Town, a crude oil refinery in Durban and over 100 depots across southern Africa through which it distributes petroleum products to the region (www.citrix.com). Engen has a fuels market share of 27% and a network of over 1250 service stations and over 450 forecourt c-stores in South Africa (www.engen.co.za).

Due to uncontrollable external factors, such as the weaker Rand/US dollar exchange rate, reduced refining margins, the decrease in demand for petroleum products and increased crude oil prices, since the late 1980's and 1990's profits of the petroleum companies were declining (www.mbendi.com Engen annual report). These companies had to consider alternate profit opportunities in order to survive. During this period there were frequent structural changes to these organisations because of the reduction in profits and changes in their strategies. Arising from this change in strategy was born the concept of the c-store on the service station forecourt.

Engen's strategy was to incorporate these shops into their network and to have a small bakery in the shop, which would enable the c-store to compete with the larger supermarkets by attracting more consumers, adding value and profit margins and improving neighbourhood loyalty. These shops not only gave the customer a unique convenience experience, but also brought more vehicles onto the forecourt, which resulted in increased fuel sales (www.biz-community.com).

The combination of carefully selected offerings and an efficient, attractive layout has made a huge impact on Engen's forecourt c-stores. These shops are also strategically located and offer a 24-hour service.

This strategy is a success for Engen as it reflected an increase in profits in the convenience marketing division (Engen annual financial report 2003/4).

1.3. Motivation for the research

The reason for the research is to gain a better understanding of Convenience Marketing in the petroleum industry in South Africa and to determine whether it has positively impacted Engen and whether implementation of the concept by Engen has been successful.

1.4. Value of the project

It is envisaged that this study will help Engen to determine whether Convenience Marketing has had the desired effect on the petroleum industry, the organisation and the consumers. It is also envisaged that areas of weakness will be identified and recommendations made to Engen's Marketing Management to improve these areas.

1.5. Problem statement

To what extent has convenience marketing benefited Engen, has Engen been successful in implementing convenience marketing, how convenience marketing has benefited Engen's strategy and whether it has increased Engen's profitability?

1.6. Rationale for research

Convenience marketing has made a significant impact on the petroleum industry in South Africa, specifically on Engen. These organisations have made large investments in convenience marketing and the requirements are to ensure that their strategies are implemented successfully and that their objectives are met in order to ensure that they obtain the maximum return on their investments. The research will also aim to answer the question of whether the implementation of these Engen forecourt c-stores has been successful and whether they have achieved their return on investment.

1.7. Objectives of the research/hypothesis

Assumptions, speculations and intuitions on their own cannot test subjective beliefs against objective reality. Hence complex management decisions commonly require adequate amounts of data and other qualitative and quantitative information that is based upon research of the environment and circumstances. This provides the background to arrive at workable solutions to high-risk, high-cost decisions.

The objective of the study will be to determine the impact that convenience marketing has had on petroleum companies in South Africa, specifically on Engen. It also aims to establish whether implementation of the convenience-marketing concept by Engen has been successful and will also attempt to determine whether convenience marketing has impacted positively on Engen's strategy and the effect that it has made on the organisations profitability.

In so doing it is hoped to discover areas of weakness within Engen's convenience marketing strategy so that appropriate recommendations to alleviate these weaknesses can be made to Engen's management. (Discussed in chapter 5).

1.8. Limitations of the study

Engen management are reluctant to divulge sensitive information, such as finance and other trade secrets.

Other petroleum companies in South Africa are reluctant to divulge information on their convenience marketing strategies and other sensitive information.

A research on convenience marketing at forecourt c-stores has been undertaken overseas, but there has been limited research undertaken on this topic in South Africa.

1.9. Research philosophy, approach and strategy

The research will include a mixture between positivism, interpretivism and realism. The approach will be both deductive and inductive and the research strategy will be largely case study, survey, exploratory, descriptive and explanatory. This will give the confidence that the most important issues are being addressed. The advantage of using multi-methods is that triangulation can take place.

1.10. Brief overview of research methodology

The research technique is essentially quantitative, but will involve the collection of quantitative and qualitative data through the use of semi-structured interviews with Engen marketing management and employees and questionnaires to the consumers at Engen convenience stores. Interviews will be conducted with Engen staff to get a feel for the key

issues before embarking on the questionnaire. The interviews will be aimed at trying to ascertain how the c-store concept originated within the company and what was the company's strategy, what the impact of convenience marketing has had on the organisation, whether the organisation has achieved what it set out to achieve and whether the company has had to change its strategy since inception to date and the effect that the c-stores have had on its consumers.

1.10.1 Sample and sampling technique

The sampling framework will be the consumers of convenience goods who call at the Engen c-stores in Gauteng. Sampling will thus be a representative sample of consumers who shop at the Engen c-stores in Gauteng. The size of the population will be approximately 50. All Living Standards Measure (LSM) groups will be targeted in the sample.

1.10.2 Design and analytical techniques

The design is a cross-sectional, correlation research design. There is no control group and all variables will be measured at the same time via a questionnaire.

1.10.3 Method of data collection

1.10.3.1 Convenience marketing at the Engen forecourt convenience stores

For the collecting of information on convenience marketing in the petroleum industry in South Africa the chosen survey method of data collection will be structured questionnaires. These will be respondent completed questionnaires with a covering letter, which will be distributed at the Engen forecourt c-stores. The study is a cross sectional study and all questionnaires will be issued to consumers calling at the Engen forecourt c-stores in the Gauteng area only.

1.10.3.2 Engen's convenience marketing strategy

Information on Engen's marketing strategy prior to implementation of the convenience shops and after implementation will be obtained from Engen management to determine the impact that convenience marketing has had on Engen's strategy. This will be undertaken by conducting informal interviews with the Engen Convenience Marketing managers and some of their staff.

1.10.3.3 Benefits of convenience marketing on Engen's profitability

Information on Engen's profitability will be obtained from Engen's management. The information will be drawn from the company's financial statements, which would be used in assessing the financial performance of the organisation.

1.10.4 Data Analysis Techniques

Surveys on convenience marketing at Engen convenience stores will be used in the study to determine the impact of convenience marketing on the respondents. Data from the survey will be recorded using numerical codes and analysis. Coding schemes will be used to enable comparisons. Initial analysis will explore data using both tables and diagrams (pie charts, bar graphs). Subsequent analysis will involve describing the data and exploring relationships using statistics from the questionnaire.

1.11. Structure of the dissertation

1.11.1. Literature review

This section will examine literature on convenience marketing in the petroleum industry in South Africa, specifically relating to forecourt c-stores and the variables under study, also to determine the impact that convenience marketing has had on Engen and to determine whether it has been successful within Engen. It will also help to determine whether there are any shortcomings in ACNielsen's research findings.

ACNielsen has conducted extensive research on this subject. Their research focused around branded forecourts where they are most concentrated: metropolitan and urban areas. In their research article on convenience equals growth (<http://www.biz-community.com/Article/196/19/1339.html>), they reported some of their main findings as:

Of the 1254 branded forecourt stores, Engen is by far the largest c-store brand, with 413 stores nationwide.

The group of people who shop at c-stores are mostly LSM 7, 35 years old and earn a salary of at least R8 000 a month.

The average basket at a forecourt c-store is R11 to R20, compared to Supermarkets - R80 and Hypermarkets R160.

The reasons as to why people shop at forecourts are obvious, such as convenience 24-hour shopping when other shops are closed – up to 50%, safety, within walking distance, fresh bread and cleanliness.

Only 30% visit forecourt c-stores because they have stopped for petrol.

A forecourts c-store strategy should focus on driving and growing impulse and convenience products, growing fast foods and the ready-made meals business, and limiting the range of groceries stocked.

Forecourt c-stores are hopelessly overstocked, with up to 85% of their product classes accounting for less than 5% of their revenue.

Product purchases, in order of popularity, were: snacks (including cool drinks, chocolates, sweets and ice cream); baking goods; milk; cigarettes; newspapers and take away/ready-to-eat meals.

Half of South Africa's shoppers will switch brands in some categories if products are not readily available as product availability and the convenience of a stores location are two of the main drivers of consumer spending in South Africa.

50% of shoppers will switch brands and 33% will go to another store if their favourite products are not available immediately. This is particularly true in snacks, confectionary, soft drinks and canned and packaged food and household products.

Conversely, personal care products attract the highest level of brand loyalty, and consumers will shop around to find what they want.

South African consumers have multiple options when it comes to shopping. Consumers shop across store types on a regular basis and are therefore consistently comparing the store

offering across all outlet types. In most markets at least 45% of shoppers are using three or more stores on a regular basis.

South African shoppers are keen on promotions and price offers. 41% of active shoppers enter competitions and prize draws, shop around to take advantage of special offers, read store catalogues to check special offers, and buy non-habitual brands if on offer.

55% of shoppers plan their trips to the supermarket, 25% engage in impulse buying. Greater marketing would help drive this impulse figure up, but in most stores surveyed, 50% of customers claim not to have received printed materials from the store that they regularly shop at. This compares poorly with markets in the Pacific Rim (87% of customers received a brochure in the last four weeks) and North Asia (76%), but better than Japan/Hong Kong (31%).

Strengths

Strengths included: the forecourt stores are good looking; site placements are convenient; customer security; 24 hour trading; other attractions such as ATM, car wash, fast food, dry cleaning, etc; service departments such as bakeries.

Weaknesses

Most owners do not have any or no retail experience; owners experience cash flow problems – no credit; shrinkage control; limited product range potential; small basket size; little assistance on store layouts; inconsistent pricing structure; expensive franchise cost; limited back-up stock for fast turning items (promotions) and small store rooms. Not all service stations have a c-store.

Opportunities

This market needs training and assistance in customer care programmes and customer service; more focus on promotional activity; corporate brand building; comprehensive store range planograms/space utility; and the introduction of more “take home” products.

Threats

Rapid expansion of other retail brands, such as Pick 'n Pay Mini Markets; U-save; the Friendly Chain; more effective corporate brand building by competitors; extensive retail experience of competitors; competitors pricing policies; competitors range policies; members break away from franchise owners; major retailers entering franchise agreements; limited land and sites available; and the deregulation of the fuel industry.

1.11.2. Chapter two

This chapter will cover a review and discussion of Engen's Convenience Marketing strategy. The various theories and models available will be reviewed. A new model will be developed or an existing one will be adapted, which will be used in the study.

1.11.3. Chapter three

This chapter will cover a detailed review of the research study. It will include background information on the petroleum industry in South Africa and Engen, the products and services they provide and who their customers are.

The purpose of this chapter is to discuss, the research method employed in obtaining the results of the study. This includes a discussion on the basic research design, the sampling and the data collection as well as the statistical techniques used to analyse the results.

The research design chosen acknowledges that this subject industry (Convenience Marketing) is a competitive one. The degree with which the research question has been crystallized requires an exploratory study designed to glean a comprehensive understanding of consumer behavioural trends and market trends in order to determine if similar experiences can be predicted based on studies undertaken in the United States of America and the United Kingdom.

1.11.4. Chapter four

This chapter will evaluate the information in chapter three against the model developed. Areas that Engen has done well in and areas that they are not doing well in will be identified.

The purpose of this chapter is to report on the results of this study by analysing the survey undertaken. The interviews will be analysed through the researcher's insight and analytical ability. The questionnaire will be analysed through the use of the SPSS statistical software package (version 11.5 for windows). Responses will be scrutinized in terms of their distribution and percentage responses across all sectors, transforming the data into information across a range of categories.

This chapter analysis deals with qualitative and quantitative data relevant to consumer behaviour, expectations and needs as it emerged from the study based on the objectives built into the design of specific questions in the survey instrument.

This chapter together with the secondary data gleaned from the review of literature in chapter two forms the foundation for the discussion that follows in chapter five where further discussion of the qualitative results of this study are explored.

1.11.5. **Chapter five**

This chapter will deal with the recommendations. Areas where Engen has done well will be reinforced and the areas that the company has not attended to will be addressed. Recommendations will include how Engen should go about finding remedies that will help improve their market share and profitability.

This chapter engages in dialogue on the results and the implications of much of the qualitative data. The chapter discourse reinforces emerging consumer trends/needs as identified from the data collated in the survey analysis in chapter four. Particular attention is given to the discussion of this information with relevance to local and global convenience marketing emerging trends identified as pertinent in chapter two. Comparative attention is given to the similarities of these prominent consumer trends, with relevance to local applicability. Future trends are examined where literature suggests it may be relevant. Areas for future research on the topic are recommended.

2. CHAPTER TWO

2.1. Introduction

This chapter will cover a review and discussion of Engen's Convenience Marketing strategy. The various theories and models available will be reviewed. A new model will be developed or an existing one will be adapted, which will be used in the study.

2.2. Background

The South African petroleum industry is very competitive, the competitors being Engen, Shell, BP, Caltex, Total, Sasol and Exel. There is fierce competition for market share of fuel. Engen is recognised in South Africa as a major player in the local automotive fuels, lubricants and chemicals sector. Engen has a fuels market share of 27% and a network of over 1250 service stations and over 450 forecourt c-stores in South Africa (www.engen.co.za).

Due to uncontrollable external factors, such as the weaker Rand/US dollar exchange rate, reduced refining margins, the decrease in demand for petroleum products and increased crude oil prices, since the late 1980's and 1990's profits of the petroleum companies were declining (www.mbendi.com Engen annual report). These companies had to consider alternate profit opportunities in order to survive. Arising from this change in strategy was born the concept of the c-store on the service station forecourt. The forecourt c-store concept arose from the United States and the United Kingdom.

