A STUDY OF MILK MARKETING BY SELECTED DAIRY COMPANIES IN
PORT ELIZABETH

BY

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Paper presented in partial fulfillment of the requirements for the Master’s
Degree in Business Administration in the Faculty of Management at the
Port Elizabeth Technikon.

PROMOTER: Dr. L. Radder
DATE OF SUBMISSION: December 1999
DECLARATION

“I, Natalie Smith, hereby declare that:

- the work in this paper is my own original work;

- all sources used or referred to have been documented and recognised; and

- this paper has not been previously submitted in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised educational institution.”

..........................
NATALIE HEATHER SMITH
PORT ELIZABETH
DECEMBER 1999
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SUMMARY

This paper concerns itself with decreasing milk consumption in the Port Elizabeth area and how the marketing mix influences marketing decisions. Personal interviews were conducted in different supermarkets to investigate consumer perceptions of milk, the brand purchased and how consumers use milk. The study indicated that people purchasing milk were very price conscious. Respondents showed almost no brand loyalty. However, respondents indicated that they were aware of the health benefits of drinking milk, although most used milk predominantly to whiten their tea and/or coffee.

A comparison of the findings of this study to those of Geils (1981) and Hanekom (1990) indicates that the milk industry has the same problems in 1999 as it did in 1990 and in 1981. Findings reflect the unhealthy perception people have about milk. Many regard it as a child’s drink and others perceive it as fattening. Decreasing consumption figures indicate that there has been little effort or success from the dairy industry to change consumer perceptions of milk. Figures indicate that consumption of milk may be close to zero in 2015, if marketers of dairy companies do not improve the image of milk. However, a considerable amount of investment by overseas companies in Port Elizabeth dairies may increase marketing activities in the future.

This paper begins with an overview of the major competitors in the Port Elizabeth area, highlighting their strengths and weaknesses. The importance of selecting the appropriate market mix for milk is discussed by explaining each mix element, namely, product, distribution, promotion and price.

Distribution involves the delivery of the perishable product to outlets in the shortest space of time after production. Careful and efficient planning of refrigerated warehousing, transport and delivery services all indirectly contribute to the freshness and quality of milk.
Promotion is one of the most important elements that can be used to change consumer perceptions of milk. It is necessary to select the correct message for the specific target group when advertising. Product benefits like milk’s purity, or naturalness, should be focused on rather than its creaminess and richness.

Price constitutes the fourth element of the marketing mix. Price in the narrowest sense, is the amount of money charged for milk. The milk industry is intensely price sensitive which often results in price wars among competitors. Most consumers purchase the cheapest brand of milk indicating little brand loyalty, especially among top-end consumers.
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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 MAIN PROBLEM

Milk production began approximately 6000 years ago and has been an integral part of the human diet ever since. Milk, the most suitable food for young mammals, provides both energy and the building materials necessary for growth.

According to United States statistics, milk contributes about 20 percent of the nation’s protein. Milk also provides seventy-five percent of the calcium in the US food supply (Perman, 1996:66). Unfortunately, comparative figures of South African consumption are unavailable.

Research has also indicated that nine out of ten women in the United States are not consuming enough calcium. This results in the bone degenerating disease, osteoporosis, that more than twenty million women suffer from in the present decade (Phillips, 1995:1-3). It has been said that milk plays a role in dental hygiene as it reduces the formation of dental plaque by thirteen percent. Milk may also guard against cancer. A doctor from Emray University in Atlanta injected mice with a cancer-causing agent and then fed half the mice milk fats. This group of mice developed cancer at half the rate of injected mice that were not fed milk fats (Zimmerman, 1997:32-33).

Despite the nutritional value of milk, a decline in milk consumption is evident world-wide. In 1971, the average American consumed 115 litres of milk compared to an average of 103 litres of soft drinks per annum. In 1995, the average consumption of soft drinks increased to 250 litres per person per annum. If current milk consumption trends continue, it is expected that consumption of milk may be practically zero by 2015 (Phillips, 1995:1).
In 1996 the average South African consumed about 22 litres of milk per annum. An alarming forty percent of this consumption was used for the whitening of tea or coffee (Philips, 1995:1).

Figure 1.1 clearly shows that the consumption of dairy products is by far the lowest of all categories. If it is taken that milk represents only one example of all dairy products, these figures are even more alarming.

Figure 1.1 Indication of the average consumption of a South African

(Average kilojoules consumed in a day are ±10 000kJ)

Source: Statistics in brief, 1997: 9

A number of explanations for the low levels of consumption of milk have been offered. According to a dietician, “milk consumption has declined because there are so many alternatives. It is much easier to reach for a Coke or a juice box than to reach for milk. It’s an availability and packaging problem” (Pollack, 1996:4). According to an executive from a Durban dairy company, not having a home delivery service affects milk consumption (Geils, 1981:169). “If you’ve got milk on your doorstep, you use it.” The executive also comments on the use of substitute products as a reason for decreasing milk consumption. He states that people without children often use milk substitutes, like coffee creamers, that they find more convenient. The availability of substitute products and the availability of milk all point to dilemmas associated with marketing, and in particular with the elements of the marketing mix.

It has been speculated that the changing perceptions of people have had a detrimental effect on the ‘image’ of milk. The new health conscious generation has labeled milk as being ‘fat laden’ and would rather opt for a drink with a more slender image (Mergenhagen, 1996:4-7).

The same trends contributing to decreasing milk consumption in the 1980’s as described by Geils (1981:196) still prevail today. These are:
• unfair propaganda generated against milk by the animal fat and cholesterol hypothesis;
• neglect from dairy companies in active dairy promotions and advertising; and
• lack of education concerning the value of milk.

Perceptions, like ‘milk is fattening’, are formed based on stimuli received by the consumer’s senses. Stimuli often result from external sources of information, such as advertising messages (Lamb, Hair & McDaniel, 1994:94). The low consumption levels in Port Elizabeth may be a result of the lack of stimuli (advertising). It can thus be assumed that the marketing mix may also play an important role in forming consumers’ perceptions.

1.2 SUB-PROBLEMS

In order to address the main research problem, the following sub-problems were identified:

• What factors influence the consumer’s consumption of milk?
• Can a more defined marketing mix of a dairy company contribute to an increase in consumers’ milk consumption?

1.3 AIMS AND OBJECTIVES OF THE STUDY

The aims of the study are to investigate the marketing of milk and the consumption thereof, in the Port Elizabeth area. In particular, the objectives are to:

• determine consumers’ milk consumption patterns
• determine factors which influence consumers’ milk consumption
• review the major competitors in the Port Elizabeth dairy industry to obtain a better perspective of the industry
• suggest improvements in the marketing mix, which could possibly contribute to an increase in milk consumption.

1.4 DELIMITATION OF THE RESEARCH

Consumers tend to be influenced by national or international trends. The trend of decreasing milk consumption has been identified both abroad and in South Africa. It can therefore be expected that it would also apply to Port Elizabeth consumers.

To make the research topic more manageable from a research point of view, this study focuses only on the Port Elizabeth area.

The major dairy companies that have the majority market share for fresh milk are Bonnita, Bushy Park and Towerkop. Parmalat, an Italian dairy company purchased Bonnita and Towerkop. The two were still trading as Bonnita and Towerkop until rationalizing started taking place, in the latter half of 1999.

1.5 DEFINITION OF CONCEPTS

The following concepts will be defined to ensure full understanding of the topic:

• milk marketing
• dairy industry

1.5.1 Milk marketing

Lucas (1983:3-5) defines marketing as a simple barter transaction between two or more people, for the satisfaction of their needs and objectives. Lucas (1983:3-5) adds that the marketing process represents an integrated activity that directs the development and flow of products and services from companies to consumers in a manner that results in the greatest possible satisfaction of societal needs.
Kotler and Armstrong (1996:5-6) describe marketing as satisfying customers’ needs. Marketing entails understanding customer needs, providing superior valued products, pricing, distribution and promotion.

With regard to this study, milk marketing involves the marketing of the product milk. This study emphasizes the fresh milk segment. Other segments include long life milk (UHT), powdered milk and steri milk.

1.5.2 Dairy industry

Du Plessis (1987:48) describes an industry as a group of firms having similar production processes or those which provide similar services. Du Toit, du Plessis and Nortje (1981:35) maintain that an industry can be a number of business units grouped together by a common factor, or their investment in the same product range.

For the purpose of this study, the dairy industry is defined as all those companies which distribute and market dairy products in the Port Elizabeth area. The milk industry however, includes the dairy companies as well as the milk producers (farmers).

1.6 SIGNIFICANCE OF THE RESEARCH

The significance of the research is that it identifies problems in the dairy industry and recommends solutions. Marketing may play an important role in increasing milk consumption. It is expected that the study may provide guidelines on how to improve milk marketing by making use of the mix elements. The marketing mix elements discussed may assist organisations in persuading consumers to consume more milk.

Secondly, the milk industry is challenged to confront misconceptions about milk (as discussed in section 1.1) and re-educate the consumer. With more knowledge of factors influencing consumers’ purchasing and consumption patterns of milk, dairy
companies may be more successful in formulating appropriate strategies to re-educate the consumer on the benefits of milk. Once perceptions have been changed, further strategies are important to remind consumers of their ‘need for milk’. This study may also assist the milk industry in formulating new strategies.

1.7 PREVIOUS RESEARCH ON MILK MARKETING

No information in the form of published work could be traced, that directly related to the marketing mix applied to milk marketing in Port Elizabeth. However, a number of articles on general milk marketing were identified through searches of computer databases.

A thesis (M. Com) and a dissertation (MBA) regarding fresh milk consumption were traced. Research by Hanekom (1990), “Voorgestelde strategiee vir die bemarking van drinkmelk en drinkmelk produkte in stedelike swart woongebiede van die R.S.A. tot die jaar 2000” showed that:

• Black South Africans drink relatively little milk. A reason for this is the price that must be paid for a litre of milk, as 90 percent of Black South Africans are in the lower income group.

• The availability of milk and milk by-products are major problems. Most milk and by-products are purchased by Black people from cafés (34.0%) and from supermarkets (21.8%). (Cafés often charge higher prices for food products as they do not receive incentives and trade discounts from suppliers. This means that most consumers purchasing from cafés are paying more for their milk.)

• Dairy companies have not yet realized the potential of the Black market, although it is the biggest and fastest growing market.

• Technological change, urbanization, substitute products, and the increasing numbers of supermarkets are all factors that influence the dairy industry. The
dairy companies also need to be proactive in their development and cannot rely on the fact that milk is a traditional food.

- By the year 2000, 75 percent of Black South Africans should be living in urban areas. There has also been a change in their eating patterns. The use of fresh milk has decreased, but sales figures for powdered milk have increased (opting for substitute products).

- Black consumers react positively to promotions. They also enjoy being served by a sales assistant. (These are factors that can be considered when deciding on promotional activities.)

- 44 percent of black adults never drink milk and 31.5 percent of Black children never drink milk.

The second report traced, “An investigation into variables influencing the consumption of milk in the greater Durban area,” written by Geils in March 1981, had some interesting findings that can be related to this study.

- In the late 1970’s, 35 percent of fresh milk was delivered directly to homes, 13 percent was sold through supermarkets and 45 percent was sold through café type outlets. Traditionally milk delivered in glass bottles to homes was not homogenized, and was characterized by the cream rising to the top and forming a so-called ‘cream line’. This has led many consumers to think that they are not getting the same quality of milk in 1981 that they used to receive in the glass bottle.

- The dairy companies in the Durban area were restricted to operating in allocated zones. Once a dairy company had the monopoly of business in an area, little attention was given to actively marketing milk.
• Evidence in Geils’s focus group findings showed that apparent shifts in public opinion occurred as a result of propaganda directed against animal fat/cholesterol based products, thereby giving milk a poor image.

• Geils’s research showed that milk was generally used as a whitener for tea and coffee, with cereal, or for cooking. Only 25 percent of white women respondents from the focus group indicated that mainly their children consumed milk as a drink.

• A spontaneous reaction to the question posed to respondents in a focus group of why more milk was not consumed was that it is ‘too expensive’. This was, however, inconsistent with the attitudes displayed towards creamers and mineral waters by respondents.

The same conditions shown by Geils’s study in the 1980s pertain today. There has been little effort by the dairy industry to change consumer perceptions successfully in the last 20 years. Some sort of campaign needs to be established to stop the downward trend of milk consumption.

1.8 RESEARCH METHODOLOGY

An empirical study was undertaken which consisted of a short interview with a sample of consumers to determine what factors influence the consumption of milk, and also consumer perceptions of milk. Secondary data helped define the universe (total population size) and assisted in defining the sample. Various newspaper reports, manuals and different studies were also used to compile this paper. The researcher’s previous work experience in the dairy industry helped identify the strengths, weaknesses, opportunities and threats in the industry. The research methodology used in this paper is discussed in detail in Chapter 8.
1.9 PLAN OF THE STUDY

Chapter 2 describes the major competitors in the dairy industry in the Port Elizabeth area. Chapter 3 describes variables for segmenting the market for milk, followed by a section on how to target the market.

