

**AN ASSESSMENT OF BRAND DIFFERENTIATION AS A VIABLE STRATEGY IN THE  
COMMODITISED WESTERN CAPE FRESH MILK MARKET**

by

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## **ABSTRACT**

Companies in commoditised marketplaces such as the fresh milk market in the Western Cape are seeking ways to improve sales and increase their market shares relative to the competition. This study explored differentiation as a viable competitive strategy in the Western Cape fresh milk market to increase market share and drive brand preference. Using telephonic interviews to administer a structured questionnaire to a randomly selected sample of 300 respondents, the study undertook to identify Western Cape milk consumers' procurement behaviour, the attributes that consumers look for when selecting fresh milk and their selection criteria when choosing between fresh milk brands.

The study found that nine attributes influenced the consumer's choice of fresh milk brand, with price, consistency of taste, consistency of colour and expiry date being the most important. Brand attributes such as the company image, environmental concerns, company location, animal welfare and packaging played a less prominent role, but were also considered by consumers when selecting a brand of fresh milk. The study concluded that while price was the overriding decision-making variable, a differentiation strategy based on the nine identified attributes, or a subset thereof, will influence consumer procurement behaviour and potentially sway consumer preference. The study contributes to the existing body of knowledge on differentiation as a competitive strategy and specifically applies it to the Western Cape fresh milk market.

**Keywords:**

Retail; commoditised markets; competitive strategy; differentiation; consumer behaviour;

## DECLARATION

*I declare that the work I am submitting for assessment contains no section copied in whole or in part from any other source unless explicitly identified in quotation marks and with detailed, complete and accurate referencing.*

.....  ..... (Signature)

## DEDICATION

I would like to dedicate this dissertation to those people in my life without whom I would not have gotten to this point.

My first thank you must go to my long-suffering supervisor, Mike du Toit. Mike has encouraged and mentored me through what must be the longest student-supervisor relationship in history. Mike, thanks for your good humour and guidance (and a good klap when I needed it) – completing this Master's is of huge significance to me and without you I never would have.

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## Chapter 1

### 1.1 Introduction

The South African dairy industry, previously regulated through the Marketing Acts of 1937 and 1968, underwent gradual deregulation between the 1970s and late 1990s, with the promulgation of the new Marketing of Agricultural Products Act of 1996 signalling the complete deregulation of the industry (National Agricultural Marketing Council, 2001; du Toit and Ortmann, 2009; du Toit, Ortmann and Ramroop, 2010). Over two decades later, the milk industry remains largely commoditised – with sales-triggers being heavily weighted towards issues affecting the physical product (such as price and shelf life) as opposed to the intangible brand (Loubser, 2014). Against this background, the study explored the viability of a differentiation strategy within the setting of this unique commoditised market.

As previously mentioned, the dairy industry underwent systematic deregulation between the 1970s and late 1990s. Under the Marketing Act of 1937, in addition to the Dairy Board having the sole right to sell milk in South Africa, both retail and producer milk prices were fixed by the Minister of Agriculture (Department of Agriculture, Forestry and Fisheries, 2013). While retail price controls on milk were abolished in 1983 as part of the industry-wide deregulation, producer prices remained fixed for over a decade – leading to a growing discrepancy between retail and producer milk prices. This discrepancy provided the impetus for the alleviation of producer price controls in 1996 (with the Marketing of Agricultural Products Act No 47) (Department of Agriculture, Forestry and Fisheries, 2013).

The deregulation of the industry (and, more specifically, the lack of producer and retailer price controls), meant that milk producers were theoretically able to negotiate more favourable milk prices with retail buyers. However, the oligopolistic structure of the industry, characterised by a number of small producers relative to a few large buyers, left milk producers in a weakened bargaining position relative to the retailers. In an attempt to bolster their bargaining position, dairy producers tried to create a basis for premium pricing by

employing a number of tactics including, but not limited to: above-the-line (in this case television, radio and print) and below-the-line (leaflet and voucher) advertising campaigns, and in-store promotions such as tastings and giveaways (du Toit and Ortmann, 2009). These interventions, which were not based on substantive points of difference, essentially amounted to price promotions of a commoditised product within a commoditised market. While these tactics saw the given products gaining short-term market share during the period of the promotion, these gains were lost once the promotion was no longer active, with market share reverting once again to the cheapest brand (Fair Cape Strategic Review, 2018). Consequently, the dairy market remains, on the whole, commoditised.

Parallel to this, the price of raw milk (paid to the dairy farmers (producers) by the milk processors) has increased by 12.9% in 2014 since 2013, and by 22% since 2012 – a trend not mirrored by other agricultural products (Loubser, 2014). These rising production costs are, in turn, negatively impacting the profitability of milk processors, providing the impetus for them to undertake interventions to counter this downward trend in profitability. Players in the dairy industry thus find themselves in a context where the increase in cost of raw material (milk), coupled with a largely commoditised market (with an emphasis on price and shelf life rather than on particular products or brands), places their profit margins under ever increasing pressure. While products and brands are often indistinguishable from each other in consumers' minds, dairy processors must find a way to differentiate their product to increase market share or justify a price premium.

Considering these competitive conditions, the commoditised dairy industry provides a unique setting in which to consider the viability of a differentiation strategy as a strategic option. Within the context of the dairy industry, a successful differentiation strategy would enable milk processors to both differentiate their products and ultimately allow them to charge a price premium.

While various brands have attempted to differentiate themselves on factors such as price, shelf life and brand, there is no clear research examining whether differentiation works within the setting of the commoditised milk industry (Loubser, 2014). The primary objective

of this study is therefore to examine the viability of a differentiation strategy by firstly identifying the purchaser criteria that consumers apply when purchasing milk and then correlating that with the brands which they purchase most often. For example, the study identified how consumers consider animal welfare, shelf life, price, refraining from using growth hormones etc. when selecting a brand of fresh milk.

Michael Porter's seminal work was used as a context to examine differentiation as a viable strategic option available to marketers in the fresh milk industry. Porter, regarded by many as the father of strategic marketing, identified multiple competitive strategies in 1980 and in his seminal work entitled "Competitive Strategy". Porter regarded differentiation as one of the three most important competitive strategies, alongside cost leadership and focus strategies. When implementing a differentiation strategy, a firm seeks to offer its consumers a product or service which differs from its competitors in one or two key attributes, perceived to be important by the buyers. In this chapter, a brief introduction to the milk industry is presented followed by a preliminary literature review to establish a context for a differentiation strategy. Finally, the research methodology used to explore the viability of a differentiation strategy in the commoditised Western Cape milk market is discussed.

## **1.2 Industry Background**

According to Maree (2007), the dairy industry has transformed substantially since its deregulation in 1988; specifically, the industry went from a highly controlled, single-channel market to an open market system (Cronje et al., 1999).

Prior to the open market system, the Dairy Board was the only body allowed to sell milk – and the price paid to producers (the farmers) was fixed. With no potential for farmers to realise a premium for their milk, an outcome of this regulated system was the lack of incentive on the part of farmers to add value to the milk in any form (Vink and Kirsten, 2002).

The alleviation of price controls and the greater deregulation of the industry resulted in easier entry into the industry – and, therefore, more competitors entering the market, while at the same time, the oligopolistic nature of the industry (with many small producers

competing for a few large buyers) weakened producers' negotiating positions (Loubser, 2014).

More recently, the dairy industry is a critical component of the South African economy with over 4 000 milk farmers employing 60 000 farm workers and providing 40 000 people with indirect jobs within the value chain (Dept. of Agriculture White Paper on Dairy, 2013).

The fresh milk market in the Western Cape is a dynamic environment with four main producers (Clover, Fair Cape, Darling and Sonnendal Dairies) competing against a number of local dairies across five major distribution channels (Checkers, Shoprite, Pick 'n Pay, Spar and Usave). There are also a number of minor distribution channels which include OK Foods, 711, Fruit and Veg City, independent store owners and various wholesalers. (Loubser, 2013). The size of the industry, the volume of fresh milk in 2016 for the Western Cape alone was over 96 million litres (BMI Foodpack, 2016). The fresh milk market in the Western Cape is discussed in more detail in Chapter two.

### **1.3 Literature Review**

As previously mentioned, the Western Cape dairy market is largely commoditised, with, if one imagines a continuum of degrees of differentiation, commoditisation at the opposite end of the spectrum to differentiation (Cucchiara, 2013; Delener, Luxman, Rodrigues Rivera, 2013). Within the milk industry, this is characterised by a number of homogenous milk products that are, at least to a large degree, indistinguishable from each other in consumers' minds (Loubser, 2014).

Rackham and De Vincentis (1999) state that a commoditised product is of a similar (actual or perceived) quality relative to competing products. In such an instance, the customer's purchase decision is based not on unique attributes, but rather is solely a function of price. Furthermore, with respect to differentiating a commoditised product, Matthyssens and Vandembemt (2008) argue that commoditisation erodes the organisation's potential for competitive differentiation. The consequence of this erosion is a deterioration in

the company's financial position (and ultimately a profit squeeze) (Matthyssens and Vandenbempt, 2008). Schrage's (2007) view aligns with those of Matthyssens and Vandenbempt and notes that, with few exceptions, commoditisation is one of the primary challenges in business markets. The Western Cape fresh milk market is a prime example of how this commoditisation can adversely affect producers. Specifically, as different brands are not salient in consumers' minds and products are indistinguishable from one another, consumers' purchase decisions are largely a function of price, availability on the day and shelf life. This has resulted in what Loubser calls "a race to the bottom" from a price perspective, with producers discounting their products to gain market share (Loubser, 2014).

Product differentiation is one strategy available to milk producers to differentiate their product from the products of competitors. More specifically, differentiation as a marketing concept is regarded as one of the fundamentals of marketing (Drotskie and Herbst, 2010; Kotler and Keller, 2013) and is defined as a strategy of distinguishing a company's offering from competitive offerings through the promotion of a physical or nonphysical characteristic of the offering that is perceived to be unique by the consumer (Porter, 1980; Dickson and Ginter, 1987). Broniarczyk and Gershoff (2003) distinguish between primary and secondary elements of differentiation. Primary elements conventionally include specific product features such as the actual product or packaging, while secondary elements include symbolic or emotional brand attributes.

In terms of the mechanics of differentiation, the literature emphasizes: (i) ensuring that your product is perceived as "different" to its competitors (Slavens, 2006; Broniarczyk and Gershoff 2003), (ii), building brand personality (Jones, 2005; Harrison-Walker, 2012), and (iii), product pricing (Hosford, 2006). Slavens (2006), argues that differentiation must focus on how the product in question can best assist the customer.

A number of studies consider the benefits associated with a successful product differentiation strategy presented in Table 1.1 and discussed in more detail in Chapter 3. In terms of price, Steenkamp, van Heerde and Geyskens (2010) and Van Heerde, Gijsenberg, Dekimpe and Steenkamp (2013) both argue that product differentiation allows the supplier to

charge a price higher than normal perfect competition would allow. Kotler and Keller (2013) argue that product differentiation facilitates consumers' strongly associating the brand with positive attributes or benefits (that are believed to be unique to the particular product). Furthermore, the authors note that creating this association is essential for competitive brand positioning, ultimately manifesting in the producer's ability to charge a higher price relative to competing products. Lamb, Terblanche, Boshoff, McDaniel and Hair (2008), in their discussion of Porter's (1980) five forces model, argue that effective differentiation can diminish direct competition and deter prospective competition from entering the market. Strategists, tasked with improving metrics linked to brand awareness, brand recall and brand loyalty have long held the view that differentiating a brand (from other available brands) assists consumers in remembering the brand and, ultimately, entices them to buy the product (Aaker, 1996).

Table 1.1: Benefits of Differentiation

Creates Value	Differentiation creates perceived value among consumers
Non-Price Competition	This perceived value allows businesses to position their brands in areas other than price leadership
Brand Loyalty	A successful differentiation strategy creates brand loyalty among consumers
No Perceived Substitute	A product differentiation strategy may create the perception that there's no direct substitute available on the market
Product Premiums	A successful differentiation strategy can create perceived value which will allow for a price premium to be charged for the product

Improve brand recall and awareness	A successful differentiation strategy can assist in improving brand recall and awareness due to the consumers' affinity to the point of difference of the brand
Assist in delivering improved turnover	By increasing the demand for the product, a successful differentiation strategy can play a key role in delivering improved turnover for a company employing it
Deter direct competition	A successful differentiation strategy can deter direct competition by ensuring that a brand offering differs from its competitors and is therefore not directly comparable
Barrier to entry	A successful differentiation strategy can deter new entrants from attempting to enter the market

Source: Adapted from Lamb et al. (2008)

There is a question in the literature as to whether differentiation translates into tangible benefits (Romaniuk, 2012; Romaniuk et al., 2007). Greeff and Mfuni (2010) are doubtful as to whether a brand can successfully achieve differentiation given the environment prevailing in a competitive market where products can easily be copied, and the scope for a sustainable differentiated offering is limited. In addition, Ulaga and Eggert (2006) note that due to increased competition, conventional differentiating factors (like product and price) are less effective today relative to their effectiveness in the past. Criticisms against the differentiation strategy are even more prominent in commoditised industries such as the milk industry where the products are largely homogenous (Matthyssens and Vandenbempt, 2008). Specifically, these authors argue that in a commoditised setting where products are homogeneous, different brands are often not salient in consumers' minds and products are often indistinguishable from one another. Within the context of the commoditised milk market, this manifests as consumers' purchase decisions being largely a function of price,

availability on the day and shelf life (Loubser, 2014). Some of the challenges to a differentiation strategy are listed in Table 1.2 and discussed in more detail in Chapter 3.

Table 1.2: Challenges of Differentiation

Specialisation can lead to missed opportunities	Differentiation implies being specialised. An organisation may, therefore, not be able to take advantage of opportunities which do not align with its specialisation
Differences may not be meaningful	It is not enough simply to be different. If the difference is not meaningful to the consumer, it will not lead to a successful differentiation strategy
Difference may be difficult to explain to consumers	If difference is not easily explainable to consumers, it will not lead to a successful differentiation strategy
Compatibility with existing values and practices	If the differentiation is not compatible with the current values and practices of the consumer, it will inhibit the consumer from using the differentiated product

Source: Adapted from Lamb et. al (2008)

Lamb et. al (2008), articulated various challenges as relates to differentiation. These are summarised in the table above.

The fresh milk industry is largely commoditised, characterised by a number of relative indistinguishable products and with sales-triggers being heavily weighted toward price and shelf life (issues affecting the physical product as opposed to the intangible brand). Parallel to this, rising production costs are negatively affecting profit margins within the industry – leading to the primary objective of this study to assess the viability of a differentiation strategy in the commoditised fresh milk industry.

## **1.4 Objectives**

### **1.4.1 Primary objective**

The competitive nature of the fresh milk industry in the Western Cape as presented above, delineated the primary objective of the study which was to explore the viability of a differentiation strategy within the context of the Western Cape fresh milk market.

### **1.4.2 Secondary objective**

The secondary objectives of the study included:

- identifying the purchase criteria that consumers apply when purchasing milk
- ranking the purchasing criteria according to consumers' weighting of price, shelf life, animal welfare and health, and environmental attributes when buying milk.

As there is no clear research that differentiation works within the setting of the milk industry, this study contributes to the existing literature by providing insight into the viability of a brand differentiation strategy within a commoditised market where the incumbent marketing strategy is one of cost leadership based on price discounting. Not only are the results of this study generalisable to all players within the dairy industry but will further allow marketers in other commoditised market segments to better evaluate their choice of marketing strategies.

## **1.5 Methodology**

### **1.5.1 Data collection**

Both primary and secondary research was conducted to meet the primary and secondary objectives of this study. Secondary research was conducted in the form of a comprehensive literature study to identify any previous research conducted in this field. The literature study also served to establish a background to the fresh milk industry as well as differentiation as a competitive strategy.

Primary research is understood to be research that is conducted by the current researcher and is completed in order to collect data to solve a specific problem or opportunity (Malhotra, 2012). Primary research was conducted to examine the viability of a differentiation strategy within the Western Cape fresh milk market.

The primary research took the form of telephonic interviews. The researchers conducted 300 telephonic surveys aimed at understanding consumers' procurement behaviour and motivations. Primary research methodology is discussed in more detail in Chapter 4.

Respondent fatigue occurs when respondents become tired by the survey task and the quality of the collected data deteriorates (Ben-Nun, 2008). To avoid this bias, survey questionnaires were well structured and not excessive in length. In this context, telephonic research allowed the researchers to administer the questionnaires in an interpersonal manner over the telephone.

The surveys interrogated consumers around the factors they consider to be important when buying milk. In particular, consumers were asked to rank a number of factors (for example, price, shelf life, animal welfare, use of organic ingredients, carbon footprint etc.). Furthermore, participants were asked about their milk procurement and consumption behaviours as well as their beliefs about the brand of milk that they buy most often.

As such, administering the surveys allowed for an evaluation of the viability of a differentiation strategy in terms of:

(i) The extent to which brand factors (such as carbon and water footprint, animal welfare, use of genetically modified organisms, growth hormones and antibiotics) as opposed to product factors (price and shelf life) influence consumers to choose one brand over another.

(ii) The importance of these brand factors as compared to price and shelf-life factors.

Ultimately, (i) and (ii) allowed for an analysis of whether the differentiation strategy is a viable strategy in the Western Cape fresh milk market.

## **1.6 Data Sources**

The data sources include primary data collected from the telephonic surveys. The sample size was 300 individuals.

## **1.7 Sampling Techniques**

Due to the costs and difficulties involved in surveying the entire research population, researchers make use of sampling techniques to identify a smaller group of respondents who are representative of the population in terms of the required characteristics. The smaller group is known as a sample (Cant, 2010). Sampling techniques are divided into two categories: probability sampling techniques and non-probability sampling techniques. Probability sampling techniques are techniques in which every member of the research population has a statistically equal chance of being chosen to be part of the sample. A list called a 'sample frame' is used in probability techniques from which a sample is drawn. Probability techniques include simple, random sampling, systematic sampling, and cluster sampling (Cant, 2010).

Non-probability sampling techniques involve techniques such as convenience sampling, snowball sampling and quota sampling, where no sample frame is used, and the members of the sample do not statistically represent the population. Non-probability sampling methods are cheaper and more convenient if no sample frame of the research population exists.

For the purposes of this study, the telephonic surveys were conducted using a systematic sampling methodology, using the Western Cape telephone directory as the sample frame.

## **1.8 Data analysis**

As much of the data collected from the telephonic surveys was categorical or ordinal the researchers used a mix of descriptive statistics and non-parametric tests to determine if there is a significant relationship between variables.

In order to improve the external validity of the research findings, regression analysis was used to further investigate the relationships between variables. Analysis of the findings of this study are presented in Chapter Five.

## **1.9 Chapter Outline**

The study is presented according to the following chapter outline.

### **Chapter 1**

Chapter 1 serves as an introduction and overview of the study. Chapter 1 delineates the context of the study by introducing the Western Cape fresh milk market and outlines the research methodology employed.

### **Chapter 2: Industry background**

Chapter 2 describes the Western Cape fresh milk market and situates it within the context of the dairy industry in South Africa as a whole.

### **Chapter 3: Differentiation**

Chapter 3 presents a comprehensive literature review of competitive strategy, zooming in on Porter's seminal model and specifically differentiation as the focal point of the study.

### **Chapter 4: Research methodology**

Chapter 4 describes the research methodology employed in this study to explore the viability of differentiation as a competitive strategy in the Western Cape fresh milk market. The research instrument design and statistical analysis procedures are explained.

### **Chapter 5: Findings**

Chapter 5 presents the findings of the primary research conducted using descriptive narrative, tables and graphs.

## **Chapter 6: Conclusions and recommendations**

The final chapter of the study links the research findings to the literature study and draws conclusions relative to the objectives of the study. Chapter 6 also makes recommendations for the Western Cape fresh milk market and identifies opportunities for further study.

## **Chapter 2: Industry Background**

### **Introduction**

The first chapter introduced the dairy industry as a whole in South Africa and narrowed the focus of the study to the Western Cape fresh milk industry. The objectives of the study alluded to a lack of understanding within the industry role players about the use of a differentiation strategy to enhance competitive positions. This chapter presents a historical perspective of the Western Cape fresh milk industry and outlines the competitive nature of the current marketplace in order to provide an industry context for the study. The Western Cape fresh milk industry was the subject of the study as the data available for the industry and the access to key players within this industry were significantly better than for other product categories and for dairy industries in other provinces in South Africa.

The South African dairy industry has progressed through varying levels of state regulation and control, so this chapter begins with a discussion about the legislation and research that led to the deregulation of the industry.

### **2.1 Deregulation of the South African Dairy Industry**

A discussion of the development of the Western Cape dairy industry logically begins with a more general review of the deregulation of the South African dairy industry as a whole. Subsection 2.1.1 outlines the role of the Dairy Board in the gradual evolution of statutory regulation within the industry from complete state control to complete deregulation. Thereafter, subsection 2.1.2 focuses on the Kassier Report, an important piece of research that was integral to shaping the discussion around statutory regulation within the industry.

#### **2.1.1 Dairy Board and the evolution of statutory regulation**

The Marketing Act (Act 27 of 1937) was the foundation upon which statutory intervention in the marketing of agricultural products in South Africa was built (Vink and Kirsten, 2002). Under the Marketing Act, the Dairy Board had the sole rights to sell milk and

the price paid to producers (the farmers) was fixed by the Minister of Agriculture. The aims of the act were to ensure efficient production, income stabilisation for producers, fair and equal access to as many producers as possible and the promotion of demand and consumption of dairy (Vink and Kirsten, 2002; Department of Agriculture, Forestry and Fisheries, 2013). Since the act provided no potential for farmers to realise a premium price for their milk, an outcome of this regulated system was the lack of incentive on the part of farmers to add value to the milk in any form (Vink and Kirsten, 2002).

The regulatory intervention introduced by the Marketing Act was, however, gradually reduced over time. Figure 2.1 illustrates a timeline from 1985 until 2005 that outlines the most important events in the deregulation of the dairy industry:

Figure 2.1: Important Dates in the Deregulation of The South African Dairy Industry



Source: Adapted from Cronje et al. (1999)

As illustrated in Figure 2.1, retail price controls on fresh milk were abolished prior to 1985 (followed by similar price abolitions for butter and cheese in 1985) (Department of Agriculture, Forestry and Fisheries, 2013). This was followed by a gradual lessening of

regulatory price controls in late 1987 when fixed pricing was done away with in favour of minimum purchase prices. In 1988, the Dairy Board introduced a *uniform marketing system* for milk with the objective of “improving the productivity of the farming industry and the efficiency of the allied marketing and processing industries for the mutual benefit of producers and consumers” (GATT International Dairy Arrangement, 1990: 1). The uniform marketing system reduced the control statutory measures to a minimum.

Figure 2.1 further indicates that the Dairy Board ceased activities in 1993 and was replaced by the Milk Board and Milk Producers Organisation (MPO) in 1994. While the mandate of the Dairy Board extended to both primary (dairy farmers) and secondary dairy industries, the Milk Board only represented primary milk producers. The new Marketing of Agricultural Products Act (47 of 1996) signalled complete deregulation of the industry: “producers can now produce milk...and sell to milk buyers of their choice at a mutually agreed price” (Department of Agriculture, Forestry and Fisheries White Paper on Dairy, 2000: 1). In the aftermath of deregulation (signalled by the new Marketing Act), the Milk Board, Milk Producers Organisation (MPO), as well as representatives from several other organisations, merged into the South African Milk Federation (SAMFED) – a federation of organisations acting as a discussion forum and mouthpiece for the South African dairy industry (Department of Agriculture, Forestry and Fisheries White Paper on Dairy, 2013).

According to Maree (2007), the dairy industry today has transformed substantially since its deregulation in the 1990s. Specifically, the industry went from a highly controlled, single-channel market to an open market system (Cronje et al., 1999). In 2017, the dairy industry represented a critical component of the South African economy with over 4 000 milk farmers employing 60 000 farm workers and providing 40 000 people with indirect jobs within the value chain (Department of Agriculture, Forestry and Fisheries, White Paper on Dairy 2013). In 1992, a research report by Professor Kassier from Stellenbosch University was integral to the decision to deregulate the dairy industry and set in motion the deregulation movement. The aptly named Kassier Report (indicated in Figure 2.1) is discussed next.

### **2.1.2 The Kassier Report**

In 1992, Professor Kassier, an agricultural economics professor at Stellenbosch University, was appointed to chair a committee tasked with reviewing the Marketing Act of 1937 (Kassier, 1992). The findings of the Kassier Report (1992), were integral in the decision to deregulate the dairy industry.

The Kassier Report examined the successes and failures of the marketing act. According to the report, during the 1980s, the farming industry was progressively more exposed to market forces such as: "market related interest and exchange rates resulting from financial market liberalisation in the early 1980's; the decline in real producer prices of commodities such as maize and wheat; an extensive deregulation of controlled marketing; a shift away from settlement schemes to farmer support programmes in the homelands; the (imminent) introduction of certain elements of labour legislation to agriculture; and the scrapping of the Land Acts in 1991" (Kassier, 1992: 22).

The Committee of Inquiry ultimately decided, based on the Kassier Report, that the aims of the act, which included efficient production, income stabilisation for producers, fair and equal access to as many producers as possible and the promotion of demand and consumption, had not been achieved.

The committee recommended "a more dynamic consumer orientated approach, based on the principle of comparative advantage" (Kassier, 1992: 5). In effect, this recommendation by Professor Kassier meant that the commission endorsed an open market, driven by the market forces of demand and supply.

This recommendation became the foundation for the transformation of the dairy industry into one where producers were free to sell their dairy products to whomever they pleased and at prices dictated by market forces, and processors were able to create their own fresh milk brands and market them directly to their customers (Maree, 2007). The focus of this study is the fresh milk sector of the dairy industry in the Western Cape. The fresh milk market is, therefore, discussed in more detail.

## 2.2 The Western Cape Fresh Milk Market

As indicated in Chapter one, the focus of this study was the fresh milk market within the Western Cape dairy industry. This study to assess the viability of a brand differentiation strategy in the commoditised fresh milk market was focussed on the fresh milk market in the Western Cape due to the availability of secondary data and the ease of access to key people within this market. Section 2.2.1 begins with a discussion of the main players within the industry as well as their competitive strategies<sup>1</sup>.