Engen's strategy was to incorporate these shops into their network and to have a small bakery in the shop, which would enable the c-store to compete with the larger supermarkets by attracting more consumers, adding value and profit margins and improving neighbourhood loyalty. These shops not only gave the customer a unique convenience experience, but also brought more vehicles onto the forecourt, which resulted in increased fuel sales (www.biz-community.com).

The combination of carefully selected offerings and an efficient, attractive layout has made a huge impact on Engen's forecourt c-stores. These shops are also strategically located and offer a 24-hour service.

This strategy is a success for Engen as it reflected an increase in profits in the convenience marketing division (Engen annual financial report 2003/4).

Major growth in the convenience shopping industry over the past five years has been fuelled by the proliferation of garage forecourts across the country. Raymond Maingard, national convenience marketing manager of Engen Petroleum, says globalisation has been one of the key factors in their growth. "We refer to customers as being time poor and cash rich'. Even the lower-income groups are time-poor. People will support services that free them to do things other than shopping," says Maingard. Convenience stores, with easy access and parking in front of the shop, are usually well lit at night, with movement and activity providing a secure environment within a couple of blocks or so of most people's homes.

"A few years ago service stations were selling a limited range of products like cigarettes, tobacco, confectionery and newspapers," he says. "But sites have grown to include internet cafés, fast food, sit-down restaurants, bakeries, dry-cleaning and a host of services," Maingard says. The business motivation has been two-fold, he says. One has been to improve service-station loyalty by providing a decent mix of offerings. The other has been to gain an improved return on asset for land owned. "No forecourt company will build a new site today without a convenience store offering. The numbers simply won't work," says Maingard. (www.bday.co.za)

2.3. Retail Sector

2.3.1. Market Summary

In South Africa, the food retail sector continues to expand and supermarkets, convenience stores and forecourts are rapidly becoming the dominant food retail outlets. A boom in the franchise sector, convenience stores and forecourts provide better access and convenience for the consumers.

South Africa, with a population of approximately 46.9 million people (http://www.prb.org/pdf04/04WorldDataSheet_Eng.pdf), possesses a modern infrastructure supporting an efficient distribution of goods to major urban centres throughout southern Africa and has well developed financial, legal, communications, energy and transport sectors. South Africa's unpredictable economy makes medium and long-term planning for food

retailers a challenging exercise. There are many players in the food retail industry in South Africa ranging from highly sophisticated retail supermarkets, such as Pick 'n Pay, Shoprite-Checkers, Woolworths; wholesale outlets such as Makro, Metro, Tradecentre; independent stores such as Biforce group, Bargain group and Shield wholesalers; convenience chain store, including forecourt c-stores; traditional stores which include independent stores such as general dealers, cafes, spaza shops, street vendors, hawkers and tuck shops; at the one end to primitive little street corner stalls at the other end of the retail sector. The South African food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products.

South Africa has a two-tiered economy, one rivalling other developed countries and the other with only the most basic structure. It therefore is a productive and industrialised economy that exhibits many characteristics associated with developing countries, including a division of labour between formal and informal sectors and an uneven distribution of wealth and income. The formal sector is based on mining, manufacturing, services and agriculture is well developed.

2.3.2. Consumer trends

A study by ACNielsen has revealed that the spending power of South African consumers is located largely in the Western Cape and Gauteng, which register 50% of the country's retail sales. 53% of the population is younger than 24 years old, which could mean that the bulk of the population is not responsible for the shopping, although the younger generation may influence consumer spending. The future shopping behaviour of the shopping population will be negatively impacted upon by the increase in HIV/AIDS.

The number of households in South Africa is predicted to increase from the current number of 9.8 million to 11.2 million, which signals a necessary increase in spending to account for such new households. It is believed that South Africans are also not great savers of their income, with as much as 54% of income going to repaying debt, with the rest being spent.

Food is one of the greatest avenues for spending. Increased consumer confidence and lower inflation and interest rates have translated into higher spend on items such as new cars. Lower inflation has also meant lower value growths by category. However real growth still persists, which is evident in the increased number of items in shoppers' baskets. Rands per shopper has also increased steadily. A decreasing proportion of income spent on food in upper LSM's means that price increases in food are less likely to affect upper LSM's than lower LSM's.

2.4. Engen's competitive strategy

Since it has the most service stations with the biggest market share and since the intention was to have as many forecourt c-stores at their service stations, Engen had to take a position of market leader. It therefore had to select a competitive strategy appropriate for its circumstances and market position.

2.4.1 Competitive strategies for a market leader

As market leader, Engen must defend its market share against challengers and must at the same time be mindful of the competition policies and regulations to avoid bodies levelling charges of stifling competition and of abuse of its dominant market position. Strategies that are available to a market leader are to defend and expand its share of the existing market and to expand the local market.

	<u>Market-Leader Strategies</u>	
Defend Market share	Expand Total Market <ul style="list-style-type: none"> • New uses • New users • Increased usage 	Expand Market Share

Figure 1: Market-leader strategies (Source: Marketing Management – Book 1:79)

2.4.1.1. Defend Market Share

Engen's market leader position has come under threat by the other petroleum companies. The company has gone through a number of restructures in order to reduce its operating costs and enhance its efficiency.

2.4.1.2. Expand Market Share

Engen also has to consider whether expanding its market share, as market leader, is the best option. They have to consider whether the added effort and expense associated with increasing market share are worthwhile.

2.4.1.3. Expand Total Market

Engen could also try to expand the total market. This would involve looking at the target market and the way that the products are used by increased usage of the product/s, identifying new uses of the product/s and identifying new users for the product/s.

2.4.2. Trends in Convenience Marketing

2.4.2.1. Emerging SA markets target fast moving consumers

"The South African Convenience market is growing by 15.8% and has a current value of R4 billion. Convenience has become a very competitive market; therefore, advertising has increased greatly as well as technological benefits. Technology has been utilised by many petroleum companies in order to create a competitive advantage. Due to focus on technology and quality enhancements of products, consumer loyalty is not taken advantage of (Mintel 1999b). This is where Engen or any other company will be able to create a competitive advantage through the use of buyer behaviour models in order to understand its current and potential consumers better.

Today it is the black consumer who has become a fast-moving target as a result of shifts that are occurring in countrywide patterns. As new young consumers flood the marketplace, methods of marketing point to the resurgence of point of sale techniques. Understanding buying decisions at the point-of-sale is increasingly the name of the game, this means observing, questioning and learning more about buying behavior.

Women have also become an important factor in the convenience market. This is due to the increase of women in the workforce and subsequent increase in personal disposable income (PDI) (Mintel 1999b:8). Innovation, such as greater technological benefits and packaging designs, are key drivers in this market. Although many women work to support their family, consumer expenditure within this sector has still seen an increase. Retail outlets, such as Pick 'n Pay and Woolworths have become more popular to women consumers than department stores due to the freedom to roam around and purchase a product quickly for the 'women on the go'.

2.5. Buyer Behaviour Models in Relation to Engen

2.5.1. The Relevance of Buyer Behaviour Models

Buyer Behaviour models are useful to marketers because they map out market assumptions. This enables marketers to understand, criticise, analyse, evaluate and monitor a particular market/product. These models are useful for Engen and any other organisation in order to gain a deeper understanding of their current and potential consumers. Chisnall (1975) believes that there are two basic uses for models:

- They map out characteristics that may affect the purchase of a good or service in a simplified manner.
- They enable more effective marketing strategies to be developed based on likely outcomes predicted from the model.

Chisnall (1975) also stated that an effective, well-structured model must be:

Relevant: models must apply to real marketing situations;

Comprehensible: models must be clear and well constructed; and

Valid: models must be verifiable to the real world.

Since the environment and consumers within the environment are constantly changing, models need to be continuously reviewed and modified in order to be useful. Kotler (1999: 229) believes that "the company that really understands how consumers will respond to different product features, prices, and advertising appeals has a great advantage over its competitors." Buyer behaviour models will enable Engen to understand its consumers and gain competitive advantages.

2.6. Types of Models

There are two types of models, monadic models and multi-variable models (Chisnall 1975). Monadic models are simplified models, which tend to create unrealistic and uneven views towards buyer behaviour. Although they are not complex enough for the in-depth analysis of buyer behaviour, they are helpful in creating a basic and general foundation for the understanding of consumers. Some examples of monadic models are the Nicosia Model 1966 (Dubois 2000), Basic Decision-Making Model (Kotler 1999), and the Kotler & Armstrong Model (1999).

Multi-variable models are more complex and include the relationships between external and internal influences that may affect the purchase behaviour of a consumer. Lunn described these models as following the eclectic approach, bringing together appropriate knowledge from behavioural sciences (Chisnall 1975). These models will be more representative of the true characteristics of buyer behaviour, although not as easily analysed. Such models are the Engel, Kollat Blackwell Model 1978 (Dubois 2000), the Howard-Sheth Model (1969), and the Howard-Ostlund Model 1973 (Chisnall 1975).

For the purpose of this study, the chosen models of evaluation are the Nicosia Model, the Basic Decision-Making Model, the Howard-Sheth Model and the Howard-Ostlund Model.

2.6.1. Nicosia Model

This model is a circular process between an organisation and the consumer. It analyses consumer decisions through four fields: message exposure, information search and evaluation, purchase, and feedback (Dubois 2000). Being process structured, Engen will be able to review any stage at any time. Through feedback, Engen will be able to evaluate and modify its marketing strategies and product characteristics accordingly (refer to Figure 2.4 for an example).

This model is monadic; therefore, general attitudes may be concluded, but specific motivations, as analysed by Freud, will not be identified (Dubois 2000). The model lacks the inclusion of social and family influences and only takes into consideration the decisions made

solely by the individual. This may prove to be misleading as “many consumer purchasing decisions are probably more accurately seen as collective decisions in that they are influenced by many others, not just immediate family or peer members, and in many subtle ways,” (Wilson 2000:783). This model also lacks information about predictability, which would be useful for the development of Engen’s marketing strategy programmes. These drawbacks of the model may prove difficult for Engen when determining changes to be made based on their consumers.

The model tends to focus on durable products rather than impulse or routine purchases. Lengthy purchase cycles mentioned in the model will be appropriate for infrequently bought durable products. Shorter cycles, such as impulse purchases, grocery products and personal care items will not benefit as much from this model (Howard-Sheth 1969). Since Engen focuses on a limited number of convenience products, this model would have to be adapted to be of relevance to the organisation.

This model would prove helpful in providing an overall view of Engen’s consumers’ buying behaviour. In order to gain more specific, predictive information, multi-variable models should be used.

2.6.2. Basic Decision Making Model

Kotler describes the Basic Decision Making Model as having five stages: Need recognition, Information Search, Evaluation of Alternatives, Purchase Decision, and Post-purchase behaviour. Although many theorists include personal, psychological, and social influences to the model, for the sake of this study and Engen, Kotler’s model will be used.

This model is a logical way of evaluating the consumer buying process by looking at the entire buying process rather than just the purchase in order to understand why a consumer may make a purchase and why they become loyal or disloyal. Although not all steps are relevant, especially to impulse and routine purchases, the stages show all of the factors a consumer may have to deal with when purchasing a new product. For an illustration of how this model relates to Engen’s convenience market, refer to Figure 2.2.

2.6.3. Howard-Sheth Model

The Howard-Sheth Model (1969) is a multi-variable model, which attempts to integrate knowledge about a consumer's purchase and their behaviour through a transformation process (for a visual reference, refer to Figure 2.3). The model clearly shows the stages of influences that affect the consumer:

Significative stage

Symbolic stage

Social stage

Within these stages, reference groups are mentioned. Bearden & Etzel (1982:184) stated that, "a reference group is a person or group of people that significantly influences an individual's behaviour." They described the three types of reference group influences as:

Information influences: seek information to make a reliable decision;

Utilitarian influences: the want to be like everyone else to avoid punishments or receive benefits; and

Value-expressive influences: consumer accepts positions given by others out of a need of personal belonging.

All of these influences do not necessarily relate to the type of products Engen sells, which shows that multi-variable models may be too specific for some products. The most relevant influence to Engen would be information, whereby a consumer may seek information from referents about the most credible products in Engen's forecourt c-store range.

The model goes onto explain how the inputs/influences are evaluated and used by the consumer through 'Perceptual constructs and Learning constructs.' Finally, the eventual outputs and outcomes of the process are identified. This model, however, does not predict purchase behaviour. It merely maps out the influences that may affect consumer behaviour, which can then be used as a frame of reference for Engen.

All of the stages in the model may not apply to Engen. However, by understanding certain stages where buyers are mainly influenced, Engen will be able to re-organise their marketing strategy to suit the needs of their consumers more effectively.

2.6.4. Howard-Ostlund Model

The Howard-Sheth model (1969) was further developed by the Howard-Ostlund Model (1973), which claimed to have greater predictive capability. The model is divided into three influential stages of the buyer behaviour process; the institutional environment, the societal environment, and the personal characteristics (Chisnall 1975).

Although this model tries to capture more complexities of a purchase, it is complicated and not completely applicable to Engen's range of products. According to Cohen (1983:328), "since an average of .5 cognitive responses per person per commercial is not an atypical result...it should be clear that a great deal more information processing is being carried out than recording." With the influx of information, consumers are exposed to from various competitors (the Institutional environment section of the model), not many messages are going to grab the attention and stay in the memory of consumers.