Chapter 4 discusses the first marketing mix element, the product. Concepts of product, product life cycle, branding and packaging are subjects discussed. Chapter 5 covers the second marketing mix element, distribution. The nature and importance of physical distribution and distribution trends are discussed. Promotion, an important element of the marketing mix, is the topic of chapter 6. Pricing, in chapter 7, is the last mix element discussed. Important factors to consider when setting prices for products are included.

Chapter 8 includes findings of this research report. The research process is described, and a report on the findings, with an inclusion of tables, helps to describe respondents’ perceptions and answers.

Finally, Chapter 9 includes the summary, conclusions and recommendations. This is followed by the references and Annexure A.
CHAPTER 2
COMPETITION IN THE DAIRY INDUSTRY WITH SPECIAL REGARD TO PORT ELIZABETH

2.1 INTRODUCTION

In order to put the Port Elizabeth competitive environment into perspective, it is important to understand it against the background of the South African dairy industry.

This chapter therefore first provides an overview of the South Africa dairy industry. Thereafter the three major dairy competitors in the Port Elizabeth area, namely, Bonnita, Bushy Park and Towerkop are compared.

2.2 THE SOUTH AFRICAN DAIRY INDUSTRY

The South African dairy industry is widely regarded as one of the more efficient dairy industries in the world. Indeed, among the current world members of the International Dairy Federation, only New Zealand can really claim to produce milk more cheaply than South Africa. The milk industry is the fourth largest branch of the farming industry in South Africa and represents approximately 7.1 per cent (1995 figure) of the gross value of all agricultural products (Imports, health standards a concern, 1996:3).

Two countries in Southern Africa may influence agriculture in South Africa: Zimbabwe and Zambia. Privatization of the dairy industries in these two countries is beginning to offer many opportunities for South African entrepreneurs. This trend has seen South African milk producers investing in Zimbabwe. Zambian producers have considerable potential but their inexperience in farming will see them only becoming competitive with South Africa in years to come (Willemse, 1996:13).
The South African milk industry is, however, also confronted by numerous problems. Formby (1997:46) notes how bizarre the milk industry is: there is either a shortage or an over-supply, never a balance. An example of this is a Queenstown company that anticipated a potentially disastrous milk surplus of 8 per cent during the summer of 1995. It therefore resorted to using its surplus milk in the bulk sales of maas and made a good profit. In times of oversupply other companies increase their cheese production and milk powder quantities to accommodate the surplus (Anchor in times of uncertainty, 1996:118-119).

These types of strategies may alleviate some of the producers’ problems and even out supply and demand. However, it is questionable whether increasing the consumption of by-products will also result in an increase in the consumption of milk.

On the other hand, in times of milk shortage retailers are forced to increase their prices. A benefit resulting from such a strategy where retailers increase their price is that price wars (undercutting prices to gain market share) become less of a problem.

The competitive situation in the milk industry poses a unique challenge to producers. Milk producers in South Africa must also face competition in the form of illegal and fraudulent milk imports. Indeed, fifty-three cases of illegal importing have been brought before the court over the past four years (Richardson, 1999:11). The bulk of these illegal imports involved four large companies that together owe the Receiver of Revenue around R88 million in unpaid VAT and R400 million in tariffs.

The extent of illegal imports is clearly shown by the following: Already in 1994 only, such imports accounted for about 10 percent of the South African market. This was costing the average farmer, as a provider in the milk industry, around R52 000 a year in lost income (Richardson, 1999:11).
The smuggling operation is so highly profitable that one syndicate has been caught three times at the same border post, in the past six months. Each time they happily paid the fine and went back to business. Fines were not the answer, so a decision was taken to institute criminal proceedings (Richardson, 1999:11).

Another threat to the milk industry is the inadequate implementation of health standards. This is very important, as other potential importing countries will penalise South Africa on poor sanitary measures (Imports, health standards a concern, 1996:3-5).

Participants in the dairy industry must further contend with a lack of loyalty in the industry. Farmers are willing to change distributors for the extra payment of a mere five cents per litre (Formby, 1997:46).

Overseas companies are investing in South African dairy companies in order to gain access to the market and grow their businesses. The South African dairy industry may see changes in the way of additional new products, more advertising and proactive management. The French food group Danone has increased its share in the Clover Holdings to 33 per cent, a value of more than R400 million. Parmalat, an Italian dairy giant, and the largest dairy company in the world, purchased Towerkop in 1998 and then invested in Bonnita, by purchasing all of the Premier group’s shares.

2.3 A BRIEF ANALYSIS OF THE MAJOR COMPETITORS IN THE PORT ELIZABETH DAIRY INDUSTRY.

Bonnita, Towerkop, (both owned by Parmalat) and Bushy Park, can be regarded as the major competitors in this industry. Clover, which is not included in this analysis, entered the Port Elizabeth fresh milk market in the latter half of 1999. They may however be seen as an equally important player in the future of the dairy market in the Eastern Cape.
It is important to note that the author expresses personal opinions in the paragraphs to follow. Her work experience in the industry outlines a more practical view of the dairy companies.

2.3.1 Bonnita

Bonnita, the oldest dairy in Port Elizabeth, was originally known as United Dairies. Through the years, Bonnita has concentrated on branding their milk and has a strong customer base among the black population. They have been proactive in predicting future consumer buying patterns and have concentrated resources (refrigeration and deliveries to black townships), where they predict future sales may occur. This can be seen as a strength for the company, and leaves their brand in a strong competitive position.

Bonnita showed an increase in turnover of 15 per cent, despite marginal increases in dairy product prices in 1997. The organisation has realised a steady increase in demand for its products as well as small price increases (Bonnita once again shows solid growth, 1996:15). A new Bonnita factory has been constructed in Gauteng. At present, costs of transporting milk northwards from its Western Cape base, amounts to R700 000 a month. This will place Bonnita in direct competition with Clover, Dairybelle and Nestle for raw milk supplies from Gauteng farmers. The high transportation costs were a financial strain for Bonnita, but with the establishment of a new factory, Bonnita reduces its transportation expense as well as having access to another 40 per cent of South Africa’s raw milk suppliers. With Bonnita situated nationally, the company is given a stronger competitive edge by increasing brand awareness to consumers (Bonnita in Gauteng, 1997:10).

Parmalat, the Italian dairy giant, purchased Bonnita in 1998. This may make Bonnita financially stronger. Parmalat may use this established business as a medium for distributing their own domestic dairy products into the South African market.
2.3.2 Towerkop

Towerkop Dairy was officially opened in 1942 in Ladismith, the heart of the Little Karoo. Towerkop changed from a co-operative to a company in 1995, and is one of the most efficient in the dairy sector. Towerkop’s financial results were among the best in the industry, until its disastrous investment in the ice-cream product, Dun Robin. Incorrect management strategies were among reasons for failure. Bonnita also suffered from its investment in Aylesbury ice-cream, but with less disaster than Towerkop. Originally both Bonnita and Clover were interested in acquiring Towerkop, but were discouraged by the high price Towerkop’s management were asking and its debt of around R150 million. Parmalat, the Italian dairy company negotiated with Towerkop and purchased the company in February 1998 (Food and Beverage Reporter, 1998:7).

Towerkop has always sourced milk of the highest quality and has won awards for the best yoghurt and cheese manufactured. Towerkop’s good quality products, and their reactive marketing approach, have been one of the reasons for the decrease in the company’s sales. The decrease in milk sales may also be the result of increased competition and price wars in the industry. The Port Elizabeth depot is at a disadvantage as it is burdened with the extra delivery costs of the transportation from the George factory. These costs are calculated at seven cents per litre which decreases profits and increases the company’s overheads. Deliveries are required daily from the factory to guarantee that milk is sold with the maximum shelf life.

Towerkop needs to become more proactive in monitoring their future market, and also has to find methods to increase the shelf life of milk to accommodate their distribution of milk from the George factory to the Port Elizabeth depot.
2.3.3 Bushy Park

Bushy Park is a small Port Elizabeth based dairy which primarily focuses on the processing of milk. Bushy Park is locally situated and therefore has lower overheads than its competitors, allowing it to be competitive in the market place.

Bushy Park has secured its position in the market place through the processing of no-name brands for Pick ‘n Pay and Spar. No-name brands are priced just below competitive brands and are also controlled and made competitive by the retailers for whom they are packed.

Bushy Park is valued by its customers for its freshness. It seems as though customers also like to support their local dairy. Bushy Park encourages school groups to visit their farm, in this way increasing brand awareness and educating the public on the benefits of consuming milk.

Their proactive strategies have assisted them in acquiring a good market share from Towerkop and Bonnita. There is opportunity for Bushy Park to increase its range of products. They already produce fruit juices and started to produce yoghurt in 1998. There is also an opportunity for them to increase their distribution base as they presently only deliver as far as Humansdorp.

Bushy Park is strategically run and has good opportunities for the future. They are sure to grow their market share in the industry, but probably need to concentrate on sufficient distribution.

Although these three dairies dominate the Port Elizabeth fresh milk market, other dairies actively participate. Many smaller privately owned dairies provide cafés with milk. In the latter half of 1999, Parmalat launched their own brand of milk. They may discontinue one or both brands of milk, Towerkop and Bonnita, once the name Parmalat is established in the
market. Whether they will market all three brands (Towerkop, Bonnita, Parmalat) or rationalize their product range is questionable. It is clear that the intention of this company is to dominate the dairy market by using Towerkop and Bonnita, to sell their own brand, Parmalat. Another company to watch in the future is Clover. They have the knowledge and know-how of marketing fresh milk.

2.4 SUMMARY

This chapter included an outline of the nature of the competition in the South African dairy industry followed with a discussion of the major dairy competitors in the Port Elizabeth area. With all the competitive activity in the fresh milk market, it is important for a company to carefully select its target market.

The following chapter discusses selecting the market segment for milk.
3.1 INTRODUCTION

A market consists of people with needs, who have money to spend and who are willing to spend that money (Kotler & Fox, 1995:194-197). Not every consumer with needs, money to spend and the willingness to spend this money, however, contributes in the same manner towards the market for milk. It is therefore necessary to segment or divide the market into smaller sections of consumers based on more or less homogeneous needs and characteristics.

Once the market is segmented, a target market can then be selected and a marketing mix developed specifically for that segment.

This chapter focuses on selecting the market segment for milk. Several variables that can be used to segment the market are discussed. Thereafter a number of target strategies are explained.

3.2 VARIABLES FOR SEGMENTING THE MARKET

Lamb, Hair and McDaniel (2000:167-173), suggest a number of variables which can be applied in segmenting the market. These include geographic segmentation, demographic segmentation, psychographic segmentation, benefit segmentation and usage rate segmentation.

3.2.1 Geographic segmentation

Geographic segmentation refers to the segmentation of markets by region, country or market size. Consumer goods companies, like the dairy companies, may take a regional approach to marketing for many reasons,
such as using a different advert in each region to accommodate the different cultural preferences. Many packaged goods companies have also taken this approach and have introduced regional brands which appeal to local preferences (Lamb et al, 2000:167-173).

A regional approach allows companies to be proactive to competitors actions. According to the 1996/1997 South African Survey (1997:94), the Eastern Cape has 15,5 percent of South Africa’s total population. This is a population of 5 865 000 people. Gauteng was the most urbanised province in 1996, with 96,4 percent of its population living in urban areas. Eastern Cape’s urban/non-urban distribution differs from Gauteng with only 37,3 percent of the population being urbanised. This reinforces the idea of how each region differs and therefore may even require different advertising methods.

3.2.2 Demographic segmentation

Demographic segmentation may be used by marketers because it is often related to consumers buying and consuming behaviour (Lamb et al, 2000:168). Some common bases are age, gender, income, ethnic background and family lifecycle.

- Age

Using age differentiation to segment the market in Port Elizabeth, has already been recognised by the dairy companies. Thus, products are being specifically targeted at certain age groups. To increase children’s milk consumption for example, dairies have introduced a variety of flavoured milks. Almost 38 percent of the Eastern Cape’s population in 1996 was below 15 years old. This indicates the potential of new or existing products in the exploitation of this age group. A further 56,8 percent of the Eastern Cape population is between the age of 15 and 64
years and 5.3 percent is older than 65 years. (South African Survey, 1996/1997:101).

There is a general trend that the milk consumption of teenage girls starts to decline from age thirteen. This group is said to be concerned about the calories contained in milk. A decrease also occurs in boys’ diets from about the age of eighteen. More than half of adults over 35 have also excluded milk from their diet (Perman, 1996:66).

The above information is important to marketers, who need to develop appropriate strategies for each age group, so as to change or influence consumer perceptions.

- Gender

  Marketers may segment their markets according to gender. As Perman (1996:66) indicates, the consumption patterns of teenage girls and teenage boys may differ. An advert screening a woman speaking about osteoporosis (a degenerative bone disease) may not appeal to the interest of the opposite sex.

- Income

  Income is a popular demographic variable, as income levels directly influence consumers' wants and buying patterns. Most income groups purchase fresh milk at some or other time. Middle to upper income brackets may sometimes prefer to purchase long life milk, which is more expensive, but more convenient than fresh milk.

- Ethnic background

  Identifying the language usage in an area may help distinguish the cultural situation and the needs and behaviour of the market. Many black
South Africans (especially in rural areas) traditionally consume sour milk, which is known as ‘maas’. There is a general trend that Steri Milk has greater consumption levels in the rural areas. This may be the result of the unavailability of electricity that is needed for refrigeration of fresh milk.