### 2.2.1 Dairy suppliers

The fresh milk<sup>2</sup> market in the Western Cape is a dynamic, competitive environment. While there are four main milk *brands* being sold, namely Clover, Fair Cape, Darling and Sonnendal Dairies, these brands compete against a number of local dairies and retail house brands (Shoprite Group Supplier Catalogue, 2016; Pick 'n Pay Supplier Catalogue, 2016; Spar Supplier Catalogue, 2017).

Figure 2.2 illustrates the market shares of the milk suppliers within the Shoprite Checkers Group in the Western Cape for the year 1 October 2014 to 30 September 2015, which is the most recent data that was accessible. The Shoprite Checkers Group is the largest retail chain in the Western Cape and is, therefore, used to demonstrate the market shares of milk suppliers.

Figure 2.2 indicates that Darling Dairies was the market leader in the Shoprite Checkers Group with 65.7% market share, up from 59.4% the previous year. Fair Cape

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<sup>1</sup> A large majority of the content in this section is derived from in-depth interviews with industry “insiders” and individuals working in senior positions across the fresh milk value chain in the Western Cape (producers, processors and retailers). In many cases, the individuals spoke on the condition of anonymity, however references are included where possible.

<sup>2</sup> Fresh milk refers to milk which has been pasteurised (BMI South African Dairy Report, 2016). According to the BMI South African Dairy Report (2016), the pasteurising process involves heating milk to 72.5°C for half an hour, the milk is then rapidly chilled to 4°C. While the heating process sterilises the milk of bacteria, the subsequent rapid chilling prevents the propagation of new bacteria. Pasteurised milk remains fresh for a longer period relative to unpasteurised milk, with the provision that it is refrigerated (BMI South African Dairy Report 2016).

Dairies has a market share of 15.3%, down from 25.2% the previous year and Clover has a market share of 11.4%, down from 13.5% the previous year.

Figure 2.2: Market Shares in the Shoprite Checkers Group

Sr Chk Group W.Cape												
	Volume(L)		Volume(L) Share of Total Fresh Milk		Volume(L) Growth % YA		Value		Value Share of Total Fresh Milk		Value Growth % YA	
	MAT To Sep14	MAT To Sep15	MAT To Sep14	MAT To Sep15	MAT To Sep14	MAT To Sep15	MAT To Sep14	MAT To Sep15	MAT To Sep14	MAT To Sep15	MAT To Sep14	MAT To Sep15
Total Fresh Milk	25,319,134.0	23,788,354.0	100.0	100.0	-3	-6	216,729,120.0	221,097,584.0	100.0	100.0	6.4	2.0
Total Darling Co	15,043,233.0	15,635,207.0	59.4	65.7	-1	3.9	124,260,696.0	139,710,640.0	57.3	63.2	8.4	12.4
Total Fair Cape Co	6,380,779.5	3,650,855.5	25.2	15.3	-4	-43	52,499,480.0	33,011,506.0	24.2	14.9	4.8	-37
Total Clover S A Ltd Co	3,413,311.8	2,713,516.0	13.5	11.4	-15	-21	35,491,580.0	32,234,208.0	16.4	14.6	-3	-9
Total Shoprite Group Co	410,088.9	1,657,407.1	1.6	7.0	146.7	304.2	3,928,733.3	15,052,068.0	1.8	6.8	185.8	283.1
Total Alfalfa Dairy Co	66,680.0	128,985.1	0.3	0.5	-52	90.4	518,696.8	1,058,534.8	0.2	0.5	-47	104.1
Total Tollas Co	5,040.0	3,882.0	0.0	0.0	149.3	-23	29,940.5	22,748.9	0.0	0.0	136.6	-24
Total Karoo Dairy Co	0.0	501.0	0.0	0.0	NA	NA	0.0	7,869.4	0.0	0.0	NA	NA

Source: Synovate Aztec (2015)

The largest fresh milk suppliers (as indicated in Figure 2.2) in Shoprite and Checkers stores in the Western Cape are Darling Dairies (15.6 million litres sold in Shoprite and Checkers for the year ending September 2015), Fair Cape Dairies (3.6 million litres sold in Shoprite and Checkers for the year ending September 2015), and Clover Dairies (2.7 million litres sold in Shoprite and Checkers for the year ending September 2015). Sonnendal Dairies does not sell fresh milk in the Shoprite or Checkers stores, they only sell fresh milk in the Pick 'n Pay stores, so their sales data is not presented.

Each of these competitors (including Sonnendal Dairies) will now be discussed and their competitive strategies inferred.

### Clover Dairies

Clover Dairies is South Africa's largest and oldest dairy company and the only dairy listed on the Johannesburg Stock Exchange. Clover's brand strategy is based upon the inherent trust created in the minds of their consumers due to the length of time that they have been in the market. Rashied Parker, a Head Buyer for the Shoprite Group, noted that

Clover, as a brand, leverage the fact that their current customer base grew up in homes where their mothers bought Clover (Parker, 2014). Clover’s emphasis on the longevity of their brand is confirmed by Brian Daitsch, former Head Dairy Buyer at Pick ‘n Pay. Daitsch (2014) believes that as Clover has been a “staple brand” in the homes of South Africans over many years. This brand legacy positions Clover as a “premium brand” in the mind of its consumers who associate the brand with trust, quality and longevity.

Figure 2.3 illustrates the Clover 2 litre full cream fresh milk bottle which accounts for 28.8% of Clover’s total fresh milk sales in the Western Cape (Synovate Aztec, 2015).

Figure 2.3: Clover Fresh Milk Bottle



Source: [www.clover.co.za](http://www.clover.co.za)

Clover maintains a comprehensive internet presence with a website ([www.clover.co.za](http://www.clover.co.za)) showcasing all of their products and brands, not limited to their dairy offerings. The Clover website lists and displays all current advertising or promotion campaigns as well as recipes that can be made with many of their product lines. Clover also has a social media presence with links to Bizcommunity, Facebook, Twitter and YouTube also offered on the corporate website.

## Fair Cape Dairies

Fair Cape Dairies is a family owned dairy in the Western Cape selling a range of fresh and long-life milk, yoghurt, juice and dairy desserts through major retail chains throughout South Africa. Fair Cape is the only national dairy to have its own farm with its own herd of cows producing all the milk that Fair Cape uses for its fresh milk, as opposed to their competitors who buy milk from a number of farmers and bottle it under their own brands. This allows Fair Cape to ensure the quality of their milk and to also be the only dairy to boast a “single origin milk” claim on their bottles.

Louis Loubser, Marketing Director of Fair Cape Dairies, explained that underpinning Fair Cape’s competitive strategy is the belief that, while consumers perceive all brands to offer similar milk, there are attributes to milk products that extend beyond the milk itself (Loubser, 2014). Fair Cape’s competitive strategy reflects this philosophy in that the Fair Cape brand is based on three defined pillars by which the company differentiates their milk from other brands. These three pillars are: (i) animal welfare, (ii) environmental welfare and, (iii) social welfare. These are discussed in more detail.

In terms of *animal welfare*, Fair Cape engages with their customers around the treatment of their dairy cows. For example, Fair Cape has created a “cow comfort index” which quantifiably measures the comfort of the herd relative to a pre-set target. Fair Cape’s performance in this metric is then communicated to the public as part of the “Fair Cape brand story” on their website [www.faircape.com](http://www.faircape.com) ([www.faircape.com](http://www.faircape.com)). The *environmental welfare* pillar relates to the company’s efforts to minimise any negative environmental impact (for example, recycling water, utilising cow dung as fertiliser, employing renewable energy and decreasing their carbon footprint). These activities are documented on the Fair Cape website and are available at [www.faircape.com](http://www.faircape.com). Highlighting the way Fair Cape utilises these brand pillars to promote the Fair Cape brand, in 2013, Fair Cape became the first dairy in Africa to publish their carbon footprint on their milk bottles. Finally, *social welfare* activities, as part of the final pillar, are undertaken under the banner of “The Fair Cape Cares

Foundation”, a charitable trust that raises funds via various events and activities to distribute to charitable causes ([www.faircape.com](http://www.faircape.com)).

Megan Combrink, the Fair Cape Group Key Accounts Manager, notes that Fair Cape took the decision to visually showcase their marketing strategy by changing the shape of their milk bottle (Combrink, 2015). The milk bottle is illustrated in Figure 2.4. The innovative bottle shape, different to any other milk bottles currently in the milk market, is symbolic of the fact that Fair Cape have chosen a differentiation strategy (Combrink, 2015). During the interview, Combrink (2015) emphasised that “looking different is an important part of being different.”

Figure 2.4: Fair Cape Dairies Milk Bottle



Source: [www.faircape.com](http://www.faircape.com)

Note: The Fair Cape Dairies new milk bottle shape (left) is contrasted against the old bottle shape (right).

Retail buyers Parker (2014) and Daitch (2014) agree that Fair Cape’s brand is a differentiated one. More importantly, highlighting how a differentiation strategy can translate into growth in sales, Parker (2014) explained that not only is Fair Cape’s differentiation

strategy successful with their consumers, but it was one of the reasons that Shoprite Checkers initially listed the brand's milk in their stores.

### **Darling Dairies**

Despite research introduced in the preceding section that Clover dairies enjoys the highest levels of top-of-mind awareness with consumers, Darling Dairies is the market leader in the Shoprite Group in the Western Cape (see Figure 2.2). In the year to September 2015, Darling Dairies' market share of fresh milk in the Shoprite Group in the Western Cape was 65.7%. It is worth noting, however, that during the same period, Clover charged an average of R11,88 per litre of fresh milk, whilst Darling charged an average of R8.94; a difference of 24.7% (Synovate Aztec, 2015). Average Rand per litre prices in the Shoprite Checkers Group are listed in Table 2.1.

Johan Vermeulen, former Head Buyer of the Fruit and Veg City Group explained that Darling Dairies employs a cost leadership strategy (Vermeulen, 2012). By way of evidencing that, as indicated in the data in the Table 2.1, for the year until September 2015, Darling Dairies' average price per litre of milk sold in the Shoprite Checkers Group in the Western Cape, was lower than its two main competitors (Synovate Aztec, 2015). More specifically, between October 2014 and September 2015, Darling Dairies' average price per litre of milk sold through the Shoprite Checkers Group was 12.9% cheaper than Fair Cape Dairies and 25.6% cheaper than Clover. Moreover, industry insiders confirm that Darling Dairies attempts to keep their supply chain costs as low as possible in order to be able to supply milk more cheaply than competing brands while still remaining profitable (Parker, 2014). This is corroborated on the Darling Dairies website ([www.darlingromery.co.za](http://www.darlingromery.co.za)) which states that supplying dairy products at the lowest possible price is one of their three core values (the other two being quality products and good service). It can be concluded that Darling Dairies are implementing a differentiation strategy based on costs.

Table 2.1: Average Rand Per Litre, October 2014-September 2015

Brand	Average R/L
Darling Dairies	8.84
Fair Cape Dairies	10.15
Clover Dairies	11.88

Source: Synovate Aztec (2015)

Note: average prices are calculated for the year to September 2015; Sonnendal does not appear in this table as their milk is not sold in the Shoprite and Checkers stores. Figure 2.5, below illustrates the Darling Dairies fresh milk range including both bottles and sachets (milk in a packet which is the cheapest form of packaging).

Figure 2.5: Darling Dairies Fresh Milk Range



Source: [www.darlingromery.co.za](http://www.darlingromery.co.za)

### Sonnendal Dairies – House Brand Strategy

Sonnendal Dairies is the fourth of the major fresh brands in the Western Cape. Unlike the previous three brands discussed, Sonnendal has opted to rely on the equity of the Pick 'n Pay brand to sell their milk, as opposed to growing their own brand. Sonnendal sells only 10% of their milk in their own brand. 90% of their fresh milk sales is milk packed in Pick 'n Pay branded bottles which are then sold in Pick 'n Pay stores (Daitsch, 2014) (pictured in

Figure 2.6). Sonnendal is, therefore, not a well-known brand in the province despite selling approximately 15% of the milk in the province. Sonnendal currently does not have a website and their Facebook page has only 18 followers, indicating that they are not currently building an online brand presence to change this situation.

Notwithstanding this respectable market share, Sonnendal perceives this lack of brand awareness as a major risk to their brand and have, therefore, begun launching a dairy range under their own brand through the Pick 'n Pay channel as well (Daitsch, 2014).

Figure 2.6: Pick 'n Pay 2 Litre Fresh Milk Packed by Sonnendal Dairies



Source: [www.pnp.co.za](http://www.pnp.co.za)

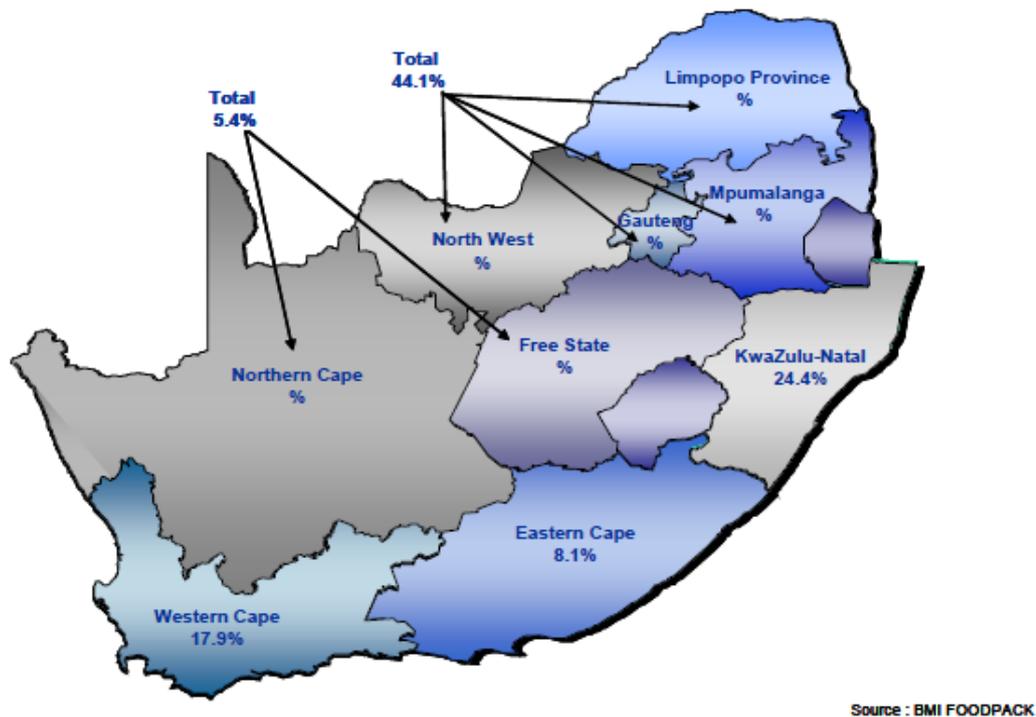
In terms of fresh milk products, all four dairies offer a similar range, with all four offering full cream and low fat milk, in 500 millilitre, 1 litre and 2 litre bottles as well as full cream 1 litre sachets. Sonnendal and Darling also offer low fat fresh milk sachets, which Fair Cape and Clover do not.

### **2.2.2 Market size**

According to the BMI Foodpack South African Dairy Report (2016), the volume of fresh milk sold in South Africa in 2015 was 668 445 kilolitres. The report further states that

17.9% of total fresh milk sales were sold in the Western Cape (graphically illustrated in Figure 2.7). This then indicates that total fresh milk sales in the Western Cape in 2015 were 123 684 525 litres.

Figure 2.7: Geographic Breakdown of South African Fresh Milk Sales



Source: BMI Dairy Report (2016)

Total fresh milk sales in the Western Cape are made primarily through retail outlets such as the Shoprite Checkers Group already mentioned. The distribution channels utilised by the four major milk producers in the Western Cape are discussed next.

### 2.2.3 Dairy distribution channels in the western cape

The Western Cape milk market consists of six major, and a number of minor distribution retail outlets. Woolworths, Checkers, Shoprite, Pick 'n Pay, Spar and Usave comprise the six major retail channels, while OK Foods, 711, Fruit and Veg City, smaller independent retail stores and various wholesalers make up the minor channels. These minor

channels account for approximately 10-15% of the total retail fresh milk sales in the Western Cape (Fair Cape Dairies Annual Marketing Report, 2013).

Woolworths is the premium retailer brand in the Western Cape and more than 80% of the products (including the milk) in a Woolworths store carrying the Woolworths house brand. Woolworths prides itself on stocking high quality products which command a price premium over competitive retail brands (www.woolworths.co.za). Woolworths, Pick 'n Pay, Spar and Checkers compete in the top-end of the market which, in this case, consist of LSM 8 to 10 consumers (Shoprite Annual Report 2018). The Pick 'n Pay model consists of a mix of corporate owned and franchised stores. Checkers consists of exclusively corporate owned stores and the Spar model consists of exclusively franchised stores. There are only two players who focus on the lower end of the market, namely, Shoprite (LSM 4 to 7) and Usave (LSM 1 to 5). Both these retailers are part of the Shoprite Checkers Group.

Figure 2.8 taken from the Shoprite Annual Report (2018), shows the target markets of each of the Shoprite Group retail brands.

Figure 2.8: Target Marketing of Shoprite Group Brands

Supermarket brands	Summary	Target market	Store count		
			RSA	Non-RSA	Total
	Affordable and accessible, Shoprite caters to the mass middle-income market by providing its lowest prices on basic goods, including groceries and household products. As the Group's original and flagship brand, Shoprite owns the most stores in South Africa and is the main spearhead for growth into the rest of Africa.	LSM 4 – 7	471	168	639
	The chain's simple philosophy – "When we save, Usave" is backed by an innovative strategy of small-format stores offering a limited range of basic foods at everyday low prices to lower-income consumers. The small-format stores are an ideal vehicle for the Group's expansion into the rest of Africa and allow far greater penetration into previously underserved communities in South Africa.	LSM 1 – 5	335	65	400
	Convenience, quality and freshness define the Checkers brand. Time-pressed upper-income consumers in search of a world-class shopping experience enjoy great value on a wide selection of groceries, household products and speciality lifestyle ranges of meat, cheese, wine and coffee. Located in shopping malls and other convenient premises across South Africa and some neighbouring countries, the brand caters to discerning shoppers in affluent residential areas.	LSM 8 – 10	213	8	221
	Checkers Hyper offers the same speciality food selections and great value as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are far wider in Hyper stores, focusing on categories like small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, homeware, baby products, toys and stationery. Checkers Hyper stores operate in South Africa only and are found in areas with high population densities.	LSM 8 – 10	37	–	37

Source: Shoprite Annual Report (2018)

Woolworths, Pick 'n Pay, Shoprite and Spar are all public companies listed on the Johannesburg Stock Exchange.

It would seem, however, that consumers do not shop exclusively at one retailer. In an interview in 2015 with Ravi Maistry, the Woolworths dairy buyer, he stated that “we at Woolworths know that over 90% of LSM 7 to 10 consumers shop at Woolworths (despite the higher prices), but we also know that less than 5% of that segment shop exclusively at Woolworths with almost all of them doing a part of their grocery shopping at Pick 'n Pay, Checkers or Spar. We view increasing this number [the 5%] as one of our most pressing challenges” (Maistry, 2015).

### **2.3 Conclusion**

This chapter provided an industry context to this study to assess the viability of brand differentiation strategy within the commoditised Western Cape fresh milk market.

The chapter began by outlining the evolution of the South African dairy industry from a fully regulated environment to one driven by the market forces of supply and demand. The chapter highlighted the Kassier Report, a seminal document in the development of the industry and concluded by discussing both the fresh milk producers (representing the supply side of the market) and the retail outlets that provide the fresh milk to the end consumers (the demand side of the market).

Pertinent conclusions that can be drawn from the chapter include:

- The unregulated dairy industry comes from a legacy of regulations that prevented free trade and initiative among milk producers.
- The fresh milk market in the Western Cape is characterised by a small number of producers who compete for retail space in a small number of distribution channels.

- The market offerings in the fresh milk market are largely similar between producers, leading to the impression that this is an undifferentiated, commoditised industry.
- Producers have differing opinions on what influences consumers to select between brands of fresh milk.

The background to the fresh milk industry in the Western Cape presented in this chapter serves to not only provide a context for this study but also to reinforce the need for this study to assess the viability of a differentiation strategy in the commoditised milk market. The theoretical underpinnings of a differentiation strategy are discussed in Chapter three.

## **Chapter 3: Differentiation**

### **3.1 Introduction**

Chapter one of this study to assess the viability of a differentiation strategy in the Western Cape fresh milk market, introduced the study and provided a brief background to the industry and differentiation as a competitive strategy. Chapter two provided a more detailed industry background to the fresh milk industry in the Western Cape by identifying the main competitors and distribution channels. This chapter will focus on differentiation as a competitive strategy by reporting on a comprehensive literature study and identifying salient points where the academic literature aligns with the fresh milk market in the Western Cape.

There is a discussion in the academic literature as to whether differentiation translates into tangible benefits for a brand (Romaniuk, 2012; Romaniuk, Sharp and Ehrenberg 2007) or not (Greeff and Mfuni, 2010). Greeff and Mfuni (2010) are doubtful as to whether a brand can successfully achieve differentiation given the environment prevailing in a competitive market where products can be easily copied and the scope for a sustainably differentiated offering is limited. In addition, Ulaga and Eggert (2006) note that due to increased competition, conventional differentiating factors (like product and price) are less effective today relative to their effectiveness in the past. Criticisms against the differentiation strategy are even more prominent in commoditised industries, such as the milk industry, where the products are largely homogenous (Matthyssens and Vandembemt, 2008). Specifically, Matthyssens and Vandembemt (2008) argue that in commoditised setting where products are homogeneous, different brands are often not salient in consumers' minds and products are often indistinguishable from one another. Within the context of the commoditised milk market, this manifests as consumers' purchase decisions being largely a function of price, availability on the day and shelf life.

In the first section, Section 3.2, the theoretical underpinnings of a differentiation strategy are discussed. Since differentiation strategies are a strategic tool for companies to distinguish their products in a competitive market environment, the section begins with a

discussion of competitive market structures. Thereafter, the section considers what exactly a differentiation strategy is and how it can be developed. This discussion draws parallels to how the theory is being or could potentially be implemented within the Western Cape fresh milk market.

### **3.2 Competitive Market Structure**

Lipsey (2016) defines a competitive environment as one where competing companies function in a dynamic external system, and competing companies are understood to be those that sell similar products into similar markets. The greater the number of organisations competing to sell similar products, the more competitive the environment. As discussed in Chapter two, in the Western Cape fresh milk market, four major producers compete, namely: Clover Dairies, Fair Cape Dairies, Darling Dairies and Sonnendal Dairies. These companies all sell similar products (fresh milk) to a similar market (Western Cape consumers) through similar retail channels (Shoprite, Checkers, Pick 'n Pay and Spar).

The understanding of a competitive environment is derived from the economic principle of perfect competition, where firms offer identical (homogenous) products which are perfectly substitutable to a perfectly informed consumer. In a perfectly competitive environment, the forces of supply and demand would determine the price of the product, and since all products are identical, there is no possibility of a price premium (Rates and Market, 2018). On the other end of the competitive spectrum is a monopoly which denotes a market environment where there is one seller and many buyers; where the seller sets the price at their own discretion; sells a highly differentiated product; and the buyers are price takers with no influence over the price. In economic terms, only the forces of supply dictate the price. Monopolistic competition exists between these two extremes and is characterised by a market with many producers whose products are close substitutes (but not identical) for each other (Makowski, 1980; Mohr, 2004). The data in Table 3.1 summarises market

characteristics of the competitive environments from perfect competition to monopoly (Makowski, 1980; Mohr, 2004).

Table 3.1: Market Characteristics of Competitive Environments

	Perfect competition	Monopolistic competition	Monopoly
Price	Prices are determined by supply and demand, so producers are price takers	Prices are determined by supply and demand	Prices are determined by supply, so producers are price makers
Number of producers	Very many producers	Many producers	One producer
Barriers to entry	No barriers	Medium barriers	Very high barriers
Type of product	Identical	Differentiated	Unique
Average size of firms	Small	Medium	Very large

Source: Mohr (2004)

It can be seen from the data in Table 3.1 that, in a perfectly competitive environment, there are no barriers to entry or exit, so competitors can easily enter or exit the industry; all producers are price takers and must, therefore, accept the prevailing market pricing as they are not able to affect the market pricing on their own; and there are potentially a large number of smaller competitors all producing identical (or perfectly substitutable) products. In the perfectly competitive environment, the market forces of supply and demand act to keep prices low (Roberts, 2014).

In contrast, as illustrated in the data from Table 3.1, in an environment characterised by monopolistic competition, firms are able to exert some control over price (price makers as

opposed to pure price takers) and products are differentiated (in other words, they are not perfect substitutes). There are many producers (but less producers than in a perfect competitive environment) of medium size and barriers to entry higher than perfect competition, but lower than a monopoly.

At the opposite end of the spectrum is a monopolistic market structure, where a single firm supplies a heterogeneous good, there are no substitutes, there are very high barriers to entry and exit for would-be competitors and the firms, who are very large, are price-makers (Roberts, 2014; Mohr, 2004).

It is clear from the data in Table 3.1 that there are a variety of variables that determine the competitive nature of an industry. In his seminal work on competitive strategy, Michael Porter (1980) described five forces that define the competitive nature of an industry. While Porter's list may no longer be regarded as comprehensive, it is still viewed as the starting point for any discussion on competitive strategy. Porter's (1980) Five Forces model outlines the five forces that define the competitiveness of an industry, namely: the threat of new entrants into the market, the threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers and, finally, the extent of rivalry among existing competitors. As the academic discourse has evolved, additional forces have been identified as determinants of an industry's competitiveness, including macroeconomic factors such as government policy, technology and socio-economic issues, as well as access to price information and new markets (MacMillan and Tampoe, 2000; Burgelman and Grove, 1996; Grant 2002).

The forces that define market competitiveness are now discussed in more detail.