Relevant stages from this model, which apply to Engen, would be stages in the Personal characteristics phase. For example:

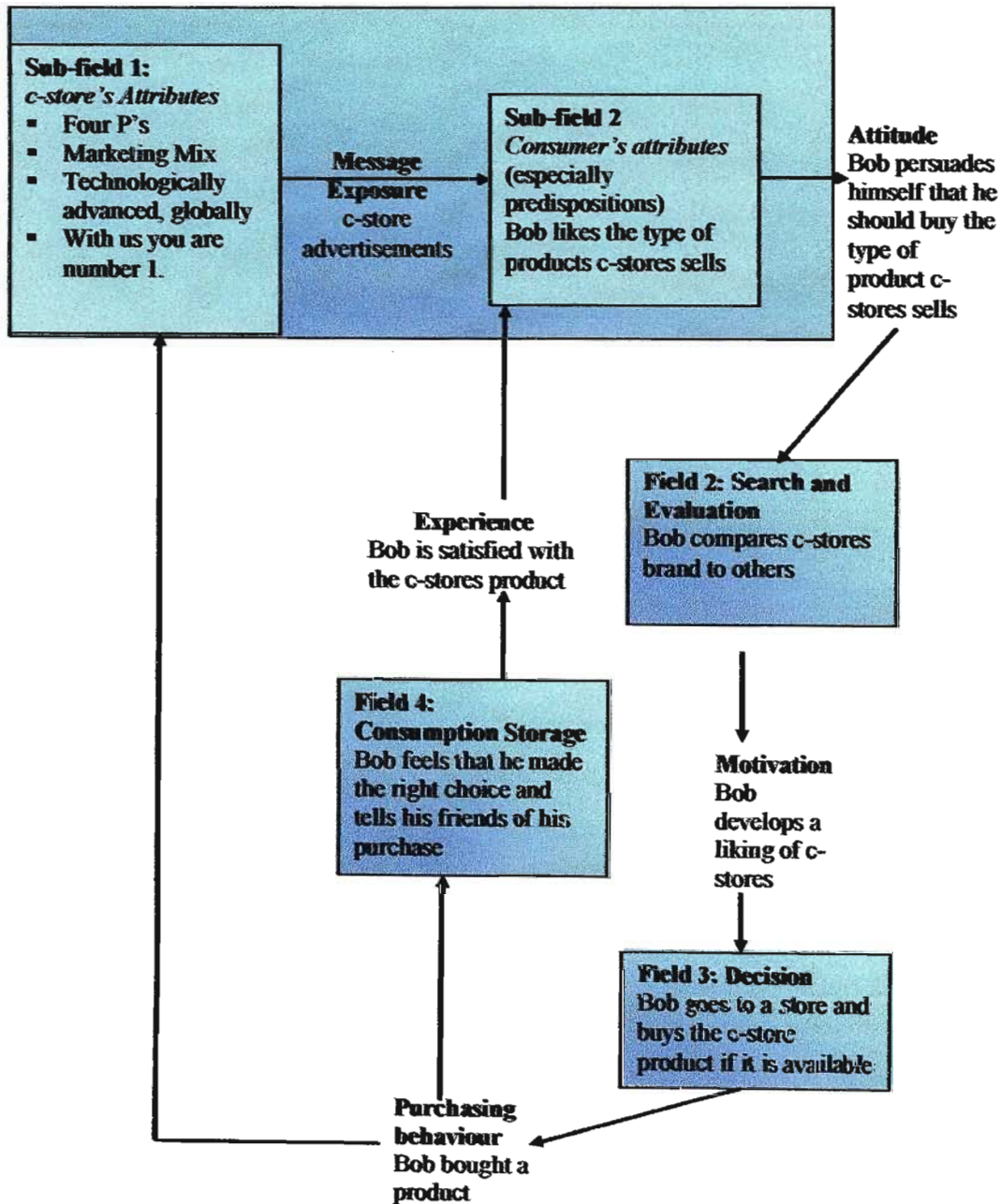
situational attitudes could be whether or not the Engen brand is sold in the consumer's local store or area.

New information on a competitor's brand may be released, claiming to be better due to new technology.

Intention would create greater predictive capability for Engen in order to forecast sales.

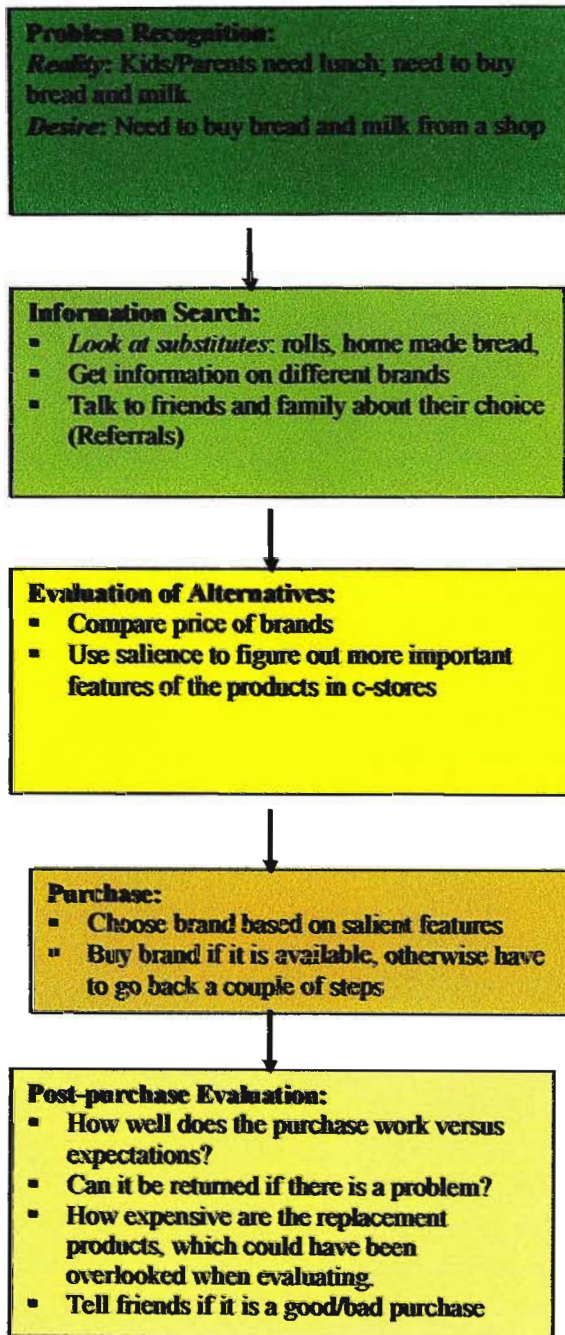
The Product category is also relevant to Engen due to the numerous brands available to consumers within Engen's chosen markets. This stage identifies the selection of brands available in a market and the evoked set chosen by certain consumers. Although most consumers within Engen's market will not go through all of these stages slowly and carefully, they will briefly identify their alternatives before making a final decision at some stage. Therefore, Engen would be able to create a marketing strategy with a focus on becoming a brand within a consumer's evoked set in order to ensure its potential as a final purchase.

Figure 2.1: From the source of the message (C-stores) to the consumer's (Bob)



(Dubois 2000, p.297)

Figure 2.2: The Basic Decision Making Model applied to c-stores



(Kotler 1999, p.254)

Figure 2.3: Howard-Sheth Model (1969)

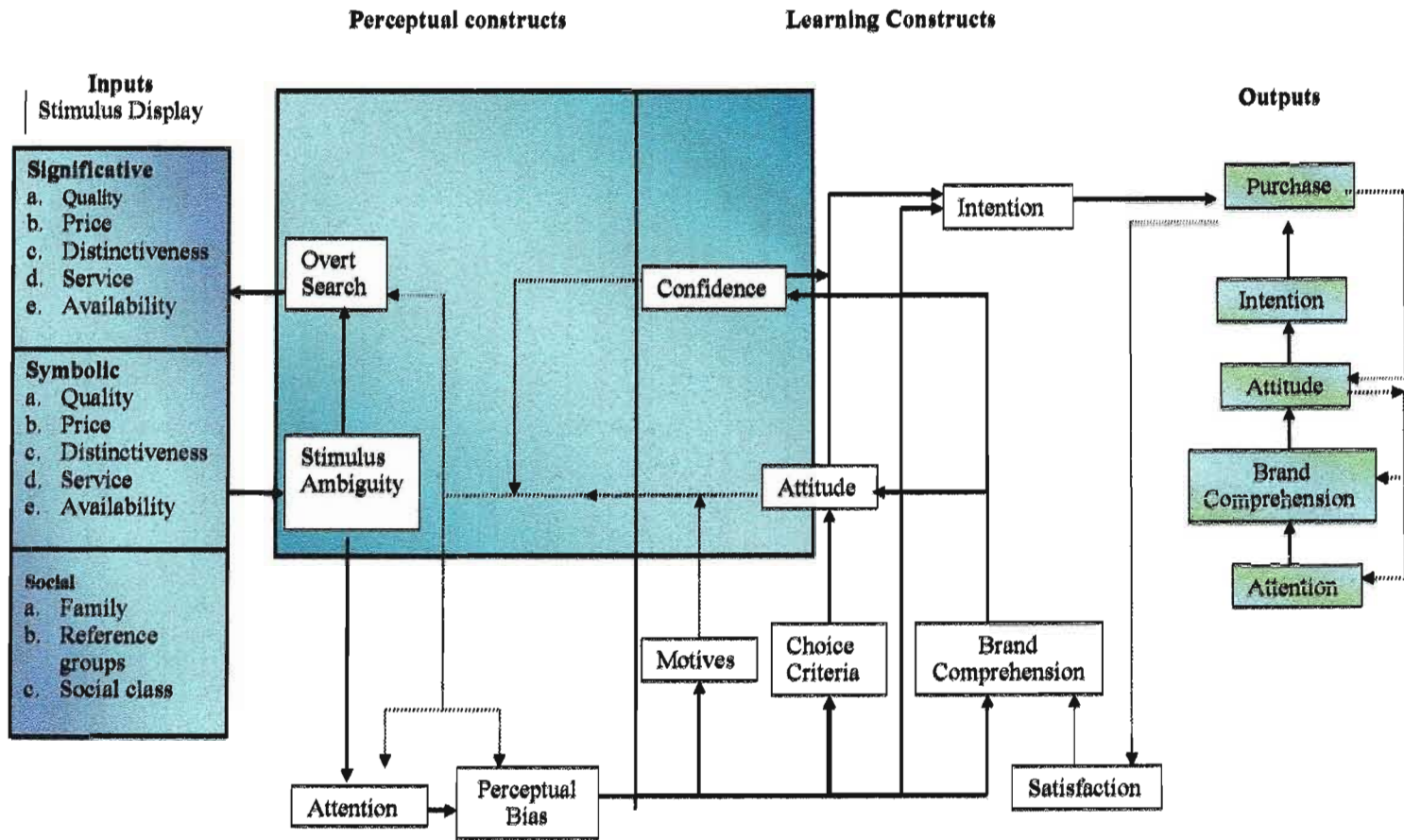
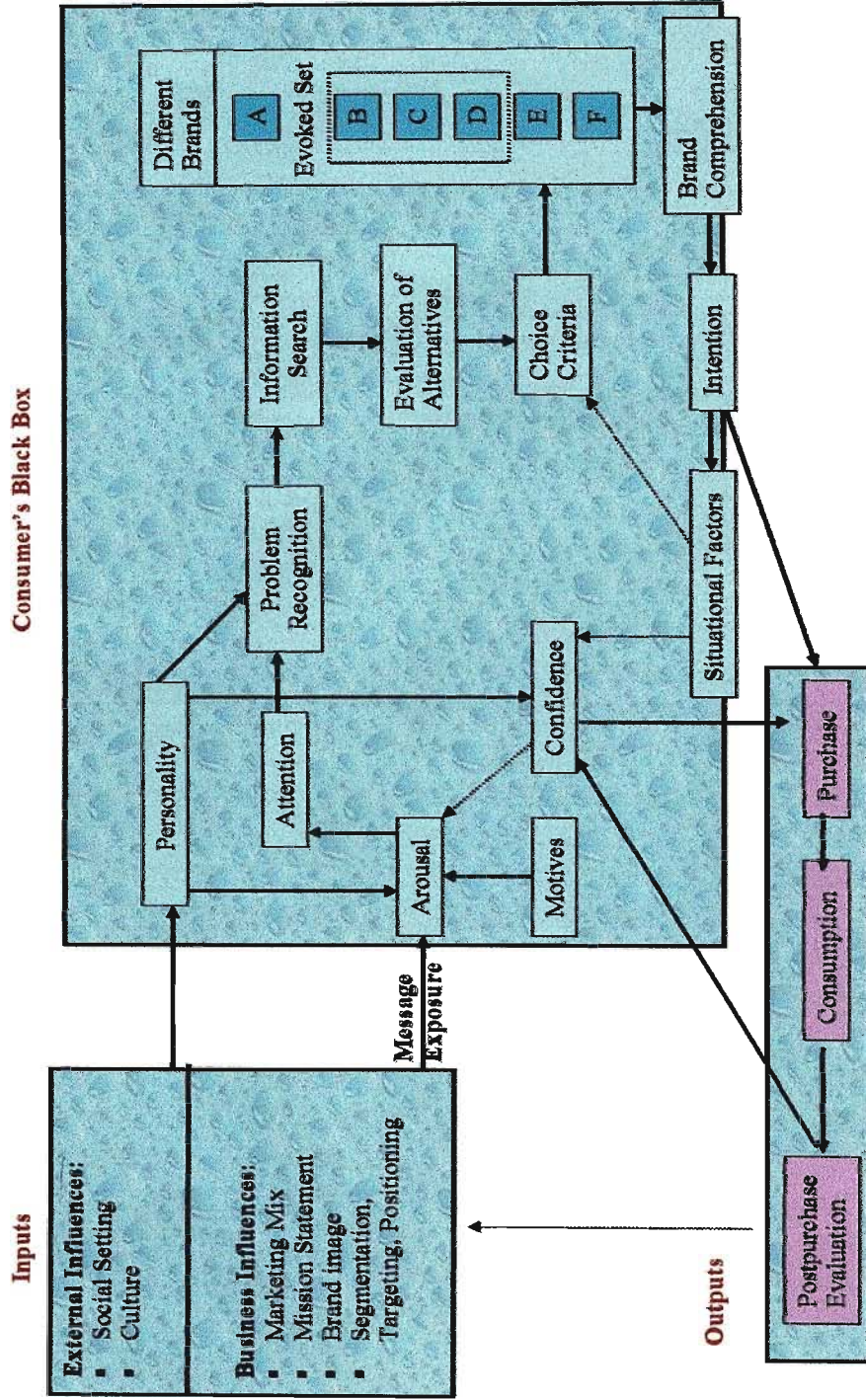