- Family lifecycle

Differences in consumption patterns among people of the same age and gender result from their being in different stages of the family lifecycle. The family lifecycle is a series of stages determined by variables like age, marital status and the presence or absence of children. Each stage has different characteristics and purchase patterns (Lamb et al, 1994:169). Children may influence purchase patterns, for example by asking for a sweeter ‘kiddies’ type of yoghurt or a sweet flavoured milk instead of the traditional products.

3.2.3 Psychographic segmentation

Demographic segmentation provides the outline, whilst the psychographics of a segment identify the personality, motives and lifestyles of the target market or segment. Psychographic variables can be used on their own or combined with other variables to provide more detailed information of the target market (Lamb et al, 2000:170).

Explanations of psychographic bases include:

- Personality

Personality characteristics reflect a person’s traits, attitudes and habits. The theme chosen for the advertising medium should be developed to appeal to this personality segment. For example, Towerkop’s flavoured milk is called ‘Funky cow’ and is directed at the fun loving adventurous type consumer.
• Motives

Marketers of baby products and life insurance appeal to consumers’ emotional motives – which is to care for their loved ones. Dairy companies could use motives related to the health aspects of consuming milk, which may be aimed at mothers or the health conscious consumer.

• Lifestyles

Lifestyle segmentation divides people into segments according to the way they spend their time, socio-economic characteristics such as income and education and their beliefs.

For example, dairy companies could use information gathered by NPD Market Research. Five 'eating lifestyles' were identified by NPD Market Research, namely: meat-and-potato eaters; families with children whose diets included sodas and sweetened cereal; dieters; natural-food eaters; and a high-income group whose diets feature alcohol, Swiss cheese and rye breads (Lamb et al, 2000:171).

3.2.4 Benefit segmentation

Benefit segmentation is the process of grouping customers into segments according to the benefits they expect from a product. Benefit segmentation groups potential customers on the basis of their needs and wants, instead of other characteristics such as age or gender. Examining demographic information associated with people seeking certain benefits can develop customer profiles. This information can then be used to match specific media with the selected target market (Lamb et al, 2000:173). A dairy company could, for example, purchase advertisement slots between health related television shows.
3.2.5 Usage rate segmentation

Usage rate segmentation divides a market according to the quantity of milk bought or consumed. Segmenting according to usage rate allows marketers to focus their efforts at marketing mixes aimed at different segments (Lamb et al, 1994:174). The segments a dairy company could consider using in their marketing could be a combination of the following: nonusers, including dieters or people that do not have access to fresh milk; light to medium users, consumers who use milk in either beverages or foods; and heavy users, or consumers who drink milk on a regular basis.

Heavy users may account for a sizeable portion of sales, but milk marketers also need to focus their efforts on nonusers and light users to achieve a higher consumption rate. Ideally, they should focus on converting nonusers to users by making them aware of the benefits of milk.

Light users need to consume more. This can be done by adverts that remind them to purchase milk on their way home from work. At the same time the heavy consumption group are reinforced by these same advertisements targeted at the lower consumption group, in that their consumption patterns are beneficial to their health.

3.3 TARGETING THE MARKET

Companies selling to consumer or business markets realize that they cannot interest all buyers in that market. Each company may differ greatly in its ability to serve different segments in the market. Instead of trying to target the entire market, a company may identify a part of the market it can best serve (Kotler & Armstrong, 1996:234-235). In targeting that market, the dairy company could identify the market segment, select one or more, then develop the product and marketing mix.
Today’s companies are generally moving away from mass marketing and product variety marketing and toward target marketing. This helps an organization to focus on a target audience (a rifle approach), instead of scattering their market efforts on a large heterogeneous market (a shot-gun approach). Today, target marketing is taking the form of micromarketing. This is customized marketing in which a product and marketing plan is adapted to the needs of specific customers (Kotler & Armstrong, 1996:235).

3.3.1 Selecting market segments

After evaluating different segments, the dairy company now needs to decide which and how many segments to serve. They may adopt one of three market-coverage strategies: undifferentiated marketing coverage, differentiated marketing coverage or concentrated marketing coverage (Kotler & Armstrong, 1996:249-251).

- In undifferentiated market coverage, using an appropriate marketing mix to reach the whole market may ignore various segments. This focuses on the common needs of the consumer, rather than on what is different (Kotler & Armstrong, 1996:249-252).

Milkeep, the American Milk Processor Education Programme, used the famous ‘milk moustache’ in their advertising. The advertising was originally targeted at women between the ages of 25 and 44, but the theme is now aimed at the whole market, using an undifferentiated market coverage approach (Pollack, 1996:54).

It may be ideal to use the undifferentiated market coverage strategy in Port Elizabeth. The four misconceptions about milk can be clarified in an advertising message or educational programme using this coverage strategy. These four misconceptions include: milk is fattening; it is an old fashioned drink; it is only for children; and it is a good accompaniment to high fat foods. A mass marketing programme may be used to target the
largest possible audience. Therefore, using an undifferentiated coverage approach may help clear misconceptions. This could be achieved by using an advertisement that would enhance the image of milk among the top income groups, whilst also educating the lower income group.

- Differentiated market coverage is used when a dairy company concentrates on various market segments, using a different marketing mix for each segment (Kotler & Armstrong, 1996:251-254). For example, a dairy company could produce tempting flavours and colours and use different packaging and a fashionable name to attract children.

- Marketers who need to concentrate on a specific market (Kotler & Armstrong, 1996:251-254), use concentrated market coverage when advertising. A dairy company may want to target a specific group. Examples would be the advertising of their low fat milk to the health conscious and the targeting of their flavoured milk at children.

The presence of various cultural and income groups in Port Elizabeth indicates that each segment needs its own marketing mix. With lower income groups, an education plan is needed. Although more and more people are becoming urbanised, they maintain many of their cultural traditions. This has resulted in an increase in the consumption of milk by-products such as buttermilk and maas, which may be regarded as cultural tradition type products. Hanekom (1990:1) indicates in his M.Com/thesis that many dairy companies are relying on the fact that milk is a ‘traditional product’. With changing technology, the increase in urbanisation and the increased usage of milk substitute products, companies can no longer rely on the power of a ‘tradition product’. The decrease in consumption of dairy products among black consumers indicates that a concentrated market coverage strategy ought to be used by a company that wishes to target this market. Mergenhagen’s (1996:4-7) study in the United States, indicates that 88 percent of milk is consumed at home. Most people consume milk with other foods like cereals or biscuits. It is important that marketers
acknowledge the above factors and understand their target audience’s needs and wants, so that they might adequately segment their markets and decide on a market coverage strategy.

3.4 SUMMARY

This chapter focused on market segmentation. The different variables that can be used for segmenting were discussed, followed by an explanation of various target strategies.

The next chapter discusses the product as an element of the marketing mix.
CHAPTER 4
PRODUCT AS AN ELEMENT OF THE MARKETING MIX

4.1 INTRODUCTION

According to Ferrel, Lucas and Luck (1994:222) a product, with the target market as focal point, serves as the starting point for the development of a marketing mix strategy and forms the basis for all other decisions regarding distribution, promotion and price. Decisions relating to the development and marketing of products include amongst others, decisions about product attributes, branding, packaging and labeling.

In this chapter, attention is firstly focused on the concept of product and product life cycle. Thereafter other topics of discussion include new product development, product portfolio management, branding and packaging.

4.2 THE CONCEPT OF PRODUCT AND PRODUCT LIFE CYCLE

A product is defined as having need-satisfying benefits which a company offers consumers so that they become aware of them, purchase them and then consume them (Lucas, 1983:222). Stanton and Futrell (1987:650) define a product as a tangible and intangible attribute that provides want-satisfying benefits to a buyer in an exchange. According to Lucas’s definition of a product, the company should make the consumer aware of the benefits the product offers. The latter appears to be a problem in the milk industry resulting in a decrease in milk consumption levels. This is because consumers do not know the benefits of milk.

Milk is classified as a consumer good rather than a business good. It can further be defined as a convenience good in that the customer is supposed to have complete knowledge of the product before purchasing it, and because it is also purchased with minimum effort (Stanton & Futrell,
It is important that milk, as a convenience good, be readily available when and where the consumer needs to purchase it.

4.2.1 The product life cycle

The product life cycle is a familiar concept in marketing and most believe that it has potential to be used as a great marketing management tool. The product life cycle concept provides a way to identify the stages of a product’s acceptance, from its introduction to its decline (Lamb et al, 1994:280). A product progresses through four major stages: introduction, growth, maturity and decline. If milk is not properly marketed it could be argued that milk can be in the late maturity to decline phase of the product life cycle.

The declining consumption of milk has become an international phenomenon. The United States, for example, has experienced a 30 year decline, since the 1960s (Perman, 1996:66). Perman indicates that the consumption of soft drinks has tripled in this period, making them the most popular beverage, while milk is ranked fourth after coffee and tea.

Stanton and Futrell (1987:223) suggest a number of alternatives which management can follow when products are in the late maturity to early decline phase. Once sales begin to decline, management can:

- cut all costs to the bare minimum which will optimize profitability over the limited remaining life of the product;
- improve the product or revitalize it;
- make sure the marketing and production programmes are as efficient as possible; and
- reduce the product assortment by eliminating unprofitable and unpopular variants.
Cost control is extremely important in the decline phase, as demand drops and distributors battle to survive on low profits. Most dairy companies have identified the need to extend their product range beyond fresh milk in an attempt to break-even. One of the strategies recommended for the late maturity to decline phase is to reduce prices (Lamb et al, 1994:284-285). It is therefore not surprising that milk is being sold at cost price in order to be competitive with other dairies. This causes financial strain on nearly every dairy company.

One way of improving the product, milk, is to guarantee consistent quality. Providing that distributors adhere to the cold chain storage methods, no consumer should ever purchase sour milk. Stanton and Futrell’s (1987:223) alternatives suggest that the marketing and production programmes should be made as efficient as possible. Aggressive promotion should help retain the consumption of ‘heavy’ milk consumers, in the maturity stage. Lamb et al (1994:285) also suggest that demand needs to be stimulated at a target group together with aggressive brand advertising.

Stanton and Futrell’s (1987:223) last alternative suggests a reduction in product assortment by the elimination of unprofitable variants. Some dairies use the same machines (milk fillers) for their complete product range. It may be more viable for a dairy company to retain their different size packaging of fresh milk as there are no extra costs involved in the packaging process of raw milk.

4.3 NEW PRODUCT DEVELOPMENT

Due to rapid changes in technology, competition and taste, a company can no longer completely rely on its existing products. Lucas (1983:247-248) discusses the importance of new product development. A continual flow of successful new products ensures maintenance of profit margins. Growth of the enterprise is closely related to growth of the profit margin. An increase
in the standard of living, rapid technological development and the intense competition necessitates new product development.

A company can acquire new products in two ways. The first is through purchasing another company or their product. Parmalat, for example, acquired Towerkop and Bonnita in Port Elizabeth during 1998. Parmalat, having gained access to the South African dairy market and acquiring an established distribution channel, can now market and distribute its own Italian dairy products and desserts.

Clover acquired a Grahamstown dairy, Rosedale, in 1999. Rosedale produces fresh milk and juices and distributes to Grahamstown, Port Elizabeth and surrounding areas. They market fresh milk with the brand name, Nature’s Own. Clover, the market leaders in Transvaal, now has access to the fresh milk market in the Eastern Cape.

Another way of acquiring new products is through the company’s own research and development. Some companies may even copy competitors’ products or brands or revive their old brands (Kotler & Fox, 1995:278-300). When developing new products in the milk industry, marketers need to consider consumer preferences such as particular flavours or preference for low fat products.

Empirical data gathered for the purpose of this study, discussed in Chapter 8, indicated that many people dislike the taste of milk. In Geils’s (1981:133) study, he indicates similar findings especially among respondents in his Indian focus group. Many respondents boiled milk first before consuming it, to improve its taste. Many added other ingredients, such as essence, sugar or milo to change the taste. Dairy companies need to consider these factors when developing new products.

New product development should also take consumer trends into account, such as consumers of milk becoming more health conscious. Labels with
'fat free' and 'cholesterol free' are turning into the selling points of the future. Milk marketers are aware that consumers perceive milk as being fattening, so emphasis should be placed on giving customers the correct information. This is as easy as printing more information on the bottle labels. Low fat fresh milk is sold as containing 2 percent fat, while full cream milk has merely 1 percent more fat than the 2 percent milk.

There is an increasing need for more information to be printed on labels. An example of such a segment is the diabetic consumers. The diabetic market is untouched, while numbers of diabetic consumers are increasing.

Geils’s (1981:153) focus group of white respondents admitted that they often followed various dietary regimes at frequent intervals. It is apparent that full cream milk is generally prohibited in most diet schedules, while skimmed milk may be consumed in limited quantities. It is important for dairy researchers and decision makers to note that consumers are requiring more dietary information, and consumption may increase if details of the product are provided.