### **3.2.1 The Threat of New Entrants into the Market**

Porter (1980) noted that the degree of competitiveness within the market is firstly determined by the ease with which new competitors can enter into a market. More specifically, the level of competitiveness within a market will grow with the number of new entrants (and thus competitors). The data in Table 3.1 identified low barriers to entry as an

indicator of a more competitive market, and since barriers to entry make it harder for new entrants to enter an industry, they reduce competition and protect the incumbent firms (Porter, 1980; Lofstrom, Bates and Parker, 2014). Eight barriers to entry are commonly recognised:

- Economies of scale: where a cost saving is achieved by increasing the current level of production. Cost savings are realised as the level of production is increased due to improved production skills, bulk orders resulting in discounted raw materials, or covering of fixed costs such as a distribution fleet. These cost savings result in a cost advantage for the producer in question and serve as a barrier to entry for potential (Rasmussen, 2011). For example, an established fresh milk factory selling large volumes of milk would benefit from bulk pricing from their farmers, full delivery trucks and production lines which run efficiently giving them a cost advantage over new factories that are considering entering the fresh milk market.
- Product differentiation: when available products are differentiated, new entrants are forced to invest heavily when entering the market in a bid to overcome prevailing consumer loyalty (Turner, 2012). New entrants will have to differentiate their products in a meaningful way to attract market share. Since product differentiation is minimal in the fresh milk market, the market is theoretically more attractive to new entrants.
- Capital requirements: capital requirements relate to the costs associated with starting a business. New entrants to a market will obviously be faced with the costs of establishing production facilities, distribution channels and marketing the new product among others. The start-up costs in the fresh milk industry are relatively high, both due to the production facilities required and due to the time required to get a herd to production quality (Turner, 2012) – making this market less attractive to new entrants.
- Cost disadvantages: the new entrant must often absorb higher non-capital costs relative to the incumbents (for example, the incumbents may have secured superior retail and wholesale locations, preferential access to suppliers, patented technologies and

government subsidies) (Byun and Mann, 2011). As the Western Cape retailers only have a limited amount of shelf space, they often try to limit the number of brands on their shelves (Parker, 2014). Incumbent dairy brands may have first access to being listed by the key retailers. According to Porter (1980), cost disadvantages such as these would make the fresh milk market less attractive to new entrants.

- Access to distribution channels: new entrants may struggle to gain access to existing distribution channels if these channels are limited and already occupied by the incumbents (Rothaermel, 2016). As the Western Cape has limited retail distribution channels, all of which currently stock fresh milk products, the ability to gain access to these channels is a barrier to entry for new potential competitors.
- Government policy: governments have limited resources and might decide to deploy those resources to assisting incumbent players for growth rather than diluting those resources by assisting new players to enter the market. Depending on the competitive environment, governments may even employ protectionist measures to assist local incumbent players in the market by imposing taxes on new international entrants (Aaker, 2009; Porter, 1980). In the Western Cape fresh milk market, local government assists producers with water and electricity rebates (Loubser, 2014) –this represents a significant advantage for the incumbents over any new entrant.
- Expected retaliation: the expected response by an incumbent is likely to influence the decision of a competitor on whether or not to enter a new market. A belief that the incumbent will employ their resources in an attempt to prevent a successful launch into the new market (for example, by dramatically dropping prices) will deter a competitor from attempting entry (Aaker, 2009). The incumbent producers in the Western Cape fresh milk market have a history of dropping prices and taking aggressive stances when threatened. In 2010, Darling dropped their 2-litre milk price by 20% to combat Tolla's Dairy's attempt to enter the Shoprite market (Parker, 2014).

The limited number of retail channels available to fresh milk producers in the Western Cape has created a semi-protected environment for the established producers. The retail channels have the power to limit the number of competitors by limiting their shelf space to their chosen brands (Parker, 2014). Currently, in the Western Cape, only four large producers (Fair Cape Dairies, Darling Dairies, Clover and Sonnendal Dairies) sell fresh milk in Shoprite, Checkers and Pick 'n Pay. Interviews with head buyers at leading retailers confirm that none of these retailers intend to list new brands of fresh milk in their stores over the medium term (Daitsch, 2014; Parker, 2014). The implication is that the threat of new entrants into the market is low as the barriers to entry are too high for new entrants.

### **3.2.2 Threat of substitute products**

The ability of the customer to substitute one product for another, either as a direct substitute (for example, one milk brand for another) or indirect substitute (for example, soy milk instead of cow's milk), increases the number of products directly competing for a share of the market, hence, making the market more competitive. Thus, the greater the prevalence of substitute products and the ease with which substitution can take place, the higher the level of market competitiveness (Porter, 1980). Johnson, Whittington, Scholes, Angwin, Regnér and Pyle (2013) argue that substitution is more likely in an environment where: (i) there is no product differentiation, so customers can easily substitute one (similar) product for another; (ii) the cost of switching between brands is low (there is no substantial financial or psychological consequence to switching brands); and (iii) the inability to effectively protect the product's intellectual property allows competitors to copy the product and erodes product differentiation.

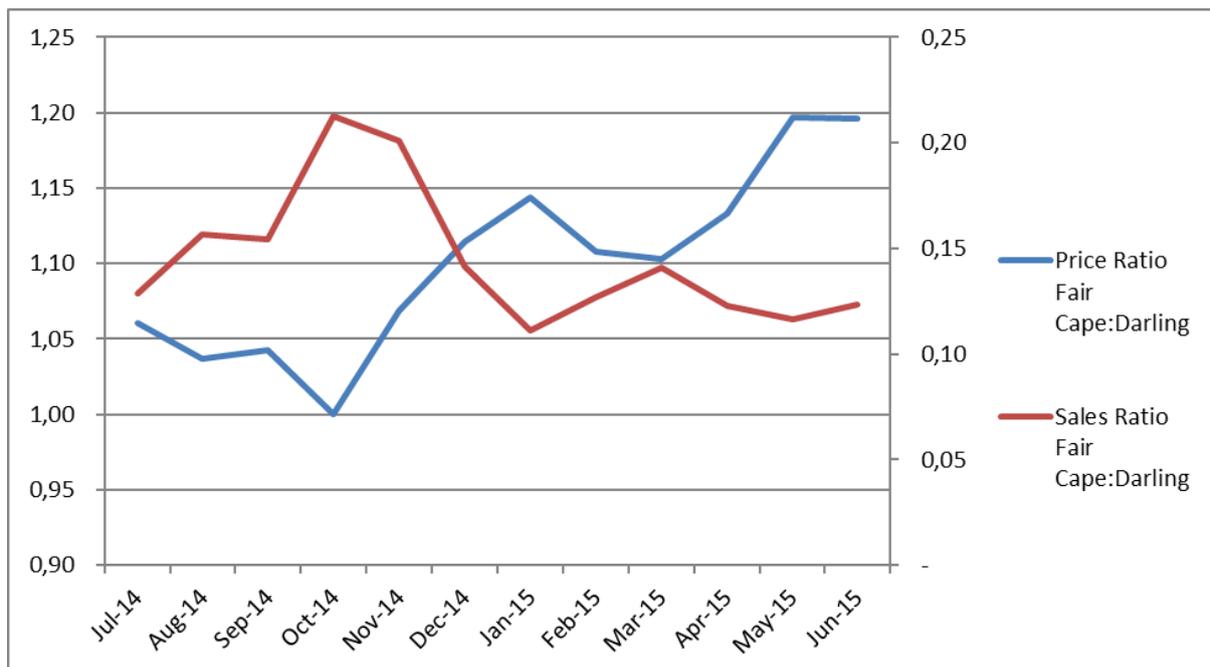
The availability, therefore, of substitute products limits the possibility of a price premium and, subsequently, the profit margins of the competitors in the industry.

In relation to the Western Cape fresh milk market, the potential for product substitution between Fair Cape Dairies, Darling Dairies, Clover and Sonnendal Dairies is extremely high with fresh milk brands being substituted for each other on a weekly basis

(Loubser, 2012). Loubser (2012) states that “whichever brand is cheaper takes approximately 15-20% extra market share that week. Then, when another brand goes on sale at a cheaper price, the demand shifts again. People do not see brands – they see milk as being milk and look at the price and shelf life to decide which brand to buy.” Loubser’s opinion implies a market full of highly substitutable products with low switching costs between brands.

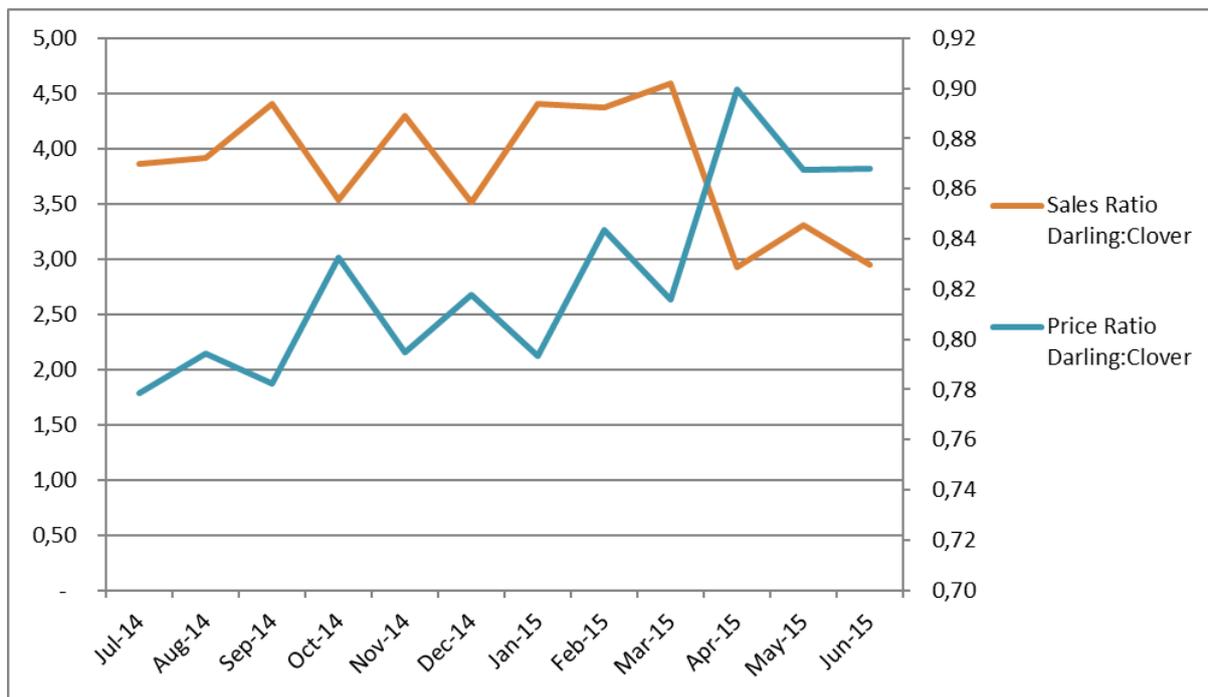
The impact of easily substitutable products on price and demand is illustrated in Figures 3.1 and 3.2, which demonstrate the changes in sales volumes as direct result of price variations. Fair Cape and Clover prices are used relative to Darling prices for illustrative purposes.

Figure 3.1: Price Volume Interaction of Fair Cape and Darling Dairies



Source: Synovate Aztec (2015)

Figure 3.2: Price-Volume Interaction of Darling Dairies and Clover



Source: Synovate Aztec (2015)

Figures 3.1 and 3.2 plot both the sales and price ratios of the two brands indicated between July 2014 and June 2015. The figures act as a useful illustration of the interplay between relative price and relative volume. It is evident that discounting one brand relative to the other results in that brand's sales increasing until the price trend is reversed. The ease of product substitution makes the Western Cape fresh milk industry a competitive one. The next of Porter's five forces discussed is the bargaining power of suppliers.

### 3.2.3 The bargaining power of suppliers

In almost all industries, producers rely on raw material suppliers to provide the inputs to the manufacturing process. The producers in turn, create products and services to sell to the buyers. Pfeffer (1994) and, Crook and Combs (2007) assert that the greater the level of supplier bargaining power, the more acute the level of competitiveness within the market. Suppliers gain bargaining power when they themselves have a monopoly on supplying the

particular resource, or when the resources themselves are scarce. This increased bargaining power of supplying firms can increase the level of competitiveness within a market as multiple companies compete for finite inputs. A heightened level of supplier bargaining power will also inflate the price of finished products as demand outstrips supply, causing raw material prices to increase.

In the past, bargaining with suppliers (dairy farmers) in the Western Cape fresh milk market was on an individual basis. More recently, the farmers negotiate as a collective and are, therefore, able to attain higher prices for their milk. Furthermore, whereas 20 years ago the market was characterised by many small-scale farms supplying small quantities to milk producers, today there are far fewer farmers with larger herds who each supply greater quantities of milk (Loubser, 2012). Together, these factors allow farmers far greater bargaining power than previously held (Parker, 2014). Greater bargaining power among milk suppliers contributes to the high level of competitiveness within the Western Cape fresh milk market. This relative strength of the farmers, bargaining as a collective is, however, mitigated by the bargaining power of the relatively few buyers.

### **3.2.4 The bargaining power of buyers**

Concerning the bargaining power of buyers, Inderst and Valletti (2011) argue that the more bargaining power buyers have, the higher the level of competitiveness within the market. Markets with high levels of buyer power are often characterised by instances of downward price pressure and low producer margins. This increases competitiveness as producers must fight for greater market share to make up for falling margins. Markets with an imbalance of buyers to sellers (few buyers as opposed to many sellers, for example), markets with buyers who are well organised or markets where products are not differentiated, may result in instances of high buyer bargaining power.

In the context of fresh milk, the farmers sell the milk to the processors, who bottle and brand it, and then sell it to the retailers who sell it to the consumers. In a market where there are few processors and many farmers, such as in the Western Cape fresh milk market,

downward pressure on pricing is a function of large retailers demanding lower prices from processors who then demand the same from the farmers who, at risk of losing their distribution contracts, have little alternative but to supply at the prices demanded (Loubser, 2012). Moreover, retailers are able to leverage even more bargaining power if they are able to influence the buying decisions of the end consumers using means such as advertising, in-store promotions and by varying the retail prices of products in their stores (Porter, 1980). In this way, retailers who are in a position to drive the consumer demand for specific types of products towards a specific brand(s), yield an even greater influence on the performance of the brand(s).

As there are so few retail channels in this Western Cape fresh milk market, the bargaining power of the larger retailers is substantial. Retail buyers for the Western Cape negotiate with milk processors (Fair Cape Dairies, Darling Dairies, Clover and Sonnendal Dairies) on aspects such as price, trading terms (payment terms and rebates) and volumes, and when an agreement cannot be made, they substitute brands on shelves.

In fact, some argue that the South African retail environment is heavily weighted in favour of the retailer to the detriment of the processors (Loubser, 2012). This high degree of bargaining power wielded by retail buyers is a significant determinant of the competitive market structure within the industry. It is interesting to note that, while the bargaining power of suppliers inflates the prices paid by milk producers, greater consumer bargaining power puts downward pressure on the prices charged by milk producers. The net effect is a squeeze in profit margins.

### **3.2.5 Rivalry among existing competitors**

Porter (1980) identifies the rate of industry growth and variables such as the incentives to cut prices, as key factors affecting rivalry amongst existing competitors. Rivalry, in a competitive environment, refers to the nature of the competitive actions that competitors take against each other and how they react to one another's strategies and environmental changes. Rivalry among competitors, in turn, affects the competitive nature of the industry.

When industry growth, for example, is high, organisations are able to boost product sales without taking any market share away from their competitors. In essence, the growing market is big enough for all players so the growth of the industry precipitates organic growth of the competitors competing in the industry. Conversely, when industry growth is slow, competitors must compete against each other to win market share in order to grow, resulting in a zero-sum game where some organisations need to lose share so that others may grow.

The second major variable identified by Porter (1980) as a determinant of competitive rivalry is the incentive to cut prices. Structural issues, such as a company's level of investment in capital equipment, can create incentives for companies to drop prices to sell more products in order to recoup capital expenditure. For example, a company with a high fixed-cost-to-variable-cost ratio will have high bills each month which have to be paid regardless of the number of units that the company produces. Each unit produced costs the company a relatively low marginal cost, so in order to make a profit, the focus of such a company would be to sell as many units as they can. A company structured in such a manner might drop prices to sell more products to cover their overheads. Companies selling a high proportion of perishable products (such as fresh milk) might also be incentivised to drop their prices to sell their products before they expire. The rivalry among competitors in an industry and the manner in which they react to each other's strategic decisions will determine the competitive nature of the industry.

As the academic discourse has developed since the 1980's, when Porter first proposed his five forces, additional variables have been identified that influence the competitive nature of the industry. The influence of macroeconomic factors on the competitive nature of the industry will be discussed next.

### **3.2.6 Macroeconomic factors**

Macroeconomics, an additional force to define competitiveness in the industry, is the study of economy wide occurrences including such variables as government policy,

technology, socio-economic issues and the access to price information and new markets (Lipsev 2016).

### **3.2.6.1 Government policy**

According to Pavlov, Batova, Sokolov, Kovaleva, and Kolesnikov (2015), legislation can limit competitiveness in a market. Product packaging legislation, in particular, can have a significant impact on the level of competitiveness within a market (Wakefield, Hayes, Durkin and Borland, 2013). An example of this is the 2010 update of The Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972) which disallows companies from stating that the food colourants they use are natural as opposed to synthetic. This diminishes the differentiation created by a brand employing superior natural ingredients in food products from their competitors who do not and, moreover, reduces two different products to perfect substitutes in the eyes of consumers. In the context of the Western Cape fresh milk market, these laws disincentive the processors from using healthier, more expensive ingredients as they are not allowed to claim this on their packaging and, therefore, cannot use these superior ingredients as a means for differentiation (Loubser, 2012). Diminishing the abilities of companies in the industry to differentiate themselves from one another has the effect of increasing competitiveness within the industry by reducing potentially unique offerings to homogenous commodities.

### **3.2.6.2 Technology**

Technology plays an important role for both the farmer, processor and consumer. Technology monitoring animal welfare on the dairy farm allows the farmer to ensure that his cows are in optimal condition which in turn influences the milk yield that the average cow produces, increasing his profitability. Access to technology also allows the processors to pack milk more efficiently and treat the fresh milk in a manner which extends its shelf life – both of which decreases costs, further influencing the competitive nature of the industry.

Consumers also use technology to access information regarding products and services. The information age has put information and access to information into the palm of consumers' hands. The ability to search locally, nationally and globally at the click of a button continues to increase competitiveness in industry. Products which are not differentiated from those of competitor products are easily substituted as consumers are now able to scour the globe in search of the best value. As previously discussed, the easier products can be substituted for one another, the greater the degree of competitiveness within the market.

In terms of the key impacts on the dairy industry, the penetration of technology means more fresh milk is produced per cow in a manner which allows for longer shelf life at lower costs. The cold chain also allows for wider distribution of the fresh milk to more retailers in both the formal and informal markets, thereby, making the product more accessible to a broader consumer base. The high cost of production technology in the fresh milk industry limits producer access to some of the technologies, thereby increasing the competitiveness of the marketplace.”

### **3.2.6.3 Socio-economic conditions**

Economic downturns result in consumers having less discretionary income to spend on products and services. This in turn creates a demand for cheaper, less differentiated products, which drives commoditisation and the resulting increase in the competitiveness within the market (Ormanidhi and Stringa, 2008). Directly relevant to the South African fresh milk market is that fact that, according to the World Bank's Development Indicator Report (2015), the average milk consumer in South Africa is substantially economically worse today relative to any time over the past five years. More specifically, South Africa's per capita GDP of \$6 478 USD was the lowest point thus far of a steady decline since 2011 (World Bank, 2015). Furthermore, Statistics South Africa's first quarter labour force survey also showed that unemployment in South Africa was at its highest rate since 2003 (Statistics South Africa, 2015). This has resulted in consumers seeking out lower priced fresh milk offerings

(Loubser, 2012). It is reasonable to draw conclusions that the Western Cape consumers' economic situation mirror those of the average South African consumer resulting in a more competitive fresh milk market.

#### **3.2.6.4 Access to price information and new markets**

Consumers are able to monitor prices of fresh milk at various retailers across the Western Cape. This has significantly increased the level of competitiveness within the industry, both for milk suppliers and for the retailers (Vermeulen, 2012) as consumers are now able to instantly review the best deals on food products, and are able to decide which retailers to visit and which brands of fresh milk to buy before they leave their houses. Vermeulen (2012) further emphasised the pressure that this phenomenon has placed on the retailers and milk brands alike to ensure that the prices they are charging for their milk are within what he referred to as “the pricing acceptance bracket” – the price range which consumers were prepared to pay for fresh milk.

Price comparison websites, such as pricecheck.com (screengrab replicated in Figure 3.3), which are a symptom of greater technological penetration, are freely available and allow for price comparisons across almost all retail products, including food commodities such as milk.

Figure 3.3: Price Comparison Website (www.pricecheck.co.za)

 <p>Add to compare</p>	<p><b>Fresh Low Fat Milk 2l</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>Details+Our fresh low fat milk is pasteurised and homegenised. Great value Product Code: 20011703...</p> <p>Brand: <a href="#">Fresh</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R27.99</b> at Woolworths</p> <p><a href="#">More info</a></p> <p>Add to compare</p>
 <p>Add to compare</p>	<p><b>Fresh Full Cream Milk 2l</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>Details+Our fresh full cream milk is pasteurised and homogenised.Product Code: 20011697...</p> <p>Brand: <a href="#">Fresh</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R27.99</b> at Woolworths</p> <p><a href="#">More info</a></p> <p>Add to compare</p>
 <p>Add to compare</p>	<p><b>Fresh Low Fat Ayrshire Milk 3l</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>Details+Our fresh low fat Ayrshire milk is pasteurised and homogenised. The dairymen who supply our exclusive Ayrshire milk</p> <p>Brand: <a href="#">Fresh</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R42.99</b> at Woolworths</p> <p><a href="#">More info</a></p> <p>Add to compare</p>
 <p>Add to compare</p>	<p><b>Fresh Full Cream Ayrshire Milk 3l</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>Details+Our fresh full cream Ayrshire milk is pasteurised and homogenised. The dairymen who supply our exclusive Ayrshire milk</p> <p>Brand: <a href="#">Fresh</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R42.99</b> at Woolworths</p> <p><a href="#">More info</a></p> <p>Add to compare</p>
 <p>Add to compare</p>	<p><b>Fresh Full Cream Ayrshire Milk 2l</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>Details+Our fresh full cream Ayrshire milk is pasteurised and homogenised.. The dairymen who supply our exclusive Ayrshire milk</p> <p>Brand: <a href="#">Fresh</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R29.99</b> at Woolworths</p> <p><a href="#">More info</a></p> <p>Add to compare</p>
 <p>Add to compare</p>	<p><b>CLOVER Uht Full Cream Milk 6 X 200ml</b></p> <p>★★★★★ <a href="#">Write a Review</a></p> <p>CLOVER UHT Full Cream Milk (6 X 200ML)...</p> <p>Brand: <a href="#">Clover</a> Category: <a href="#">Groceries</a></p>	<p>From <b>R31.95</b> at Makro</p> <p><a href="#">More info</a></p> <p>Add to compare</p>

Source: www.pricecheck.co.za accessed 7 June 2019

Figure 3.3 clearly indicates that Clover one litre long life milk is the most expensive milk, quoted at R12.83 per unit, while Crystal Valley (a Shoprite House Brand) long life milk

is the cheapest (at R8.33 per unit). Without this technology, companies may have been able to sell their milk at a higher price due to lack of transparency around prices, websites such as these correct information asymmetries. This platform for price comparisons ultimately shapes consumers' buying behaviour and increases competitiveness within the industry. As previously mentioned, greater transparency around the price of milk has placed significant downward pressure on prices in the dairy industry. Retailers now try to ensure that the pricing of dairy products remain within an acceptable pricing bracket (Vermeulen, 2012).

Having established a foundational knowledge of the factors that influence the competitive nature of an industry, it is prudent to evaluate the competitive nature of the Western Cape milk market.

### 3.2.7 Competitiveness in the Western Cape fresh milk market

The previous subsections identified the major forces underpinning market competitiveness identified in the literature and considered their impact on the Western Cape fresh milk market. The impact of these forces on competitiveness within the fresh milk market is summarised in the data in Table 3.2.

Table 3.2: Determinants of Market Competitiveness and Impact on the Competitiveness of The Western Cape fresh milk market

Markers of industry competitiveness	Status	Impact on competitiveness
Threat of new entrants	Low	Decreases competitiveness
Threat of substitute products	High	Increases competitiveness
The bargaining power of milk suppliers	High	Increases competitiveness
The bargaining power of milk buyers (retailers)	High	Increases competitiveness
Rivalry within the industry	High	Increases competitiveness
Macroeconomic factors		
Government policy	High	Increases competitiveness

Technology	High	Increases competitiveness
Economic situation of consumers	High	Increases competitiveness
Access to price information and new markets	High	Increases competitiveness

In summary, the prevalence of factors influencing the market competitiveness in the fresh milk market listed in Table 3.2 points towards a highly competitive environment. In fact, according to an industry insider, fresh milk is the “most commoditised product the industry produces” (Loubser, 2012). Given that fresh milk is extremely commoditised and fresh milk products across brands are almost perfect substitutes, the fresh milk market is a good context in which to test the viability of a brand differentiation strategy in a commoditised market. Differentiation as a competitive strategy will now be discussed.

### **3.3 Competitive Strategy**

The discussion in the previous section concluded that the Western Cape fresh milk industry is highly competitive environment. Against this background, this section discussed the mechanics of a differentiation strategy as a competitive strategy for Western Cape Dairies to sell their fresh milk.

The three most effective generic competitive strategies identified in the literature for companies to employ in a competitive market are cost leadership, focus on niche segments or differentiation strategies (Porter, 1980). Some firms employ a hybrid or stuck-in-the-middle strategy where they adopt more than one generic strategy (Campbell-Hunt, 2000; Kotler and Keller, 2013; Aaker, 2009; Huang, 2011; Porter, 1980; Porter, 1985; Thornhill and White, 2007).

These three generic strategies as well as the hybrid approach are discussed below.