Figure 2.4: Adapted Model for Engen's Quickshop brands



An Early Model of Consumer Behavior



Figure 2.5 – An Early Model of Consumer Behaviour

EKB Model of Consumer Behavior

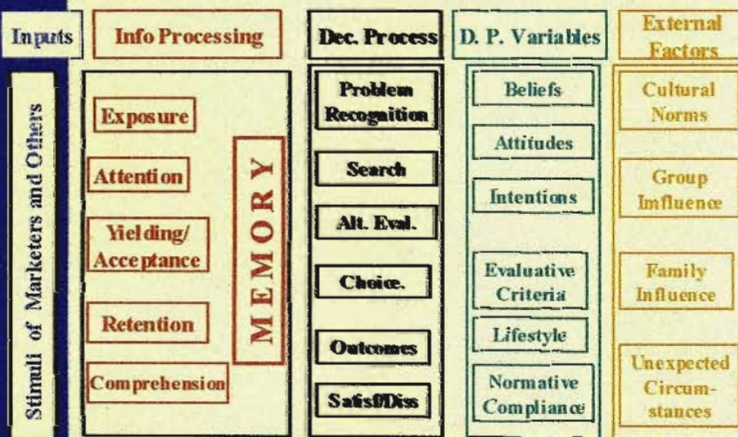


Figure 2.6 – EKB

Model of Consumer Behaviour

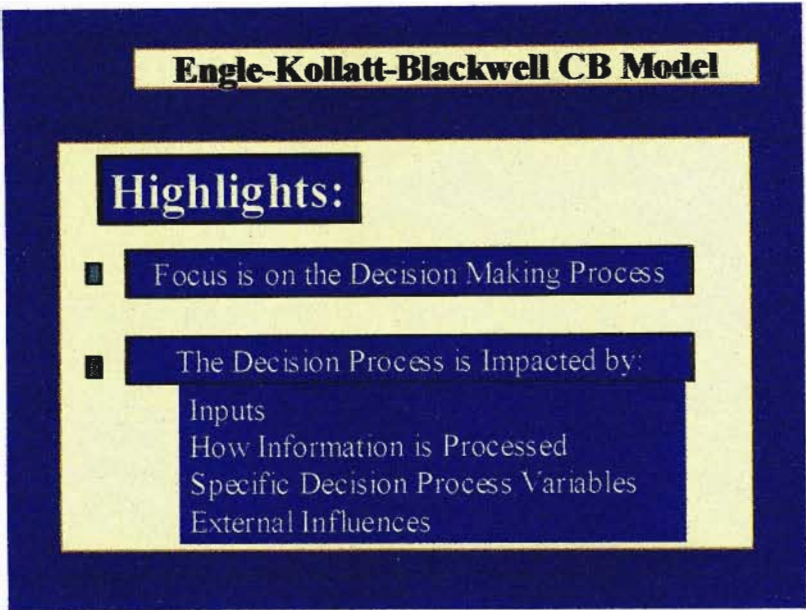


Figure 2.7 – Engle – Kollat – Blackwell CB Model

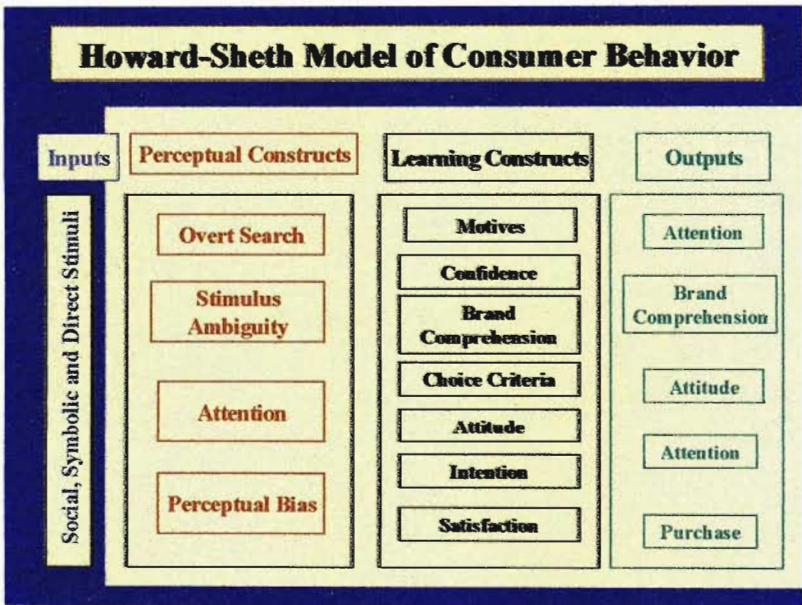


Figure 2.8 – Howard – Sheth Model of Consumer Behaviour

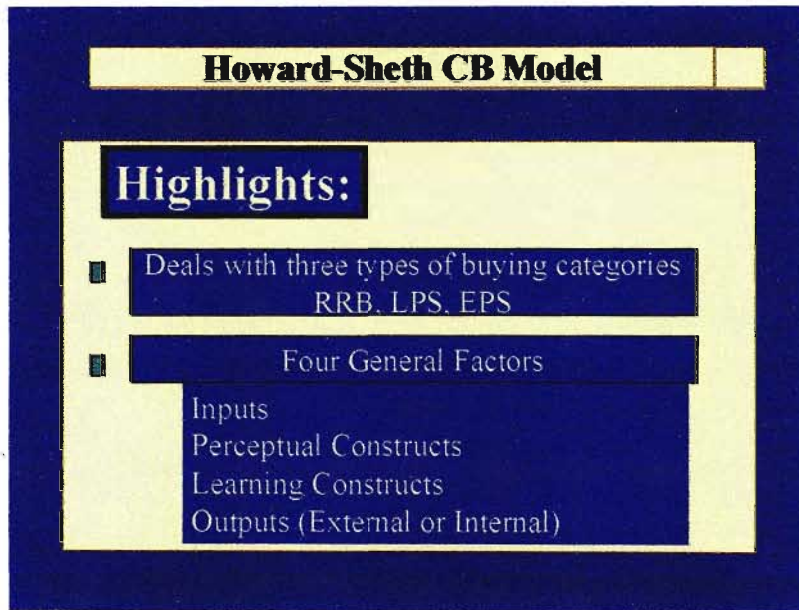


Figure 2.9 – Howard – Sheth CB Model

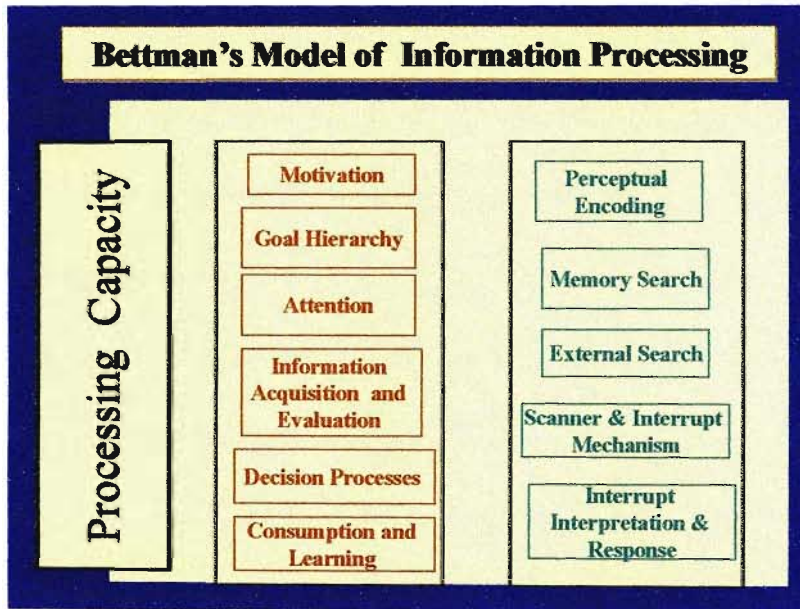


Figure 2.10 – Bettan's Mode

1 of Information Processing

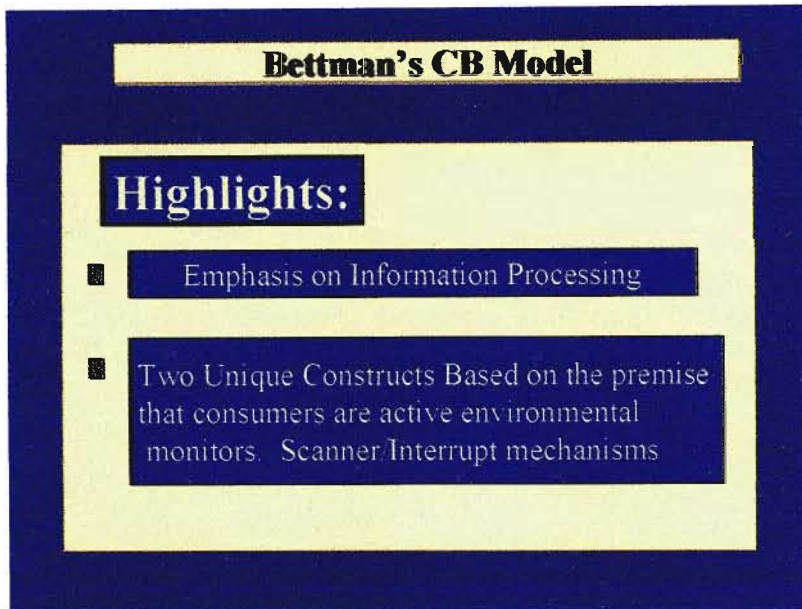


Figure 2.11 – Bettman's CB Model

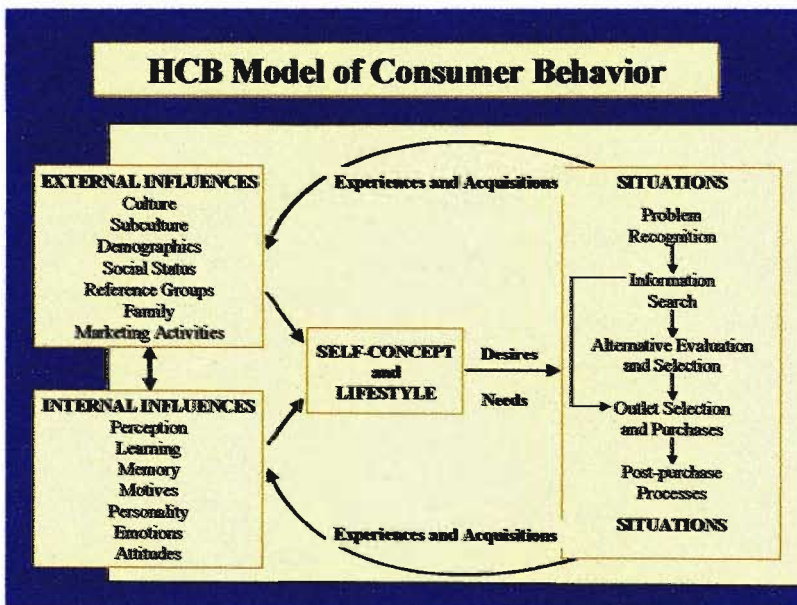


Figure 2.12 – HCB Model of Consumer Behaviour

2.7. Market Positioning

Positioning embodies the act of designing the company's offering and image so that it occupies a meaningful and distinctive position in the target customers' minds. A modification in the products positioning for development is strategic to market entry. This alludes to the mental image that the brand has. The following are essential to the achievement of appropriate positioning in the building blocks business strategic positioning.

- Service market positioning
 - Targeting the un-served, but emerging market by offering highly differentiated services
- Service distribution strategy
 - Distributing services through established channel partners
- Network rollout strategy
 - Rolling out network quickly by leveraging existing infrastructure of established network partners
- Product and technology strategy
 - Building long term sustainability by selecting world class suppliers and manufacturers
 - Building fundamental competitiveness by using cutting edge, commercially proven technology.

Market positioning for forecourt c-store brands through perceptual mapping of forming a positive image of the product creates a positive portrait for the company in order to successfully capture the identified target market.

2.8. MARKETING MIX

2.8.1. PRODUCT

2.8.1.1 Product Adaptation

Global market trends focus on customer needs and expectations to be paramount. Product adaptation through adding new features of a product or new line items has applicability

globally. Attractive forecourt c-stores, which are well lit at night and often very busy with security cameras installed not only experiences incredible success in, but meet with consumers increasing cleanliness and security needs. Positioning needs to keep competitors out not draw them in.

Factors that encourage product adaptation for emerging markets include:

- Differing use conditions
- Differing consumer behaviour patterns
- Local competition

The factors that affect product adaptation decisions include local characteristics, product characteristics and company considerations. Convenience marketing focuses on store location, branding, product position, activation, price position, and advertising. Segmentation and positioning are therefore synonymous concepts. Criteria for segmenting highlight that market segments should include:

- Customers within a homogenous segment.
- Similar responses to marketing mix.
- Cultural considerations.