4.4 PRODUCT PORTFOLIO MANAGEMENT

Lucas (1983:295) describes the product portfolio as the total diversity of product ranges offered. A wide variety of products allow a dairy company to appeal to different target markets. Some dairy companies distribute a wide range of products ranging from cheeses, long-life milk and fresh milk to a variety of by-products, which include yoghurt, buttermilk, maas and juices.

4.4.1 Objectives of portfolio management

It is accepted that the primary objective of a dairy company is to grow and maximize profitability in the long term. In order for such a company to realize both profitability and long term requirements, it may be argued that four short term objectives should be pursued: sustained growth; a high rate
of return on investment; increasing sales volume and the largest possible market share. Once these objectives are achieved, the primary objective will be realized. These secondary objectives are interrelated but are considered separately when the guidelines are explained in portfolio management (Lucas, 1983:296).

- Sustained growth

In the ideal product portfolio the individual product, for example milk, and product range strategies, such as cheese, are combined so that the objective of sustained growth is realized. In this case, the profit made by a dairy company selling cheese compensates for the small profits from selling milk at low prices. Changing consumer needs may influence sustained growth possibilities. The product portfolio needs to be adapted. This may be achieved by extending or limiting product ranges, and making the appropriate changes to the companies’ marketing activities (Lucas, 1983:297).

- A high rate of return on investment

A high rate of return is expected on each product in the product portfolio. Only when this occurs will the profitability objective of the company be achieved. Marketing managers need to continually develop new products on which a high rate of return and therefore a contribution to profitability can be expected. Bushy Park, for example, has developed a new product for their fresh milk range; a litre of flavoured milk in a screw top bottle. This product may help Bushy Park achieve its profitability objective, as well as the growth objectives of the dairy. The flavoured milk variant may even increase the profit contribution of their entire fresh milk product range.
• Sales growth

It is important when trying to achieve sales growth, that one realizes that the portfolio consists of products of various ages, types and sales volumes. A growing sales volume may not necessarily result in high or growing profits. The cost of maintaining high sales volume may also result in profit erosion. A positive cash flow will not contribute to sustained growth of the company if these cash flows are not profitably re-invested (Lucas, 1983:289-299). These cash flows may even contribute to research and development of new dairy products. Research into increasing the shelf life of fresh milk, by using a method that will preserve fresh milk without disturbing the benefits of the raw product, would be an example.

• Largest possible market share

Research indicates that relative market share has an influence on the profitability of the company. The objective of profitability can be realized as a large market share relative to those of competitors which ensures high sales with lower unit costs in production and marketing (Lucas, 1983:300-301). For example, Towerkop delivers dairy products to Jeffreys Bay twice a week during the off-season, using only half a delivery vehicle’s capacity. During school holidays, the delivery frequency usually increases and the full loading capacity of a truck is used, thereby increasing the sales to retailers and profitability of the delivery.

4.4.2 A balanced product portfolio

An optimal balance should be maintained between the various product categories in the portfolio. The Boston Consulting Matrix is a classification used to distinguish a product’s growth possibilities and relative market share
position (Lamb et al, 1994:705-706). The matrix is a framework that consists of four quadrants: stars; cash cows; problem children; and dogs.

A product's positioning in one of these quadrants determines future cash contribution and the cash requirements for a particular product range. These four quadrants can be categorized as follows:

- **Stars**

Stars are fast growing market leaders. Stars usually generate large profits but may need a lot of initial investment to finance this rapid growth. The marketing tactic to use: protect existing market share and reinvest profits (Lamb et al, 1994:705-706). An example of a star in the dairy industry would be long life milk. The initial investment is expensive, but the product is gaining popularity, thereby increasing profits for the organisation.

- **Cash cows**

A cash cow usually generates more cash than it needs to maintain its market share. Cash cows are successful stars that have become well-established brands. The product is probably in the mature stage of the product life cycle and needs little financial support (Lucas, 1983:302).

- **Problem children**

This term refers to products with an inferior market share. Financial resources may be needed to develop the potential of the problem child (Lucas, 1983:303). An example of problem children in dairy companies is fresh milk. Financial resources are needed for advertising to increase milk consumption.
Dogs

Dogs have low growth potential and a small market share. Prospects for dogs are poor, so cash flow to these products are minimized (Lucas, 1983:303).

Different dairies may use the above classification of their fresh milk product range differently. Lamb et al (1994:707) suggests that the portfolio matrix has an underlying assumption of market share being strongly linked to profitability. Linking a dairy company’s market share to the classification used in the Boston Consulting Matrix.

Bonnita may classify their fresh milk range as cash cows. They are well established in the fresh milk category and have a strong market share. Towerkop’s fresh milk sales appear to be decreasing, compared with previous years' sales figures. Their products can be seen as problem children with a relatively inferior market share and constant marketing effort is required to maintain this share. Bushy Park’s products appear to be between stars and cash cows. Bushy Park is relatively new in the fresh milk market with lower overheads than the bigger dairies, resulting in lower selling prices.

4.5 BRANDING

The success of a product depends on the target market’s ability to distinguish one product from another. ‘A brand name is a term, symbol or design that identifies a product and differentiates it from competitor’s products’ (Lamb et al, 1994:286). For example, Towerkop’s name holds significance for the company. The logo depicts the famous twin peaks above the village of Ladysmith, which originally had a reputation for its cheese.
Branding confirms the reassurance of quality associated with the brand name and makes a premium price acceptable. A brand must thus be said to have a distinctive meaning and own a piece of memory in the mind of the consumer. As such it can be one of a company’s most important assets.

Stanton and Futrell (1987:223) state that a brand should possess the following characteristics:

a) It should be easy to pronounce, spell and remember.

b) It must be distinctive and adaptable to new products that may be added to the product line. The brand name ‘Towerkop’, for example, may pose difficulties of pronunciation in some languages, especially that of the Xhosa people.

No organisation has successfully branded milk globally, although Bonnita has been well accepted in the Eastern Cape, and Clover in the Transvaal. No-name brands are becoming increasingly popular, as a result of the increasing size of certain retailers. While being involved in the dairy industry, the researcher noticed that no-name brands were often given better shelf positions and therefore more support, and are often priced at a slightly lower level. Retailers are therefore encouraging consumers to purchase their own no-name products.

Research has identified the differences in preference between low-income and middle-income groups when purchasing food. Lower-income groups prefer national brands (well-known brands) and they also exhibit a higher brand loyalty than middle-income consumers, who are more price conscious (Mason & Mayer, 1987:303). Private brands, like Towerkop can succeed when the market is well established and large enough, and when no other brands are strongly entrenched (McCarthy & Perreault, 1987:242).
Cranier (1995:43) explains the advantages of effective and consistent branding. The major benefits are increased customer loyalty, which enhances market share. Branding makes the product different from that of its competitors, even though the generic products may be identical. Bonnita, for example, has branded product lines that have substituted certain generic names. Their Ultra Heat Treated milk, Everfresh, is often used by consumers as a generic name for long life milk.

Information technology has a vital role to play if organisations are to become more effectively geared to managing brands. Information technology can be used to accumulate data about brands, customers and overall performance of the product or the company. Dairy companies may use their consumer department, that is, where customer complaints are handled, to do research. Some dairy companies have a toll-free number where customers’ complaints are reported. Here, any additional information needed from consumers can be acquired while handling the customer complaint.

4.6 PACKAGING

Most of the dairies selected for the study use a ‘family’ packaging strategy, which means that all products in the range are almost identically packed or have an important packaging characteristic in common. Packaging, however, has many functions (Lamb et al, 2000:332-333).

4.6.1 Packaging functions

The most important functions of packaging are to contain the liquid, promote milk and provide storage (Lamb et al, 2000:332-333). Another function which is becoming increasingly important today, is the recyclability of the package used. Companies are becoming more ‘environment friendly’ by using a recyclable package, which should result in less waste.

- Containing and protecting products
Packaging allows dairy companies to market milk in specific quantities. Physical protection is another obvious function of packaging. Most products are handled several times before they are purchased or consumed. Packaging therefore protects the product from breakage, leakage or infection of the product. An example of packaging used in the dairy industry for milk is the sachet. The sachet is the cheapest form that packaged milk can be purchased in. The sachet packaging, however, is fragile and results in leaking milk. The damaged packaging causes a mess in retail stores and the product remains the dairy company’s responsibility until the product is sold. The researchers previous experience shows that dairy companies lose much profit by using this form of packaging. Some dairy companies are therefore moving away from this packaging, and encouraging consumers to purchase bottled milk instead. Dairy companies are enforcing this strategy by bringing the price of sachets in line with the slightly more expensive bottled milk, thereby making the consumer choose the more convenient (same priced) bottle over the sachet.

• Promoting products

Packaging differentiates a product from competing products and is also important in establishing a brand’s image (Lamb et al, 1994:294). Lucas (1983:243) suggests that a brand should be clearly recognizable and the package should have a visual impact. Port Elizabeth dairy companies, for example, all use different colours on their milk packaging. Bonnita has red and white sachets, Bushy Park has green and blue and Towerkop has yellow sachets.

• Facilitating storage
Wholesalers and retailers prefer packages that are easy to ship, store and to pack. Consumers, however, look for items that are easy to handle, open and close (Lamb et al, 1994:294-295). Towerkop, for example, launched a screw top 1 litre bottle of milk. The consumer can therefore easily open or close this container, whilst freshness is maintained by preventing the milk from absorbing other odours.

4.7 SUMMARY

This chapter included a discussion of the concept of product and product life cycle. Thereafter, other topics included new product development, product portfolio management, branding and packaging.

The following chapter considers distribution as an element of the marketing mix.
CHAPTER 5

DISTRIBUTION AS AN ELEMENT OF THE MARKETING MIX

5.1 INTRODUCTION

Distribution decisions are among the most important decisions that management faces, as they directly affect every other marketing decision (Kotler & Armstrong, 1996:389). The company’s pricing for example, depends on whether it uses mass merchandisers or speciality stores. Similarly, the sales force and advertising decisions depend on how much persuasion, training, and motivation the dealers need. Whether a company develops or acquires certain new products may depend on how well those products fit the abilities of its channel members.

Furthermore, efficient physical distribution is of great importance for successful marketing, as physical distribution costs have increasingly become an important marketing cost (Kotler & Armstrong, 1996:389). Physical distribution of milk includes the planning of refrigerated warehousing, modes of transport and stockholding.

In this chapter, the focus is on the importance of efficient physical distribution. This chapter commences by discussing channel design decisions. A discussion of the nature and importance of physical distribution follows. The chapter is concluded by a discussion of the trends in distribution.

5.2 CHANNEL DESIGN DECISIONS

In designing marketing channels, a balance needs to be found between what is ideal and what is practical (Kotler & Armstrong, 1996:401).
Channel systems are often developed to make the most of local opportunities and conditions. Certain factors such as consumer service needs, channel objectives and constraints and channel alternatives always need to be considered.

Designing the distribution channel starts with finding out what values consumers in various target segments want from the channel. For instance, do consumers only want to buy from nearby locations or are they willing to travel to more distant centralized locations? (Kotler & Armstrong, 1996:402).

The distribution of fresh milk, being a perishable product with a limited shelf life of about seven days, needs careful planning. It is important that all milk packages have a sell-by date printed on the product. This is an indication to the customer of the product’s freshness. If milk is uniformly priced, many customers consider their choice of purchase by checking the shelf life of the milk. Shelf life has become an important product benefit, which is associated with freshness. As competitive pricing strategies may urge customers to look for other benefits besides price, branding and ‘freshness’ become important. Most milk is delivered daily to chain stores and retail outlets to ensure freshness and quality.

The desired service level expected from companies is in line with what retailers expect in general and includes the availability of the product, how long the retailer needs to wait between deliveries and the availability of support or advice (Murray & O’ Driscoll, 1996:365).

Freshness, however, poses an important challenge to organisations such as Towerkop. Once this packaged milk arrives in Port Elizabeth, it is stored in fridges at three degrees celsius and then delivered to the stores the following day. The Port Elizabeth branch acts as a distribution depot, while all processing takes place in George. Transportation time reduces the shelf
life of such milk by two days. Besides the reduction in shelf life, the transportation cost between George and Port Elizabeth adds about 7 cents to the cost of each litre of milk. This cost has to be absorbed by the dairy in order to keep the milk price competitive.

The design of the distribution channel is also influenced by the constraints of the organisation. Each dairy company runs a fleet of delivery vehicles along certain ‘routes’. Profitability often depends on the order quantity of each outlet and the season of the year. Turnover is for example, usually doubled on the Jeffreys Bay route over the December period. During this time, deliveries are done on a daily basis rather than every second day. Because of the increased demand trucks are loaded to their maximum. Delivery costs over this period therefore usually decline by about 5 per cent.

During non-seasonal times supermarkets usually require that milk be delivered before 10 o’clock in the morning. Such a requirement could result in vehicles being sent out with half loads, just to provide an efficient service. Management needs to make decisions about channel designs carefully as one route (vehicle’s delivery area) may need to subsidize another in certain seasons. Management’s channel design objectives need to include designing a channel to make a profit.

