BA 521

UNIVERSITY OF SWAZILAND

DEPARTMENT OF BUSINESS ADMINISTRATION

FINAL EXAMINATION MAY 2006

TITLE OF PAPER (COURSE) : CONSUMER BEHAVIOUR

DEGREE AND YEAR OF STUDY: B.COM V - MARKETING

TIME ALLOWED : TWO (2) HOURS

INSTRUCTIONS :

1. TOTAL NUMBER OF QUESTIONS ON THE PAPER IS 5
2. ANSWER QUESTION 1 IN SECTION A AND ANY TWO (2) FROM SECTION B
3. MARKS AWARDED ARE INDICATED AT THE END OF EACH QUESTION
4. WHERE APPLICABLE, ALL WORKING SHOULD BE SHOWN.

NOTE : MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH LANGUAGE AND FOR ORDERLY PRESENTATION OF YOUR WORK.

SPECIAL REQUIREMENTS: NONE

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

INSTRUCTIONS

ANSWER SECTION A AND ANY TWO (2) QUESTIONS FROM SECTION B

SECTION A (COMPULSORY)

QUESTION 1: RUB - RUB - DUB BRANDS IN THE TUB

There is a picture in the office of ClassiClean MD Chris Roux. It is a framed photograph by Talbot of a dolphin leaping out of the water as it swims ahead of a ship, the hull of which does not fit into the picture. Roux points to it as a symbol of his company's position in the market. Small, but flexible. The ship is creating a lot of froth as it pushes out the water, which is what Roux says the giants of the industry have been doing in response to ClassiClean's triple concentrate, BioClassic.

Launched four years ago, BioClassic has claimed 27% of the concentrates market, a market which last year was worth R104 million, nearly double what was anticipated two years ago for this segment. Industry giant Lever Brothers, which initiated the move to concentrates in South Africa in the early eighties with its Sunlight Fabric Softener, has fallen from holding 60% of this sector to 43%, having at one stage reached a low point of 37%. Although concentrates represent just 16% of the total detergents market, it is growing rapidly and cannibalising other sectors. "The move towards concentrates is a global trend driven by consumer preference for better performing, more environmentally acceptable and more affordable products," says Lever Brothers marketing director Espen Mansfeldt. ClassiClean marketing director Warren Horak predicts that concentrates will eventually make up more than 50% of the automatic detergents market, a market that is growing in itself. He believes that concentrates will encourage people to move over to twin tubs and automatic machines. Within the concentrates sector, Mansfeldt points out that the low-sud fabric powders are the fastest growing. They grew by more than 50% over the last year, while concentrated fabric softeners grew by more than 40%.

While the shift to concentrates is readily embraced at the upper end of the market, there are problems with the lower end. Brad Watt, product manager at Colgate Palmolive, says that the lack of acceptance at the bottom end is due to low literacy levels and high brand and concept loyalty. "The big box is perceived to have more in it and they are used to dosing to foam levels. A huge education job is necessary to convert these users".

"Lever Brothers is committing a significant part of its investment in communication behind the products, in particular to present the performance benefits of the new generation products," says Mansfeldt Lever Brothers is using R-TV and Group Africa extensively to provide this education, while the boxes of the traditional soap powders carry messages encouraging the user to switch to a concentrated product.

The benefits of concentrates are obvious. There are cost savings in the manufacturing process, while the reduced volume means savings on storage space, transport and shelf space. The refill packs, which have become popular, lead to further cost saving and have environmental benefits.

What makes people buy a detergent? And how strong is brand loyalty in this market? Roux believes that once people have switched and found another product to have done the job better, they will stay with it. The problem is in getting them to try it. BioClassic was hawked to industrial users in its early days and eventually found its way into Spar Outlets in a very bland-looking blue pack. An OK Bazaars buyer agreed to take it after his wife and some friends had tested it and approved. They wanted a proper box and a better design, which ClassiClean provided. However, it proved more difficult to get into Pick'n Pay. The chain claimed not to know anything about the product but Roux believes that pressure from the big players was responsible for keeping it off Pick'n Pay 's shelves. Pick 'n Pay was eventually forced to carry the product under the weight of consumer demand. Roux tells how consumers phoned the toll-free number listed on the pack, wanting to know why they could not find the product at Pick 'n Pay. Roux believes that while brand equity is strong in this market, concentrates have introduced a pricing and efficacy argument into the sell. However, for the Lever Brothers' brands it has not been that easy. Convincing an illiterate person that the smaller box of Omo or Skip will last longer and work out cheaper is not easy. "On the other hand, once the product has been tried consumer satisfaction with the new generation products is very good", says Mansfeldt.

Roux anticipates that Procter & Gamble will face problems trying to enter this market. "They will face the normal product barriers and will provide even more headaches for our big boys". Watt concurs. He believes that existing relationships between manufacturers, distributors and retailers will make it more difficult for them to get into the market. While he agrees that it represents a threat to Colgate Palmolive, he believes that Levers have more reason to be worried, as one market share point represents R10 million a year in this market. Mansfeldt is confident that Lever Brothers' 90 year history of "offering products of superior performance and value" has enabled it to entrench its brands. The threat of house brands to the national brands also looms large. Already at Pick 'n Pay the Choice and No Name brands are enjoying 25% of the shelf space. Whether they will continue to carry the full range or only the top two or three brands remains to be seen. "There is five times more tension in the market now than there was five years ago,"says the ClassiClean Marketing Director. "There is also a lot of competitive action. The industry is getting shaken up. The survivors will be the ones who keep the customer happy."

QUESTION

Describe how the learning process can be applied by the manufacturers of laundry concentrates in order to educate the illiterate consumers regarding the benefits of the concentrates. Indicate further how different learning principles can be taken into consideration in the formulation of a message for these consumers.

TOTAL: 25 MARKS

SECTION B

ANSWER ANY TWO (2) QUESTIONS FROM THIS SECTION

QUESTION 2

a. A hard-nosed marketing manager was heard remarking: "All of this talk about consumer decision process still just boils down to the same old fact - It is what the consumer buys and how much of it that is really important to the practising marketer". What is your response? (15)

b. Determine the primary benefits that might be sought by consumers of the following products:

(i) Hair colouring

(ii) Mouthwash

(iii) Barbecue grill

(iv) Compact car

(v) Bread (10)

TOTAL: 25 MARKS

QUESTION 3

a. Discuss the three basic methods of measuring social class. (15)

b. What factors appear to determine reference group influence? (10)

TOTAL : 25 MARKS

QUESTION 4

a. Discuss how the changing role of women affects consumer behaviour. (15)

b. Who are marketing opinion leaders? How do they differ from those they influence? (10)

TOTAL : 25 MARKS

QUESTION 5

a. Distinguish between the id, ego and super ego in the Freudian personality scheme. Suggest the basic influence each might exert on a purchase decision. (15)

b. Discuss the importance of learning to the understanding consumer behaviour. (10)

TOTAL : 25 MARKS