### **3.3.1 Competitive strategy 1: cost leadership**

According to Kotler and Keller (2013) and Aaker (2009), when implementing a cost leadership strategy, an organisation aims to become the low-cost producer in its industry. A cost leadership strategy is predicated on efficiency throughout the supply chain. By creating production efficiencies through producing high volumes of homogenous products and taking advantage of the resultant economies of scale, an organisation is either able to reduce the cost of the product and sell it for cheaper than its competitors or sell at the same price as competitors but be more profitable. The product is often a standardised product that is manufactured at a cheap cost and distributed to a large customer base (Kotler and Keller, 2013; Aaker, 2009). Employing this strategy necessitates consistent cost reductions in all aspects of the organisation. For example, Darling Dairies in the Western Cape has a filling line in their factory reserved exclusively for packing 2-litre milk – their fastest selling product. As there is no requirement to stop the production line to change the machine setup for the different size bottles, the line runs without interruption for an entire shift – reducing the cost of each bottle of milk. The cost saving in the Darling production line can translate into lower prices for the consumer or increased profitability for the producer. This production process differs from many other dairies who, to save capital costs, usually produce their entire range of milks on the same filling line (Loubser, 2014).

Aaker (2009) highlights a number of potential pitfalls in employing a cost leadership strategy. Firstly, as technology progresses, firms employing a cost leadership strategy run the risk of their competitors employing newer technology to decrease their own costs, giving them the ability to sell their goods at an even lower price, thus, threatening the market share of the first firm. Secondly, excessive price reductions can result in income erosion due to the lower pricing not resulting in an increase in sales volume. This would result in decreasing profits. Thirdly, as just mentioned, cost leadership is a strategy which can be easily copied by competitors. Finally, by becoming too fixated on reducing costs, companies could begin ignoring consumer preferences for new product attributes, new uses for the product and thereby diminishing consumer demand.

### **3.3.2 Competitive strategy 2: focus on niche market segments**

According to Huang (2011), when implementing a focus strategy, the firm targets selected niche market segments and, within these segments, endeavours to realise a cost leadership or differentiation advantage. By focusing its efforts on a niche segment of the market, a company can better meet the needs of that specific target market than competitive offerings can. As such, the focus strategy concentrates on a narrow segment. Due to its focus on a specific segment, a focus strategy allows a company to benefit from specialisation in that segment and the resulting customer loyalty. For example, Sonnedal Dairies who produce products exclusively for Pick 'n Pay rather than in their own brand (Parker, 2014).

A major risk associated with this strategy is that, due to the smaller size of the niche segments, there are fewer opportunities for growth (Aaker, 2009). Additional risks stem from the fact that the niche segment could disappear over the longer term or the possibility of a larger company adapting their own offering and entering the niche segment as well (Kotler and Keller, 2013).

### **3.3.3 Competitive strategy 3: differentiation**

As introduced in Section 3.1, differentiation is a tool for companies to distinguish their products from competitor's offerings in a competitive market environment. Markets can be positioned on a commoditisation continuum with identical commodities on one end of the continuum and uniquely differentiated products on the other (Cucchiara, 2013; Delener et al., 2013).

Differentiation, as a concept, is regarded as one of the fundamentals of marketing strategy (Cant, 2010; Drotskie and Herbst, 2010) and is defined as a strategy of distinguishing a company's offering from competitive offerings through the promotion of a physical or nonphysical characteristic of the offering that is perceived to be unique by the

consumer (Porter, 1980; Kotler and Keller, 2013). Broniarczyk and Gershoff (2003) distinguish between primary and secondary elements of differentiation. Primary elements conventionally include specific product features such as the actual product or packaging, for example, how white or fresh the milk is, while secondary elements include symbolic or emotional brand attributes, for example, the fact that the cows on a dairy farm are well treated.

A number of studies consider the benefits associated with a successful product differentiation strategy. Kotler and Keller (2013), Aaker (2009), Steenkamp, van Heerde and Geyskens (2010) and Hosford (2006) see the benefits of product differentiation as:

- Differentiation is the foundational step to creating extra demand for a product through higher sales or a higher price being realised for that product.
- Differentiation facilitates consumers strongly associating the brand with positive attributes or benefits.
- Differentiating a brand (from other available brands) assists consumers to remember the brand.

### **3.3.4 Hybrid strategy: stuck-in-the-middle**

Firms who do not adopt any of the generic strategies in totality but rather straddle more than one, are described as being “stuck in the middle” (Porter, 1980; Porter, 1985) or as employing hybrid strategies (Thornhill and White, 2007). Porter (1985), in fact, does not class being stuck in the middle as a strategy choice, but rather as a failure to properly execute any of the generic strategies. Porter writes that being stuck in the middle is a likely recipe for sub-par performance and potentially for failure. This is because firms who adopt a cost leadership, differentiation or focus strategy will all be better positioned to compete in their specific segments than a firm that does not commit to any strategy fully. Thornhill and White (2007) found that companies strictly adhering to one of the generic strategies generally outperformed those employing hybrid strategies.

The three generic competitive strategies were further endorsed by Ansoff (1986) who states that the more competitive the market, the more aggressive the firm must be in terms of competitive strategies to succeed. Ghauri and Cateora (2010) believe that choosing one of the generic strategies as the underpinning strategy for a company is the basis for any level of success in a competitive environment. Kotler and Armstrong (2010) draw a direct correlation between the effective deployment of competitive strategy and a company's profitability, stating that implementing a coherent strategy could be the difference between companies who succeed and those who fail. (Kotler and Armstrong, 2010).

According to Kotler and Armstrong (2010) and Treacy and Wiersema (1993), while agreeing with the premise of generic strategy, offer a more "customer-centred classification" of competitive strategies. Treacy and Wiersema have expanded on Porter's work, however, instead of generic strategies, they have identified three value disciplines as alternatives to Porter's three generic strategies. These value disciplines are operational excellence, customer intimacy and product leadership.

### **3.3.5 Operational excellence**

When using this strategy, a firm will focus on meeting customer expectations by improving their ability to deliver good products to the market at a fair price on time, consistently and with a focus on continual improvement. In the Western Cape fresh milk market, as an example, there is a large emphasis placed on ensuring that the fresh milk arrives in the stores as soon after production as possible to ensure that it has as long a shelf life as possible when it gets to the store (Loubser 2014). Other areas where operational excellence could differentiate one fresh milk processor from another are the efficiencies of scale that come with producing large volumes of fresh milk, the development of expert production and bottling skills as well as cold chain logistical management which is responsible for ensuring that all fresh milk remains within the cold chain during the supply chain (Parker, 2014).

### **3.3.6 Customer intimacy**

Firms employing this strategy attempt to create products specifically targeted at certain market segments. By understanding and fulfilling the needs of each specific segment, the company wins market share for example. In the Western Cape fresh milk market, there is currently a large segment of consumers who report being “serious about their coffee” (Maistry, 2015). This segment reports wanting to buy fresh milk with a very high fat content. They have, to this point, not been able to buy a fresh milk product that addressed their specific needs, however Maistry (2015) reports that in an attempt to get closer to the consumers and meet their specific needs, one of the processors have launched a 6% fat milk specifically targeted at customers who want to use it for their coffee branded “Barista Milk”.

### **3.3.7 Product leadership**

When implementing this strategy, a firm focuses on new product development. The company endeavours to offer a consistent flow of new cutting-edge products. Companies win market share by being seen as the market leader in innovation and technology. An example of this is Woolworths’ introduction of a range of fresh milk in a biodegradable milk bottle.

The biggest difference between Porter (1980) and Treacy and Wierseman (1993) is that, while Porter requires brands to choose only one of the three generic strategies or risk being “stuck in the middle”, Treacy and Wierseman (1993) encourage firms to bring in elements of all three and focus on excelling at one of these value disciplines. While this is an expansion on Porter’s work, it is also a divergence, as Porter (1980) emphasises strategic choices, focusing more on the cost, differentiation or niche focus of the products that a company markets. Treacy and Wierseman’s (1993) focus, while still discussing products in their third value discipline, takes a broader view to include both the operational elements required to get the product to the market and the relationship that the brand has with its customers.

The focus of this study is to assess the viability of differentiation as a competitive strategy in the fresh milk market in the Western Cape, so differentiation as a generic strategy is now discussed in more detail.

### **3.4 Differentiation in the Dairy Industry**

In the previous section, the discussion focused on Porter's three generic strategies of cost leadership, focus and differentiation. In this section, the focus will be on differentiation and how it is applied in the Western Cape dairy industry.

The Western Cape dairy industry provides a unique setting in which to consider the viability of a differentiation strategy as a competitive strategic option. Within the context of the dairy industry, a successful differentiation strategy would enable milk processors to differentiate their products with the aim of either increasing demand for their fresh milk products, improving the consumers' associations of the brand, assist consumers to recall the brand or even allow the processors to charge a price premium.

Mudura, Branzas and Mudura (2009: 345) state that, in the context of the dairy market, "the best brand management is the one who seeks profitability rooted from their unique sources of differentiation." Grimm and Malschinger (2010) conclude that differentiation in this industry is "essential" and state that in order to maximise marketing effectiveness, products must be instantly identifiable by customers in the retailers. Not differentiating products in the retail marketplace, is, according to them, a common mistake in the industry.

The Nielsen report on Dairy in South Africa (2014), reports that there is a distinct lack of differentiation of fresh milk internationally. According to Nielsen (2014), due to a lack of differentiation in the global milk market, house brands, which are primarily a commoditised milk product sold on price, were seeing resurgence. The report does not, however, give a reason for the dearth in differentiation in this category. From the discussion provided by Mudura, Branzas and Mudura (2009) and Grimm and Malschinger (2010) around the three generic strategies discussed in Section 3.3 (Competitive strategy), it is assumed (a priori),

that differentiation as a competitive strategy would be important for the commoditised dairy industry.

The development of the differentiation strategy is discussed next.

### **3.4.1 The history of differentiation strategy**

The phrase “product differentiation” was first coined by economist Edward Chamberlin in 1933 to describe how a company might charge a price premium for a product in a perfectly competitive market (Parenti, Ushchev, and Thisse, 2017). Chamberlin believed that if a company changed its offering to create a product which added value, it could then charge a higher price. Two decades later, in one of the first uses of the phrase “marketing strategy”, Smith (1956: 5) described product differentiation as an attempt by a company to “bend the will of demand to the will of supply” by differentiating elements of its marketing mix from its competitors (McAlexander, Koenig and DuFault, 2016).

Kotler (2012) writes that there is more than one avenue for differentiation. Kotler identifies five elements upon which a company could differentiate itself. These elements are product differentiation, services differentiation, personnel differentiation, channel differentiation and image differentiation.

### **3.4.2 Product differentiation**

Product differentiation can be focussed on various elements of the product, including form, features, performance, conformance quality, durability, reliability, reparability and style (Skrainka and Judd, 2011; Kotler, 2012; Kotler and Keller, 2013):

- Form: the appearance, shape or configuration of the product can be used to differentiate it from other similar products. In the dairy industry, when referring to product ‘form’, one could be referring to the texture and colour of the milk, for example.
- Features: features which are new or different from existing features of similar products such as the shelf life of milk.

- Performance: the relative performance of a product, for example, health benefits of fresh milk fortified with vitamins, as compared to its competitors, can differentiate it from similar products.
- Conformance quality: the extent to which all products are consistent in their form and performance. Consistency, quality and performance can be used to differentiate the product over competitors whose products are inconsistent. Consistency in the fresh milk market usually refers to the flavour and texture of the product being the same all year round.
- Durability: the product's ability to last and continue to perform its task to an acceptable level under certain conditions is often seen as a sign of the product's quality and can be used to differentiate the product. In the case of fresh milk, durability could refer to the longevity of the milk before it spoils.
- Reliability: the propensity of the product not to malfunction or break within a certain period. Reliability is another sign of a product's quality which can be used to differentiate it from its competitors. In the context of fresh milk, reliability can refer to the propensity of the milk to last as long as the date on the bottle advertises.
- Reparability: the ability of a product to be cheaply or easily repaired should it fail is an aspect of the product which can be used to differentiate it from its competitors.
- Style: style in this instance refers to the product's "look and feel". Style includes the product's packaging – in this instance the fresh milk bottle – which is specifically important as a differentiating factor in food products, toiletries and cosmetics.
- Pricing: the ability to produce products at a consistently better price than competitors.

### **3.4.3 Services differentiation**

Services differentiation is a strategy which may be used when the tangible product cannot be easily differentiated (Kotler, 2012). In such an instance, a company may differentiate the service aspects related to the product rather than the product itself.

Business processes, for example, ease of ordering, speed of delivery and ease of installation, are often seen as potential areas for services differentiation (Kotler, 2012).

Potential areas for differentiation in terms of service are provided below:

- **Ordering ease:** the ease with which customers (in this instance, the retailers) can place orders. In the dairy industry, when referring to product's ordering ease, one could be referring to how easy it is for a supermarket to place an order at the dairy's call centre.
- **Delivery:** the speed, cost or quality of the delivery. Elements that the basis for differentiation could be are fast or free and careful deliveries to the consumers' homes.
- **Installation:** some products require installation. This installation is vital in terms of the functioning of the product. A superior, fast or free installation can be used as the basis for a differentiation strategy if the company is able to offer this better than its competitors.
- **Customer or consumer consulting:** companies offering consulting services to their customers or consumers where they are able to offer advice on various elements of their products. For example, a help line where consumers could get an understanding of what kind of dairy products they should be eating based on their lifestyle.
- **Maintenance and repair:** companies who offer higher quality or lower cost maintenance and repair services of their products than their competitors might be able to differentiate their products from those sold by their competitors. In the Western Cape fresh milk market, an example of this are milk brands who assist retailers to pay for the maintenance and repair of milk fridges when they break. This is an example of how customer intimacy can differentiate one brand of fresh milk from another.

#### **3.4.4 Personnel differentiation**

Personnel differentiation occurs when companies gain an advantage over their competitors by either training their staff to a higher level than their competitors or by hiring specialised staff that are not available to competitors (Kotler, 2012), for example hiring the best dairy scientists or product developers. As better trained staff are more competent,

courteous, credible, reliable, responsive and have superior communication skills, they are able to perform to a higher standard relative to competitors' staff and, as such, deliver a better customer experience (Kotler, 2012).

### **3.4.5 Channel differentiation**

A good understanding of how distribution channels operate, and expertise in ensuring that products are effectively distributed, offers a company a competitive advantage by enabling the company to distribute its products wider and more efficiently relative to competitors (Aaker, 2010). This makes it easier and often cheaper for their customers to find their products. For example, if a dairy was able to distribute its products through all the channels discussed in Section 2.2.3, this would allow it to sell its products to more people than a dairy that was only able to sell to one or two of these channels. Technology in distribution, such as online ordering, cold-chain technology, real-time monitoring of delivery vehicles and real-time stock control, plays a key role in allowing for channel differentiation.

### **3.4.6 Image differentiation**

Saraswat, Mammen, Aagja, and Tewari (2010) discuss image differentiation as a possible basis for differentiation. The image, as represented by the brand logo and reputation of the company:

- communicates the product's appeal;
- communicates the product's value proposition;
- communicates this appeal and value proposition in a distinctive way to ensure that it is distinct from competitors' images;
- delivers the message on an emotional level to appeal to the emotions (and not solely the intellect) of the customer.

The image of a company also refers to the emotional connection that the brand makes with its consumers and the trust that the consumers place in the brand as a result of this emotional connection. If the above four elements are conveyed in the communication of the company's image, then the image is also able to be used as a point of difference from the competitors. Product leadership can also play a role in forming the reputation of the company, for example, if a fresh milk producer created a new fresh milk product that had a creamier mouthfeel, this would have an effect on the reputation of the company which might allow it to employ image differentiation.

#### **3.4.7 Differentiation in the Western Cape fresh milk market**

The preceding subsections identified five potential elements by which a company can differentiate its offering, namely: product differentiation, services differentiation, personnel differentiation, channel differentiation and image differentiation. The different types of differentiation apply to different target markets. Service and personnel differentiation do not apply to consumers, but rather only to the retailers who buy directly from the dairies, whereas product, image and channel differentiation apply to end consumers who buy the fresh milk from the retailers. A fresh milk brand will, therefore, need to decide whether to employ a mix of elements targeted at both their customers (the retailer) and their consumers if they were to implement a differentiation strategy.

### **3.5 Summary**

In this chapter, the Western Cape fresh milk market has been identified as a highly competitive environment. Four major competitors, namely: Clover, Fair Cape, Darling and Sonnendal, sell similar products to Western Cape consumers through the same major retail channels of Shoprite, Checkers, Pick 'n Pay and Spar. The products are seen as substitutes and sales-triggers are heavily weighted toward price and shelf life. Retailers (who buy the dairy products from the processors for resale), yield a considerable amount of power,

negotiating with these processors on aspects such as price, trading terms (payment terms and rebates) and volumes, and are able to substitute one brand for another should the first brand not comply with their requests.

Against this background, the broad objective of this study is to explore the viability of a differentiation strategy in this industry. In theory, a successful differentiation strategy would enable milk processors to shift consumer's primary purchasing from price, shelf life and availability to the points of difference that the brand has differentiated itself on, for example, creamier mouthfeel or environmental consciousness.

Ultimately, successful product differentiation would allow milk processors to realise some of the advantages of the differentiation strategy, such as stimulating additional demand or charging a price premium. Fair Cape Dairies has begun to differentiate its product offering through product and image differentiation strategies, however, there is no clear research that differentiation works within this highly competitive and commoditised industry. The next section will discuss the research methodology applied in this study in detail.

## **Chapter 4: Research Methodology**

### **4.1. Introduction**

Chapter one provided an overarching context for the study, while Chapter two introduced the Western Cape fresh milk market. Chapter three focussed on the use of differentiation as a competitive strategy thereby linking to the title of this study, to assess the viability of differentiation as a strategy in the commoditised Western Cape fresh milk market. This chapter will discuss the purpose of research being undertaken as well as the research problem itself. It will further discuss the research design as well as the research philosophy, the research approach and the various research strategies used.

Finally, the chapter will discuss the research techniques and procedures used as well as the ethical considerations which were taken into account prior to and during the research.

### **4.2. Purpose of Research and Research Problem**

The research problem refers to a circumstance which presents either a business threat or opportunity to the marketing team (Brown, 2014). Van de Ven (2007: 73) defines a research problem as “any problematic situation, phenomenon, issue, or topic that is chosen as the subject of an investigation”

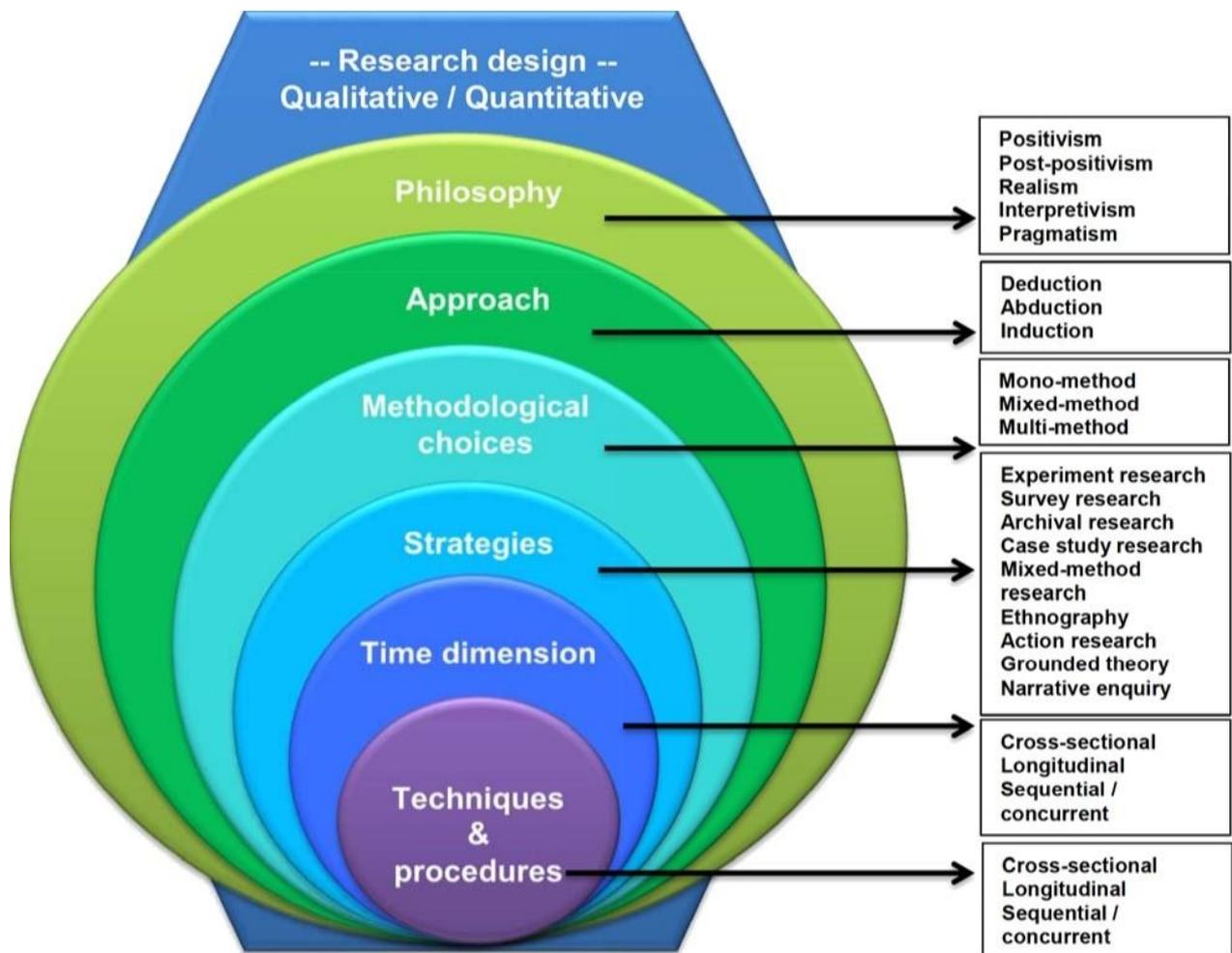
A clearly defined research problem will guide the researcher and influence all further methodological decisions. In order to assess whether differentiation is a viable competitive strategy in the Western Cape fresh milk market, the research problem for this study was the lack of prior research focussing specifically on the use of differentiation as a competitive strategy in the Western Cape fresh milk market. This study, therefore, fills a gap in the existing research, while at the same time assessing the viability of the differentiation strategy in this largely commoditised market.

### **4.3. The Research Design**

The research design outlines the type of study, the hypotheses where applicable, as well as the variables to be tested. The methodology to be employed for the data collection and analysis are also detailed here (Malhotra, 2012).

Research designs explain the reasoning and process undertaken during academic research (Cooper and Schindler, 2014). Cooper and Schindler (2014: 125) highlight the significance of good research design which keep in mind the research objectives and how data was collected and analysed. The research design, should, therefore, become the overall plan to ensure that research problem is properly addressed (Cooper & Schindler, 2014: 125). Saunders, Lewis and Thornhill (2012:160) created a research process with a number of layers resembling an onion. Chapter four will discuss the layers of the 'onion' (illustrated in Figure 4.1 below) as a plan for the design for the research beginning with the research philosophy.

Figure 4.1: The Research Onion



Adapted from: Saunders, Lewis and Thornhill (2012: 160)

#### 4.4. Research Philosophy

The research philosophy is the overall view that the researcher takes in determining how the data should be gathered and used to ultimately the answer the research question. This philosophy will ultimately influence the research strategy and methodology (Saunders, Lewis and Thornhill, 2012: 128). Summarised in the data in Table 4.1, below are the most common research philosophies.

Table 4.1: Research philosophies

Philosophical View	Description
Positivism	Positivism states that research will result in definitive generalisations and theories for an objective reality. It holds that theories can all be tested and proven. This philosophy is specifically useful in the natural and physical sciences.
Post-positivism	An evolution of positivism, which denies that only one complete truth exists. Knowledge is created by observation, quantification and measurement, specifically, studying behaviours of people and things. Data is then gathered to test whether theories and hypotheses hold true or not.
Realism	Holds that objects exist independent of whether their existence is known or perceived of.
Interpretivism	Interpretivism focuses on interpreting data gathered in a manner that it is meaningful for the study. It focusses on the subjects' experiences within a given context and creates theories and hypotheses around these subjective experiences.

Source: Adapted from: Saunders, Lewis and Thornhill (2012: 127-140) & Duberley, Johnson & Cassell (2012:18-28)

This study applied an interpretivism approach to research as the study interprets consumers' buying behaviours and preferences in order to establish if differentiation is a viable strategy in the Western Cape fresh milk market. The research philosophy directly influences the research approach (the second layer in the onion) discussed next.

## 4.5. Research Approach

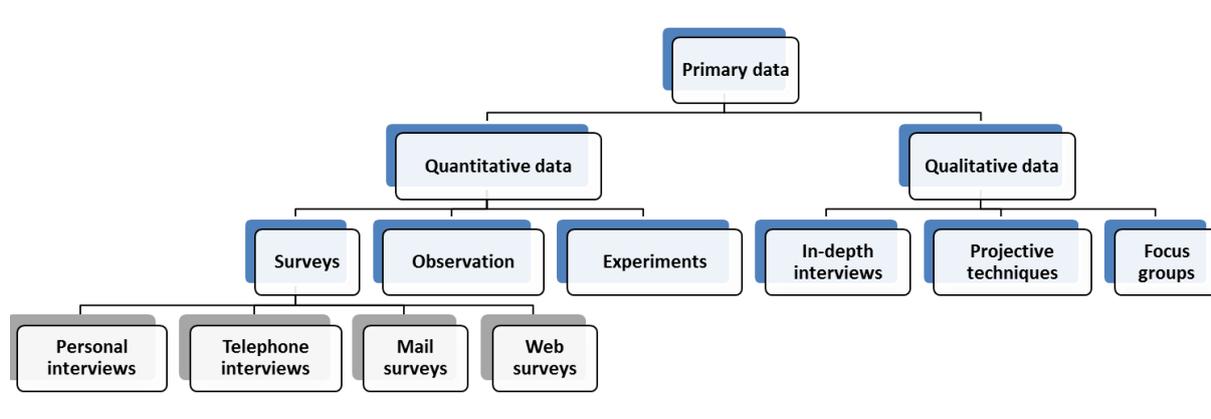
This study to assess the viability of differentiation as a strategy for Western Cape fresh milk producers, made use of empirical research using quantitative research techniques. The research approach applied both primary and secondary research methodologies. Primary research is understood to be research that is conducted by the current researcher and is completed in order to collect data to solve a specific problem or opportunity (Malhotra, 2012).