5.2.1 Setting the channel objectives

Channel objectives should be stated in terms of the desired service level of target customers (Murray & O’ Driscoll, 1996:365). The company needs to select which segment to serve and the best channel to use. The company’s channel objectives are influenced by its products, company policies, competitors and the environment. Product characteristics affect the dairy companies’ channel design. Perishable products require more direct marketing due to the shelf life of the product (Kotler, 1997:538). This particularly applies to fresh milk.
Company characteristics such as size and financial situation also play an important role when setting channel objectives. The choice of transportation methods and the number of outlets serviced all affect a speedy customer service.

Finally, economic factors, such as economic conditions and legal constraints, affect a channel decision (Kotler & Armstrong, 1996:402-403). In a depressed economy, dairies want to distribute their products in the most economical way. Thus some dairy companies for example, will only deliver to a customer if his/her purchases come to a certain amount such as R600 every month.

5.3 NATURE AND IMPORTANCE OF PHYSICAL DISTRIBUTION

Modern logistics involves planning, implementing and controlling the flow of goods from the point of origin to the consumer, in order to make a profit (Kotler & Armstrong, 1996:410). Marketers today prefer market logistical thinking to that of the traditional physical delivery, where distribution started at the plant and low cost solutions were used to get the product to the consumer. A logistics manager now needs to manage the entire supply chain. His/her tasks therefore include forecasting, using information systems, purchasing, production planning, order processing, controlling inventory, warehousing, and transportation planning (Kotler & Armstrong, 1996:410).

Dairy companies are therefore placing greater emphasis on logistics. They can offer better services or lower prices through better physical distribution, which is increasingly being demanded by retail outlets these days.

5.3.1 Goals of the logistics system

When designing a logistics system, a company needs to study the service level required by the customer/retailer. Retailers may require several
distribution services from dairy companies, which could range from speedy and flexible delivery, presorting and order taking, to an agreement to take back or replace defective goods. Chain stores account for about 70 percent of fresh milk sales.

Although the concept of an integrated supply chain has only recently been given top priority by corporate management, its roots go back to a process called physical distribution. As the 1980s group to a close, logistics began to be considered as a key means of differentiation of a firm and a critical component of marketing. The concept of an integrated supply chain, sharing information, and working together to satisfy the customer emerged as the focus of distribution (Lamb, Hair & McDaniel, 2000:426).

The future of logistics lies in a deeper understanding of the customer’s behavioural processes and their perceptions of a firms logistics system.

5.4 TRENDS IN PHYSICAL DISTRIBUTION

Recent technological advances and trends have come to affect physical distribution. These factors include: automation; environmental issues; partnerships; quality issues in transportation; and global distribution.

- Automation

Manual handling in distribution is outdated (Kotler & Armstrong, 1996:470). Information technology has boosted the efficiency of physical distribution dramatically. One of the major goals of this new technology is to bring information to the decision-maker timeously. The rapid exchange of information that automation brings to the distribution process helps each party plan more effectively (Kotler & Armstrong, 1996:470).
• Environmental factors

An ever-increasing concern for the environment is likely to have a profound effect on the way businesses operate in the future. Customers may begin demanding more environmentally friendly products, such as minimal packaging that, however, still protects products during transit (Kotler & Armstrong, 996:470). One of the concerns of dairy companies is the plastic sachet packaging that is not considered as being environmentally friendly. Many may choose to use a more recyclable package, such as a box.

• Partnerships

Contract type logistics often lead to partnerships. These partnerships may be between suppliers, retailers, manufacturers or carriers. Partnerships often provide companies with the ability to meet delivery dates or fill orders. Parmalat, who purchased Towerkop and Bonnita have combined the logistic functions of these dairies. Although both dairies are still trading under separate names, all distribution is combined, in order to save costs.

• Global distribution

The world is becoming a more competitive place for the selling and buying of goods. It is essential, here, that the company is aware of the types of tariffs and regulations that apply within each country that it operates (Kotler & Armstrong, 1996:470-471).

Fresh milk is not an easily exported product at present, due to the perishability of the product. Long life milk is a product that may be exported or imported to countries where the product is scarce. With technological advances fresh milk may be exported extensively in the future.
5.5 SUMMARY

This chapter focused on physical distribution as an element of the marketing mix. Channel design decisions, the nature and importance of physical distribution and trends in physical distribution were among the topics discussed.

Chapter 6 follows and explains the importance of promotion.
CHAPTER 6
PROMOTION AS AN ELEMENT OF THE MARKETING MIX

6.1 INTRODUCTION

Modern marketing calls for more than just developing a good product (Kotler & Armstrong, 1996:461). Nickels and Wood (1997:24-30) note that promotion is used to bring about communication between the company and the consumer in such a way as to inform, remind, persuade and reinforce his/her existing favourable attitude towards the product. It is thus clear that companies should not only communicate with their customers, but that what they communicate should not be left to chance.

In this chapter the focus is on the steps of developing of effective communication. Firstly a clear target audience needs to be selected. Thereafter the required response should be determined, followed by the choice of the media through which to send the message. The message source also needs to be selected and the feedback obtained (Lucas, 1983:381).

6.2 IDENTIFYING THE TARGET AUDIENCE

According to Lucas (1983:381) the target audience is the receiver or ultimate destination of the message. The target audience may be potential buyers or current users, those who make the buying decision or those who influence it. The target audience affects the communicator’s decision on to whom, how, when, where and what the message is sent (Kotler & Armstrong, 1996:463). There will also be a direct relationship with the response sought.

In an advertising campaign in the United States of America women were targeted as the audience for a promotional programme (Stanley, 1996:44-45). This program, dubbed the Milk Processor Education Program, used the
famous milk moustache to change consumer perceptions. The goal was to attract the attention of women aged 25 to 44, and to tell them something educational about the health benefits of drinking milk and to change their mindsets concerning milk. Women, usually the shoppers of the families, were the largest segment of lapsed milk drinkers and were also the most at risk of osteoporosis. They were therefore chosen as a target audience. The desired response was to change their perceptions about milk and convince them to drink more milk (Stanley, 1996:44-45).

The target audience could also be the current users of the product. In this case the audience may be those consumers who use milk with another food, such as breakfast cereal or those who use milk in their tea or coffee. The marketer could attempt to convince the consumer that certain foods are simply not the same without milk. The consumer should therefore ensure that he/she always has plenty of milk on hand.

6.3 DETERMINING THE RESPONSE

Once the target audience has been defined, the marketer would like the ultimate response to be a purchase. A purchase is the result of a long process of consumer decision making. Kotler and Armstrong (1989:417) discuss six buyer readiness states: awareness; knowledge; liking; preference; conviction and purchase.

The buyer readiness states are important to the marketer, as buyers usually pass through these stages before purchasing a product. The marketer’s task is to identify the stage most consumers are in, and develop a communication campaign that will move them into the next stage (Kotler & Armstrong, 1989:417).

The target audience may have product awareness, but may still need to be reminded of the benefits of consuming milk. Product knowledge should be one of the first communication objectives. If the target audience is already
familiar with the product, the marketer has to determine how to further build favourable feelings towards that product. Once the customer’s preference is determined, the marketer can promote milk’s nutritional value, quality and other benefits.

The response sought by a marketer is that the consumer moves beyond merely knowing about milk, towards developing a conviction about purchasing it. The marketer’s job is therefore to build a conviction that drinking milk is the right thing to do.

Some members of the target audience may develop the conviction, yet still do not get around to purchasing the product. The marketer can therefore encourage the consumer to make the purchase by for example offering milk to them at a lower price (Nickels & Wood, 1997:165-170).

6.4 CHOOSING A MESSAGE

Having defined the desired response, the marketer needs to develop an effective message. When constructing a message, the marketer must solve three problems: what to say; how to say it logically; and also how to say it symbolically (McCarthy & Perreault, 1987:374).

Ideally the communication message should conform to the framework known as the AIDA model, as suggested by McCarthy and Perreault (1987:374). This action-orientated model is used inter alia to obtain the interest of the consumer. First it is necessary to build an awareness of what the firm is offering. Next, attracting the consumer’s interest gives the marketer a chance to focus that interest in the product. Arousing a desire for the product affects the customer’s evaluation process, which leads to the action of purchasing that product. However, continuous promotion assists in confirming the customer’s decision (action) and may encourage additional purchases (McCarthy & Perreault, 1987:374).
When advertising, a company should decide on a theme. Different appeals are used for different issues, for example, a moral appeal is directed at an audience with a sense of what is right/proper. A moral appeal type advertisement could be directed at encouraging a mother to give her children a glass of milk every day, with the message that it ensures strong bones and teeth. An emotional appeal is used to stir up those emotions that will motivate a purchase. Making the audience feel guilty about not providing their bodies with the required nutrients obtainable from milk, would be an example (McCarthy & Perreault, 1987:374).

Geils (1981:30) discusses the negative propaganda directed against animal fat based products, with the adverse affect on the image of milk. From the evidence emanating from Geils’s focus groups, white respondents were aware of the possible negative health effects of consuming milk. Geils’s study also indicates that woman habitually diet, which gives rise to negative perceptions on the desirability of milk.

The nutritional value of milk was also found not to be a significant consideration in the purchase of foodstuffs by respondents. This caused cognitive dissonance to the consumer, in which the more weakly held attitude of possible nutritional advantage may be changed in the direction of the stronger attitudes of milk’s negative health attributes. Geils (1981:32) therefore recommends that the nutritional properties in milk may not be an altogether appropriate platform for the promotion of milk.

Interesting findings in Geils’s (1981:71) study, with regard to choosing an advertising message, stress that most milk advertising emphasize the creaminess and richness of milk. The results of Geils’s focus groups did not provide evidence that attributes like creaminess and richness were/are strong selling points, but suggests alternate themes, such as milk’s purity or naturalness.
6.5 **CHOOSING AN ADVERTISING MEDIUM**

When choosing an advertising medium, there are two broad types to consider. The first is personal, when two or more people communicate directly with one another. The second is non-personal, where messages are transferred without personal contact or feedback, such as, through the media (McCarthy & Perreault, 1987:374-376).

By employing a non-personal communication channel, use can be made of radio competitions, such as Bonnita’s in the middle nineties. Radio listeners were encouraged to place a sticker on their cars, which gave them a chance of being spotted as a lucky number and eligible for prizes. (Remnants of Bonnita’s competition can still be found on some older cars!). The bumper sticker competition is an excellent way of creating brand awareness.

Non-personal communication could also take the form of radio advertising. When using the radio as a medium, a catchy milk jingle can be associated with a famous movie or song. This strategy may attract attention and also makes it easier for the consumer to identify with the product.

Another form of non-personal promotion, aimed at increasing customer awareness, is that of giving away free hampers of milk products.

6.6 **SELECTING THE MESSAGE SOURCE**

The communication message’s impact on the audience, is affected by how the audience views the sender. Messages delivered by highly credible sources are more persuasive. Apart from making use of sources such as professionals, for example doctors, to endorse the message of the health qualities of milk, marketers could also hire well-known actors, athletes or movie characters to deliver the message. This was successfully achieved by the Milk Processor Education Program in the United States of America (Stanley, 1996:44-45). Their advertising message used a simple educational
message and then caught the ‘perfect’ countenances of Kate Moss, Isabella Rosselini and Christie Brinkeley, on film with a stripe of milk above their upper lips (Stanley, 1996:44-45).

6.7 OBTAINING FEEDBACK

After sending the message, the communicator needs to research its effect on the target audience. This involves questioning the audience on how they perceived the message, the recollection of certain points and even their past and present attitudes toward the product advertised.

Feedback on marketing communications may suggest changes in the promotional activity or even the product. Although a promotional programme may increase product awareness, it is important that the product advertised meets the consumers’ satisfaction and expectations (Kotler & Armstrong, 1996:469).

6.8 SUMMARY

This chapter emphasized the steps of effective communication. These steps included: identifying the target audience; determining the response; choosing a message; choosing an advertising medium; selecting the message source; and obtaining feedback.

The following chapter discusses pricing as an element of the marketing mix.
CHAPTER 7
PRICING AS AN ELEMENT OF THE MARKETING MIX

7.1 INTRODUCTION

Price constitutes the fourth element in the conventional marketing mix. In the narrowest sense price is the amount of money charged for a product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using the product (Kotler & Armstrong, 1996:340).

While one price for milk is for example set for all final consumers, different consumers attach different meanings to the price they pay for a product. The consumer’s aim is to spend his/her income in a way that will afford him/her maximum satisfaction (Ferrel et al, 1994:99-101).

This chapter discusses the external and internal factors that need to be considered before setting prices.

7.2 FACTORS TO CONSIDER WHEN SETTING PRICES

Various factors need to be considered when setting prices. These factors can be divided into external and internal factors. External factors include competition and economic conditions. Internal factors affect the price of milk, and include organisation costs, marketing mix and strategy, and marketing objectives.

7.2.1 External factors

The major external factors that affect pricing decisions include the nature of the market and demand, competition, and other environmental elements (such as weather conditions) (Kotler & Armstrong, 1996:347-351).
Whereas costs set the lower limit of prices, the market and demand often set the upper limit. It is important for the marketer to understand the relationship between price and the demand for the product (Kotler & Armstrong, 1996:347). It is generally believed that consumers usually purchase the cheapest milk on the shelf. This should be an indication of the value that they attach to the perceived benefits resulting from milk.