Through segmentation the set of brands is positioned to strategically claim the market. Segmentation must be positioned across psychographics. For segmentation the **5 W's** with regards to the product (What, Who, Why, When & Where) in Convenience marketing are important considerations. Examining the needs of the product in every department is vitally imperative.

Factors that encourage product adaptation for emerging markets:-

- Differing consumer behaviour patterns
- Local competition
- True to the marketing concept
- Differing use conditions

2.8.1.2. Product & Brand Portfolio Management

Urbanisation has resulted in the development of cities into vibrant 24/7 places. Cities with twenty-four-hour environments are showing economic strength while 9-to-5 downtowns continue to suffer. This is key to where the petroleum companies locate their 24-hour operation c-stores.

People prefer working closer to home. Thriving residential communities in and around business districts are the key to preserving 24hour environments. Residents populate the streets after the offices close contributing to a feeling of vitality. Their presence reinforces the perception and the reality of public safety. These residents patronise local forecourt c-stores creating a diversified retail base, filling the gaps between the gaps. Residents support local institutions and facilities.

Locally the concept of a product that offers a 24-hour lifestyle has significance. Flourishing residential communities in and around Central Business Districts (CBD's) hold true to the marketing concept. Urbanised South Africans are finding practical convenience in 24hour forecourt c-stores. This concept designed for c-store customers has rapidly gained momentum as illustrated by recent consumer trends. The extension and expansion of this product line offers petroleum companies a beneficial niche to capture and infiltrate. The SA emerging multiracial segment represents this target market.

2.8.1.3. BRANDING

The Engen Motherbrand Strategy

What is this Motherbrand? The Motherbrand is the very essence of the Engen Brand, their DNA. It is made up of a number of rational and emotional characteristics that have all been identified from their customers and work-shopped with a number of internal Engen stakeholders.

This Engen Motherbrand was also approved by Engen's Image Committee and Management Board and forms the platform and foundation for all their future communications.

On the left side of the Engen Motherbrand are the rational characteristics.

What business are they in? To extract as much profitability from the sourcing and marketing of petroleum products and by entrenching Engen's leadership position in all markets that they operate in.

Also on the left side are their rational differentiators. These have been part of the company's retail positioning for many years.

Engen offers Choice & Convenience:

- Engen has mastered the 10-minute forecourt relationship, which is vital in the time precious world we live in. Plus their customers are not looking for a shopping mall experience. When they visit Engen they want their services to be delivered quickly, conveniently and professionally;
- Engen has more sites;
- Engen offers the greatest choice of quality Branded products and services;
- all this offers Engen's customers the best network.

Engen has a Performance Driven Culture:

- winner, but team player;
- Undisputed leader in its field;
- Fast and efficient;
- Friendly service;
- Instantly recognisable and distinctive image.

Engen helps grow African nations in partnership; be that through Education, Road Safety, Sport sponsorship or Afrika-Tourism.

On the right side of the Engen Motherbrand are the Emotional characteristics, which are otherwise known as Engen's core Brand Values.

Engen's core brand values

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Engen's personality and values can be summarized as follows:
Energetic - Engen is dynamic, exciting, interesting and witty.

Loyal -	Engen is supportive of the community and rewards loyalty.
Popular -	Engen is friendly, likeable, welcoming and charming.
Respected -	Engen has a good reputation, is ethical and only offers quality products.
Consistent -	Engen is consistent in its image and service delivery.
Competitive -	Engen is competitive in attitude, successful, professional and a progressive company.
Empathetic -	Engen cares for its staff, its customers, the community and the nation.
Natural Leader -	Engen is streetwise and sharp, sincere, modest, self-confident and proud of its achievements.

These are all the components of the Engen Motherbrand as identified from their customers.

Central to this is its core positioning:

“Engen is a proud and compassionate African company, committed to providing the very best choice and convenience.”

This positioning builds on the business strengths that Engen has and balances them with the more human and personal side of the Brand and the company’s Brand values.

Engen Quick shop

Engen Quick Shop has seen significant evolution to the range of quality products, services and Brands that it offers the South African consumer, which range from Nanucci Dry Cleaning, ABSA ATMs, an array of fast food outlets, video rental, a rapidly expanding quality on-site bakery and more recently a mini Woolworth’s. The positioning of this Brand has also been evolved to enable it to tap into and follow the Engen Motherbrand strategy as well as balance the specific needs that convenience stores have.

Brand research

From the market research, it was learnt that Engen is seen as a natural leader of the SA petroleum industry – a modern, dynamic, young and progressive company that delivers (or at least strives to be) the very best to its customers. Engen was also seen as a company that embraces change and is at the forefront of the company’s past and future evolution. These

findings were subsequently supported by separate research projects in 2000 and 2001.

Engens network size, 24-hour Quick Shop service and One-Stop facilities delivers, in the eyes of its customers, the very best in customer choice and convenience, both of which are key to what their customers want from them.

Engens sponsorship activity and social responsibility programs have successfully built its reputation as a proud South African company with a reputation and track record for being a caring corporate citizen.

In essence, the public identified in Engen a Performance driven attitude, which is indeed central to the Company's culture & business ethic.

The converse of this is that Engen at times has been seen as Mr Perfect and with this too good to be true image comes a perception of Engen being a little distant, arrogant and aloof. Thus, the Brand lacked the necessary emotional depth.

A. Essence of branding

The target group in the emerging market mix dictates the marketing mix, transforming the product into branding. A brand is a cluster of benefits, some functional mostly emotional, of a product with personality which appeals to mind and heart. Branding simplifies choice and guarantees a quality mark of pride through its name, symbol or design that identifies its product. Brands are positioned to meet the needs of specific consumers and are recognized as being different and/or superior to alternatives. Defining a brand emphasizes its key benefits for consumers. "In the absence of branding everything becomes a commodity." (Pierre Roodt – Engen Marketing Manager Engen intranet).

Pathway modelling is utilised for a better understanding of consumer preferences. This involves identifying the tangible marketing activities that create intangible connections are invaluable as strong brands rest on compelling and distinctive emotional connections with their customers. It is imperative that local firms wishing to expand their market share in emerging markets completely understand the market when it comes to pricing strategies, promotional strategies, logistics management and implementing the marketing plan and control. The following strategies are pertinent to the convenience marketing mix:

- 1) Offer the best value in quality and price;
- 2) Promote aggressively;
- 3) Offer high utilisation to suppliers;
- 4) Exchange for low input costs without sacrificing quality.

The majority of modern Business philosophies like Total Quality Management are consumer oriented. These modern business philosophies have relevance to local forecourt c-stores.

There are few areas as consumer driven as marketing. When a company “*thinks global and acts local*,” it makes its marketing strategy customer-driven. When the consumer becomes your main focus, rewards will follow. This strategy warrants emulation in order to attain local companies desire to meet emerging market needs.

B. Brand Portfolio strategy

- A company’s brand portfolio needs to be comprehensively cohesive and well put together. Two important points to emphasize about the brand range is key *points-of-difference* in each product category as well as *points-of-parity* become critical. It is worth noting that these two observations characterise many brand extension strategies.
- The brands association is an important one as it works at both the product-level as well as a more symbolic, non-product level. This duality is one that characterises strong brands.
- Through the selection of a positioning strategy, marketers can influence the knowledge structures consumers have for a brand.

Positioning a brand involves choice of a target market, a competitive arena, and the sets of features on which a brand is going to be similar to and different from its rivals.

The strategy of compiling a catalogue of game rules beginning with what can be seen to be newly working in umbrella form is gaining momentum. Practitioner guidelines, which have been issued, contrast good *umbrella branding*, practice with one-product brand rules of thumb. Brainstorming the increasing variety of advantages, which umbrella branders are inventing, is highly recommended.

C. Power Brands

The following essentials are important variables of a power brand focus on the valuation of brand equity according to the Inter-brand group:

Brand leadership	25pts
Internationality	25
Stability	15
Market type	10
Trend	10
Support	10
Protection	5

The essentials to power brands are characterised by:

- Understanding customer needs;
- Effective design and quality control;
- Superior quality in areas that matter to customers;
- Advertising;
- Relative perceived quality;
- Exceptional customer value.

D. Company image and Price Value

Company image, price/value and customer service are dominant factors for the convenience marketing industry. According to, Raymond Maingard of Engen, the ultimate differentiating factors in a competitive retail market are product quality and service. Many utilities have improved over the years largely due to enhancements in delivery and customer service. The investments made in technologies, processes, and human resources are reaping rewards.

E. Eventive Marketing

Reaching consumers in unique, creative and motivating ways attains redefining event marketing. Consumers need to be captured in a positive frame of mind in order to embrace a new message. By forging relationships and emotional bonds between brand and consumers, the brand is separated from the pack. This is how a product is churned into a preference, the foundation for brand loyalty. Evidence suggests that positive mood does enhance the recall of brand names.

The more consumers remember brands, the more likely they are to buy them. Combining strategic execution with vision, creativity and passion, key marketing and business objectives are addressed by connecting consumers and brands on a uniquely emotional level. If a brand connects with consumers' lives at the moment of key decision, their attention is gained. If the brand experience is infused with great emotional and personal value, their hearts are won.

Eventive marketing knows its consumers, who they are, where they live and what they do, their passions, pastimes and preferences and what drives them. By focusing on events and activities they care about, and by reaching them at a time when they are receptive, we create relationships that cultivate emotional preference for the brand is created. Eventive marketing partners with clients to create and execute programs that address key brand and business objectives. It increases brand awareness, encourages trial, and stimulates purchase.

As a result impact is achieved bottom-line with quantifiable, measurable increases in awareness and sales.

F. Branding South Africa

For successful market penetration entry the company needs to embark on an intensive brand activation strategy in order to create brand awareness. This necessitates for the company to reposition its product appropriately.

Convenience has become a part of people's everyday lives in South Africa. Engen's strategy was to incorporate these forecourt c-stores into their network, which would enable them to compete with the larger supermarkets by attracting more consumers, adding value and profit margins and improving neighbourhood loyalty. These c- stores not only give the customer a unique convenience experience, but have also brought more vehicles onto the forecourt, which has resulted in increased fuel sales.

The combination of carefully selected offerings and an efficient forecourt layout has made a huge impact on Engen's forecourt c-stores. These forecourt c-stores are also strategically located and offer a 24-hour service.

Consumer trends in emerging markets that Engen successfully identified and emulated are distinguishable emerging target market trends. They offer nascent opportunities for convenience emerging markets to capitalize and penetrate.

Consumers' modern lifestyle patterns indicate a desire for convenience forecourt c-stores to be vibrant 24-hour places. In the convenience target market, the key to building brand awareness, equity and activation is to combine forward- looking market segmentation with a better understanding of customers and a brand's identity. Petroleum companies are starting to build their brands more scientifically-and in doing so they are pushing marketing to new frontiers. The wealth of information about consumer buying patterns and the availability of sophisticated statistical tools allow for greater precision and accuracy in undertaking these tasks. In order to reach the next level, by identifying tomorrow's segments today requires a rigorous, data based edge to branding. In this way diverse needs of an emerging convenience target market can be effectively delivered.

2.9.1. PRICE

The price that is attributed to a product often indicates the positioning of the product. Companies sometimes price their products higher than competitors, in order to position their product as being more superior. However, this strategy may not be effective in emerging markets, especially for a new product. In Convenience Marketing, the concept is usually that convenience comes at a premium and that customers are prepared to pay more for this convenience, which includes 24-hour shopping.

2.9.1.2. Pricing Strategy

Consumers in the emerging markets today are much more affluent than they were before their countries liberalised, but they are not affluent by Western standards. Income levels that characterize the Western middle class would represent a tiny upper class of consumers in any of the emerging markets. Pricing strategies should therefore be appropriate to the target market context and circumstances and relate to the value that these consumers perceive the product to have.

Penetration Pricing will be more effective in building the volume of sales in emerging markets. Once the company has achieved market penetration, prices can be increased to solidify the premium positioning of the product.

2.9.1.2. Convenience marketing forecourt c-stores turnovers still on upward spiral

The convenience market is booming with forecourt c-stores turnovers escalating at a rapid rate. Current market indicators reveal that the Forecourt Convenience store market is worth about R4-billion and is growing at around 15.8% per annum. This is largely attributed to the increasing economy, reduced unemployment, consumers having more disposable income, lower than usual interest rates and demographic shifts such as the migration from inner cities to suburbs and from rural areas to urban areas. Engen's Convenience Marketing Turnover for the period April 2003 – April 2004 was R 1 560 000 000, whilst that for the period April 2004 – March 2005 was MR1 907 000 000. This shows a significant increase of 22.24% in turnover. Profits for the period April 2003 – April 2004 were R 141 000 000 and for the period April 2004 – March 2005 were R 154 000 000, which was an increase of 9.22%.

The strong real growth was based on a relatively low headline Consumer Price Index (CPI) inflation rate of 0.7 percent on average during this period. There are many factors currently supporting the convenience market, which were not present or entirely different to the late 1980s and early 1990's. These include personal tax relief, lower interest rates, lower unemployment, strong growth in the real disposable income of households, a relatively low ratio of household debt to disposable income and urbanisation.

Relatively low inflation and interest rates and a rapidly growing middle class amongst previously disadvantaged communities also played a role in increasing demand for convenience offerings.