Primary research is divided into two clear categories: qualitative and quantitative research (Wilson, 2018). Qualitative data can be described as “the collection, analysis and interpretation of data that cannot be meaningfully quantified” (Wiid and Diggines, 2013: 805), while quantitative data is “data that involves larger, more representative respondent samples and the numerical calculation of results” (Wiid and Diggines, 2013: 86).

The decision of which primary research category to use (or whether to use a combination) depends largely on the problem or opportunity (Tustin, Ligthelm, Martins and Van Wyk, 2005).

Figure 4.2, adapted from Wiid and Diggines (2013), illustrates the methods of primary data collection.

Figure 4.2: Methods of Primary Data Collection



Source: Wiid and Diggines (2013)

Figure 4.2, Wiid and Diggines (2013), illustrates that primary data collection methodology is derived from the initial distinction between quantitative and qualitative data. Qualitative data collection methodologies include in-depth interviews, projective techniques and focus groups. Quantitative data collection methodologies include surveys, observation and experiments. This study required quantitative data, collected via surveys, as shown in figure 4.2, above. Therefore, surveys are discussed in more detail in Research strategies below.

#### 4.6. Research Strategies

The methodology to be employed for the data collection and analysis are also detailed here (Malhotra, 2012). Wiid and Diggines (2013) identify three different research strategies as illustrated below in Table 4.2.

Table 4.2: Research Strategies

Design	Uses	Types
Exploratory	Formulate problems more precisely Develop a hypothesis Establish research priorities Eliminate impractical ideas Clarify Concept	Secondary data analysis Experience survey Pilot studies Case studies
Descriptive	Describe characteristics of certain groups Estimate proportion of people in a certain population who behave in a specific way Make specific predictions	Longitudinal studies Cross-sectional studies
Causal	Provide evidence about the causal relationship between variables by means of: Concomitant variation Time order in which variable occurs Eliminations of other possible explanations	Laboratory experiments Field experiments

Source: Wiid and Diggines (2013)

The data in Table 4.2 illustrates the three research strategies identified by Wiid and Diggins (2013) exploratory, descriptive and causal research strategies. While each research strategy has a separate function, the three different strategies are also able to be deployed in conjunction with each other in a single research study.

#### **4.6.1 Exploratory strategy**

The purpose of exploratory research is to better understand and frame the problem. The aim at this stage is not to find answers to the research problem, but rather to comprehend it and its nuances to ensure that the following stage of descriptive research design investigates the correct problem. Exploratory research also includes literature reviews and reviews of similar studies that have already been done to place the study into context (Zikmund, Babin, Carr, and Griffin 2010). In the context of this study, the exploratory research included the literature review to better understand differentiation as a competitive strategy and the theories around it.

#### **4.6.2 Descriptive strategy**

Descriptive research is a research strategy used to describe the respondents or their behaviour in a precise way and comprises of describing the conduct of a respondent without affecting the respondent at all. Descriptive research strategy employs research instruments such as surveys to collect data from the respondents (Wiid and Diggins, 2013). Questions are designed in such a way that the answers will form a description of the respondent and/or their behaviour. In the context of this study, descriptive research was used to investigate fresh milk buying behaviour by consumers in the Western Cape.

#### **4.6.3 Causal research strategy**

Causal research strategy identifies causal relationships between a number of variables and can be employed to measure the impact of a change in one variable (known

as the independent variable) on another (dependent) variable (Fox and Bayat, 2007). For example, causal research could be used to identify the effect that a 5% price reduction might have on sales of fresh milk in a specific store (Wiid and Diggines, 2013). Casual research was not employed in this study as the purpose was to assess the viability of a differentiation strategy and not to test the effectiveness thereof.

For the purposes of this study to assess the viability of a differentiation strategy in the Western Cape fresh milk market, a research strategy that combined elements of exploratory research and descriptive research was followed. The exploratory research strategy included secondary research and a literature review to understand the context of the study and research that had previously been done, both on differentiation and into the Western Cape fresh milk market. This was followed by a descriptive research strategy to understand consumers' views on elements of the product and market, in order to assess whether differentiation is a viable strategy in this market.

Secondary data refers to data already gathered for a previous study by someone other than the current researcher, and for a different purpose (Malhotra, 2012). Secondary data is commonly, but not exclusively, obtained from sources such as censuses, business associations, university records and organisational records (Malhotra, 2012).

For the purposes of this study, secondary data was analysed in order to gain insight into the dynamics of the Western Cape fresh milk market. Additionally, secondary data was used to better understand Porter's (1980) theory of differentiation and how it applies to this market. The results of the secondary data collection and analysis were presented in Chapters two and three of this report.

After reviewing the secondary data, the researcher selects the method of primary data collection that is required if the collection of secondary data does not achieve the primary objective of the study.

Survey research is a primary data collection methodology where a proficient fieldworker interviews respondents via a questionnaire to obtain facts, their attitudes and sentiments about a specific topic (McDaniel and Gates, 2001 and Malhotra, 2012). Survey research can be conducted by field workers knocking on respondents' front doors, stopping respondents in a mall, pre-arranging one-on-one interviews with selected respondents, phoning pre-selected respondents or mailing or emailing questionnaires (Zikmund and Babin, 2007). One advantage of surveys is their capacity for uncovering factors that are not necessarily apparent or observable, such as attitude (Hair, Bush and Ortinau, 2003). Surveys, as a data collection methodology, are segmented into four main types of survey: personal interview, telephone interview, mail surveys and web surveys.

Telephone surveys have the benefit of being an easy, cost effective and convenient methodology to interview respondents, and the telephone book serves as a reliable sample frame - a list from which the sample is selected (Fox and Bayat, 2007) – that allows for easy and effective sampling. Despite the fact that telephone interviews do not have the benefit of seeing the respondent face to face, they do produce similar results and can be used effectively for quantitative research (Sturges and Hanrahan, 2004). Various survey methodology options were considered for this study to assess the viability of a differentiation strategy in the fresh milk market of the Western Cape. Mall intercept surveys were not practically possible as retailers disallow this practice in the large Western Cape retailers.

Online surveys were not used as there is “uncertainty over the validity of the data and sampling issues, and concerns surrounding the design, implementation, and evaluation of an online survey” (Wright, 2005: 1). Since it is a common belief that the vast majority of the population can be considered as consumers of fresh milk, it would be more representative to use a large sample frame. This large sample frame is easily accessible in the form of a telephone book – more specifically the Western Cape White Pages, while a screening question would eliminate respondents who do not purchase or consumer fresh milk.

This study, therefore, made use of telephonic surveys to conduct the research. The research instrument, a structured questionnaire, was used to guide the interviewers during their telephonic survey. The design of the research instrument is discussed next.

#### **4.6.4 Research instrument**

A questionnaire is the device used to gather data from the respondents during survey research (Tustin and Pienaar, 2005). It consists of a series of pre-designed questions that elicit the required responses from respondents.

Specific focus must be placed on the design of the questionnaire when using a telephone survey methodology, as the interviewer has a limited amount of time to administer the questionnaire. Questions should, therefore, be concise and easy to understand. The questionnaire should also be simple enough so that, without the benefit of being able to see the respondents, the interviewer can make himself understood to avoid any misunderstandings about the questions or required responses (Cant, 2010). The questionnaire designed for this study was developed and pretested using a pilot sample of 10 respondents. After the pilot test, minor changes of articulation were made and the survey was tested again with 10 different respondents. The final questionnaire that was used is presented in Appendix A but the individual questions are now discussed in more detail.

The final questionnaire consisted of one qualification question to determine whether the respondent qualified to take part in the study, 13 general questions on fresh milk buying behaviour and three questions to capture demographic data. The main purpose behind the questionnaire was to achieve the research objectives of this study to assess whether differentiation is a viable strategy for the Western Cape fresh milk market. The questions were, therefore, designed to interrogate respondents' perceptions about fresh milk brands, product preferences and buying behaviour. The questionnaire was designed in five sections – the first section included only the qualification question, the second section focussed on the consumers' fresh milk procurement behaviour, the third section focussed on the consumers' fresh milk consumption behaviour, the fourth section focussed on the brands of

fresh milk that they used and the final section was a demographic capture. The structure of the questionnaire is illustrated in Table 4.3 below:

#### **4.6.4.1 Demographic Capture**

Table 4.3: Questionnaire structure

Section 1: Qualification question
Section 2: Procurement behaviour
Section 3: Consumption behaviour
Section 4: Brands
Section 5: Demographic details

Each of the questionnaire sections will now be discussed in more detail.

#### **4.6.4.2 Qualification question (Q1)**

The qualification question, “Do you regularly buy fresh milk?” was designed to ensure that only respondents who regularly buy fresh milk were interviewed. If the respondent confirmed that they did buy fresh milk regularly, they continued to question one of the next section, and if not, the interview was concluded.

#### **4.6.4.3 Fresh milk procurement behaviour**

The first section of questions interrogated the milk procurement behaviour of the respondent. The aim of these questions was to better understand the consumers’ buying behaviours, patterns and decision making around their fresh milk procurement.

The questions in this section were as follows:

- How often do you buy fresh milk?
- Who, in your household, do you buy fresh milk for?
- Who makes the decision regarding which brand of fresh milk to buy?
- What kind of fresh milk do you buy most regularly?

- Where do you buy your fresh milk from most often?

Questions in this section were open-ended and allowed respondents the freedom to express their own buying behaviours.

#### **4.6.4.4 Fresh milk consumption behaviour**

This section of the questionnaire explored the fresh milk consumption behaviour of the respondents. The aim of this section was to better understand the consumers' motivations and behaviour when buying fresh milk. The three questions under this section were:

- Who, in your household, consumes fresh milk? This was an open-ended question.
- Is the fresh milk consumed on its own or as an ingredient in another dish/drink/meal?

This was a multiple-choice question. The options were:

- On its own
  - As an ingredient in another dish/drink/meal
  - Both
- If the fresh milk is consumed as an ingredient, what is it consumed as an ingredient of?

This was an open-ended question.

#### **4.6.4.5 Brands**

The first three questions of the third section of the questionnaire interrogated the respondents' perceptions of the various brands on offer in the market, the differences they perceive between the brands and their motivations for buying some brands more than others. The questions included in this section were:

- Please choose the three brands of fresh milk that you buy most often and rate them between 1 and 3 (where 1 is the brand you buy most often).
- What differences do you perceive between these brands?
- Why do you buy some more than others?

- How likely would each factor be in influencing your decision of which brand to buy?
- Table 4.3 below lists the factors that were mentioned to respondents in order to explore their influence on most frequently purchased brand.

Table 4.4: The Likelihood of Each Factor Influencing The Brand(s) Of Fresh Milk That I Buy Most Often

Factor	Very unlikely to affect my decision	Unlikely to affect my decision	Neither likely nor unlikely to affect my decision	Likely to affect my decision	Very likely to affect my decision
The price of the fresh milk					
The look of the packaging					
Whether the cows were well treated					
Whether the environment was looked after in the production of the fresh milk					
Whether the fresh milk brand donates a portion of its revenue to charity					

The shelf life of the fresh milk					
The consistency of the taste of the fresh milk					
The consistency of the colour of the fresh milk					
Recipes offered along with the fresh milk					
How neatly and presentably the fresh milk is packed on the shelf					
Your perceived image of the company					
The company looks after its staff well					
The company is local					

Because service and personnel differentiation do not apply to the fresh milk consumers, but rather only to the customers (retailers in this case), the fifth question tested a number of image differentiation and product differentiation variables and the extent to which each of the variables influence the consumer's decision of which brand of fresh milk to buy.

Respondents were asked to answer the questions in this section using a Likert scale. Likert scales are defined as a rating scale often used in survey data to examine respondents' views on a particular topic (Kirsch, 2019).

- How likely would each factor be in influencing your decision of which brand to buy?

Table 4.5: The Brand(s) of Fresh Milk That I Buy Most Often

	Agree	Disagree	Don't know
Sells the fresh milk at a reasonable price compared to competitors			
Has attractive packaging			
Treats their cows with respect			
Looks after the environment			
Donates a portion of their revenue to charity			
Has a shelf life which is either as good as its competitors or better			
Has a consistent taste			
Has a consistent colour			
Offers recipes ideas of dishes to make with the fresh milk			
Is packed neatly on the dairy shelf			
Is a good brand made by a good, reputable company			
Looks after its staff well			
Is local			

Having gained an understanding of the importance that the respondents attach to the factors mentioned above, the fifth and final question in this section interrogates the extent to which respondents believe that the brands that they buy perform against each factor. This question examines whether the consumers buy the brands that they believe adhere to the elements which they deem to be important for them. The sampling plan used to select a sample of respondents from the sample frame is discussed next.

#### **4.6.4.6 Reliability and Validity**

Reliability and validity are measures employed to gauge the quality of research. These measures show to what extent a specific research methodology measures whatever it is that is being measured. Reliability gauges the consistency, and validity gauges the accuracy of the measure (Kotler and Keller, 2013).

Reliability is assessed by reviewing the consistency of research results across different data gathering methodologies, different data gatherers as well as through different parts of the research itself (Wiid and Diggines, 2013).

Validity is split into two sections, internal validity and external validity. Internal validity refers to the extent to which the researchers can be confident that any changes in the dependent variable are only caused by changes to the independent variable, and not other factors (Wiid and Diggines, 2013). Within the context of this paper, high levels of internal validity would mean that the researcher has a high degree of certainty that any increase in demand for fresh milk was a result of differentiation of a specific brand of fresh milk and not as a result of panic buying of milk due to Covid-19.

External validity refers to the likelihood of the research results from a particular study being able to be generalised to other contexts. High levels of external validity within this study might refer to whether the results of this study could be applied to either the bread market, or to the fresh milk market in Gauteng.

#### **4.6.5. Sampling plan**

Having designed the questionnaire, the next step was to determine how to select respondents for the survey. The sample plan determined how the respondents were to be selected.

Research is generally performed by employing either a census or a sample methodology. When conducting a census, data is acquired from each member of the research population (Tustin and Pienaar, 2005). A sample, however, refers to a representative subsection of the population being researched (Wiid and Diggines, 2013). The research population is defined as “the total group of people or establishments whose opinions, behaviour, preferences or attitudes will yield information for the answering of the specific research question” (Tustin et al., 2005: 97).

Census research is extremely expensive and, therefore, researchers will usually select only a sample from the population which they are researching (Zikmund et al., 2010). In order to select a sample from the entire research population, researchers will need to use sampling methodology. Researchers have two options when selecting their sampling methodology: probability and non-probability sampling (Zikmund et al., 2010). When using probability sampling, all the units of the population have a known, equal, non-zero chance of being a part of the sample. Non-probability sampling, on the other hand, describes sampling methodologies where specific segments of the population have a lower or no chance of being chosen to be a part of the sample (Kent, 2007).

Systematic sampling is a probability sampling methodology that is executed by selecting, at random, elements from the sample frame as a starting point and then selecting every “xth” subsequent element, where X is a predefined number. Systematic sampling can only be used if there is a comprehensive sample frame (Zikmund and Babin, 2007). For the purposes of this study, systematic sampling was selected as it was the most practical probability sampling methodology when using a sample frame as large and comprehensive as a telephone book.

According to the Census 2011 (Statistics South Africa, 2011), the population of the Western Cape is 5 823 000, using specific sampling formulas on the survey website, Survey Monkey, it was established that with a 10% confidence interval and a 5% margin of error, the study should have a sample size of 269 respondents

(<https://www.surveymonkey.com/mp/sample-size-calculator>). To ensure that the study exceeded these minimum criteria, a sample size of 300 was implemented.

The sampling instructions given to the fieldworker were as follows:

- Use the Western Cape telephone book (white pages).
- Using a random number generator, select the page number on which to start (in this case page 942 was generated using a random number generator).
- Open to page 942 of the telephone book.
- Use a random number generator to generate a number (in this case the number 129 was generated).
- Count 129 people down from the top of the page and call that person.
- If there is no answer or person refuses, continue down the list until you achieve success.
- Once you have interviewed a candidate, skip 129 names and interview the next person.
- The next element considered as part of the overall research design was the time dimension.

#### **4.7 Time Dimension**

Cross-sectional research is research which is done at a specific point in time and collects data which relates to that single moment in time as opposed to longitudinal research which measures trends over time (Fox and Bayat, 2007). The research conducted for this study to explore the viability of a differentiation strategy in the Western Cape fresh milk market employed cross-sectional research. A detailed discussion of the research techniques and procedures follows.

#### **4.8 Research Techniques and Procedures**

At this stage of the study, data are collected from selected respondents by fieldworkers using the methodology discussion in Section 4.6.4 (Malhotra, 2012; Tustin and Pienaar, 2005). For the purpose of this study, which was to explore the viability of a

differentiation strategy in the Western Cape fresh milk market, fieldworkers had to conduct telephone interviews with Western Cape consumers.

There are a number of errors that could arise during data collection. These errors, called non-sampling errors, are ascribed to factors other than the sampling methodology (Cant, 2010). These may include:

- Choosing the incorrect sample elements
- Selecting respondents who later decline to participate
- Interviewing respondents who deliberately provide incorrect or inaccurate information
- Employing fieldworkers who fabricate responses

These errors are generally mitigated by efficient oversight of the fieldworkers (Lacobucci and Churchill, 2010). The fieldworkers in this study were trained and supervised by the author.

One issue that occurred during data collection for this study was the reluctance of some respondents to partake in the research. The fieldworker was instructed to end the interview and continue to a new respondent until their quota was complete. As a result of delays and unwillingness to respond, data collection took place over a three-week period.

The preparation and processing of the primary data serves as the next step in the study and is discussed below.

#### **4.8.1 Prepare and process the primary data**

Once the data has been collected, it needs to be analysed to convert the data into meaningful information. In order to prepare data for analysis, the data must undergo a five-step process (Wiid and Diggines, 2013).

Step 1: Data validation

Step 2: Data editing

Step 3: Data coding

Step 4: Building a data file

## Step 5: Cleaning of data

Each of these steps is now discussed and applied to the study.

### **4.8.2 Data validation**

Data validation is the process of affirming that the data collected are both valid and correct. Data are valid if the survey measures what it is designed to measure (Brown, 2014). During this study, each survey was inspected to ensure that it was conducted correctly in terms of the number of questions asked, that the correct answers were given for the correct questions and that the respondents understood the questions asked. Each questionnaire was inspected to ensure that the answers to each question made sense and that all questions were answered. In two instances this was not the case. Due to the fact that the interviews were anonymous, the enumerator was unable to phone the respondent back, so the two surveys were discarded and two more were carried out in their place.

### **4.8.3 Data editing**

During this stage of the process, the correctness of the questionnaires is checked. Questionnaires are also checked to ensure that they are complete. Where necessary, certain edits are made to the questionnaires (in this study, 17 corrections were made where there had been spelling errors made by the fieldworker) and where necessary, questionnaires which are deemed unfit for the study's purpose are discarded (no scripts were discarded in this study) (Brown, 2014).

Data editing also checks that the criteria for the sample were adhered to and that no one who was not supposed to be in the sample was included (Malhotra, 2012).

#### 4.8.4 Data coding

Data coding is the process of categorising the data collected into various categories of answers and assigning numbers to each category. This allows for the data to be inputted into a computer and processed (Malhotra, 2012).

Coding differs depending on whether the questions are qualitative or quantitative. Quantitative questions are pre-coded whereby numbers are assigned to each possible answer and printed onto the questionnaire prior to the surveys being conducted. This allows for ease of capturing the data after the survey. Where open-ended questions are asked, the data are first categorised and each category is then assigned a number in a process known as post-coding (Zikmund et al., 2010). The post-coding process for this study is described in Chapter five where the responses to each of the questions are displayed and categories of open-ended responses are explored. The survey, attached as annexure A, has been pre-coded where appropriate to allow for ease of data analysis as discussed in Section 4.9.8.

As an example, for question two of the questionnaire, “How often do you buy fresh milk?” the options of: daily, a few times a week, weekly, every two to three weeks and monthly were each assigned numbers from one to five. Each time one of the options were chosen, the corresponding number was recorded.

An example of question two, below illustrates this:

*How often do you buy fresh milk?*

<i>Daily (1)</i>	<i>A few times a week (2)</i>	<i>Weekly (3)</i>	<i>Every 2 to 3 weeks (4)</i>	<i>Monthly (5)</i>

#### 4.8.5 Building a data file

Building the data file involves entering the numbers created while coding the survey into a computer. The data are usually captured by a data capturer who inputs it. (Zikmund et al., 2010).

In this study, the data was captured into a Microsoft Excel data file created by the author and captured by a data capture employed to specifically fulfil this function.

#### **4.8.6 Cleaning the data**

Errors may occur when the data capturers capture the data into the computer. These errors may include incorrect numbering, incorrect data, incorrect coding, omitted data or duplicated data. Checking and resolving these errors is known as cleaning the data. The quality of the information is a key factor in the extent to which the data has to be cleaned (Kent, 2007).

#### **4.8.7 Analyse the primary data**

During this step of the study, the researcher is in possession of sizeable amounts of raw data that need to be analysed to produce information that is usable and useful to the researcher (Wiid and Diggines, 2013).

There are primarily two types of data that need to be analysed: qualitative and quantitative data (Cant, 2010). As discussed in Section 4.9.7, qualitative data can be described as “data that cannot be meaningfully quantified” (Wiid and Diggines, 2013: 805), while quantitative data are “data that involves larger, more representative respondent samples and the numerical calculation of results” (Wiid and Diggines, 2013: 86). Qualitative and quantitative data are analysed differently. These differences will be discussed in the following section.

##### **4.8.7.1 Qualitative Data**

Qualitative data is analysed by initially reducing the data by summarising it or grouping similar themes together under a single heading (Cant, 2010). Exact quotations from statements made by respondents are often used to display the data and to highlight patterns in answers across various groups of respondents. These are interpreted by the researcher

who extracts meaning from the data (Zikmund and Babin, 2007). In this study, this method of analysis was applied to all open-ended questions and is discussed in more detail in Chapter five.

#### **4.8.7.2 Quantitative data**

Quantitative data is analysed statistically to highlight dominant trends and relationships between variables in the data (Brown, 2014). Data can be displayed visually in formats such as graphs or tables which are presented in Chapter five to analyse the data that was used to assess whether differentiation is a viable strategy in the Western Cape fresh milk market (Zikmund and Babin, 2007). Statistical analysis of the data gathered for this study is discussed next.

#### **4.8.8 Data analysis process**

Data analysis is the next step in the study. Data analysis is a three-step process of methodically applying statistical methodologies to demonstrate, summarise, describe and assess data to provide meaningful information (Wiid and Diggines, 2013). The three steps are as follows:

1. Tabulation
2. Analysis
3. Presentation

##### **4.8.8.1 Tabulation**

Tabulation is a means of handling data by converting it into a table form so that it can be easily interpreted. A table is a depiction of statistical data in rows and columns. Rows are run horizontally whilst columns are run vertically. Tables vary in their levels of complexity depending on the type and amount of information that needs to be displayed (Brown, 2014).

For the purposes of this study, tables were generated for, among other purposes, to illustrate the results of the questions from the survey.

#### **4.8.8.2 Analysis**

Statistics are a means of analysing data and are employed in three ways: to describe data, to measure significance and to show relationships between datasets (Malhotra, 2012). To achieve the objectives of this study to assess the viability of differentiation as a competitive strategy in the Western Cape fresh milk market, respondents' responses were analysed both descriptively as well as inferentially to show the significance of the responses.

#### **4.8.8.3 Measuring statistical relationships**

Understanding whether a statistical relationship between two or more variables exist is often key to understanding research data. Relationships are measured both according to their strength, and nature – that is whether there is a correlation or a causal relationship between the variables (Lacobucci and Churchill, 2010).

Correlation refers to instances where there are concurrent events and the measurement determines the degree of association between those events (Lacobucci and Churchill, 2010). For example, there might be a strong correlation between the number of ice creams consumed in the Western Cape over a given period and the number of drownings. This would not necessarily infer that ice creams cause drowning, simply that these two events are associated – in this instance both due to warm weather. In this study regression analysis was used to draw correlations between the variables that influence milk buying behaviour.

Causal relationships measure cause and effect elements where there is not merely an association between variables, but where one variable (the independent variable) influences another variable or variables (the dependent variable) (Kotler and Keller, 2013).

For example, there is a causal relationship between the amount of shelf space a product has and its rate of sale.

#### ***4.8.8.4 Measuring significance***

Significance in the context of this research study relates to measuring the significance of the relationships between descriptive variables like perception and buying behaviour. The significance test that was used in this study is a Wilcoxon Signed Rank Test used for nonparametric or paired data. The Wilcoxon Signed Rank Test analyses the difference between the pairs and calculated the magnitude of the variances (Brick, 2018).

The benefit of using this test is that it measures whether the distributions of the two variables differ and, therefore, does not require a normal statistical distribution curve to produce accurate results (Brick, 2018).

A critical part of an analysis is to describe the data. This is usually achieved using descriptive methods such as a narrative and illustrative methods in the form of graphs. The aim of this is to convey what the data are telling readers. Descriptive statistics are statistics employed to describe the data in study. They summarise information in a meaningful way to highlight patterns that may surface from the data (Malhotra, 2012). In this study, both descriptive and inferential statistics are used to describe the data as well as graphs. Descriptive and inferential statistics are presented in Chapter five.

The final step in the process is to interpret the results and compile the research report.

#### **4.8.8.5 Presentation**

Presentation relates to the report that is created to report on the findings of the analysis (Malhotra, 2012). The report on the data analysis is presented in Chapter five of this study.

#### **4.8.9 Interpret the results and compile the research report**

After the results have been analysed, the analysis must be interpreted and then presented to interested parties. Conclusions must then be drawn and where applicable, generalised over the population (Wiid & Diggines, 2013).

Interpretation of results refers to translating the results into significant general conclusions that must refer to the research objectives and propose a resolution to the initial marketing problem (Wiid & Diggines, 2013). Generalisation of the results of a survey is when the results extracted from the sample are then extrapolated to extend to the entire population from which the sample was drawn. The extent to which this can be achieved is largely dependent on the accuracy and representativeness of the sample (Cant, 2010).