Competition often has a major influence on price. Because of the intense competition in the milk industry, price wars are common. Price wars start in recessionary periods, when consumers are more price conscious, and have a goal of minimising their living costs (Murray & O’Driscoll, 1996:330).

Price wars precipitated in the dairy industry by the entrance of new companies in the Port Elizabeth area. In 1997, Bonnita dairies were concerned with losing market share to their new rival Bushy Park. Indeed, Bonnita, being financially strong, were determined to protect this share. This was the beginning of deep price cut specials. As a result, smaller profit margins of below 5 percent per litre of milk were made. In the Western Cape Bonnita used the same strategy (price cuts). Other competitors were eventually forced to be competitive in order to protect their market share. Bonnita was criticised for upsetting the industry’s price structure, confusing consumers and for squeezing out other players. Smaller Western Cape dairies questioned Bonnita’s strategy when it cut the price of their milk sachets from R2.50 to R1.50. Milk sachets consisted of only 5 percent of Bonnita’s business, but 80 percent of that of the business of the other Western Cape dairies (Formby, 1997:46).

The buyers of large supermarket groups may also encourage price wars, as it keeps their prices at a minimum and makes them more competitive. This has created more pressure amongst dairy companies and supermarket groups. One dairy may have a deep cut price special with a supermarket group, then a competitive supermarket chain would approach the same or another dairy for a deal to undercut their competitor’s price. Most dairy
companies have price margins in which to deal. Milk being a basic food, has a low profit margin of around ten to fifteen percent. The dairy industry probably has to familiarize the consumer with an acceptable price of milk, such as R2.60 per litre and maintain that price.

Murray and O’Driscoll (1996:332) suggest ways to avoid price wars. The first is to avoid strategies that force competitors to respond with price adjustments. Secondly, companies need to price according to the value of the product, and not for competitive parity. Thirdly, companies must communicate pricing decisions carefully, so that they are not mislead by competitors or consumers. Finally, companies should avoid reaction and the use of pricing as a counter offensive technique.

7.2.2 Internal factors

Internal factors affecting price include the company’s marketing objectives, marketing mix strategy, costs and organizational factors (Kotler & Armstrong, 1996:341).

• Marketing objectives

The clearer a firm is about its objectives, the easier it is to set a price. Examples of objectives are survival, current profit maximization, market share leadership and product quality leadership (Kotler & Armstrong, 1996:341).

Companies set survival as their major objective if they experience heavy competition or changing consumer needs. Survival can only be a short term objective, because the company needs to learn to add value to their products or to face extinction (Kotler & Armstrong, 1996:341).

If current profit maximization is the pricing goal, the company wants current financial results rather than long term performance. Other
companies may want to obtain market share by setting prices as low as possible. This is a common practice of dairy companies during recessionary periods the result being price wars.

Product quality leadership, is not often used when selling fresh milk, as this increases the price. This strategy calls for charging a high price to cover quality and costs of research and development (Kotler & Armstrong, 1996:441-442).

- Marketing mix strategy

Price is not the only marketing mix tool a company can use to achieve its objectives. Price decisions should be coordinated with product design, distribution, and promotion decisions to form a consistent and effective marketing programme (Kotler, 1997:92-94). Dairy companies often make pricing decisions first, when marketing fresh milk, and then base other mix decisions on prices they need to charge.

Price is a crucial positioning factor, when selling fresh milk. The low profit margins and continuous price wars, caused by intense competition in the fresh milk industry, have caused many smaller dairies to consider focusing their efforts on their higher profit by-products, instead of trying to protect their market share for fresh milk. Towerkop, for instance, considered concentrating all efforts on their by-product range, but decided that selling fresh milk increased brand awareness. It also helped consumers identify their by-products through the association with the original bright yellow milk sachet packaging, which has now been changed with the take over of Parmalat.

- Costs

Costs set the basic price that a company may charge for its product. A dairy company needs to charge a price that covers all production,
distribution and selling costs. A dairy company’s cost is therefore an important element in its pricing strategy. Dairies that sell fresh milk may work to become ‘low-cost producers’ in the industry, which allows them to set lower prices (Kotler & Armstrong, 1996:346).

- Organisational considerations

The company must decide who within the organisation should set prices. In smaller companies, prices often are set by top management, rather than by marketing or sales departments (Kotler & Armstrong, 1996:346). With the intense competitiveness in the dairy industry, many companies allow their representatives to negotiate the prices of fresh milk at the store level. Companies, such as Towerkop, give representatives price margins within which to work, which ensures that prices are above a break-even point. The perishability (shelf life) of fresh milk also influences the selling price of the product, and dairies often offer low price specials on milk, two days before the expiry date.

Pricing can also cause conflict in an organisation. Different departments regard the cost of production and distribution as the point of departure, while marketing would insist that consumer needs are a priority. A price strategy should fit into the total marketing strategy. There should be a close relationship between price and the other mix elements (Ferrel et al, 1994:114-117).

7.3 SUMMARY

Chapter 7 focused on pricing as an element of the marketing mix. Factors considered when setting prices were external factors such as demand, competition and other environmental elements and also internal factors for
example marketing objectives, marketing mix strategy, costs and organisational considerations.

Chapter 8 follows and discusses the findings of the study.
CHAPTER 8
EMPIRICAL FINDINGS OF THE STUDY

8.1 INTRODUCTION

The purpose of this chapter is to identify consumers’ motives when purchasing milk. Doing research on the reasons a consumer may choose a particular brand over others, may be useful to dairy companies when developing promotional programs, or used if a company needs to protect or increase its market share. This study’s findings may assist in identifying how people consume milk and how people perceive the product, milk.

This chapter also describes how a total of 350 shoppers were chosen as respondents. They included both consumers and non-consumers of milk. All answers to a pre-determined set of questions (see Annexure A) were recorded by trained interviewers, and the findings statistically calculated.

8.2 RESEARCH OBJECTIVES

Research objectives assist in identifying the course of action and provide a clearer understanding to the reason why research is used in a particular study (Kinnear & Taylor, 1987:199-202). All studies have a unique set of objectives, and vary according to the information needs. The information needs of this study included:

• the determination of respondents’ perceptions of milk. Such knowledge may assist in the development of promotional activities to increase consumption;

• determining how respondents are consuming milk; and

• identifying the brand selected and the reason for this choice.
The information obtained can be associated with the following objectives:

- to determine the general perceptions of milk as held by consumers in Port Elizabeth;
- to determine whether people consume milk and the quantity that they consume;
- to determine how milk is primarily consumed; and
- to establish whether consumers prefer a particular brand of milk, and the reasons for this preference.

8.3 DATA REQUIRED

Data may be obtained from either primary or secondary sources. In this research project, secondary data assisted in defining the population and primary data was used to identify the consumers' perceptions.

In formulating the empirical research objectives, the following issues were addressed: awareness; opinions or attitudes; preferences; and motives.

- awareness

Awareness refers to what respondents know about milk. The researcher attempted to establish if the consumer is aware of milk, its health benefits and the different brands available.
• opinions or attitudes

Opinions or attitudes consist of a consumer’s ideas, convictions or likes/dislikes regarding milk. Luck et al (1987:132) define opinions as people’s perceptions and what they believe about something, and attitudes as the most potent form of an opinion. To illustrate: If a mother’s attitude towards milk is positive, she will probably purchase more milk and encourage her family to consume it.

• preferences

Preferences are closely related to opinions or attitudes. In this study the requirement of determining why consumers have a preference for particular brands may assist the researcher in determining which marketing strategy to formulate when advertising. The researcher may also determine what product benefits the consumers prefer.

• motives

Motives are reasons why people act as they do. Reliable information on motives for decision making may be difficult to obtain as the consumer may find him/herself unaware of the real motives, or may be reluctant to reveal them. Here more subtle qualitative research methods are required (Nel, Radel & Loubser, 1988:95). Motives were not tested in this study, but respondents were asked why they had purchased a particular brand. Consumers may, however, not be aware of the real motive for their purchase.

8.4 SAMPLING

According to Kinnear and Taylor (1987:199-202), without sampling, marketing research would not exist today as we know it. The alternative to sampling is to take a census that involves the use of all available elements
of a defined population. Sampling is used most frequently in marketing research, because of some major benefits. They are:

- a sample saves money;

- a sample saves time;

- a sample may be more accurate; and

- a sample is preferred in the event that the study results in the destruction or discontinuation of the sampled element. For example, when the product is consumed or tasted.

8.4.1 Steps in sampling

- The first step in the sampling process is the definition of the population. The population in the study consists of 5900 000 people living in Port Elizabeth (South African Survey, 1996/1997:20-28).

- Thereafter the sample frame has to be identified. A sample frame refers to the sampling units available for selection at a stage of the sampling process (Kinnear & Taylor, 1997:202). The sample frame at the time of this study included all customers in various retail stores on the day of interviewing.

- Having identified the population and defined a sample frame, the next step would be to choose the method of selecting the information units (sample elements) from the universe. The universe is a term used that describes the total population. The sampling method used in this study is a non-probability sampling method. The units in a non-probability sample are selected according to the discretion of the researcher, with the intention of making the sample as representative as possible of the
universe (Nel et al, 1988:96-97). A total of 350 customers in different retail stores were selected for this study. These customers were interviewed by three trained interviewers.

As the selection of an element was based on the judgement of the interviewer it was not possible to calculate the sampling error that has occurred (Kinnear & Taylor, 1987:204). Judgemental sampling was used by the interviewers. Judgemental sampling can usually be associated with a variety of biases, for example the shopping centre intercept interviewing can oversample those who shop frequently, who appear friendly, and who have extra time. There is no way of quantifying the resulting bias and uncertainty, because the sample frame is unknown and the sampling procedure is not well specified (Aaker, Kumar & Day, 1997:389).

Interviews were conducted at Pick ‘n Pay and Shoprite stores. This was with the aim of achieving a selection of respondents from different income groups. According to research conducted by an Italian Confectionary company, Pick ‘n Pay has higher income shoppers while Shoprite has lower income shoppers. According to Aaker et al (1997:394) a shopping centre reflects a sample of the families who live in that area. There can be great differences between people living in a low-income neighbourhood and those in a high-income neighbourhood. It is usually advisable to use several shopping centres in different neighbourhoods, as the interviewers did in this study.
Table 8.1 shows the ethnic distribution of the sample.

Table 8.1 The sample of respondents in the study.

<table>
<thead>
<tr>
<th>ETHNIC GROUP</th>
<th>PERCENTAGE OF SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>74 %</td>
</tr>
<tr>
<td>Black</td>
<td>13 %</td>
</tr>
<tr>
<td>Coloured</td>
<td>11 %</td>
</tr>
<tr>
<td>Asian</td>
<td>2 %</td>
</tr>
</tbody>
</table>

As the research, however, concentrated on a particular segment of the market, namely the White population group as shown in Table 8.1, it is important to note that other segments should be researched before any advertising campaign is considered.

8.5 METHOD OF DATA COLLECTION

To meet the information needs of this study, secondary and primary data had to be collected.

8.5.1 Personal interviews

Primary information is collected for a specific study or purpose (Kotler & Armstrong, 1996:119). Primary data in this study was collected by using personal communication. By using the communication method, data is collected directly from the consumer using personal interviews (Nel et al, 1988:144).

The task of personal interviewing is to make contact with the respondent and ask questions that will elicit the data which is required. The questions are pre-structured (See Annexeure A) and the answers are recorded by note taking during the interview (Kinnear & Taylor, 1987:386-389).
For the purpose of this study, personal interviews involved asking the consumer a few questions about milk. Personal interviewing is suitable for collecting a variety of data, including demographics, awareness and the consumer’s knowledge of and opinions on milk.

8.5.2 Secondary information

Secondary information consists of information that already exists and has been collected for another purpose (Kotler & Armstrong, 1996:118-119). The collection of secondary data encompasses a search of sources containing information that may help the researcher achieve the research objective. Secondary data is used to define the population. In this study it determined the universe and income distribution in Port Elizabeth.

The advantage of using secondary data is the savings that it has in cost and time, in comparison with primary data sources. It is important to search secondary data sources first, before proceeding to primary sources (Kinnear & Taylor, 1987:148-166). Secondary sources can provide data that an individual researcher cannot collect on his/her own or which may be too expensive to collect (Kotler & Armstrong, 1996:119).

The following secondary information is relevant to the study, and may assist a dairy company in constructing a targeted advertising message:

Statistics in 1996 (South African Survey, 1996/1997:25-28) indicated that 37.9 percent of people living in the Eastern Cape were under the age of 15, compared to a national average of 34.9 percent. 56.8 percent were between the ages of 15 and 64 years, while 5.3 percent were older than 65 years of age. Table 8.2 below indicates the age profile by province and allows for comparisons to the national average.
Table 8.2  Age profile by province:1996

<table>
<thead>
<tr>
<th>Province</th>
<th>0-14 years</th>
<th>15-64 years</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>37.9%</td>
<td>56.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Free State</td>
<td>32.8%</td>
<td>63.2%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>27.0%</td>
<td>68.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>37.1%</td>
<td>58.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>37.0%</td>
<td>59.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>North West</td>
<td>34.6%</td>
<td>61.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>31.1%</td>
<td>63.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Northern Province</td>
<td>43.1%</td>
<td>53.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>28.3%</td>
<td>66.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>South Africa</td>
<td>34.9%</td>
<td>60.6%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

**Source:** South African Survey, 1996/1997:26

It is important to note from Table 8.2 that the second age group (15 to 64 years) represents the largest segment of the market. Dairy companies need to realize the potential of this market for future advertising and marketing strategies.