In view of the above-mentioned indicators and various supporting factors, the convenience market is still regarded as being in an extended boom phase rather than experiencing bubble conditions. Interest rates are not expected to increase sharply during the next three years. The Rand exchange rate is projected to depreciate gradually against the major international currencies over this period, which will contribute to CPIX inflation remaining within the inflation target range of three to six percent. These developments will support a policy of relatively stable interest rates during this period.

These positive contributory factors place convenience forecourt c-stores on an advantageous platform, necessary to capitalize and exploit these conditions in successfully meeting the needs of an emerging multiracial booming target market.

2.10.1 PLACE, DISTRIBUTION, INTERMEDIARY

Place gleans the location where a product is marketed. A critical element of a firm’s marketing mix is its distribution strategy, i.e. the means it chooses for delivering the product to the consumer. (Hill, 2004: 578). Place strategies should be based upon existing resources and channels and systems already operating. Convenience forecourt c-stores need to select target areas where the product is launched in correlation with consumers needs.

Market Share

	Engen	BP	Caltex	Total	Shell	Sasol	Exel	Total
Volume	2,756,145	1,615,613	1,778,132	1,311,049	1,848,146	421,383	239,945	9,970,413
% Mkt Sh	27.64%	16.20%	17.83%	13.15%	18.54%	4.23%	2.41%	100.00%

Table 1 (Market shares – Source Engen Petroleum Ltd Management)

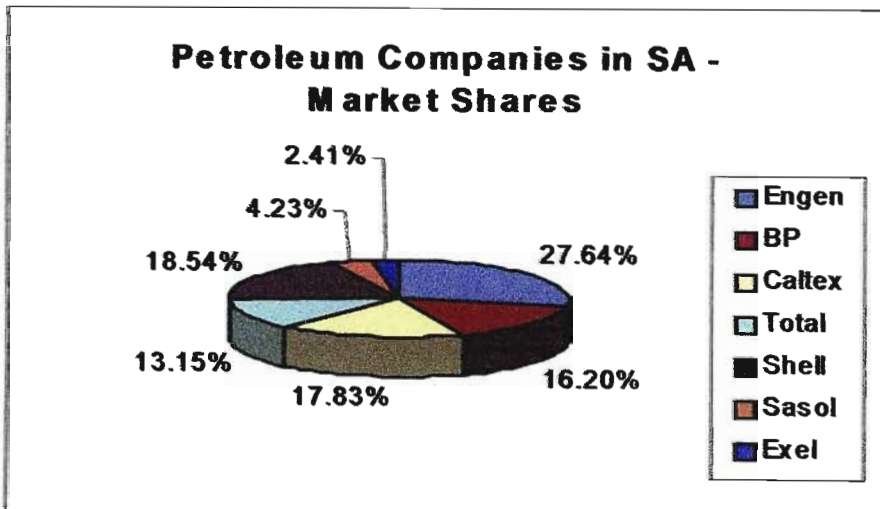


Figure 2.13: Petroleum Companies in South Africa Market Shares

Top 10 Mag areas

	Johannesburg	Pretoria	Durban	Randburg	Wynberg	Cape Town	Port Elizabeth	Bellville	Germiston	Kempton Park	Total
Volume	889,943	734,774	477,456	444,595	287,264	260,395	218,967	216,376	207,297	205,628	9,970,413
% share	8.93%	7.37%	4.79%	4.46%	2.88%	2.61%	2.20%	2.17%	2.08%	2.06%	39.54%

Table 2 (Top 10 Mag areas: Source Engen Petroleum Ltd Management)

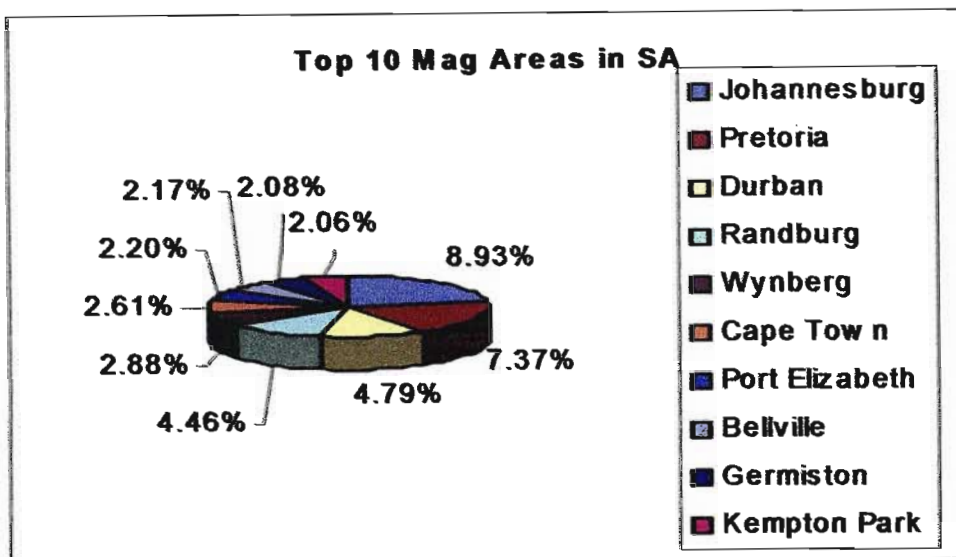


Figure 2.14 Market Potential Indices of magisterial districts in SA.

Source: Engen Intranet

The above diagrammatic representation identifies Johannesburg, Pretoria, Durban and Randburg as potential lucrative magisterial districts.

Enormous potential for foreign businesses exists in South Africa, one of the most sophisticated and promising emerging markets in the world, with the costs of doing business in this country comparing favourably with other emerging world markets. South Africa possesses:

LOCATION

- Placed on the crossroads of east and west, the region has ties with Indian Ocean rim nations and the best access to those on the Pacific Rim. An unmatched strategic geographical position on world trade routes provides easy access to all major global markets of the Americas, Europe and the Far East.
- As a gateway to all the major local markets in South Africa, there is perfect placement for the servicing of industries and consumers in the country's other provinces, as well as being a springboard to the developing markets of sub-Saharan Africa, with links deep into the African continent.

MARKETS AND RESOURCES

- Agreements on trade, development and cooperation facilitate the development of secure markets for businesses.
- Phenomenal resource endowments include an abundance of established intermediate industry inputs, services and support from downstream industry, with a well-developed agricultural industry possessing significant potential and a range of raw and semi-processed materials.
- Based on consideration of costs, certain selected industrial undertakings can be operated more profitably if established here than in other competing investment regions in the world.

INFRASTRUCTURE

- South Africa has premier container facilities and an extensive road, rail and air network in place.
- Superlative information technology provides access to global telecommunications highways, with high-speed international links and a mobile communications network regarded as one of the best.
- Comparatively low industrial electricity tariffs are available, among the cheapest in the world, with the entire province linked to the national power grid.
- There are ample water resources, with huge storage dams supplemented by many natural lakes and water supply of excellent quality available at low cost.

BUSINESS ENVIRONMENT

- Local government is financially well managed, with key organisations tasked with promoting economic development and achieving objectives.
- A well-established fiscal environment exists, with a stable, market-orientated business culture.
- Comprehensive banking, insurance, legal and other professional services are available.
- There is a plentiful supply of both skilled and trainable unskilled labour, as well as proven entrepreneurial abilities, with the dedicated workforce recording minimal loss of working days due to strikes. Labour costs are low and productivity superior, with high standards of local management. Wide-ranging legislation is aimed at promoting training and skills development in order to fast track the improvement of world-class competence.
- There is significant capacity in the strong network of educational and training institutions to develop skills further. Direct access is provided to a broad technical base and numerous support institutions (such as the Council for Scientific and Industrial Research, the South African Bureau of Standards, the Council for Mineral Technology, and departments of tertiary institutions).
- Thus SA is an ideally and suitably placed for meeting the modern lifestyle needs of an emerging convenience target market.

2.11. PROMOTION

Engen uses advertising, sales promotions and public relations to promote both the c-store (Quickshop) and the merchandise they carry. The objectives of promotion for Engen are to position the c-stores in consumer's minds, creating awareness for new products and/or increasing sales. Promotional strategies must be culturally and socially sensitive and appropriate to the specific context and circumstances of the target market. With regards to emerging target markets, Convenience marketing reports highlight the following promotional strategies to be pertinent:

Location of c-stores;

Attractiveness of c-stores and convenience offerings available;

Sales promotion, which include a wide range of events and activities designed to stimulate interest in a product or service. Consumer promotional tools used by Engen include point-of-sale displays and in-store everyday fair price promotions;

Personal up selling at point-of-sale.

Sales promotions are used to:

- Attract brand switchers;
- Increase repeat purchases;
- Increase demand and influence consumption of the product or service;
- Stimulate impulse buying; and
- Counter competitive offers.

2.12. Recent developments and initiatives in the Convenience market

Following a four year trial period, JSE-listed retailer Woolworths (Woolies) has decided to embark on a massive roll-out of its food stops on Engen forecourts throughout the country from May / June this year. (www.fastmoving.co.za) The concept has been tested at two sites in Cape Town, and a further three sites in Gauteng.

The group opened its first Food Stop in September 2000 at Oranje Convenience Centre in Cape Town.

Africa Harvest Securities, retail analyst Mark Ansley said the group has been very cautious about the Engen venture. "It certainly has not been a rash decision; these guys (Woolies) have taken their time."

In a statement from the group, the Woolies Product Director, Richard Butt said the extensive trials were important so as to establish that the retailer could offer the same quality product in non-traditional sites on a national basis.

"We are delighted with the results, and greatly look forward to the national roll-out. A strong presence in the 24-hour convenience markets means that we are reaching new and different customers. In effect, we're making the Woolies brand available to younger, urban and suburban customers in a safe environment."

According to the group, the Forecourt Convenience store market is worth about R4-bn and was growing at around 15.8% per annum. Woolies partner, Engen, has the largest network of service stations in Southern Africa, with more than 1 300 locations. The petrol group picked

up on the concept of having a branded store 'shop within a shop' after attending the 1999 National Association of Convenience Stores Show in Chicago.

Sales in the Woolies' food division, Food-Mart, contributed 47% of the group's turnover in the June 2004 year-end and is growing by 19,2%. Butt was not available for comment at the time of publication of the article.

The draw of the joint venture with Woolies for Engen is the entrenchment of brand loyalty, which the petroleum market traditionally does not have.

Research done by ACNielsen into the grocery retail market - focused around branded forecourts in the metropolitan and urban areas found:

- Of the 1254 branded forecourt stores, Engen is by far the largest c-store brand, with 413 stores nationwide.
- Supermarkets still dominate the GTC (Grocery, Toiletries, Confectionary) category however, with R30.5 million of GTC turnovers going through supermarkets, and R2.7 million through branded forecourts.
- The people who shop at forecourt stores are mostly LSM 7, 35 years old and earn a salary of at least R8000 a month.
- The average basket at a Forecourt convenience store is R11 to R20, compared to Supermarkets - R80 and Hypermarkets - R160.
- The reasons as to why people shop at Forecourts are obvious - convenience 24-hour shopping when other shops are closed - up to 50%; safety; within walking distance; fresh bread; cleanliness.
- Only 30% visit Forecourt shops because they have stopped for petrol!

In the statement, Keith Pinn, Engen's Business Manager: Retail, said the Woolies / Engen partnership was a significant innovation for South Africa. "We have come together to offer a new dimension in convenience shopping. The partnership brings unparalleled good food, choice and quality to our customers at prime locations throughout the country." (www.fastmoving.co.za)

Engen dealers operate the Food Stops and are trained and supported by Woolies, who is responsible for the delivery of products to the outlets. A joint Woolworths and Engen Operations team manages the national network.

Engen has launched the "On the Go" c-store at all its Primary Fuel Network sites.

Engen and SASOL have recently announced that they will form a Joint Venture by forming a new company Uhambo Oil Limited. (<http://www.waih.co.za/archives/sasolinternet.pdf>)

2.13. Conclusion

Targeting and positioning strategies highlight prolific areas for market expansion, market penetration and new product development. The marketing mix designates the extent to which product and brand portfolio management; branding; pricing; place; promotion and repositioning policies can enhance convenience marketing. Hence petroleum companies can successfully enter emerging markets with diverse targeting and positioning options based on the segmentation of these markets and upon a comprehensive definitive contextual understanding of the target market in terms of cultural, social issues, financial circumstances, values and morals, traditions, tastes and specific needs, preferences and perceptions.

3. Chapter Three

3.1. Introduction

The purpose of this chapter is to discuss, the research method employed in obtaining the results of the study. This includes a discussion on the basic research design, the sampling and the data collection as well as the statistical techniques used to analyse the results.

The research design chosen acknowledges that this subject industry (convenience marketing) is a highly competitive one in South Africa. The degree with which the research question has been crystallised requires an exploratory study designed to glean a comprehensive understanding of consumer behavioural trends and market trends in order to determine if similar experiences can be predicted based on studies undertaken in the United States of America and the United Kingdom.

3.2. Research design

The research utilized both qualitative and quantitative research methods. With regards to qualitative studies the researcher's observation plays a big role and data tends to be verbal or behavioural in nature. Qualitative research data consisted of nonnumeric information such as descriptions of behaviour or the content of people's responses to interview questions.

When deciding on the basic type of research to conduct, two opposing types existed: logical positivism and anti-positivism. (Wellman and Kruger, 2001) explain that the positivism approach aims to formulate laws that apply to populations and that explains the cause of objectively observable and measurable behaviour. Anti-positivism on the other hand makes a case for the researcher to be involved in the measurement, experiencing it first hand.

