

UNIVERSITY OF SWAZILAND
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION DECEMBER 2015

TITLE OF COURSE: CONSUMER BEHAVIOUR (IDE BA 521)

DEGREE AND YEAR: BACHELOR OF COMMERCE YEAR 6

TIME ALLOWED: THREE (3) HOURS

- INSTRUCTIONS:**
- 1. TOTAL NUMBER OF QUESTIONS ON THE PAPER IS 5**
 - 2. ANSWER QUESTION 1 IN SECTION A AND ANY THREE (3) QUESTIONS FROM SECTION B**
 - 3. MARKS AWARDED ARE INDICATED AT THE END OF EACH QUESTION**
 - 4. 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 THREE (3) QUESTIONS FROM SECTION B.

SECTION A: (COMPULSORY)

QUESTION 1: EXPORTING WINE TO SOUTH KOREA

Background

The economy of South Korea is ranked eleventh in the world and third among Asian countries thus, unquestionably, South Korea consumers have a certain buying power and might be a potential market for Australia. The demand for high quality food is increasing in the South Korean market. Owing to the climatic conditions and the limited land capacity in South Korea to establish wine vineyards, Australia has become one of the main exporters to South Korea. According to government reports, approximately 1.9 million liters of wine, valued at \$12.7 million Australian Dollars (AUD) were exported to South Korea from Australia in 2008. The average price of wine per liter is \$6.71 AUD. More than 73% of exports to South Korea from Australia are bottled wine products but the soft packs are also popular. Red wine is the wine color of choice (Clark, 2009).

Social class positions in South Korea

According to the theory of Schiffman, social class is divided into upper-upper; lower-upper; upper-middle; lower-middle; upper-lower and lower-lower class. The behavior of consumers vary from class to class. Generally in South Korea the upper-upper class accounts for 4.3%; lower-upper 23.9%; upper-middle 24.8%; lower-middle 8.9%; upper-lower 29.7% and the lower-lower takes up 8.4% (Kim et al, 2013). Based on Schiffman, income is one of the ways to determine social class as well as occupation and education. In 2012 South Korea's gross national income (GNI) per capita reached \$22 700 and those people whose income is over 150% of GNI per capita are classified as upper-upper class with income of \$34 050 (Lund et al. 2010). While those people whose income is above GNI per capita are classified as upper-middle class, those whose income is under GNI per capita are the lower-lower class.

Consumption behavior from different social class

The wine market was chosen in order to analyze the consumer behavior from different levels of social class in South Korea. Imported wine takes up almost three fourths of the wine market in South Korea. Australian wine imports rank fifth after France, Chile, America and Italy. In order to seize potential marketing opportunity, Australia exporters should supply high quality wine. Moreover, free trade agreement also enhances Australian wine imports (Yoo et al. 2013). Consumer behavior towards imported wine and grapes from Australia shares a lot of similarities. After opening up markets in 1987, South Korea has become one of the fastest-growing countries of wine consumption in Asia. More people enjoy the high quality wine and the consumption keeps rising.

In South Korea, people drink wine for fun rather than just boozing. It could be said that drinking wine has become a common social method. From this point of view, the consumer groups who drink wine are not only upper-upper class but also the lower – upper and lower-lower class. Owing to unique good land and a lot of world-class outstanding winemakers, together with the world’s most strict management and production process, Australian wine has become a synonym for high quality and low price. Thus, there is no doubt that lower-upper and lower-lower class will regard Australian wine as their choice.

During the first eight months of 2013, wine imports reached 22 287 liters, rising 23.5% and the average price of imported wine has fallen by 3.6% and this has increased the consumption of wine across classes (Yoo et al. 2011)

Consumer attitude

Consumer attitude is an important factor that can influence consumer behavior. Since consumer attitude is linked with elements of emotion, it is the result of learning (Schiffman, 2011). According to the learning theory, consumers can understand the characteristics of products and it will reflect different consumer attitudes.

Source: <http://www.acrwebsite.org>

QUESTIONS

1. Discuss the two major factors that influence consumer behavior as they relate to the wine industry in South Korea. (15)
2. As a marketing specialist, what recommendations would you make to Australia as they enter the South Korean wine industry? (10)

TOTAL: 25 MARKS

SECTION B

INSTRUCTIONS

ANSWER ANY THREE (3) QUESTIONS FROM THIS SECTION

QUESTION 2

- a. Discuss the bases that a marketing manager can use to segment the market giving an example in each case. (15)
- b. One type of a family is a married couple which is defined as newly-weds who have not yet started a family. Briefly identify and define the other types of families.(10)

TOTAL: 25 MARKS

QUESTION 3

- a. The key to understanding consumer behaviour is to understand the characteristics of culture. Discuss. (15)
- b. Define a reference group. Identify and briefly discuss the types of reference group appeals that can be used by marketing managers. (10)

TOTAL: 25 MARKS

QUESTION 4

- a. Mr. Sibusiso and Mrs. Sibongiseni Masina have a son that is going to primary school next year and they have to decide which school to enroll him in. All the schools are scouting for pupils and, as a result, they try to influence prospective parents. The Masina family considers the choice made by their friends who enrolled their children in expensive schools as the assumption is that these schools guarantee high quality education. Mrs. Masina agrees that this is a good way to make a decision. Mr. Masina, however, is not convinced as he remembers that although his parents made the decision to enroll him in an expensive primary school, he was extremely unhappy. To make the best decision, the Masina family makes a list of all the facts linked to each option. Reflect on the above scenario as it relates to the theories of learning and its influence on consumer behavior. (15)
- b. Briefly explain the four models of attitudes using an example in each case to illustrate your understanding. (10)

TOTAL: 25 MARKS

QUESTION 5

- a. It is a hot summer day and Phumlani is thirsty. He knows exactly what he wants. He walks into Pick n Pay and goes past the shelves with food, hardly noticing any of them. He heads straight for the fridge and sees the red cold drink can through the glass door of the fridge. He takes the can and walks back past the shelves towards the till without really noticing anything. While standing in the queue at the till, he notices chocolates on the shelf next to the till. Apparently, without thinking twice, he takes one and pays for both the chocolate and the cold drink. Reflect on the above scenario as it relates to the perception process and its influence on consumer behavior. (15)
- b. Discuss the five major characteristics that influence diffusion of innovation, giving a practical example in each case. (10)

TOTAL: 25 MARKS