It is also important to establish the gender distribution of the population. The Eastern Cape has higher proportions of females (52%) than males (48%).

Table 8.3 describes the gender distribution in South Africa in 1996 with emphasis on Port Elizabeth (South African Survey, 1996/1997:22).
Table 8.3 Male/Female distribution in South Africa: 1996

<table>
<thead>
<tr>
<th>Province</th>
<th>Male</th>
<th>Proportion</th>
<th>Female</th>
<th>Proportion</th>
<th>Majority*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>3342200</td>
<td>48.0%</td>
<td>3615900</td>
<td>52.0%</td>
<td>273700(F)</td>
<td>6958100</td>
</tr>
<tr>
<td>Free State</td>
<td>1491400</td>
<td>52.1%</td>
<td>1373600</td>
<td>47.9%</td>
<td>117800(M)</td>
<td>2865000</td>
</tr>
<tr>
<td>Gauteng</td>
<td>3721100</td>
<td>52.7%</td>
<td>3335600</td>
<td>47.3%</td>
<td>385500(M)</td>
<td>7056700</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>4240100</td>
<td>47.8%</td>
<td>4628600</td>
<td>52.2%</td>
<td>388500(F)</td>
<td>8868700</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1518700</td>
<td>50.4%</td>
<td>1493800</td>
<td>49.6%</td>
<td>24900(M)</td>
<td>3012500</td>
</tr>
<tr>
<td>North West</td>
<td>1777700</td>
<td>50.6%</td>
<td>1738900</td>
<td>49.4%</td>
<td>38800(M)</td>
<td>3516600</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>387800</td>
<td>50.3%</td>
<td>383700</td>
<td>49.7%</td>
<td>4100(M)</td>
<td>771500</td>
</tr>
<tr>
<td>Northern Province</td>
<td>2436500</td>
<td>46.3%</td>
<td>2824800</td>
<td>53.7%</td>
<td>388300(F)</td>
<td>5261300</td>
</tr>
<tr>
<td>Western Cape</td>
<td>1826500</td>
<td>49.9%</td>
<td>1833400</td>
<td>50.1%</td>
<td>6900(F)</td>
<td>3659900</td>
</tr>
<tr>
<td>South Africa</td>
<td>20742000</td>
<td>49.4%</td>
<td>21228300</td>
<td>50.6%</td>
<td>486300(F)</td>
<td>41970300</td>
</tr>
</tbody>
</table>

* The numerical difference between the male (M) and female (F) populations.


The information from Table 8.3 may assist milk marketers, in that it identifies different sizes of potential target audiences. Advertisers, for example need to be aware that they are targeting 52 percent of the market, when using an advert that educates woman about osteoporosis. When targeting the male segment, by for example showing a body builder drinking milk as a vitamin supplement, milk marketers will be targeting 48 percent of the potential market in the Eastern Cape. Advertisers could use the same adverts in all provinces as the gender distribution is fairly balanced.

Table 8.4 provides a breakdown of the marital status of the population in South Africa. This information may assist a marketer in determining who the decision makers are when making purchases of various products. Only 28.3 percent of total population are married and 21.6 percent are older than 18, but have never been married.
Table 8.4 can further be used to determine if there is a high proportion of decision-makers in any particular group. A decision-maker has the power to decide on what brand is to be purchased (Kotler & Armstrong, 1996:187). Unfortunately, there is no distinct pattern of who the decision-makers in each group are that could help advertisers in targeting their adverts. One may assume that in the married category, more females would decide on what brand of milk is purchased, as generally more females would purchase milk than males. The Port Elizabeth milk marketers could therefore direct advertising efforts at females who seem to be the decision makers when purchasing milk.

Table 8.4  Marital status of the population by race: in 1991 in South Africa

<table>
<thead>
<tr>
<th></th>
<th>African (000)</th>
<th>Coloured (000)</th>
<th>Indian (000)</th>
<th>White (000)</th>
<th>Total (000)</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never married:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 18 years</td>
<td>9550</td>
<td>1320</td>
<td>360</td>
<td>1308</td>
<td>12610</td>
<td>40.7%</td>
</tr>
<tr>
<td>18 years and older</td>
<td>5090</td>
<td>760</td>
<td>150</td>
<td>700</td>
<td>6700</td>
<td>21.6%</td>
</tr>
<tr>
<td>Married</td>
<td>5050</td>
<td>910</td>
<td>420</td>
<td>2410</td>
<td>8780</td>
<td>28.3%</td>
</tr>
<tr>
<td>Unmarried but living</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Together</td>
<td>1000</td>
<td>130</td>
<td>10</td>
<td>100</td>
<td>1240</td>
<td>4.0%</td>
</tr>
<tr>
<td>Widowed</td>
<td>700</td>
<td>110</td>
<td>50</td>
<td>280</td>
<td>1140</td>
<td>3.7%</td>
</tr>
<tr>
<td>Divorced</td>
<td>260</td>
<td>50</td>
<td>10</td>
<td>200</td>
<td>530</td>
<td>1.7%</td>
</tr>
</tbody>
</table>


Milk marketers need to advertise to their target market in the most common language. Knowledge of the distribution of home languages is therefore very important. The proportional distribution of home languages in the Eastern Cape in 1994 was: Xhosa: 86.69%, Afrikaans: 8.93%, English: 3.86%, Other: 0.17% (South African Survey, 1996/1997:24).

Other important statistical information that may be necessary when deciding on which market to target is the level of education. Woman constituted 61
percent of the uneducated population, while 39 percent of men were uneducated. Another factor is the urban and non-urban distribution of the population, which may affect the choice of advertising medium used. 37.3 percent of the Eastern Cape population is urbanized while 62.7 percent are living in rural areas (South African Survey, 1996/1997:101). Port Elizabeth marketers may need to place more emphasis on, for example, radio advertising, a medium that will probably reach rural populations the fastest.

Table 8.5 below indicates the economic status of various ethnic groups. It is important to be aware of which market has the most disposable income to spend. Table 8.5 also indicates that there has been a shift over 10 years with the African group’s personal disposable income increasing from 32 percent to 38.5 percent, while the white group has decreased from 56.2 percent to 48.6 percent. It is important for milk marketers to note this shift, so advertising strategies can be adjusted accordingly.

Table 8.5 Personal disposable income:1985 and 1994

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>Proportion of</th>
<th>1994</th>
<th>Proportion of</th>
<th>Real increase/(decrease)1985-94</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>total</td>
<td>Rm</td>
<td>total</td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>84060.7</td>
<td>32.0%</td>
<td>114003.4</td>
<td>38.5%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Asian</td>
<td>9552.5</td>
<td>3.6%</td>
<td>11845.5</td>
<td>4.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Coloured</td>
<td>21237.8</td>
<td>8.1%</td>
<td>26352.4</td>
<td>8.9%</td>
<td>24.1%</td>
</tr>
<tr>
<td>White</td>
<td>147655.9</td>
<td>56.2%</td>
<td>143908.0</td>
<td>48.6%</td>
<td>(2.5%)</td>
</tr>
<tr>
<td>Total</td>
<td>262506.9</td>
<td>100.0%</td>
<td>296109.3</td>
<td>100.0%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>


The secondary data thus gives a broad indication and description of the population. The information for this study was acquired from the 1996/1997 S.A. Survey, which is compiled specifically for research. The criteria required when assessing the accuracy of the secondary data: namely source, purpose of the publication, and the evidence concerning quality, were met.
8.6 PROCESSING OF EMPIRICAL DATA

Data processing is the conversion of raw data in a data collection instrument into a computer-readable form. Computerized data analysis procedures can then be used to extract the needed information from the data (Kinnear & Taylor, 1987:457-459).

Once the data is captured, a data matrix is formed. This is simply, columns of recorded information. Each column represents a different answer to the questions in the questionnaire. To make the data analysis more simple, a coding system is used. Here, actual codes are given to each response, to make capturing easier. The open-ended questions presented a more complex problem of coding. The responses had to be classified into a few categories. For example, the reasons why respondents did not consume milk appeared to be for approximately one of four reasons: they disliked the taste; milk was thought of as being a child’s drink; milk was perceived as being fattening; and milk was perceived as being expensive.

Excel was used to capture the data and statistical calculations were performed using the computer programme Statistica V.

8.7 MAJOR FINDINGS

The empirical findings of this study are arranged according to the research questionnaire. After a short explanation of the nature of the research, respondents were asked the following questions.

Question 1: Did you buy fresh milk today?
Question 2a: Do you ever buy fresh milk?
Question 2b: If not, why not?
Of the 271 respondents that agreed to be interviewed, only 17 percent had not bought fresh milk on the day of the interview. However, 15 percent of that group, indicated that they usually buy long life milk as an alternative to fresh milk.

Questions 3 and 4 of the questionnaire are linked. These two questions were used to establish whether people preferred a particular brand and if so, why. These questions were phrased as follows:

Question 3: What brand of fresh milk did you buy?
Question 4: Which factors most influence your choice?

Table 8.6 shows that 52 percent of respondents maintained that they purchased a particular brand because it was the cheapest, while 23 percent purchased a particular brand because they preferred its taste. Another reason why respondents purchased a particular brand was due to its perceived longer shelf life. Here, they indicated that it determined the freshness of the product.

Stanley (1996:44-45) writes how the Fluid Milk Processor Promotion Board intended to change perceptions, thereby reversing a thirty year decline in milk consumption. They focused on women between the ages of 25 and 44, and tried to change their perceptions about a drink that most considered as fatty and unfashionable. The message that was used was educational, but not ‘preachy’, about the health benefits (Stanley, 1996:45-46). An advert of similar nature may be ideal in the area of this research study, as findings of this study (on page 74) indicate that 68 percent of respondents already perceived milk as being healthy.
Table 8.6: Brand preference of respondents

<table>
<thead>
<tr>
<th>Brand purchased</th>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No-name brand</td>
<td>Price</td>
<td>52%</td>
</tr>
<tr>
<td>Bonnita</td>
<td>Preferred taste</td>
<td>23%</td>
</tr>
<tr>
<td>*All brands</td>
<td>Freshness</td>
<td>20%</td>
</tr>
<tr>
<td>No-name &amp; Bushy Park</td>
<td>*Other reasons</td>
<td>5%</td>
</tr>
</tbody>
</table>

*All brands were voted on freshness. Respondents all considered the brand they purchased as being the freshest. Brands included were Bushy Park, Bonnita, No-name brand for Pick ‘n Pay, Crystal Valley and Towerkop.

*Other reasons for brand preference included fat content and health. Some respondents considered certain brands as being healthier than others due to their lower fat content.

When monitoring how brand preference differed among different ethnic groups, it was found that all groups favoured the no-name brand, which was the cheapest milk on the shelf. This reinforces the concept that milk purchasers are extremely price conscious. The second most popular brand was Bonnita. This brand was favoured by all ethnic groups.

In Geils’s (1981:148) study an interesting point was established with regard to the quality of milk produced. At the time of Geils’s study, milk was still sold in glass bottles where consumers could see a distinct cream line. Dairies started to homogenize their milk, which meant the cream was removed from the top of the milk and dissolved in the milk itself. Geils (1981:148) discusses the attitude change of respondents who thought that they were now receiving an inferior quality product. Geils’s sample of respondents could not detect any distinguishable differences between the two local dairies in the geographic area of study. Many respondents thought
that the two dairies were one company. In Geils’s study brand was not an important factor when purchasing milk.

Question 5, 6 and 7 were included to determine whether children increased the average milk consumption of the household. This information assisted in determining whether the respondents perceived milk as being a children’s drink. The questions were phrased as follows:

Question 5: Are there any children in your household?
Question 6: Does your household DRINK milk?
Question 7: On average how many glasses of milk does your household drink in a week?

Table 8.7 illustrates differences in consumption figures in households with children and those without.

Table 8.7: Household consumption figures

<table>
<thead>
<tr>
<th>Household consumption</th>
<th>Average consumption per household per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households with children</td>
<td>22,09 glasses</td>
</tr>
<tr>
<td>Households without children</td>
<td>14,81 glasses</td>
</tr>
</tbody>
</table>

Table 8.7 indicates that consumption figures in households without children drop by a third. The drop in consumption figures indicates that children are an important segment of milk consumers. Marketers need to assess how to make this segment of consumers continue their consumption patterns into adulthood.

Question 8 determined the reasons why households did not drink milk, and the possible reasons for such behaviour.

Sixteen percent of the respondents claimed that their households did not drink milk. Thus 84 percent of the households consumed milk, even though
every member may not have consumed milk as a beverage. It would therefore not be viable for dairies to change the taste of milk for such a small percentage (16%) of people. Dairies could recommend that these respondents add a flavourant like chocolate, strawberry or vanilla to their milk.

Table 8.8 below indicates the reasons why there is limited milk consumption amongst certain respondents.