Once the results, findings and conclusions have been interpreted, they must be communicated back to the relevant parties in the form of a report. Wiid and Diggines (2013) state that there are four criteria for a good report. These are:

- **Completeness:** ensuring that the report covers all areas of the research required to answer the research question.
- **Accuracy:** ensuring that the information within the report is correct.
- **Clarity:** articulating the report in a manner such that the results reported are exact and easy to understand.
- **Conciseness:** writing the report in such a way that it is a standalone document and does not require other documents to complete or clarify it.

Interpretation of the results and conclusions to this study to assess the viability of a differentiation strategy in the Western Cape fresh milk market are presented in Chapter six.

#### **4.9 Ethical Considerations**

The study was conducted ethically, and with the approval of Unisa's Ethics Committee (ERC ethics approval reference number 2018\_MRM\_009). No respondents were harmed in any way. The following instructions were written at the top of each questionnaire for the enumerator to ensure that respondents were not influenced in any way either.

At no time must the name of any brand of fresh milk be mentioned (until such time as the questionnaire mentions it).

You are to remain absolutely impartial at all times.

#### **4.10 Conclusion**

This chapter comprehensively discussed the research methodology proposed by Saunders, Lewis and Thornhill (2012) as practically implemented in this study. The Research Onion methodology was used as a guideline and the theory and application of each step was discussed in detail. Data analysis techniques were introduced which will be applied to the gathered data in the next chapter.

## **Chapter 5: Findings**

### **5.1 Introduction**

The fresh milk market in the Western Cape is a subset of the South African dairy industry, characterised by a number of dairy producers primarily selling milk through a limited number of retailers. The largest of these producers and retailers have been introduced in the preceding chapters. These Western Cape producers have generally sold their milk as a commodity without attempting to differentiate it from their competitors to any large extent and the purpose of this study was to assess the viability of a differentiation strategy for these producers.

This chapter presents the findings of the primary research conducted in this study. The research methodology was described in detail in Chapter four and consisted primarily of telephonic surveys to augment a comprehensive literature review (delineated in Chapters two and three).

This chapter begins by describing the demographic characteristics of the sample in order to paint a picture of the gender, age and income of the typical fresh milk buyer in the Western Cape. The chapter concludes by describing the samples' procurement behaviour when buying fresh milk and the varying criteria that influence both their choice of milk and their choice of retailer.

Respondents were qualified to take part in the survey if they met the minimum age criteria and identified as fresh milk purchasers. The qualification process was accomplished by means of a qualifying question as discussed in Chapter four and, therefore, all responses discussed in this chapter are from qualified respondents who comprised the final sample. Demographic characteristics of the sample are discussed first.

## 5.2 Demographic Characteristics of The Sample

The sample, as described in detail in Chapter four, consisted of 300 respondents who were randomly selected from the Western Cape White Pages using systematic sampling methodology. The telephonic survey instrument asked respondents to indicate their gender, age (by category) and monthly household gross income bracket in order to develop a demographic profile of the Western Cape fresh milk buyer.

The questionnaire used for this study is presented in Appendix A. Question one in the “demographic capture” section asked respondents to identify their gender. The gender profile of the sample is presented in Table 5.1.

Table 5.1: Gender of Respondents

Gender	Frequency	Percentage
Male	107	36%
Female	193	64%
Total	300	100%

From the data in Table 5.1 it is evident that 36% of participants were male and 64% were female, therefore the majority of the sample who identified as fresh milk purchasers were female.

Question two of the Demographic Capture section asked respondents to indicate which age group they belong to. The age distribution of the sample is presented in Table 5.2.

Table 5.2: Age Distribution of Respondents

Age group	Frequency	Percentage
18- 25	2	1%
25-34	40	14%
35-44	107	36%
45-54	82	28%
55-64	35	12%
65+	29	10%
Total	295	100%

It can be seen from the data in Table 5.2, the age range of the sample varied between people younger than 25 years to people over 65 years. Respondents were only qualified to participate in the study if they were older than the minimum age of 18 and younger than the maximum age of 75. Five respondents refused to provide their age, so only 295 responses are reflected in the data in Table 5.2. 78% of respondents were aged between 25 and 54, while 22% were over the age of 55. A small minority of less than 1% were between 18 and 25. From the data in Table 5.2, it is evident that, within this sample, the majority of buyers of fresh milk in the Western Cape are between the ages of 25 and 64 years old. This finding corroborates the view of Louis Loubser in determining Fair Cape Dairies' target market: "Our target market are females between the age of 25 and 65" (Loubser, 2013). This might imply that fresh milk is a product bought mainly by adults shopping for themselves and their families. Loubser (2013) alluded to the fact that fresh milk purchases are mostly made by families with specific routines, when he stated that "fresh milk sales decline during school holidays as people drink milk and use it in coffee and cereal during their routine lives. When they are out of routine, like during the holidays, fresh milk consumption drops significantly".

Finally, in Question three of the Demographic Capture section, respondents were asked to select a gross monthly household income bracket. The reported distribution of gross monthly household income among respondents is reflected in the data in Table 5.3.

Table 5.3: Gross Monthly Household Income

Gross monthly household income categories	Frequency	Percentage
R0 - R10 000	16	6%
R10 001 - R25 000	50	18%
R25 001 - R40 000	148	54%
R40 001 - R60 000	50	18%
R60 001 +	12	4%
Total	276	100%

Income is commonly regarded as a sensitive questionnaire topic, so a certain number of refusals to answer was expected. In terms of non-response, 24 respondents declined to specify gross monthly household income, therefore, the data in Table 5.3 reflects a total of 276 responses. It can be calculated from the data in Table 5.3 that 76% of participants reported living in a household with a gross monthly income greater than R25,000 per month while 24% reported living in a household with a gross monthly income of less than R25,000. The majority of respondents, 54%, indicated a gross monthly household income of between R25,001 and R40,000.

The sample demographics described above in Section 5.2 indicate that the majority of fresh milk purchasers in the Western Cape are female between the ages of 25 and 65 who are part of households that earn between R25,000 and R40,000 per month.

Understanding the demographic characteristics of the typical fresh milk buyer will assist milk producers to design relevant marketing strategies that have the potential of differentiating their brand from the competition. The remaining questions in the telephonic

survey instrument were designed to explore the respondents' procurement behaviour when purchasing fresh milk, and these responses are discussed next.

### 5.3 Milk Procurement Behaviour

In order to assess the viability of a differentiation strategy for milk producers in the Western Cape fresh milk market, it was necessary to investigate the milk procurement behaviour of fresh milk buyers in the Western Cape.

As discussed in Chapter four and alluded to previously, question one was a qualification question which confirmed that respondents regularly buy fresh milk. 300 respondents successfully qualified themselves to be part of this study.

Question two asked respondents to report on how often they bought fresh milk. The frequency with which respondents purchase fresh milk is illustrated in the data in Table 5.4.

Table 5.4: Frequency of Fresh Milk Purchase

Question: How often do you buy fresh milk?		
	Frequency	Percentage
Daily	24	8%
A few times a week	117	39%
Weekly	108	36%
Every 2 to 3 weeks	36	12%
Monthly	15	5%
Total	300	100%

The data in Table 5.4 illustrates that, while a small number of participants (8%) buy their milk daily, the majority either buy their milk a few times a week (39%) or once per week (36%). 12% of respondents purchase milk every 2 to 3 weeks and just less than 5% of the sample purchase milk on a monthly basis. The fact that the majority of people buy milk at

least once a week might be due to the fact that the average shelf life of milk on the retail shelves is between five and seven days (Parker, 2014). Frequency of purchase is directly relevant to the viability of a differentiation strategy as products purchased more regularly may be classified as convenience type products making differentiation less effective.

Alternatively, regular purchase could also indicate that the consumers are more brand loyal and that some level of brand differentiation is in fact valued.

Beyond purchase frequency, it is important to understand who in the household consumes the fresh milk. The person who purchases the milk may be making the buying decision, but it is likely that they are considering the preferences of others in their household. Question three asked respondents who in their household consumes the fresh milk. The data in Table 5.5 provides insight into household members' fresh milk consumption behaviour.

Table 5.5: Household Fresh Milk Consumption Behaviour

Question: Who in your household consumes the fresh milk?		
	Frequency	Percentage
Whole household	168	56%
Selected members of the household	48	16%
Only myself	84	28%
Total	300	100%

The data in table 5.5 indicates that 56% of respondents were buying fresh milk for their entire household, 16% were buying fresh milk for selected members of their household and only 28% of respondents buy the fresh milk exclusively for themselves. The implication is that their decision around which brand of milk to buy may be influenced by the preferences of their household members.

Building on this discussion, it is important to interrogate whether the shopper makes the decision of which brand to buy or is merely acting as a proxy for another decision maker in the household. At the most basic level, brand owners need to understand who they are marketing to before evaluating the effectiveness of a differentiation strategy. For example, if the decision-maker is in-store during the purchase transaction, image differentiation (as discussed in Chapter three) in the form of unique and attractive packaging might be most effective. In contrast, when the decision maker is not in-store and orders the product via the shopper, a price-based differentiation might be more effective.

In this context, Question four asked respondents who makes the decision regarding which brand of fresh milk to buy. The individual responses to the open-ended question are reflected in Table 5.6 and further aggregated and summarised in Table 5.7.

Table 5.6: Individual Responses for Brand Decision-Makers

Question: Who in your household decides which brand of fresh milk to buy?		
	Frequency	Percentage
I do	242	80.9%
My dad	2	0.7%
My grandfather	1	0.3%
My grandmother	1	0.3%
My husband	9	3.0%
My husband or myself	2	0.7%
My mom	6	2.0%
My wife	22	7.4%
Myself or my spouse	11	3.7%
We all do	1	0.3%
Whoever is at the shop	2	0.7%
Total	299	100%

The data in Table 5.7 aggregates the responses and categorises them into decisions made by the shopper or by the non-shopping household members.

Table 5.7: The Decision-Maker of Which Brand of Fresh Milk to Buy (Aggregated)

Question: Who makes the decision regarding which brand of fresh milk to buy?		
	Frequency	Percentage
Shopper makes decision	256	85.6%
Household member other than shopper makes the decision	43	14.4%
Total	299	100%

As evidenced in the data in Table 5.7, in 85.6% of the cases, respondents reported that they, as the shoppers, were making the decision of which brand of milk to buy. In the remaining 14.4% of cases, household members other than the shopper made the final decision about which brand of fresh milk to buy. It is clear that the shopper is generally the decision maker with regard to which brand of fresh milk to buy, however, as evident from the data in Table 5.5, the preferences of household members may still be taken into account.

In Question five, respondents were asked what kind of fresh milk they most regularly purchased (the kinds of fresh milk available in the Western Cape fresh milk market were introduced in Chapter two). Respondents were presented with four options, namely fat free, low fat, full cream (the three kinds of milk that are available in the market) or no preference. The responses are illustrated in the data in Table 5.8.

Table 5.8: The Type of Milk Most Often Purchased by Respondents

Question: What kind of fresh milk do you buy most regularly?		
	Frequency	Percentage
Fat free	25	8%
Low fat	91	30%
Full cream	174	58%
No preference	10	3%
Total	300	100%

As evident from the data in Table 5.8, the majority of the sample (58%) purchase full cream milk while 30% purchase low fat. Only 8% prefer fat-free milk, while 3% of the sample indicated no preference in the type of fresh milk that they purchase.

As discussed above, questions two to five addressed the aspects of respondents' procurement behaviour that may influence the viability of differentiation as a competitive strategy in the Western Cape milk industry. Beyond just fresh milk procurement decision making, understanding *where* respondents buy their milk from is important as it allows the researcher to investigate whether respondents perceive any differences from one retailer to the next which might make a differentiation strategy more likely to succeed in a specific retailer.

Against this background, respondents were asked in Question six to indicate where they buy their fresh milk most often. Respondents were not limited in their response to the major retailers discussed in Chapter one but were able to list any retailer of their choice. The data in Table 5.9 illustrates the stores where participants most regularly purchase milk.

Table 5.9: Most Frequently Patronaged Retail Outlets

Question: Where do you buy your fresh milk from most often?		
	Frequency	Percentage
Checkers	153	51%
Pick 'n Pay	75	25%
Shoprite	51	17%
Spar	45	15%
Woolworths	54	18%
Any	18	6%
Total	396	132%

Note: Respondents were able to mention more than one store, so percentages equal more than 100%.

As evident from the data in Table 5.9, 51% of participants regularly shop at Checkers, followed by 25% of participants at Pick 'n Pay, 18% of participants at Woolworths, 17% at Shoprite and 15% at Spar. Finally, 6% of participants are not particular regarding which store they buy from and responded that they would buy their fresh milk from whichever store they are closest to at the time.

The Euromonitor Retail Market Share Report (2015) stated that The Shoprite Group (which includes Shoprite and Checkers, among others, and grouped together as they are part of the same retail group) had a grocery market share of 19.4% in South Africa, while Pick 'n Pay had a market share of 16.4%, Spar 9.5% and Woolworths 3.7%. The results from Figure 5.1 are consistent with these findings, given that a greater proportion of respondents reported buying their fresh milk from Shoprite and Checkers (combined) relative to any of the other retailers. While the percentages are not the same, the trends correlate with the Euromonitor Retail Market Share Report (2015). This indicates that the fresh milk

buying behaviour of consumers is consistent with their broader retail patterns implying that consumers are buying fresh milk as part of their regular retail purchases.

Based on the assumption that fresh milk is purchased as part of the consumers' regular retail purchases, Question seven asked respondents to reiterate who in the household consumes the fresh milk. The data in Table 5.10 illustrates who in the household consumes the fresh milk.

Table 5.10: Consumers of Milk in the Household

Question: Who in your household consumes fresh milk?		
	Frequency	Percentage
Only I do	78	26%
Other members of my household and I	216	72%
Other members of my household only	6	2%
Total	300	100%

Question seven was a confirmatory question that reinforces who in the household the milk is bought for (reinforces question three) as a precursor to how they use the milk in their households. This question found that in 26% of cases, only the respondent consumed the fresh milk, in 72% of cases the respondent consumed the milk as well as other members of their household and in only 2% of the cases, did respondents report buying milk only for people within their household other than themselves.

The way fresh milk is consumed may impact on the brand preferences of a consumer and directly point to relevant differentiation variables for producers. For example, consumers who drink the milk on its own might prioritise the taste over other attributes such as price; alternatively, consumers who use the milk as an ingredient may be more concerned with the price or the longevity as opposed to taste. As such, Question eight asked respondents

whether the fresh milk is consumed on its own or as an ingredient in another dish, drink or meal. Their responses are reflected in the data in Table 5.11.

Table 5.11: Fresh Milk Usage

Question: Is the fresh milk consumed on its own or as an ingredient in another dish/drink/meal?		
	Frequency	Percentage
On its own	38	12.8%
As an ingredient in another dish/drink/meal	39	13.1%
Both on its own and as an ingredient	220	74.1%
Total	297 (3 refused to answer)	100%

The data in table shows that, in terms of consumption behaviour, only 12.8% of respondents consume the fresh milk on its own while another 13.1% consume it solely as an ingredient in another dish, drink or meal. The vast majority (74.1%) consume it both on its own and as part of another dish, drink or meal. As previously mentioned, this might have implications for a choice of differentiation strategy. For example, the 12.8% who drink the fresh milk on its own might have more of a focus on taste or colour implying that producers can highlight these variables in their marketing strategies. In contrast, those exclusively using fresh milk as an ingredient (13.1%) in other dishes might have less of a focus on taste and prioritise other elements such as price or expiration date. In these cases, producers could, for example, highlight the expiration dates on their packaging. The fact that 74.1% use the milk both as an ingredient and on its own implies that a broader range of product attributes (taste, colour, and price) might be important.

Question nine served to further interrogate the consumer's fresh milk usage by asking the 87.2% of respondents who used the fresh milk as an ingredient to elaborate on the types of products that they used the fresh milk in. Results of Question nine are depicted in the data in Table 5.12.

Table 5.12: Fresh Milk Usage as An Ingredient

Question: If the fresh milk is consumed as an ingredient, what is it consumed as an ingredient of?		
	Frequency	Percentage
Tea or Coffee	164	36.8%
Cooking or Baking	135	30.3%
Cereal	109	24.4%
Other	38	8.5%
Total	446	100%

Note: as respondents were able to cite more than one use for the fresh milk, the total number of responses was 446 from the 262 respondents.

The data in Table 5.12 shows that the fresh milk was used as an ingredient in tea or coffee in 36.8% of responses, in cooking or baking in 30.3% of responses, in cereal in 24.4% of responses and as an ingredient in something other than the above in 8.5% of responses.

Section 5.3 has highlighted salient features of fresh milk shopper behaviour. The main outcomes of Questions two to nine show that the average consumer buys fresh milk once or more times each week. They buy milk for themselves as well as other members of their household and generally make the decision about which brand to buy themselves. They usually buy full cream milk at either Checkers or Pick 'n Pay and consume the fresh milk both on its own and as an ingredient in another food or beverage.

The aim of a differentiation strategy is to influence consumers' brand preference and, thereby, convince them to purchase the organisation's own brand. Understanding consumers' current brand preferences and well as the factors that influence these preferences is therefore important for determining whether differentiation is a viable strategy in any market. Consumer brand preferences for fresh milk are discussed next.

#### 5.4 Current Brand Preferences

In the context of the fresh milk industry in the Western Cape, respondents were asked a number of questions about their preferred fresh milk brands and the basis for their preferences.

Question 10 asked respondents to rate their top brand in terms of frequency of purchase (i.e. which brand is most frequently bought) by ranking their three most favourite brands in order of preference. The data in Table 5.13 indicates the number of times a brand was selected as the brand that was bought most often by the respondent (i.e. ranked as number one out of the three most regularly purchased).

Table 5.13: Most Frequently Purchased Brand

Question: Which brand of fresh milk do you buy most regularly?		
	Frequency	Percentage
Fair Cape	73	24.3%
Clover	58	19.3%
Checkers	48	16.0%
Woolworths	40	13.3%
Pick 'n Pay	29	9.7%
Darling	15	5.0%
Crystal Valley	10	3.3%
Other	10	3.3%

Sonnendal	8	2.7%
Ritebrand	6	2.0%
Spar	2	0.7%
Lausanne	1	0.3%
Total	300	100.0%

From the data in Table 5.13 it is evident that Fair Cape is cited as the brand most frequently purchased by consumers, with 24.3% of respondents regularly buying Fair Cape fresh milk more than any other brand of fresh milk. The consumer brand preferences evidenced in the data in Table 5.13 point to the fact that consumers perceive a difference in the brands resulting in them choosing one brand over another, thus, reinforcing the possibility that differentiation could be a viable strategy in the fresh milk market.

Question 11 of the survey asked respondents to report on the perceived differences between their most purchased brand and other brands in an open-ended question. Note that participants were able to cite any number of perceived differences. These opened-ended questions were collated and themed into various categories, for example, cost, taste, quality, expiry, hormone and special. Some respondents cited only one attribute (for example cost or taste) while others mentioned several attributes (for example cost, taste and expiry). Responses are presented verbatim in Table 5.14 and collated and themed in Table 5.15.

Table 5.14: Perceived Differences Across Brands (Verbatim)

Question: What differences do you perceive between the brand you buy most often and other brands?		
	Frequency	Percentage
Cost and taste	94	31.3%
Cost	82	27.3%
Cost and Expiry	24	8.0%

Taste	19	6.3%
Quality	18	6.0%
Hormones	16	5.3%
Cost, taste and expiry	16	5.3%
Taste and expiry	5	1.7%
Indifferent	4	1.3%
Taste and quality	4	1.3%
Cost and quality	3	1%
Special	3	1%
Convenience	3	1%
Cost, taste and quality	2	0.7%
Cost, quality and expiry	2	0.7%
Expiry	1	0.3%
Cost, packaging and expiry	1	0.3%
Cost, taste, quality and expiry	1	0.3%
Taste, quality and expiry	1	0.3%
Cost and value	1	0.3%
Total	300	100%

Table 5.15: Perceived Differences Across the Brands – Collated Into Common Themes

Question: What differences do you perceive between the brand you buy most often and other brands?		
	Frequency	Percentage
Cost	226	75.3%
Taste	142	47.3%
Expiry	51	17.0%

Quality	31	10.3%
Hormones	16	5.3%
Special	3	1%
Convenience	3	1%
Packaging	1	0.3%
Value	1	0.3%
Total	474	157.8%

Note: respondents were able to mention more than one, so responses exceed number of respondents.

The data in Table 5.14 and Table 5.15 together indicate that the most frequently perceived difference between brands is cost. Cost was often mentioned in conjunction with other variables; as reflected in the data in Table 5.14, 27.3% mentioned cost alone, 31.3% of respondents mentioned cost and taste, and a further 8% mentioned cost and expiry. Cost is also mentioned elsewhere in Table 5.14, for example, 1% of respondents perceive cost and quality to differ across brands. The data in Table 5.15 quantifies the number of times the word cost was mentioned (either by itself or combined with other product attributes) and indicates that 226 respondents (75.3%) identified cost as a perceived difference between brands. In the data in Table 5.15, taste is the second largest perceived differentiator across brands, with 47.3% of respondents mentioning taste (either by itself or coupled with other brand attributes). Expiry and quality are perceived to be relatively more uniform across brands, with 16.7% of the sample mentioning expiration date and nearly 9.7% mentioning quality. Finally, 5.3% mentioned the presence of hormones in fresh milk to be a differentiating factor.

The fact that the perceived differences across fresh milk brands are dominated by cost and taste implies that other types of differentiation, such as product, service, personnel,

channel and image differentiation (discussed in Chapter three) are not immediately evident to consumers and may, therefore, not be viable differentiation options for fresh milk producers.

Correlating respondents' perceptions of brand differences with their purchase behaviour will serve to illustrate if brand choices are influenced by perceived differences between brands. The groups of perceived brand differences identified in the data in Table 5.15 will, therefore, be cross tabulated with the respondents' indications of brand preferences listed in the data in Table 5.13. Groups are named according to the characteristics that they perceive to be most different between brands, for example "The cost group" perceive the price of their preferred brand to differ from the price of the competing brands.

It is important to note that the grouping of respondents relates to their perceptions about what the main differences are between their preferred brand and the competition. It is therefore possible that respondents in one group (e.g. the quality group) might use a different criterion (e.g. price) as the primary reason for their own procurement decision. Figure 5.1 illustrates the first choice of brand amongst respondents who identified cost alone as the difference between brands.

Figure 5.1: Most Frequently Purchased Brand, By Cost Group

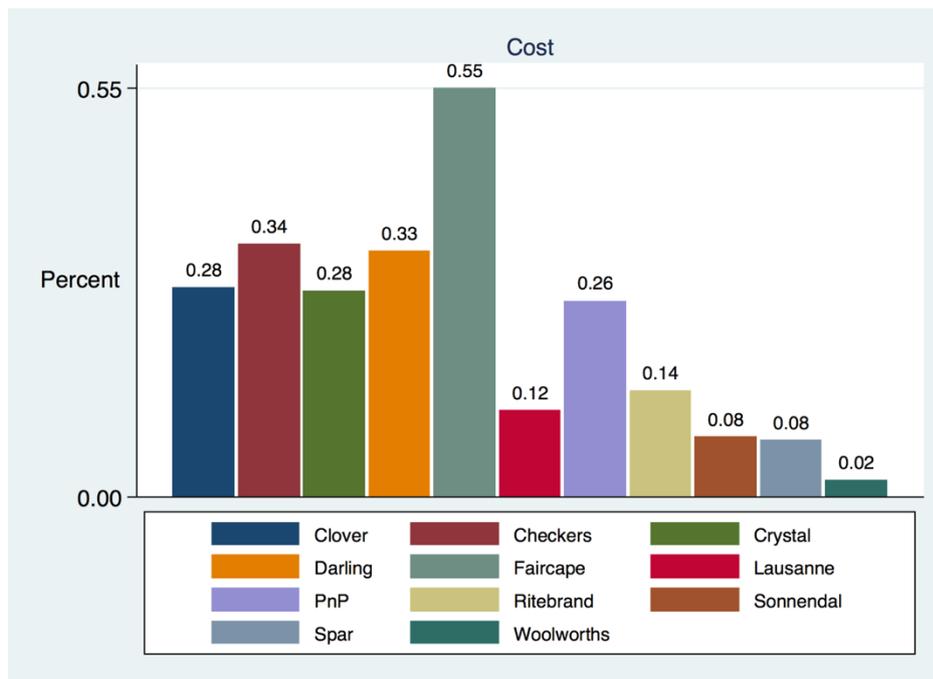


Figure 5.1 indicates that of those 226 respondents who perceive cost to differ across brands (henceforth, referred to as ‘the cost group’), 55% mentioned Fair Cape fresh milk as the brand they most often purchase. In addition, 34% and 33% mentioned Checkers House Brand and Darling, respectively, as one of the three brands of fresh milk they most often purchase. 28% of respondents in the cost group mentioned Clover and Crystal Valley as the brand of fresh milk they most often purchase; while 8% mentioned Spar and Sonnendal. Only 2% of the cost group mentioned Woolworths fresh milk as the brand they most often purchase. It is clear from Figure 5.1 that Woolworths fresh milk is perceived to be expensive as it is chosen least by the cost-conscious consumer; conversely it appears that Fair Cape is perceived to be a cheaper brand.

Figure 5.1 indicates that the cost group most frequently purchases Fair Cape, Checkers House Brand and Darling. In Question 12, participants were asked why they buy some brands of fresh milk more than others. Respondents’ answers to this question are used to determine whether respondents’ preferred brands of fresh milk mirror their perceived

differences across brands. Table 5.16 expands the narrative by presenting the responses to Question 12 of just these 226 respondents who perceive cost to differ across brands.