The design chosen is an exploratory/descriptive/explanatory research design. There is no control group and all variables are measured at the same time using an interview as well as a questionnaire. The research is primarily quantitative, but also involves the collection of qualitative data aimed at producing a comprehensive understanding of people's behaviour as a whole. By combining these two types of methodologies the researcher aims to gain insight

into the research problem. This merging of methodologies known as Methodology Triangulation (Leedy, 1993) is a compatibility procedure designed to reconcile the two methodologies by eclectically using elements of both as these contribute to the solution of the problem.

The current study will conduct descriptive research, which aims to describe the characteristics of an existing phenomenon. The existing phenomenon in the current study is the impact of convenience marketing on petroleum companies and the consequential impact of consumer needs/trends in these target markets.

3.3. Sampling plan and design

The sampling plan involves choosing the type of sampling method to be followed as well as defining the population and the sampling frame.

Stratified random sampling was utilized. Stratification is usually more efficient than simple random sampling, which necessitated for the selection of this technique. The ideal stratification aims to have each stratum homogeneous internally and heterogeneous with other strata. Given that this study has several important variables about which conclusions need to be drawn. In this study the dependant variable (Convenience Marketing) is appositely related to the target market, consequently it was decided to stratify the sample.

Primary data was collated through an interrogation/ communication study through experience surveys and a questionnaire. Proportionate stratified sampling classifies each stratum to properly represent the sample drawn from the stratum's share of the population. This method was selected for the experience surveys, as it not only offers a higher statistical efficiency, but also provides a self-weighting sample.

The sampling frame for the experience surveys

Experience surveys through an investigative format were undertaken in the form of:

1. Personal interviews with Engen marketing management and employees will be conducted to get a feel for the key issues. The interviews will be aimed at trying to ascertain:-
 - a) how the c-store concept originated within Engen and what was the company's strategy,

- b) what the impact on convenience marketing has had on the organisation,
 - c) whether the organisation has achieved what it set out to achieve;
 - d) whether the company has had to change its strategy since inception to date;
 - e) and the effect that the c-stores have had on its consumers.
2. Personal interviews with consumers of convenience goods who call at the Engen c-stores in Gauteng. The reason for this stratification was to extrapolate pertinent data, from the relevant target population, which represents the existing consumer base, as to the reasons for their purchases.

The sampling frame for the questionnaire

Sampling was done based on a non- probability method referred to as convenience sampling. The questionnaire was administered to persons who call at the Engen c-stores in Gauteng. The survey was administered in a hard copy format. The reason for selecting this sample frame was the appropriateness of the locality with regards to one of the company's target areas, Gauteng.

3.4. The sampling design

A secondary data analysis was undertaken. The analysis comprised exploration of the company's archives. A report of prior research undertaken for the company by a research company was not available. Data from external sources, which was analysed, included books (business, strategy, marketing); journals; periodicals and the Internet gateway.

With regards to the experience survey, convenience marketing people from Pick 'n Pay, Woolworths and Shoprite were interviewed using an investigative format for their specific subject knowledge.

With regards to the questionnaire the design was ex post facto since the researcher had no control over the variables of the marketing environment and its stakeholders in terms of being able to manipulate them and the subjects were not assigned to treatment and control groups in advance. The nature of the study was cross sectional as it was undertaken once and represented a snapshot of a point in time of the c-store.

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An initial questionnaire was designed with 13 questions. The questionnaire was designed to ascertain the gender, age, race, income, LSM groups, frequency and basket size of consumers who use the forecourt c-stores.

Stratified random sampling was selected to increase the sample's statistical efficiency and to provide sufficient data for analysing the various subpopulations. It was also selected to identify behavioural characteristics of the target group. The variable that was used for the questionnaire was LSM classification. Nonprobability was used as it met the sampling objectives. The method selected was convenience sampling, which included Engen employees.

3.5. The method of data collection

The communication approach was utilized for the personal interviews. The researcher gleaned information that the respondents could provide by making the respondents understand his/her role and motivating them to play that role. Personal rapport was established with the administration of skilful probing to supplement the answers volunteered by the respondents. The researcher through personal interviewing was able to explore the topic in great depth. Through succinct probing the researcher attained success with the intercept interview. With regards to the Engen marketing managers and employees, prior arrangement was made for in-depth interviews with probing questions planned by the researcher.

A self-completion questionnaire was designed to address the investigative questions to which this study sought an answer. With regards to this questionnaire an intercept study was utilized through the administration of a traditional questionnaire in a predetermined environment; which was at the forecourt c-store. This was managed without interviewer assistance. As anonymity was assured, the respondents could be perceived to be truthful.

3.6. Survey instrument design considerations

It should be noted that self-administered surveys suffer from low response rates. A covering letter therefore was provided to offer the respondents insight into objectives of the study and articulate specific definitions that would facilitate the answering of the in-depth questions.



The researcher was available on site during the allocated response time for the intercept survey to facilitate collection. Anonymity was assured to respondents and no personal details were called for in the survey. A deadline was set for the return of the questionnaire.

3.7. Measuring instrument

The test instrument was designed to address both the quantitative and the qualitative aspects of the research. Specific attention was designed to address both the quantitative and the qualitative questions in particular.

- To identify consumer behaviour trends in convenience marketing.
- To recognise pertinent global patterns in emerging markets.
- To establish emerging convenience marketing needs/expectations.
- To assess to what extent these consumer needs are being met.
- To evaluate the applicability of adopting emerging global patterns to fashion local requirements.
- To establish strategies apposite to meeting the needs of emerging markets.
- To evaluate strategies that Engen can implement to enhance business success from the consumers' perspective by adapting to appropriate purchasing trends.
- To recommend modifications to the company's existing strategies to meet changing market dynamics.
- To formulate suggestions on brand awareness, brand activation, client relationship management and affinity marketing techniques.
- To recognise areas for future research.

Intercept interview

Intercept interviews were conducted through an investigative format in order to retrieve specific data was undertaken through probing. The researcher designed the investigative interview questions.

3.8. Conclusion

In this chapter the research method employed in obtaining the results of the study have been discussed. This included a discussion on the basic research design, the sampling and the data collection as well as the statistical techniques used to analyse the results. The degree with which the research question has been crystallised required an exploratory study designed to glean a comprehensive understanding of consumer behavioural trends and market patterns in order to determine if similar experiences can be predicted based on studies undertaken internationally. This is a statistical study that attempts to describe the likely characteristics of the population by making inferences from the sample characteristics. This study used a stratified random sample of consumers of convenience goods who call at the Engen c-stores in Gauteng.

4.1 Introduction

The purpose of this chapter is to report on the results of this study by analysing the survey undertaken. This chapter analysis deals with qualitative and quantitative data relevant to convenience marketing patterns, expectations and needs as it emerged from the study based on the objectives built into the design of specific questions in the survey instrument.

The interviews will be analysed through the researcher's insight and analytical ability. The questionnaire will be analysed through the use of the SPSS statistical software package (version 11.5 for windows). Responses will be scrutinized in terms of their distribution and percentage responses across all sectors, transforming the data into information across a range of categories from the various statistics through to the specific variables of interest apposite to this study.

This chapter together with the secondary data gleaned from the review of literature in chapter two forms the foundation for the discussion that follows in chapter five where further discussion of the qualitative results of this study are explored.

4.2. Questionnaire response analysis

Formatted

Fifty hard copy questionnaires were distributed to 6 different Engen forecourt c-stores in Gauteng. All the questionnaires were returned answered, representing 100% of the sample.

From the survey undertaken 54% of the people were male and 46% female.

Analysis of data

Demographic analysis

The case-processing summary below indicates answered responses from 50 respondents.

Case Processing Summary

The demographic profile of the sample is reflected in the table below classified according to total numbers per race group. The demographic representation of the population sample as illustrated below for Whites, Blacks, Coloureds, Indians and others.

Race	Number	Percentage
White	12	24%
Black	20	40%
Coloured	9	18%
Indian	7	14%
Other	2	4%

Table 4.1 Race Groups: Source Appendix I (Questionnaire)

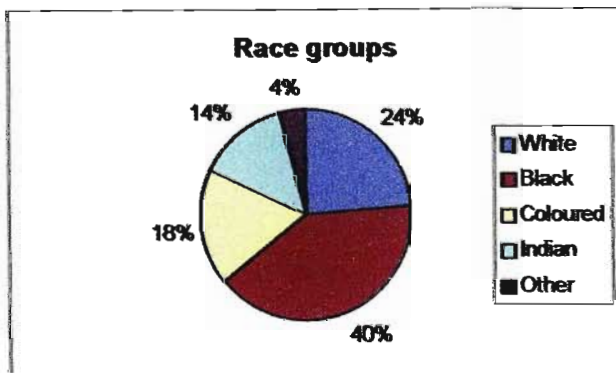


Figure 4.1 – Race groups

More black people (40%) tend to shop at c-stores and the main reason for them shopping at c-stores is because of convenience and safety. The Black consumers that use c-stores, are from the higher salary groups (more than R200 000 per annum) and price does not seem to be an issue.

People younger than 30 (14%) tend not to shop at forecourt c-stores. The age groups that tend to shop most at c-stores are 31-35 (22%), 36-40 (22%) and 46-50 (22%).

Annual Salary	Number	Percentage
Less than 100 000	9	18%
101 000 – 150 000	6	12%
151 000 – 200 000	4	8%
210 000 – 250 000	6	12%
251 000 – 300 000	7	14%

301 000 – 350 000	5	10%
More than 350 000	13	26%

Table 4.2: Annual Salary - Source Appendix I (Questionnaire)

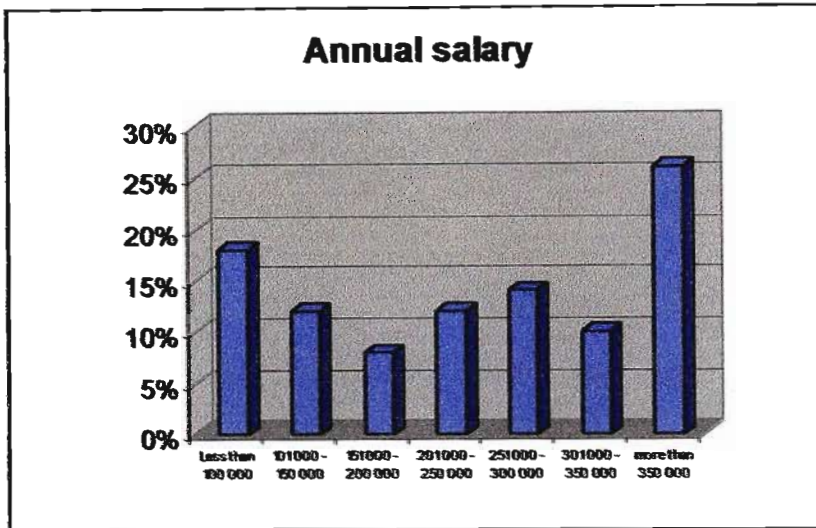


Figure 4.2 – Annual salary

The target market is LSM 7 and above and consumers (62%) earning more than R200 000 per annum tend to frequent forecourt c-stores more often than those earning less than R200 000 per annum. Price does not seem to be an issue with these customers (72%) and they are prepared to pay more for convenience. However, there is a perception that forecourt c-stores are expensive, especially with the lower income earners. The competitors, such as Eight Till Late and 7/11 have tended to react to this by opening up longer hours and offering their merchandise at cheaper prices.

Amount spent	Number	Percentage
R1 –R10	2	4%
R11 – R20	13	26%
R21 – 50	24	48%
R51 – R100	4	8%
More than R100	5	10%
Do not buy	2	4%

Table 4.3 – Basket size Source Appendix I (Questionnaire)

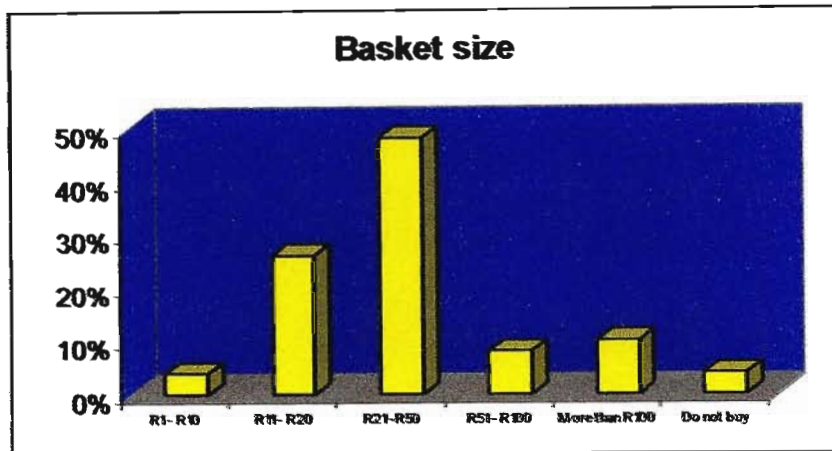


Figure 4.3 – Basket size

The average basket size is between R21-R50 and 52% of customers use a forecourt c-store more than twice a week. Most customers tend to only shop for the quick everyday items, such as bread and milk and cigarettes. They seldom tend to shop for other items, such as tin stuff and eggs.

Female customers tend to spend more than male customers.

Females tend to spend more on bread and milk and snacks, while male customers spend more on newspapers and cigarettes.

Male customers prefer convenience, while female customers prefer safety.

Only 6% of customers surveyed do not use the c-store. Most customers (58%) visiting the forecourt, purchase both fuel and from the c-store.

Motorists and customers have noticed and commented that there is a high degree of inconsistency at Engen as not all Engen service stations have a Quickshop and Woolworths.

This is also evident from the different looks and standards of their forecourts and from the difference in the look and feel of their National, Regional and local advertising.