Table 8.8: Reasons for limited consumption

<table>
<thead>
<tr>
<th>Reasons for non-consumption of milk</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dislikes taste of milk</td>
<td>60%</td>
</tr>
<tr>
<td>• Considers it as a ‘child’s food’</td>
<td>10%</td>
</tr>
<tr>
<td>• Only uses it to compliment other foods</td>
<td>10%</td>
</tr>
<tr>
<td>• Has milk allergies</td>
<td>10%</td>
</tr>
<tr>
<td>• Other reasons</td>
<td>10%</td>
</tr>
</tbody>
</table>

The above findings correlate with those of Pollack (1996:54) who found that milk is perceived as fattening and unhealthy, as an old fashioned drink, as being only for children, and being only a good accompaniment to other foods.

Research by Geils (1981:151) however, showed another variable that was not mentioned by the respondents in this study, namely price. Although price did not feature as a reason for the non-consumption of milk, it is significant that 50 percent of respondents in this study said that they purchased the cheapest brand of milk. Price has therefore been found to indirectly influence the consumption of milk.

Question 9: “What does your household mainly use milk for?”
Question 9 helped to establish the uses of milk. This information may be useful when determining an advertising theme.

The importance of establishing consumers’ consumption habits is illustrated in a marketing programme by Manning. According to Manning (Mergenhagen, 1996:4-7), people only regard milk as a crucial food when they have cereal or biscuits in their mouth. Manning maintains that milk is not the driver, but rather the food that is consumed with milk. It is therefore important to identify the best foods to feature with milk in an advert, and to determine which situations prompt a strong desire for milk.

The primary uses of milk were as follows:
• 97% of respondents used milk for whitening their tea or coffee
• 93% of respondents used milk to compliment other foods
• 90% of respondents used milk when cooking or baking
• 82% of the respondents interviewed consumed milk as a beverage.

Although a high percentage of the respondents in this study consumed milk, more respondents indicated that they used milk for other reasons than consuming it as a beverage.

Findings of this study were the same to those of Geils’s (1981:149) research that indicated that only 25 percent of the white woman respondents consumed milk as a drink in their homes, and that where this occurred, it was mainly drunk by children. Geils indicated that respondents mainly use milk for cooking purposes, as a whitener for tea and coffee, and with cereal or porridge.

The purpose of Question 10 was to determine how people saw milk as a product. Results of this question are a direct attempt to achieve one of the objectives of this study, which is to establish consumer perceptions.
Consumer perceptions may assist marketers in determining an effective marketing strategy, aimed at influencing the attitudes of consumers.

It is noteworthy that:

- 68% of respondents perceived milk as being healthy
- 21% of respondents enjoyed the taste of milk
- 2% of respondents regarded milk as something for children
- 19% of respondents regarded milk as fattening.

While 68 percent of the respondents perceived milk as healthy only 21 percent of the respondents enjoyed the taste of milk. This may be an important factor why people are not consuming more milk as a beverage. This relatively low percentage who enjoyed the taste of milk, corresponds to the conclusion of Geils (1981:72) that people who appreciate food for taste and flavour are likely to drink more milk than those who appreciate food for its value or nourishment. The nourishing qualities were not motivating factors for milk consumption among adults.

It, however, has to be borne in mind that this study involved a very high percentage of milk consumers, who tend to project a more favourable perception of milk than non-consumers.

8.8 LIMITATIONS OF THE STUDY

Research projects have limitations that need to be clearly communicated. The purpose of this is to enable the reader to judge the validity of the results (Kinnear & Taylor, 1987:578). Since a judgement sample had to be used, it was not possible to generalise conclusions.

The sample used in the study consisted of 74 percent of white respondents. Although a clear result was achieved in identifying this segment's
perceptions, it is important to research other segments before planning any marketing strategy. Other segments may include: research among different age groups, ethnic groups or sexes. Each segment will need a different strategy. An advert directed at a segment could be educational, a reminder, or to build an image or perception.

Respondents were interviewed when the no-name brand of milk was the cheapest milk on the shelf. Researchers need to assess whether consumers purchase other brands when they are on special, as many consumers perceive a no-name brand to be the cheapest even though it may not be. Although this result was consistent with Geils’s (1981:144-154) findings, consumer perceptions on price may need to be checked.

The majority of questionnaires were completed in Pick ‘n Pay stores that had a no-name brand. Research results therefore indicated a positive attitude towards no-name brands. Shoprite stores, which may attract a lower income group, offered similar results. Although Shoprite did not have a no-name brand at the time of the study, the cheapest brand was still purchased. The limitations in this study may occur with consumers who purchased from smaller cafés and Spars not included. Consumers who purchase from a café or a Spar may not be as price conscious, and may opt for a preferred brand.

The research study involved interviewing respondents who mostly had a favourable perception of milk. The perceptions of more non-consumers should have been included, although the strategy in the background of this study is to increase consumption by the milk drinkers.

This study is further limited by the fact that a total household consumption figure is asked for. The study fails to indicate who is consuming the milk, and how many glasses each member of the household is consuming. The study does however show an increase in consumption, where there are children in the household.
8.9 SUMMARY

Chapter 8 reflected on the major empirical findings of the study. The majority of respondents interviewed were white females. 84 percent of these respondents purchased fresh milk, whilst a further 15 percent of the respondents purchased long life milk. 52.3 percent of the respondents purchased the cheapest milk available. The conclusion here is that dairy companies need to strategically price their milk if they want to be competitive. The brand of milk was not important here. Households, with children, seemed to consume more milk. Children may be regarded as the segment that consumes the most milk. This may lead to an incorrect perception that milk is for children. Another reason why non-milk drinkers did not consume milk was that most disliked the taste.

Most milk consumption was for the whitening tea or coffee, and then followed its use as a compliment for other foods, such as cereals. Most respondents interviewed had a positive perception of milk. 68 percent of respondents perceived milk as being healthy and 21 percent of respondents perceived milk as an enjoyable tasting beverage.
CHAPTER 9
SUMMARY, CONCLUSION AND RECOMMENDATIONS

9.1 INTRODUCTION

This final chapter summarizes the most important conclusions that can be arrived at, and recommendations made, from the consideration of the variables of the marketing mix. The summary is a condensed statement of important factors in the report. The summary provides the decision maker with the research findings that have the most impact on the decisions to be made (Kinnear & Taylor, 1987:578). The conclusions and recommendations of the empirical study are also included.

9.2 SUMMARY AND CONCLUSIONS

An evaluation of the milk industry in Port Elizabeth reflected a decreasing trend in milk consumption. A similar consumption trend has caused concern in the United States of America as more consumers are using alternative beverages to milk. A concern in this regard is that the dairy industry is apparently doing little to increase awareness of the benefits of milk, or to create a favourable image of milk.

As illustrated in the research study, it is important to segment the market. Each segment requires different advertising mediums. No company as yet, has successfully marketed milk and the expense is too great for one company to successfully advertise the product and educate the consumer. The white population consumes 60 percent of milk sold in Port Elizabeth, which indicates that the majority of the market, consisting of other ethnic groups, is not consuming milk.

The increasing competitiveness in the milk industry, including the no-name brand milk, is forcing dairy companies to sell their milk at very low profit margins. Some dairies could consider concentrating their marketing efforts
on higher profit products like yoghurt. Although such a strategy will not increase the consumption of milk, it may at least contribute to higher company profits.

Packaging, as one of the marketing mix elements, poses a slight problem to dairies. The cheapest way of packaging milk is in the form of sachets. However, the high percentage of breakages has forced producers to look for alternative methods of packaging.

Promotion is that mix element that is necessary for the survival of the milk industry. The lack of promotion is regarded as one of the major reasons for the poor consumption among black consumers, who are the majority in the Port Elizabeth population.

Price in the milk industry is used as a competitive weapon. As proven in the research findings of this study and by Geils in his research, the cheapest milk on the shelf sells. Prices, however, vary from week to week, depending on the quantities of milk in the market. These pricing techniques do confuse purchasers about what they perceive the price of milk should be.

The empirical findings of this study, has involved interviewing respondents in retail stores. 84 percent of respondents had purchased fresh milk. Price was an important factor to consumers. 52.3 percent of respondents purchased the cheapest milk on the shelf. Results of the study indicated that most respondents used milk for the whitening of tea or coffee. The general perception these people had about milk was that it was very healthy and was an enjoyable tasting beverage.

9.3 **RECOMMENDATIONS**

In this section the most practical recommendations derived from the investigation are provided.
• The observation that milk as a beverage seems to be in the decline phase of the product life cycle, poses challenges to all in the value chain. Dairy companies could contribute to sustaining the life cycle of milk, or even to revitalizing it by, inter alia increasing the awareness of the benefits of milk, promoting its use to all members in the household. Improving their marketing efforts could start by developing carefully designed marketing plans.

In following the suggestions by Kotler (1997:102-103) and Aaker (1992:4-8) a well-designed marketing plan should be team-developed, aimed at being customer as well as competitor orientated. In other words, the team needs to consider their customers needs but also should be aware of their competitor's activities.

A proper marketing plan should also include the determination of product scope, the intensity of the business investment and the skills that need to be employed. This assists management in being more proactive and focused.

Another important element of the marketing plan is the analysis of the opportunities and threats facing dairy companies in marketing milk, paying particular attention to competitive actions from producers of substitute products as well as those of direct competitors.

The various financial and marketing objectives also need to be addressed. Action plans and programmes need to be implemented with controls in place to monitor progress.

Based on the major findings of this study, dairy companies operating in Port Elizabeth could be advised to pay particular attention to the following in the marketing plans:
• The product life cycle of milk is in the decline phase. In order to increase milk consumption, the market leaders in the milk industry need to consider a marketing plan.

• The Port Elizabeth market consists of various demographic factors. It is important to use different advertising mediums for each segment, as each group has different living conditions, education levels and cultures.

• The decline in milk consumption could be due to the lack of advertising and education about milk. Promotion is needed to educate and inform the different segments of consumers.

• A campaign needs to be launched, that should involve an extensive educational programme aimed at the lower income groups. A simple, fun-filled message, which is easily recalled, could also increase awareness among other segments of the population, whilst simultaneously educating the lower income groups. The onus lies on all dairy companies to make use of combined advertising to promote their generic product, milk.

• Providing the freshest milk on the shelf is becoming a strong selling point. It is important that the date is clearly printed on the milk packaging. It is therefore important that the milk is available on the shelves as quickly as possible after packaging, so as to ensure the longest shelf life possible.

• A distribution channel strategy should reflect the marketing objectives of the company. The character of the product, sales service and quality are considerations when deciding on a distribution network. A dairy company may need to acquire an intensive distribution system that ensures the availability of the product in every suburb. It is therefore
recommended that milk is made accessible to consumers in every consumer outlet.

- Increased competition and customer expectations in the dairy industry should in turn force companies to perfect each of the elements of the marketing mix in order to gain a competitive edge.

- It is important for milk marketers to start analyzing the trend that would indicate that consumers are becoming more health conscious. It is recommended that dairies start including the nutritional value on all packaging.

- The empirical study showed that milk consumers had a good perception of the product. Perceptions of the non-consumers, however, need to be changed. These respondents did not enjoy the taste of milk. It is recommended that marketers should convey a message, that different flavourants can be added to milk, so that one can still benefit from drinking a glass of milk.

9.4 FURTHER RESEARCH

This research had an exploratory nature. All the preset objectives have been achieved. More detailed research and analysis is, however, required before making final marketing-related decisions. Further research in terms of the following are suggested:

- the research could be extended to involve a larger number of consumers with an equal distribution amongst all the ethnic groups;
• research could also focus on the non-users of milk to determine their reasons for not using milk and to identify possible ways in which to encourage their consumption of milk;
• research into the marketing plans and strategies of individual dairy companies to determine any strengths, opportunities, weaknesses and threats that could be addressed.

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REFERENCES


ANNEXURE A

QUESTIONNAIRE – CONSUMPTION OF FRESH MILK

Interviewer .................................. Location ..................................
Store ..................................................

Male/Female  Asian/Black/Coloured/White
1 / 2  1 / 2 / 3 / 4

Respondents to be interviewed while waiting in check-out queue without checking their trolleys.

1  Did you buy fresh milk today?  Yes  No
   If answer is yes, go to question 3. If answer is no, go to question 2.

   2a  Do you ever buy fresh milk?  Yes  No
   2b  If not, why not?

   ………………………………………………………………………………………………………

3  What brand of fresh milk do/did you buy?
   Bonnita/Bushy Park/Towerkop/No name/Other

   1 / 2 / 3 / 4 / 5

4  Which factors most influence your choice of the brand you buy/bought?

   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………

5  Are there any children in your household?  Yes  No

6  Does your household DRINK milk?  Yes  No
   If the answer is yes, go to question 7. If the answer is no, go to question 8.

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7 On average, how many glasses of milk do your household drink in a week?  
……………………glasses

8 Why does your household **not** drink milk?

9 What does your household mainly use milk for?

   To complement other food, eg. cereal          ............
   As a beverage                                 ............
   To whiten tea/coffee                          ............
   For cooking/baking                            ............
   Other                                        ............

10 What is your perception of milk? (What do you think of milk?)

   ........................................................................................................

**THANK YOU FOR YOUR TIME**