Table 5.16: Reasons for Buying Your Favoured Brand Rather Than Others, By Cost Group

Question: Why do you buy your favourite brand rather than other brands?		
	Frequency	Percentage
I buy the cheapest	85	37.6%
I buy what's on special	34	15%
I buy the one with best expiration date	13	5.8%
I buy what's on special and cheapest	11	4.9%
I buy the cheapest and what's on special	14	6.2%
I only buy Fair Cape	9	4%
We buy the cheapest brand	11	4.9%
Because of the cost	6	2.7%
I buy the cheapest and the one with the best expiration date	3	1.3%
I buy the cheapest and what tastes good	2	0.9%
I buy the one with the best expiration date and cost	2	0.9%
Mainly because of quality and price	2	0.9%
Mainly due to cost	2	0.9%
Pricing	2	0.9%
I am a pensioner therefore I buy what's cheapest	1	0.4%
I buy Fair Cape but will buy Clover when it is on special	1	0.4%

I buy the cheapest and what's on promotion	1	0.4%
I buy the cheapest but I also at the expiry date	1	0.4%
I buy the house brands because it's the cheapest	1	0.4%
I buy the most cost effective	1	0.4%
I buy the Pick 'n Pay brand because of the cost	1	0.4%
I buy the Woolworths when it is on special	1	0.4%
I buy what taste good	1	0.4%
I buy what tastes the best, but I also look at the cost	1	0.4%
I go for the least expensive	1	0.4%
I like the taste of those two brands, but I will go for the cheapest of the two	1	0.4%
I only buy Pick 'n Pay brand, it's cheap and tastes good	1	0.4%
I only buy the Checkers brand because it's cheaper	1	0.4%
I prefer the taste of Fair Cape, but I only buy it when it is on special	1	0.4%
I prefer the Woolworths brand but if I cannot get to a Woolworths, I will buy another brand according to the price.	1	0.4%
I prefer the Woolworths brand but if I cannot get to a Woolworths, I will buy other two brand	1	0.4%
I used to go after taste, however, due to the cost increase I have to go for what's on special	1	0.4%
I buy what's on special usually	1	0.4%

I just look at the price	1	0.4%
Least amount hormones	1	0.4%
Mainly because of cost	1	0.4%
Whatever is on special	1	0.4%
If there is a sale on - that's what I buy	1	0.4%
She buys the cheapest	1	0.4%
She buys what's on special	1	0.4%
Some are cheaper than others	1	0.4%
The Pick 'n Pay brand is cost effective	1	0.4%
We like the taste of Clover but it's more expensive than the Checkers brand so we only buy it when it's on special	1	0.4%
We buy the brand that tastes the best	1	0.4%
Total	226	100%

The responses listed in Table 5.16 from the cost group reinforce their focus on cost as a perceived differentiator between brands. The same respondents most frequently purchase Fair Cape, Darling and Checkers House Brand (refer to Figure 5.1) implying that Fair Cape, Darling and Checkers House Brand are perceived to be value for money brands. Both Darling and Checkers House Brand pursue low cost leadership strategies (Parker, 2014) while Fair Cape consistently advertises their milk on promotion twice a month (Combrink, 2015).

From the data in Table 5.15, the second most common perceived difference between brands of fresh milk was taste. Figure 5.2 shows the brand preferences of those 142 respondents who mentioned taste as a perceived brand differential in the data in Table 5.15 (Question 11). This group of 142 respondents will be referred to as 'the taste group' for ease of identification.

Figure 5.2: Most Frequently Purchased Brand, The Taste Group

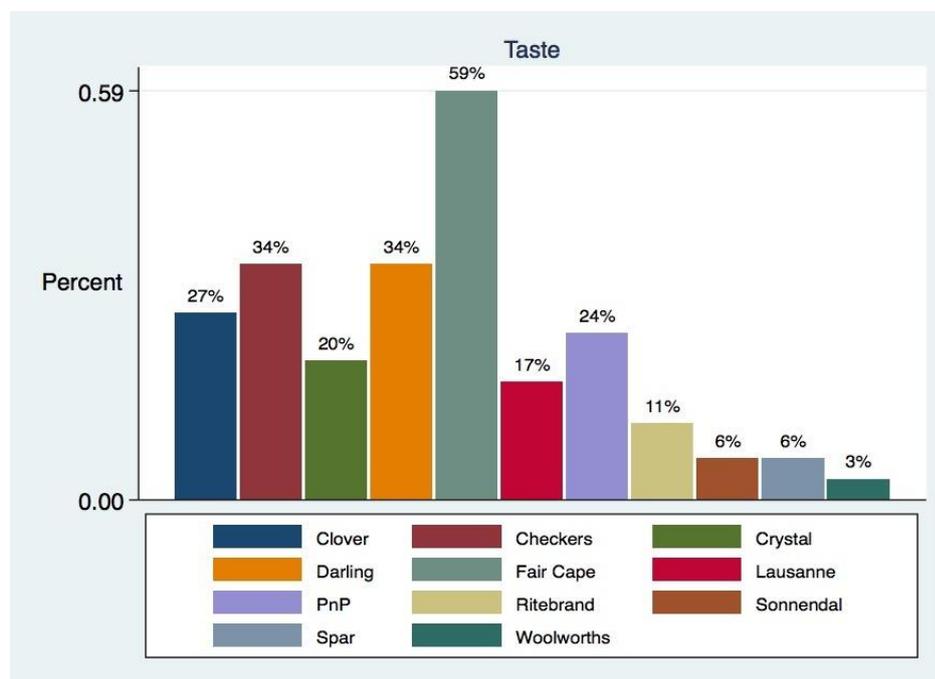


Figure 5.2 indicates that of those respondents who perceive taste to differ across brands (in Question 11), 59% mentioned Fair Cape as number one of the three brands they most often purchase. 34% of respondents in the taste group cited Checkers House Brand and/or Darling as one of the three fresh milk brands they buy most often. The data in Table 5.16 provides some additional insights based on respondents' answers to Question 12, where they were asked why they buy some fresh milk brands more than others. The data in Table 5.17 provides the responses of these respondents who perceive taste to differ across brands and who select the brand they buy because of taste.

Table 5.17: Reasons for Buying Some Brands More Than Others, By Taste Group

Question: Why do you buy brands some more than others?		
	Frequency	Percentage
I like the taste Fair Cape	7	30.43%

I buy what tastes best	7	30.43%
I buy what tastes the best, but I also look at the cost	1	4.35%
I only buy the Pick 'n Pay brand because it has consistent taste	1	4.35%
I only buy Woolworths brands; I like the taste	1	4.35%
I like the taste of the Clover brand but if they don't stock it then I go for the other two	1	4.35%
I only buy Clover because I like the taste	1	4.35%
Woolworths has the best taste and quality	1	4.35%
I only buy Pick 'n Pay brand, its cheap and tastes good	1	4.35%
We like the taste of Clover but it's more expensive than the Checkers brand so we only buy it when it's on special	1	4.35%
I like the taste of the Pick 'n Pay brand	1	4.35%
Total	23	100%

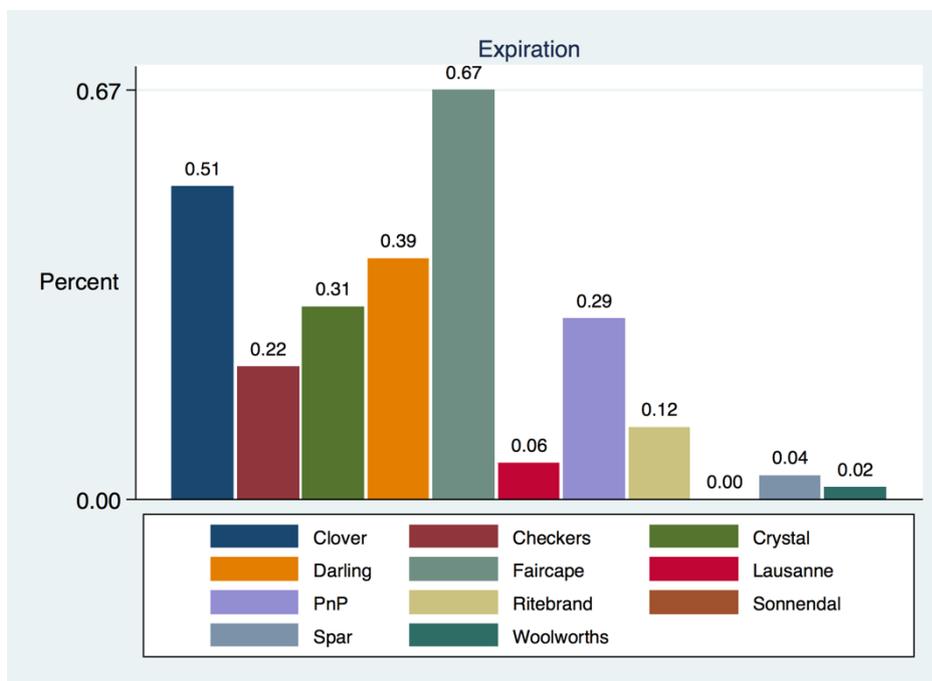
Even though the 142 respondents were classified as the taste group (refer to Table 5.15), Table 5.17 tabulates only the 23 respondents who also mentioned taste as their primary motivation behind which brand of fresh milk to buy. It is clear that taste is not the major driver in this group. Of this group, 30.43% indicated that they like the taste of Fair

Cape and a further 30.43% say they buy what tastes best. Other respondents mention specific brands, such as Clover and Woolworths, based on taste.

The implication is that even to respondents who perceive taste to be the major difference between the brands, price is a more important factor in their purchasing decision.

Figure 5.3 shows the brand preferences of those 51 respondents who mentioned expiry as a perceived brand differential (in Question 11).

Figure 5.3: Most Frequently Purchased Brand, By Expiry Cohort Group



Of these 51 respondents, Figure 5.3 indicates that 67% mentioned Fair Cape and 51% mentioned Clover as number one of the three fresh milk brands they buy most often (in Question 10). In addition, 39% mentioned Darling and 31% mentioned Crystal as first choice among the three brands of fresh milk they buy most often. As is now familiar, responses to Question 12 are used to add additional narrative. The data in Table 5.18 provides the responses of 15 respondents who perceive expiry dates to differ across brands.

Table 5.18: Reasons for Buying Some Brands More Than Others, By Expiry Group

Question: What differences do you perceive between the brand you buy most often and other brands?		
	Frequency	Percentage
I buy the one with the best expiration date	15	100%
Total	15	100%

15 of these 51 respondents view expiry date as an important element of their decision making around which brand of fresh milk to buy. To link this back to their stated behaviour, the majority buy Fair Cape and Clover, which are reported to have two of the highest levels of expenditure in the market on their cold chains – which directly affects their expiry dates (Daitsch, 2014).

Finally, Figure 5.4 and Figure 5.5 shows the brand preferences of those 31 and 16 respondents who mentioned quality and hormones as perceived brand differentials (in Question 11), respectively. In addition, responses to Question 12 for these same subgroups are provided in Table 5.19 and Table 5.20.

Figure 5.4: Most Frequently Purchased Brand, By Quality Cohort Group

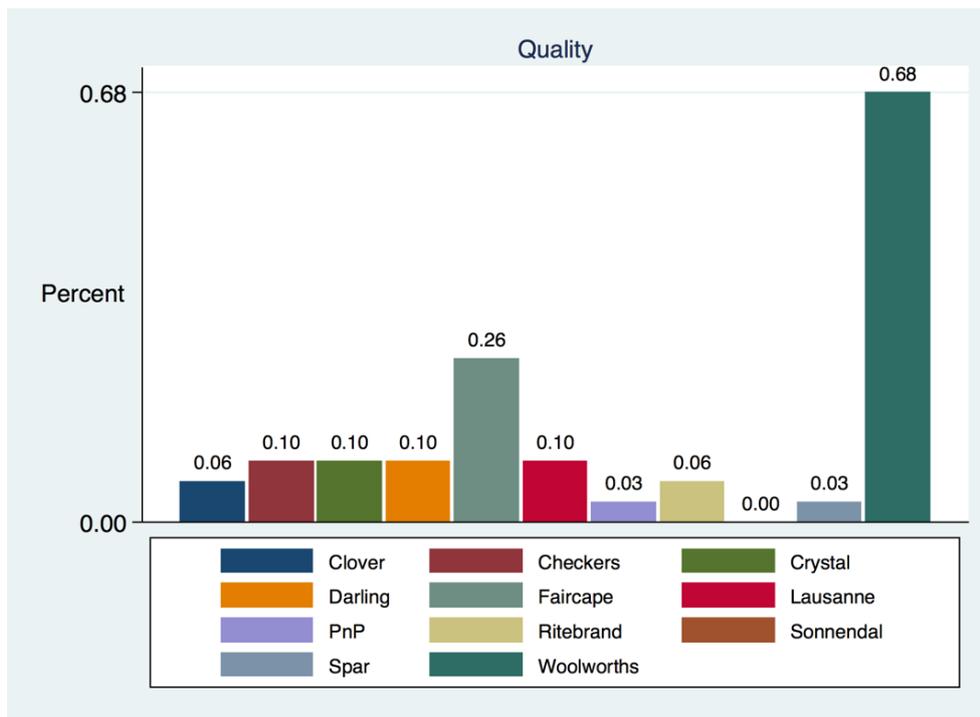


Figure 5.5: Most Frequently Purchased Brand, By Hormone Cohort Group

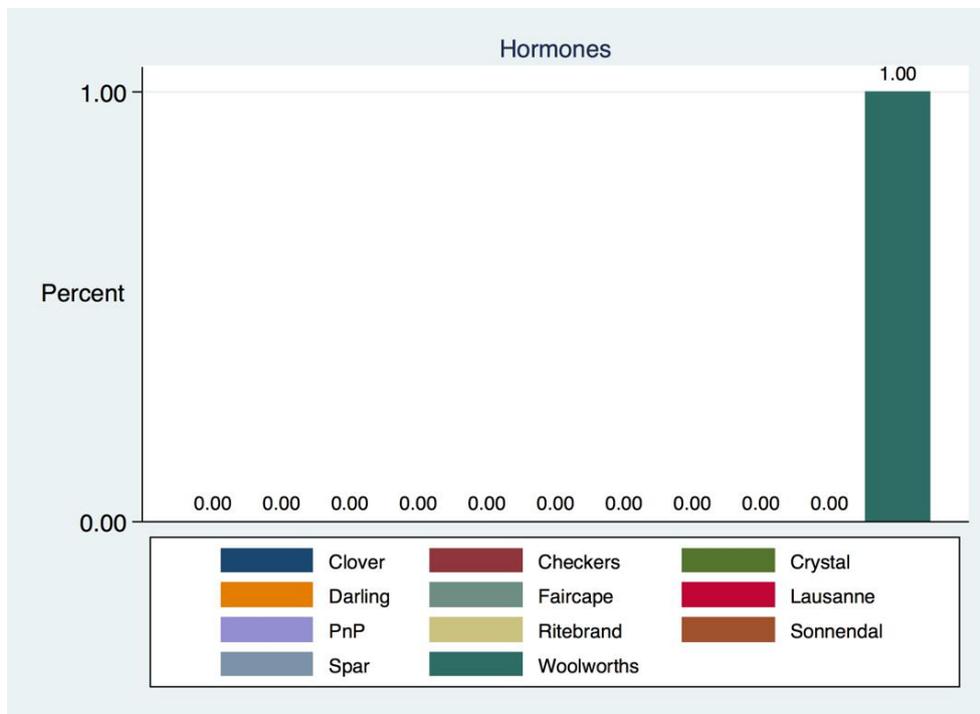


Figure 5.4 indicates that of the 31 respondents who perceive quality to differ across fresh milk brands (in Question 11), 68% frequently purchase Woolworths fresh milk (Question 10).

Table 5.19: Reasons for Buying Some Brands More Than Others, By Quality Group

Question: What differences do you perceive between the brand you buy most often and other brands?		
	Frequency	Percentage
I buy Woolworths because it is the best quality	4	30.77%
I buy Woolworths milk because it is good quality and is hormone free	3	23.08%
Quality	2	15.38%
Mainly because of quality and price	1	7.69%
because it has the best taste and quality	1	7.69%
Woolworths has the best taste and quality	1	7.69%
Mainly because of quality and price	1	7.69%
Total	13	100%

Of the 31 respondents who see quality as the primary means of differentiation within the fresh milk market, 13 reported that this was also their primary motivation for selecting which brand of milk to buy. The data in Table 5.18 illustrates the reasons that this subset of 13 respondents gave for choosing the brand that they did. It is evident that a large proportion of the quality group do in fact purchase fresh milk based on their perception of quality. For example, of the 13 respondents who buy fresh milk based on their perceptions around its quality, 30.77% purchase Woolworths fresh milk because the brand is perceived to be the best quality, 23.08 % purchase Woolworths fresh milk because the brand is perceived to be both the best quality and hormone free, 15.38 % mentioned quality, 7.69% mentioned quality

and price, and another 7.69% mentioned taste and quality. In addition, the Woolworths brand is explicitly mentioned. The implication is that the Woolworths brand has a perception of quality. As Figure 5.1 indicated, respondents that focus on cost generally do not buy the Woolworths brand of fresh milk. Conversely, respondents that focus on quality do more frequently purchase Woolworths fresh milk. However, it is also evident that a number of these respondents still consider cost when buying fresh milk, despite perceiving quality to differ across milk brands. Specifically, six respondents of the quality group mentioned only cost or specials as the reason for buying milk.

It appears therefore, that while features such as quality are important considerations of respondents when buying fresh milk, these features drive decision making when paired with a price that consumers deem acceptable.

Moving to the group of 16 respondents who perceive the presence of hormones to differ across brands (in Question 11), as evident from both Figure 5.5 and the data in Table 5.19, all of these respondents buy brands of fresh milk that they perceive to be free from hormones. Once again, it is evident that Woolworths has a certain perception in the market: in this case, they clearly have a perceived position of being hormone free.

This result, and specifically Figure 5.5, shows that Woolworths has managed to communicate this positioning better than any other brand and that for a segment of the respondents, this specific positioning is the main reason that they buy Woolworth's milk.

Logistic regression is used to conduct regression analysis when the dependent variable is dichotomous (binary). In the regressions, the dependent variable is a binary variable for a particular brand: for example, the binary variable *Checkers* equals 1 if Checkers House Brand is one of three brands most frequently purchased brands and zero otherwise. Likewise, the variable Fair Cape equals 1 if Fair Cape is the most frequently purchased brand and zero otherwise. The dependent (explanatory) variables in each regression are *cost*, *taste* and *expiration* as these were the three largest categories. These three explanatory variables are also binary (for example, *cost* = 1 if cost is a perceived brand

differential across products). The regressions, therefore, indicate how the perceived brand differentials of *cost*, *taste* and *expiration*, significantly impact on brand choice.

Regressions are not run for Ritebrand, Lausanne and Sonnendal due to small sample sizes.

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**Regression 1 | Robust**

Clover	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
cost	.2028181	.3184554	0.64	0.524	-.421343	.8269791
taste	.1081906	.2768804	0.39	0.696	-.4344849	.6508662
expiration	1.327771	.3289186	4.04	0.000	.6831023	1.97244

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**Regression 2 | Robust**

Checkers	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
cost	1.323334	.3828458	3.46	0.001	.57297	2.073698
taste	.4454569	.2697838	1.65	0.099	-.0833097	.9742236
expiration	-.5532589	.3703401	-1.49	0.135	-1.279112	.1725943

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**Regression 3 | Robust**

Crystal	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
cost	1.050683	.401888	2.61	0.009	.2629971	1.838369

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taste	-.4646515	.2910199	-1.60	0.110	-1.03504	.1057371
expiration	.3349044	.3509726	0.95	0.340	-.3529892	1.022798

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**Regression 4 |** Robust

Darling	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
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cost	.7610907	.3375944	2.25	0.024	.0994178	1.422764
taste	.382791	.2624431	1.46	0.145	-.131588	.89717
expiration	.5047594	.3466948	1.46	0.145	-.17475	1.184269

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**Regression 5 |** Robust

Fair Cape	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
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cost	.9357693	.2875537	3.25	0.001	.3721743	1.499364
taste	.8248368	.2469316	3.34	0.001	.3408597	1.308814
expiration	.8811002	.3329318	2.65	0.008	.2285659	1.533635

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**Regression 6 |** Robust

Pick n Pay	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
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cost	2.075364	.6151725	3.37	0.001	.8696479	3.28108
taste	.2539372	.3029418	0.84	0.402	-.3398178	.8476923

expiration | .4548099 .3538906 1.29 0.199 -2.388029 1.148423

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**Regression 7 |** Robust

Woolworths | Coef. Std. Err. z P>|z| [95% Conf. Interval]

-----+-----  
 cost | -3.900904 .5635488 -6.92 0.000 -5.005439 -2.796369

taste | -2.699471 .6392631 -4.22 0.000 -3.952403 -1.446538

expiration | -1.80757 1.358625 -1.33 0.183 -4.470427 .8552857

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**Regression 8 |** Robust

Woolworths | Coef. Std. Err. z P>|z| [95% Conf. Interval]

-----+-----  
 cost | -3.54621 .6096931 -5.82 0.000 -4.741187 -2.351234

taste | -2.916638 .7898526 -3.69 0.000 -4.464721 -1.368556

quality | 2.766289 .6063771 4.56 0.000 1.577811 3.954766

expiration | -1.741829 1.253549 -1.39 0.165 -4.19874 .7150818

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 A regression analysis measures the extent to which there is a meaningful, significant relationship between two variables (Wiid and Diggines, 2013). In a regression analysis, the null hypothesis states that there is no relationship between the independent and dependent variables (Wiid and Diggines, 2013). In the instance of regression 1, the independent

variable is the likelihood of buying Clover milk and the dependent variable is the consumers' emphasis on expiry date of the fresh milk.

P Values used to support or reject the null hypothesis. If P value is less than 0.05, reject the null hypothesis, in other words, if the P value is less than 0.05, then there is a significant relationship between the independent and dependent variables (Wiid and Diggines, 2013).

The results from regression 1 confirm that as the P value is lower than 0.05, consumers who place emphasis on expiry date are significantly more likely to buy Clover brand fresh milk. The fact that consumers for whom price is the most significant factors are most likely to buy Checkers, Crystal Valley, Darling or Pick 'n Pay brands is highlighted in regressions 2, 3, 4 and 6. Consumers who favour a combination of cost, taste and expiry date are significantly more likely to buy Fair Cape as is illustrated by regression 5.

The results of regression 7 confirm that the likelihood of respondents purchasing Woolworths fresh milk are significantly lower for consumers concerned with cost and taste.

31 of the respondents mentioned quality as the perceived difference between their preferred brand and the competition. Of these 31, 21 mentioned Woolworths as the brand they most frequently purchase. As such, the regression is replicated in regression 8 with quality as an explanatory variable for Woolworths.

The results confirm that the likelihood of respondents purchasing Woolworths fresh milk are significantly higher for consumers concerned with quality.

## **5.5 Factors Influencing Consumers' Buying Decisions**

While the previous section discussed the current brand preferences of respondents, Section 5.5 will discuss the factors influencing the buying decisions of consumers.

In the previous subsection, participants were provided with open-ended questions so they could create their own list of product attributes that may influence their purchase decision. In Question 13, participants were provided with a list of options and were asked, for

each option, the likelihood of the factor influencing their decision of which brand to buy. The factors provided to participants in Question 13 were as follows:

- The price of fresh milk
- The look of the packaging
- Whether the cows are well treated
- Whether the environment was looked after in the production of the fresh milk
- Whether the fresh milk brand donates a portion of its revenue to charity
- The shelf life of the fresh milk
- The consistency of the taste of the fresh milk
- The consistency of the colour of the fresh milk
- Whether recipes are offered along with the fresh milk
- How neatly and presentably the milk is packed on the shelf
- The perceived image of the company
- Whether the company looks after its staff well
- Whether the company is local

Participants' responses to Question 13 are illustrated in Table 5.20. The information is further summarised in Table 5.21 by aggregating responses to binary options "likely" and "unlikely".

Table 5.20: Likelihood of Brand Attributes Affecting Purchase Decision

Question: I am going to list a number of factors which may or may not play a role in your decision regarding which brand of fresh milk to buy. How likely would each factor be in influencing your decision of which brand to buy?					
	Very unlikely	Unlikely	Neither likely nor unlikely	Likely	Very likely
Price	0%	0.33%	0%	15.67%	84%
Packaging	0.67%	0.33%	14%	17%	68%
Animal welfare	0%	0.33%	13.67%	21%	65%
Environment	0.33%	0.33%	12%	21.33%	66%
Donations to charity	2.33%	9.33%	29.67%	10.67%	48%
Expiry	0%	0%	4.67%	11.33%	84%
Consistency of taste	0%	0%	3.67%	9%	87.33%
Consistency of colour	0%	0%	3.67%	9%	87.33%
Provision of recipes	17%	10%	25.67%	18.33%	29%
Shelf presentation	6.33%	1%	50%	17.67%	25%
Company image	0%	0.33%	7.67%	20.67%	71.33%
Treatment of staff	3.68%	0.33%	61.54%	18.06%	16.39%
Company is local	3.67%	9.67%	0%	12%	74.67%

Table 5.21: Likelihood of Brand Attributes Affecting Purchase Decision

Question: I am going to list a number of factors which may or may not play a role in your decision regarding which brand of fresh milk to buy. How likely would each factor be in influencing your decision of which brand to buy?						
	Unlikely		Likely		Total	
	Frequency	%	Frequency	%	Frequency	%
Price	1	0.33%	299	99.67%	300	100%
Packaging	3	1%	255	85%	258	86%
Animal welfare	1	0.33%	258	86.00%	259	86%
Environment	2	0.66%	262	87.33%	264	88%
Donations to charity	35	11.66%	176	58.67%	211	70%
Expiry	0	0%	286	95.33%	286	95%
Consistency of taste	0	0%	289	96.33%	289	96%
Consistency of colour	0	0%	289	96.33%	289	96%
Provision of recipes	81	27%	142	47.33%	223	74%
Shelf presentation	22	7.33%	128	42.67%	150	50%
Company image	1	0.33%	276	92%	277	92%
Treatment of staff	12	4.01%	103	34.45%	115	38%
Company is local	40	13.34%	260	86.67%	300	100%

Based on respondents' current purchase behaviour as described in the previous subsection, the expectation is that price, consistency of taste and expiry would likely impact respondents' purchase behaviour. However, the data in Table 5.20 and 5.21 reveal that there are other attributes which, once prompted, elicited a positive response from respondents in terms of their effect on respondents' purchase decisions. The following insights are evident from the data in Table 5.20 and 5.21:

- When it came to price, nearly (99.7%) all respondents indicated that price is either likely or very likely to influence their decision of which brand of fresh milk to buy.
- 96.3% of respondents indicated that both the consistency of taste and colour are likely to influence their decision of brand of fresh milk
- 95.3% indicated that shelf life is likely to influence their decision.
- 92% indicated that the perceived image of the company was likely to impact their decision of what brand of fresh milk to buy.
- Respondents also reported focussing on environmental impact and animal welfare, with 87.3% and 86% indicating that environmental impact and animal welfare are likely to impact their decision of fresh milk to buy, respectively.
- 86.7% of respondents indicated that they would be more likely to buy fresh milk from a company that is local.
- 85% of respondents indicated that they would be more likely to buy fresh milk based on the look of the packaging.