Staff in the forecourt c-stores should be more-friendly, helpful, consistent and need to delight their customers. They also do not up sell to the customers.

Additional findings in forecourt c-stores:

There is inconsistent branding and pricing.

They should have more cashiers at busy times.

Not all Quickshops are clean.

Some of the buildings are old.

The Quickshop logo looks stale and needs to be revived.

Shelves are not always full and there are sometimes stock-outs.

Items are not always clearly marked on the shelves or there is no pricing at all on the shelves.

Insufficient c-stores in so called Black townships.

The in-store "Everyday fair price" promotions are an excellent concept. These have now been flighted on National TV and Radio.

4.3. Conclusion

The results of the intercept interviews have firstly been analysed.

In this chapter the results of the questionnaire survey undertaken have been analysed making use of the SPSS statistical software package. Throughout all parts of the questionnaire, the data is transformed into information across a range of categories from demographic information through to the specific variables of interest to this study.

The data is analysed either through tables, clustered bar graphs, stacked bar graphs or pie graphs where relevant as it emerged from the study based on the objectives built into the design of specific questions in the survey instrument.

This chapter along with secondary data gleaned from the review of literature in chapter two forms the discussion that follows in chapter five.

5. Chapter Five

5.1. Introduction

This chapter will deal with the recommendations. Areas where Engen has done well will be reinforced and the areas that the company has not attended to will be addressed. Recommendations will include how Engen should go about finding remedies that will place it in a positive frame.

This chapter engages in discussion of the results and the implications of much of the qualitative data. The chapter reinforces emerging consumer trends/needs as identified from the data collated in the survey analysis in chapter four. Particular attention is given to the discussion of this information with relevance to local convenience marketing emerging trends identified as pertinent in chapter two. Areas for future research on the topic are recommended.

Recommendations

5.2.1. Branding

Primary data indicates the markets awareness of the name Engen. This is attributed to their brand awareness. Engen has been very effective in its brand activation strategy. Branding simplifies choice and guarantees a quality mark of pride through its name, symbol or design that identifies its product. Brands are positioned to meet the needs of specific consumers and are recognized as being different and/or superior to alternatives. Defining a brand emphasizes its key benefits for consumers.

Motorists and consumers have noticed and commented that there is a high degree of inconsistency at Engen. Whether this is from the different looks and standards of their forecourts, or from a difference in the look and feel of their National, Regional and local advertising, Engen must accept this perception and address it immediately together.

Today, there are many tools, systems and structures available to Engen Staff, to assist them in ensuring that consistency in the application of the Brand and graphics is possible.

5.2.1.1. Listening to their Customers

Engen must constantly listen to its customers and learn from their experiences, so that it continually improves its products, services and offerings. By ensuring that it continually evolves the Brand this way, it will be in a stronger position to deliver against their customers ever changing and every demanding needs and this will enable Engen to retain its market leadership and help them grow their market share.

To equip Engen with the platform to present all their new and improved offerings to their customers, it is necessary to evolve the look of their Brand, through updating and modernising its Corporate Identity. Evidence of this can be seen by the introduction of their new retail forecourt look, that neighbourhood sites and the Engen1-Stops. This has been matched by changes in the design of their corporate stationery & delivery vehicles, as well as the look of their retail point of sale material, promotions and advertising and corporate material like the Annual Report, calendar, diaries and general literature. They have also re-imaged their retail lifestyles and even the design of some of their offices.

The look of their sponsorship activity has also been evolved in the field of international Athletics with changes in the design of material used for the Engen Grand Prix Summer series, as well as the look of the Athletics TV Show, 'Gajima', which is sponsored by Engen. The same can be said for Engen's Basketball activity with Basketball South Africa, with the introduction of new designs and material and the flighting of the Engen sponsored TV show on e-tv, 'In the Zone'. In addition, the look of the Engen Moss Racing Team and the Engen Volkswagen Cup, have also been changed to reflect the Brand's new look.

In time this new image will also be reflected in other areas that are currently in the process of being evolved, such as their lubricants packaging and the uniforms worn by their forecourt attendants and shop assistants, as well as the interior look of its offices.

All this is aimed at bringing Engen closer to its customers, by demonstrating a bolder, more modern and warmer side of the company.

At every opportunity and Moment of Truth where they have the opportunity to impress or disappoint a customer or potential client, be that on the telephone, at their service stations, or

at its offices, Engen's aim must be to demonstrate its core Brand values and behave in a way that correctly reflects Engen's Motherbrand positioning.

To counter the negative perception about being seen as "Mr Perfect", Engen needs to demonstrate more warmth and emotion and so build the personal side of the Brand in order to counter-balance the company's performance driven business culture & ethic. Considerable inroads to doing this have been achieved to date, but Engen's journey is far from over.

Engen's new positioning strategy is:

"Engen Quick Shops save the motorist time by offering a unique basket of leading Brands, products and services, tailor-made to enhance their South African way of life".

5.3. The Marketing Mix

5.3.1. Product

It is apparent that the primary data from the survey corroborate the findings of the secondary data reported, in that convenience marketing can be expanded in four ways to cater for the diverse needs of an emerging target market. The following model exemplifies these four strategies for product expansion. The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets.

The Ansoff Market/Product Matrix, in the South African Market

Existing (Product / Service)	<u>Market Penetration</u> <ul style="list-style-type: none"> • Increase product usage by encouraging consumers to purchase more items by having in-store promotions. • Attract competitors' customers and convert non-users by promotion strategies. 	<u>Market Extension/Development</u> <ul style="list-style-type: none"> • Expand geographically into the black townships. • Target new segments by targeting new residential areas and highway routes.
New (Product / Service)	<u>Product Development</u> <ul style="list-style-type: none"> • Exploit new products: In the form of new alternate profit opportunities, such as Woolworths, etc. • Exploit new technologies: interactive web-sites and usage of extranet and intranet. 	<u>Diversification</u> <ul style="list-style-type: none"> • Modify existing/new products to enter new markets: Use strong existing brand to develop new sites in new areas.
	Existing (Market)	New (Market)

Table 5.1: Ansoff Market/Product Matrix for Engen in the South African Market

Product Strategy

“The success of the marketing exchange depends on the product.” It is of utmost importance that the product must live up to the benefits the customer wants, and the expectations created, failing which the other efforts (3P’s) will be in vain. It is therefore vital to have an effective product strategy.

❖ **Market Penetration:** Engen should continue the development of its existing core product in the existing target market as identified in the above matrix, to facilitate market penetration. Sales growth has been successful. According to the survey data, purchasers were content with the product. Secondary data reports in the literature review also highlight market penetration as an effective strategy utilized internationally.

A market penetration marketing strategy is very much about business as usual. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

❖ **Market Extension:** Market extension is the development of existing products in a new market. The success of the existing product could be capitalized on. This could be done through market extension by introducing the product in a new target market area. Engen needs

to expand geographically into so called “Black Townships” as they are not well represented there. However, safety to both the dealer and the customer is an important factor. Engen also needs to analyse future residential opportunities and trends and new highway developments in order to target new residential and highway areas.

❖ **Diversification:** Diversification entails the development of a new product in a new market. The primary data from this survey corroborates the findings of the secondary data reported. The lower to middle-income market LSM 3-6, as identified by the income distribution respondents of this survey offers a new target market, the lower to middle-income market. This supports the findings of the secondary data reported. In the convenience-marketing sector, the segment that has emerged lately and shown growth potential is the female middle-income and the black market. Diversification for this new target market could take the form of building new service stations in new areas. It is recommended that Engen examine the prospects of diversifying into this new target market.

❖ **Product Development:** Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products, which can appeal to existing markets.

In order for Engen to capture demographically representative target market new products need to be developed that meet all consumers needs. Primary data consumer needs is supported by secondary data findings highlighting global consumer needs. The following recommendations offer new product development ideas to Engen. Primary data consumer’s needs as reflected by respondent statistics also supported by secondary data indicate the following significant specifications:

❖ Exploit new products: In the form of new alternate profit opportunities, such as Woolworths.

❖ Exploit new technologies: interactive web- sites and usage of extranet and intranet.

❖ Location of forecourt c-stores. 24/7 places. "24 hour environments"

- ❖ Convenient shopping: supermarkets, drug stores and other neighbourhood merchants within walking distance in addition to area department and specialty stores.

- ❖ Relative safety and security

- ❖ Primary data reflected that Black consumers indicated their aspiration to a modern cosmopolitan lifestyle. They want more forecourt c-stores closer to where they live.

- ❖ Female target market

5.3.2 Promotion

Primary and secondary data corroborate the influence of promotional campaigns. It is evident from the primary and the secondary data collated that Engen needs to institute a more intensive promotional campaign. The everyday in-store price promotions in the Quickshops seem to be assisting in this regard. Based on data collated in primary and secondary findings the following suggestions are recommended:

5.3.2.1 Advertising:

- Web advertising
- Television-SABC, e TV, DSTV
- East Coast Radio, 5FM, P4, YFM,
- Strategic billboards: Domestic Airports

Busy highways

5.3.2.2 Promotional campaigns

- In order to attract new consumers, in-store and forecourt promotions should take place in Black orientated places as well as existing forecourt c-stores. The marketing strategies must be taken to where the people are, in the face of the potential client.

- Corporate social responsibility requires that the company adopts a social responsibility programme in all areas, to enhance the well being of these communities. Engen has a well developed social responsibility programme and is seen to be very active in this regard.

➤ Engen invests in educational campaigns with Woolworths through its “My school programme” by issuing children at all schools with “My school cards” and sponsors or makes donations to the respective schools for every purchase when the loyalty “my school” card is used in its c-stores. This encourages parents to use the c-stores, which ensures that their children’s educational needs are being satisfied and at the same time, the children and their parents are also becoming loyal Engen customers.

➤ It is recommended that empirical research be conducted into lifestyle trends (Consumer Behaviour) of black elitists. Findings from this research should be utilized to investigate how these consumers can be attracted to the forecourt c-stores.

➤ Engen should become more involved with the tourism boards especially on routes where they have their c-stores.

➤ The more human and personal side of the Brand and the company’s Brand values need to be more visible.

5.4. Conclusion

Convenience marketing has had a significant impact on the South African petroleum industry and Engen. Implementation of the convenience marketing concept by Engen seems to have been highly successful and has impacted positively on Engen’s strategy, which has resulted in a significant increase in the company’s profitability. (Turnover April 2003 – April 2004 was R 1 560 000 000, whilst that for the period April 2004 – March 2005 was MR1 907 000 000. This shows a significant increase of 22.24% in turnover. Profits for the period April 2003 – April 2004 were R 141 000 000 and for the period April 2004 – March 2005 were R 154 000 000, which was an increase of 9.22%.

Engen needs to continually evolve and update its Brand and in this way hope to stay fresh and current and thus, in turn, retain the appeal to attract new customers and encourage their existing customers to come back, time after time.

This combined, with the tightening and improving of their systems, training, planning, product quality and service delivery, is what is necessary to be a leading Brand. If it wants to

remain the number one petroleum and forecourt c-store brand in South Africa, it must ensure that it constantly and consistently delivers on its Brand promise to all its customers – “With us you are number one”.

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Appendix I (Questionnaire)

Dear Customer,

We are currently doing a study on the impact of Convenience Marketing in the Petroleum Industry.

For the industry to improve their facilities and offerings to you the customers and in order to meet your expectations, please help us to do so by taking a few minutes to complete this form and tell us what you think.

Thank you.

1 Gender/Sex Male Female

2 Which age group do you fall into?

Under 18 19-25 26-30 31-35

36-40 41-45 46-50 51-55

56-60 60-65 66-70 Over70

3 What is your current annual salary?

Less than 100 000 101 000-150 000 151 000-200 000

201 000-250 000 251 000-300 000 301 000-350 000

More than 350 000

4 Race group

White Black Coloured Asian Other

5 Why do you shop at a forecourt c-store?

6a. Which Forecourt Convenience store do you use most regularly?

State name & which oil company:

6b State the reason for your choice in question 6a.

7 How often do you use a Forecourt Convenience store?

Daily Once a week Twice a week More than twice a week Weekly
 Monthly

8 When you visit the forecourt, do you

Only purchase fuel Purchase only from the c-store Both

9 When purchasing from the forecourt c-store how much do you normally spend

R1-R10 R11-20 R21-R50 R51-R100 More than R100

10 What products do you normally purchase?

Bread & Milk Snacks Cigarettes Newspaper Other

10b If other please specify: _____

11 Is price an issue or do you believe that a customer is prepared to pay a little more for convenience?

Price an issue Prepared to pay a little more for convenience

12 Please rate the quality of the following elements of the forecourt c-store

	Very good	Good	Fair	Poor	Very poor
C-store Attributes & facilities					
• Safety					
• Lighting at night					
• Cleanliness					
• Service					
• Friendliness of staff					
• Range of items stocked					
• Access into the forecourt					
• Location					
• Freshness of items					
• Appearance of c-store					
• Layout of c-store					
• Offerings available					

13 Please provide any recommendations to improve our service

Appendix II - Petrol Price

Premium 93 Leaded		Effective Date: 04 May 2005
Component:	Price in Cents	
Wholesale Margin - Oil Companies:	39.268	
Storage, Handling & Delivery Costs:	7.000	
Retail Margin - Dealers:	40.600	
Transport Costs:	13.400	
Equalisation Fund Levy:	0.000	
Slate Levy:	4.000	
Fuel Levy:	116.000	
Customs & Excise Duty:	4.000	
Road Accident Fund Levy:	31.500	
Sub Total:	255.768	
Landed Cost of Product:	266.432	
Pump Rounding:	-0.2	
Retail Pump Price on the Reef:	522.000	