It is interesting to note that neither a company being local, nor the look of the packaging were mentioned in the open-ended Question 12.

- Finally, respondents are less swayed by the company providing donations (58.7%), providing recipes (47.4%), shelf presentations (42.7%) and treatment of staff (34.5%).

More generally, these results reinforce that the attributes considered most important by respondents include the price, the consistency of the taste and colour, expiration date and, finally, respondents' perceived image of the company. For all these attributes, over 90% of the sample would either be likely or very likely to purchase the relevant brand. In addition, attributes including the environmental impact, animal welfare, the look of the packaging and whether the company is local are also considered to be important by the respondents. More specifically, over 80% of the sample would either be likely or very likely to purchase fresh milk with each of these attributes. However, when answering Question 12, an open-ended

question asking participants why they buy some brands more than others, participants did not cite these attributes. This signals that, while these attributes were not top of the respondents' minds when asked what drives them to buy a certain brand of fresh milk, once suggested to them, they viewed them as important, which could have implications for a differentiation strategy.

In Table 5.22, the various product attributes are ranked against each other using a Wilcoxon signed-rank test (where the null hypothesis is that the underlying distributions of each variable are not significantly different).

Table 5.22: Ranking Product Attributes

	Price	Look	Treatment	Environment	Donations	Shelf Life	Taste
Price		0.99 vs 0.85***	0.99 vs 0.86***	0.99 vs 0.87***	0.99 vs 0.59***	0.99 vs 0.95	0.99 vs 0.96
Look	0.85 vs 0.99***		0.85 vs 0.86	0.85 vs 0.87	0.85 vs 0.59***	0.85 vs 0.95***	0.85 vs 0.96***
Treatment	0.86 vs 0.99***	0.86 vs 0.85		0.86 vs 0.87	0.86 vs 0.59***	0.86 vs 0.95***	0.86 vs 0.96***
Environment	0.87 vs 0.99***	0.87 vs 0.85	0.87 vs 0.86		0.87 vs 0.59***	0.87 vs 0.95***	0.87 vs 0.96***
Donations	0.59 vs 0.99***	0.59 vs 0.85***	0.59 vs 0.86***	0.59 vs 0.87***		0.59 vs 0.95***	0.59 vs 0.96***
Shelf life	0.95 vs 0.99	0.95 vs 0.85***	0.95 vs 0.86***	0.95 vs 0.87***	0.95 vs 0.59***		0.95 vs 0.96***
Taste	0.96 vs 0.99	0.96 vs 0.85***	0.96 vs 0.86***	0.96 vs 0.87***	0.96 vs 0.59***	0.96 vs 0.95***	
Colour	0.96 vs 0.99	0.96 vs 0.85***	0.96 vs 0.86***	0.96 vs 0.87***	0.96 vs 0.59***	0.96 vs 0.95***	0.96 vs 0.96
Recipes	0.47 vs 0.99***	0.47 vs 0.85***	0.47 vs 0.86***	0.47 vs 0.87***	0.47 vs 0.59***	0.47 vs 0.95***	0.47 vs 0.96***
Neatly	0.43 vs 0.99***	0.43 vs 0.85***	0.43 vs 0.86***	0.43 vs 0.87***	0.43 vs 0.59***	0.43 vs 0.95***	0.43 vs 0.96***
Image	0.92 vs 0.99***	0.92 vs 0.85*	0.92 vs 0.86**	0.92 vs 0.87	0.92 vs 0.59***	0.92 vs 0.95***	0.92 vs 0.96***
Staff	0.34 vs 0.99***	0.34 vs 0.85***	0.34 vs 0.86***	0.34 vs 0.87***	0.34 vs 0.59***	0.34 vs 0.95***	0.34 vs 0.96***
Local	0.87 vs 0.99***	0.87 vs 0.85***	0.87 vs 0.86***	0.87 vs 0.87***	0.87 vs 0.59***	0.87 vs 0.95***	0.87 vs 0.96***

	Colour	Recipes	Neatly	Image	Staff	Local
Price	0.99 vs 0.96	0.99 vs 0.47***	0.99 vs 0.43***	0.99 vs 0.92***	0.99 vs 0.34***	0.99 vs 0.87***
Look	0.85 vs 0.96***	0.85 vs 0.47***	0.85 vs 0.43***	0.85 vs 0.92**	0.85 vs 0.34***	0.85 vs 0.87***
Treatment	0.86 vs 0.96***	0.86 vs 0.47***	0.86 vs 0.43***	0.86 vs 0.92**	0.86 vs 0.34***	0.86 vs 0.87***
Environment	0.87 vs 0.96***	0.87 vs 0.47***	0.87 vs 0.43***	0.87 vs 0.92	0.87 vs 0.34***	0.87 vs 0.87***
Donations	0.59 vs 0.96***	0.59 vs 0.47***	0.59 vs 0.43***	0.59 vs 0.92***	0.59 vs 0.34***	0.59 vs 0.87***
Shelf life	0.95 vs 0.96***	0.95 vs 0.47***	0.95 vs 0.43***	0.95 vs 0.92***	0.95 vs 0.34***	0.95 vs 0.87***
Taste	0.96 vs 0.96	0.96 vs 0.47***	0.96 vs 0.43***	0.96 vs 0.92***	0.96 vs 0.34***	0.96 vs 0.87***
Colour		0.96 vs 0.47***	0.96 vs 0.43***	0.96 vs 0.92***	0.96 vs 0.34***	0.96 vs 0.87***
Recipes	0.47 vs 0.96***		0.47 vs 0.43**	0.47 vs 0.92	0.47 vs 0.34***	0.47 vs 0.87
Neatly	0.43 vs 0.96***	0.43 vs 0.47**		0.43 vs 0.92***	0.43 vs 0.34**	0.43 vs 0.87***
Image	0.92 vs 0.96***	0.92 vs 0.47***	0.92 vs 0.43***		0.92 vs 0.34***	0.92 vs 0.87
Staff	0.34 vs 0.96***	0.34 vs 0.47	0.34 vs 0.43**	0.34 vs 0.92***		0.34 vs 0.87***
Local	0.87 vs 0.96***	0.87 vs 0.47***	0.87 vs 0.43***	0.87 vs 0.92	0.87 vs 0.34***	

Wilcoxon signed-rank test.  $H_0$ : Distributions are the same. \*, \*\* and \*\*\* indicate significance at the 10%, 5% and 1% level, respectively.

The percentage values in the table are the proportion of respondents who indicated they would be either likely or very likely to purchase the product associated with the particular attribute. The following insights are evident from the data in Table 5.22:

- Price, as a product attribute, tested significantly better than most of the other attributes (the look of the product, the treatment of the cows, looking after the environment, donating money to charity, including recipes, packing the shelves neatly a brand with a good image, a brand which treats its staff well and a local brand). Interestingly, the proportion of respondents who are likely to be impacted by price does not differ significantly to those for shelf life, consistency of taste and consistency of colour. This is consistent with the results from the data in Table 5.15, where cost, taste and expiry were the biggest perceived differences across brands.
- The proportion of respondents likely to be influenced by the packaging did not differ significantly from those for environmental impact and animal welfare (treatment of cows). However, a greater proportion of respondents are likely to be influenced by the look of the package than by a company donating money to charity, including recipes on the packaging, packing the shelves neatly and treating their staff well. However, respondents are more likely to be influenced by the fact that the company is local relative to the look of the packaging. This fact is echoed by Proudly SA, an organisation who markets products produced locally in the belief that the local product will differentiate the product from others not made locally ([proudlysa.co.za](http://proudlysa.co.za)).
- As a brand value, treating cows well tested significantly better than giving donations to charity, including recipes, packing the shelves neatly and treating their staff well.
- As a product attribute, looking after the environment tested significantly better than giving donations to charity, including recipes, packing the shelves neatly, and treating their staff well. It appears that respondents in the Western Cape are environmentally conscious.

- As a product attribute, giving a portion of the brand's earnings to charity tested significantly better than including recipes, packing the shelves neatly and treating their staff well.
- As a product attribute, having a long shelf life tested significantly better than the look of the packaging, treating the cows well, milk production not harming the environment, giving donations to charity, including recipes, packing the shelf neatly, the company having a good image, treating their staff well and being a local producer
- As a product attribute, have a consistent taste tested significantly better than the look of the product being consistent, the treatment of the cows, milk production not harming the environment, giving donations to charity, having a long shelf life, including recipes, packing the shelf neatly, the company having a good image, treating their staff well and being a local producer.
- As a product attribute, have a consistent colour tested significantly better than the look of the product being consistent, the treatment of the cows, milk production not harming the environment, giving donations to charity, having a long shelf life, including recipes, packing the shelf neatly, the company having a good image, treating their staff well and being a local producer.
- As a product attribute, including recipes tested significantly better than packing the shelf neatly and treating their staff well.
- As a product attribute, packing the shelves neatly tested significantly better than treating staff well.
- Treating staff well was the poorest performing product attribute and did not test significantly better than any of the other product attributes tested It appears that the respondents are more concerned about the product, how it looks and tastes and how it was made than they are about the staff of the company who made it.

As a product attribute, being a local company tested significantly better than the look of the product, the treatment of the cows, donating money to charity, including recipes, packing the shelves neatly and a brand which treats its staff well. According to Proudly SA CEO, Eustace Mashimbye “We believe that the Proudly SA brand adds value to our production partners by assuring the consumers that the products were made locally and therefore boost the South African economy. We have seen that this increases demand for these products” ([www.proudlysa.co.za](http://www.proudlysa.co.za)).

The results confirm that the most important attributes are price, shelf life, colour and taste.

In order to extend this analysis, the data in Table 5.23 provides a cross-tabulation of respondents’ preferred brand (asked and answered in Question 10) and their likelihood of being influenced by a particular factor (Question 13).

Table 5.23: Cross Tabulation of Preferred Brands for Each Product Attribute

Cross tabulation of preferred brands for each product attribute												
		Clover	Checkers	Crystal Valley	Darling	Fair Cape	Lausanne	Pick 'n Pay	Ritebrand	Sonnendal	Spar	Woolworths
Preferred brand per product attribute	L/Very Likely											
Price	299	19%	16%	3%	5%	24%	0%	10%	2%	3%	1%	13%
Look	255	22%	14%	2%	5%	27%	0%	11%	2%	0%	1%	13%
Treatment of cows	258	22%	14%	2%	6%	28%	0%	11%	2%	0%	1%	12%
Environment	262	20%	13%	4%	5%	27%	0%	10%	2%	0%	1%	13%
Donations	176	20%	14%	1%	5%	32%	1%	11%	2%	0%	1%	10%
Shelf life	286	20%	14%	3%	5%	26%	0%	10%	2%	3%	1%	0%
Taste	289	20%	13%	3%	5%	25%	0%	10%	2%	3%	1%	13%
Colour	289	20%	13%	3%	5%	25%	0%	10%	2%	3%	1%	13%

Recipes	142	25%	9%	2%	5%	33%	1%	11%	1%	.	1%	7%
Packed neatly	128	25%	12%	2%	5%	29%	1%	13%	1%	0%	1%	11%
Company image	276	21%	14%	3%	5%	24%	0%	10%	2%	3%	1%	14%
Treat staff well	103	25%	13%	3%	6%	28%	1%	13%	1%	0%	1%	7%
Local	260	22%	13%	3%	6%	26%	0%	10%	2%	0%	1%	14%

As evident from the data in Table 5.23, of those likely to be influenced by the price of fresh milk, 24% frequently buy Fair Cape, 19% frequently buy Clover, 16% frequently buy Checkers, 13% frequently buy Woolworths and 10% purchase Pick 'n Pay milk. On the other end of the spectrum, 5% or less frequently purchase Crystal Valley, Darling, Lausanne, Ritebrand, Sonnedal and Spar fresh milk. This aligns with Parker (2014) who stated that “most brands advertise their milk at a short-term discount on a monthly basis in our stores (Shoprite and Checkers), however, Clover, Fair Cape and the House brand invest more into advertising than any of the other brands.” The data in Table 5.23 illustrates that pursuing a strategy of price differentiation by the three aforementioned brands may have affected the perception of those brands.

For all attributes, the largest portion of respondents purchase Fair Cape fresh milk. After Fair Cape, and again irrespective of attribute, the majority of respondents purchase Clover, then Checkers House Brand, then Woolworths and then Pick 'n Pay (although in some cases Pick 'n Pay does fare better than Woolworths). Once again, the implication is that because Fair Cape scored the highest on all attributes, it would appear the differentiation strategy alluded to by Loubser (2013) is making them stand out in the minds of the respondents.

In Question 14, participants were further asked the extent to which they associated the brands they most frequently buy with each of these product attributes. The product attributes were slightly adapted to make more sense in the context of buying a particular brand. The wording of the question was as follows:

The brand(s) of fresh milk that I buy most often, sells the fresh milk at a reasonable price compared to competitors.

- The brand(s) of fresh milk that I buy most often, has attractive packaging.
- The brand(s) of fresh milk that I buy most often, treats the cows with respect.
- The brand(s) of fresh milk that I buy most often, looks after the environment.
- The brand(s) of fresh milk that I buy most often, donates a portion of revenue to charity.

- The brand(s) of fresh milk that I buy most often, has a shelf life which is either as good as its competitors or better.
- The brand(s) of fresh milk that I buy most often, has a consistent taste.
- The brand(s) of fresh milk that I buy most often, has a consistent colour.
- The brand(s) of fresh milk that I buy most often, offers recipes of dishes to make with the fresh milk.
- The brand(s) of fresh milk that I buy most often, is packed neatly on the dairy shelf.
- The brand(s) of fresh milk that I buy most often, is a good brand made by a reputable company.
- The brand(s) of fresh milk that I buy most often, looks after its staff well.
- The brand of fresh milk that I buy most often is local.

These responses are replicated by brand (respondents listed the brand they most frequently purchase in Question 10). The data in Table 5.24 reflects the extent to which respondents who regularly purchase Clover fresh milk associate the product attributes with the Clover fresh milk brand.

Table 5.24: Extent to Which Brand Attributes Are Reflected in Your Regular Brand (Clover)

CLOVER				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		100%		

Attractive packaging		89.87%	10.13%	
Treats cows with respect		96.20%	3.80%	
Looks after environment		96.94%	2.53%	2.53%
Donations to charity		68.35%	11.39%	20.25%
Shelf life as good as competitors		100%		
Consistent taste		93.67%	6.33%	
Consistent colour		100%		
Provision of recipes		32.91%	59.49%	7.59%
Neatly packed on shelf		34.18%	59.49%	6.33%
Good brand and reputable company		100%		
Looks after staff well		36.71%		63.29%
Is local		100%		
Total	80			

The data in Table 5.24 illustrates that 100% of respondents who frequently purchase Clover fresh milk believed that Clover milk is reasonably priced compared to competitors, has a shelf life that is at least equal to that of its competitors, has a consistent colour, is local and is made by a reputable company. Over 90% of consumers also believe that Clover fresh milk has a consistent taste, treats their cows with respect and looks after the environment.

The data in Table 5.25 similarly reflects the extent to which respondents who regularly purchase Checkers fresh milk associate the product attributes with the Checkers fresh milk brand.

Table 5.25: Extent to Which Brand Attributes Are Reflected in Your Regular Brand

(Checkers)

CHECKERS				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		100.00%		
Attractive packaging		90.59%	8.24%	1.18%
Treats cows with respect		89.41%	10.59%	
Looks after environment		91.76%		8.24%
Donations to charity		49.41%	25.88%	24.71%
Shelf life as good as competitors		98.82%		1.18%
Consistent taste		91.76%	7.06%	1.18%
Consistent colour		98.82%		1.18%
Provision of recipes		24.71%	54.12%	21.18%
Neatly packed on shelf		30.59%	63.53%	5.88%
Good brand and reputable company		98.82%		1.18%
Looks after staff well		21.18%	9.41%	69.41%
Is local		98.82%	1.18%	
Total	85			

The data in Table 5.25 illustrates that over 100% of Checkers House Brand consumers believe that the milk they buy is reasonably priced compared to competitors, whilst over 90% believe that it has attractive packaging, looks after the environment, has a

shelf life that is at least as good as its competitors, has a consistent taste and colour, is local, and finally, is a brand made by a reputable company. The data in Table 5.26 details the responses of respondents who consume Darling fresh milk.

Table 5.26: Extent to Which Brand Attributes Are Reflected in Your Regular Brand (Darling)

DARLING				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		100%		
Attractive packaging		89.66%	9.20%	1.15%
Treats cows with respect		81.61%		18.39%
Looks after environment		81.61%	2.30%	16.09%
Donations to charity		65.52%	9.20%	25.29%
Shelf life as good as competitors		98.85%		1.15%
Consistent taste		90.80%	8.05%	1.15%
Consistent colour		98.85%		1.15%
Provision of recipes		20.69%	71.26%	8.05%
Neatly packed on shelf		36.78%	60.92%	2.30%
Good brand and reputable company		98.85%		1.15%
Looks after staff well		28.74%		71.26%
Is local		98.85%		1.15%
Total	87			

The data in Table 5.26, above, shows what Darling consumers think of the milk that they buy. Over 90% of Darling fresh milk consumers think that Darling sells fresh milk at a reasonable price compared to competitors, has a shelf life as least as good as its competitors, has a consistent taste and colour, is local and is a brand made by a reputable company. The data in Table 5.27 details the responses of respondents who consume Fair Cape fresh milk.

Table 5.27: Extent to Which Brand Attributes Are Reflected in Your Regular Brand (Fair Cape)

FAIR CAPE				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		100%		
Attractive packaging		91.03%	8.28%	0.69%
Treats cows with respect		96.55%		3.45%
Looks after environment		98.62%		1.38%
Donations to charity		73.10%	13.10%	13.79%
Shelf life as good as competitors		99.31%		0.69%
Consistent taste		94.48%	4.83%	0.69%
Consistent colour		99.31%		0.69%
Provision of recipes		25.52%	66.21%	8.28%
Neatly packed on shelf		29.66%	66.21%	4.14%

Good brand and reputable company		99.31%		0.69%
Looks after staff well		29.66%		70.34%
Is local		99.31%		0.69%
Total	145			

The data in Table 5.27 above illustrates what consumers of Fair Cape Dairies think of the milk and the company. Over 90% of Fair Cape Dairies consumers believe that the company sells fresh milk at a reasonable price compared to competitors and that the product has attractive packaging. They believe that Fair Cape Dairies treats their cows with respect, looks after the environment and sells milk with a shelf life at least as good as its competitors and with a consistent colour and taste. They view Fair Cape as both a local and reputable company. Table 5.28 details the responses of respondents who consume Sonnendal milk.

Table 5.28: Extent to Which Brand Attributes Are Reflected in Your Regular Brand (Sonnendal)

SONNENDAL				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		100%		
Attractive packaging		100%		
Treats cows with respect		57.89%		42.11%
Looks after environment		57.89%		42.11%

Donations to charity		47.37%	10.53%	42.11%
Shelf life as good as competitors		100%		
Consistent taste		100%		
Consistent colour		100%		
Provision of recipes		94.74%		5.26%
Neatly packed on shelf		5.26%		94.74%
Good brand and reputable company		100%		
Looks after staff well		5.26%	42.11%	52.63%
Is local		100%		
Total	19			

The data in Table 5.28 shows that over 90% of Sonnedal brand consumers believe that Sonnedal fresh milk is reasonably priced compared to competitors, has attractive packaging, has a shelf life at least as good as its competitors and has both consistent colour and taste. They also believe that Sonnedal is a local and reputable company. Table 5.29 details the responses of respondents who consume Woolworths fresh milk.

Table 5.29: Extent to Which Brand Attributes Are Reflected in Your Regular Brand (Woolworths)

WOOLWORTHS				
Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				

Reasonable price		97.62%		2.38%
Attractive packaging		90.24%		9.76%
Treats cows with respect		85.71%		14.29%
Looks after environment		92.86%		7.14%
Donations to charity		38.10%	21.43%	40.48%
Shelf life as good as competitors		100%		
Consistent taste		100%		
Consistent colour		100%		
Provision of recipes		11.90%	69.05%	19.05%
Neatly packed on shelf		33.33%	57.14%	9.52%
Good brand and reputable company		100.00%		
Looks after staff well		26.19%	2.38%	71.43%
Is local		95.24%		4.76%
Total	44			

The data in Table 5.29 shows the perceptions of Woolworth fresh milk consumers. The figure shows that over 90% of Woolworths fresh milk consumers believe that Woolworths sells fresh milk at a reasonable price relative to competitors and has attractive packaging. They believe that Woolworths looks after the environment and produces milk with a shelf life at least as good as its competitors and with a consistent taste and colour. They believe Woolworths to be a local and reputable company, however, Woolworths is the only brand where less than 100% of respondents believe that it is reasonably priced

The data in Tables 5.24 to 5.29 illustrate the perceptions of the consumers of Clover, Checkers House Brand, Darling, Fair Cape, Sonnendal and Woolworths branded fresh milk. As is evident, there is little variation across the brands. This perceived similarity across brands by respondents indicates that, despite consumers choosing Fair Cape and Clover in the data in Table 5.23, there is not much real differentiation between the brands.

As mentioned above, the data in Tables 5.24 to 5.29 illustrate the perceptions of the consumers of Clover, Checkers House Brand, Darling, Fair Cape, Sonnendal and Woolworths branded fresh milk. Instead of looking at responses by brand, Table 5.30 replicates the responses for the whole sample.

Table 5.30: Extent to Which Brand Attributes Are Reflected in Your Regular Brand

(Summary)

Question: I am going to list a number of attributes about the brand of fresh milk that you buy most often. Please indicate whether you agree with the statement, disagree with the statement, or do not know the answer.				
	Frequency	Agree	Disagree	Don't Know
Which brand attributes are reflected in this brand of fresh milk				
Reasonable price		99.78%	0.22%	0.00%
Attractive packaging		99.71%	0.29%	0.00%
Treats cows with respect		99.58%	0.42%	0.00%
Looks after environment		99.53%	0.47%	0.00%
Donations to charity		99.29%	0.71%	0.00%
Shelf life as good as competitors		96.36%	3.64%	0.00%
Consistent taste		92.04%	7.96%	0.00%
Consistent colour		86.90%	13.10%	0.00%
Provision of recipes		84.10%	15.90%	0.00%
Neatly packed on shelf		60.74%	39.26%	0.00%
Good brand and reputable company		31.51%	68.49%	0.00%
Looks after staff well		30.57%	69.43%	0.00%
Is local		23.89%	76.11%	0.00%
Total	300			

The data in Table 5.30 illustrates the extent to which respondents believe that their preferred brand of fresh milk adheres to the criteria being tested which in turn illustrates the key criteria which cause people to buy fresh milk. The data in Table 5.30 presents the factors from highest to lowest and shows that the top criteria are reasonable pricing, attractive packaging, respectful treatment of cows, care for the environment and donating money to charity. Each of these criteria scored over 99% showing how important these are to the respondents.

To further analyse respondents' preferences as they relate to the brands they buy, responses to Question 13 (How likely would each factor in influencing your decision?) are compared with responses to Question 14 (Are these attributes reflected in the milk you frequently buy?).

- Of those likely to be influenced by the price of the fresh milk: 100% indicated that the brand of fresh milk they most frequently buy sells at a reasonable price compared to its competitors. This might mean that consumers may regard themselves as savvy shoppers and therefore believe that their choice is the most reasonable brand in terms of price.
- Of those likely to be influenced by the packaging: 93% indicates that the brand of fresh milk they most frequently purchase has attractive packaging.
- Of those likely to be influenced by the treatment of the cows: 96% indicated that their most frequently purchased fresh milk brands treat their cows with respect.
- Of those likely to be influenced by whether the environment was looked after in the production of fresh milk: 95% indicated that their most frequently purchased fresh milk brand looks after the environment.
- Of those likely to be influenced by whether the fresh milk brand donates a portion of its revenue to charity: 67% indicated that their most frequently purchased fresh milk brand donates a portion of their revenue to charity.

- Of those likely to be influenced by the consistency of the taste and colour of the fresh milk: 96% indicated that their most frequently purchased brand of fresh milk has a consistent taste and 100% indicated the fresh milk has a consistent colour.
- Of those likely to be influenced by the recipes offered along with the fresh milk: only 38% indicated that their most frequently purchased brand of fresh milk offers recipes of dishes to make with the fresh milk.
- Of those likely to be influenced by how neatly and presentably the fresh milk is packed on the shelf: 44% indicated that the fresh milk of their most frequently purchased brand is packed neatly on the dairy shelf.
- Of those likely to be influenced by their perceived image of the company: 100% indicated that the fresh milk is made by a reputable company.
- Of those likely to be influenced by whether the company looks after its staff well: 74% indicated that they believe that the company looks after its staff well.
- Of those likely to be influenced by whether the company is local: 99% indicated that the brand of fresh milk they most frequently purchase is local.

Section 5.5 illustrates that consumers perceive there to be differences between brands and that different brands have different attributes, some of which appeal to specific consumers more than others. This section discussed the likelihood of various brand attributes affecting the respondents' purchase decision, the likelihood of brand attributes affecting the purchase decisions of the respondents as well as the extent to which brand attributes are reflected in the respondents' regular brand of fresh milk.

## **5.6 Conclusion**

Chapter five presented results of the survey analysis of the procurement behaviour of consumers in the Western Cape when purchasing fresh milk. The results of the analysis consistently showed price, colour, taste and shelf life to be key determinants of consumers' procurement decisions. Furthermore, elements such as animal welfare and environmental

credentials were also important, but less so. More specifically, respondents almost unanimously indicated that price is likely to influence their decision of which brand of fresh milk to buy.

In terms of implications for differentiation as a viable strategy, the fact that such a large proportion of respondents converge on the same product attributes may imply that these attributes could be used as part of a differentiation strategy within the context of fresh milk. For example, 90% of respondents are likely to be influenced by each of the following attributes: price, consistency of taste and colour, shelf life and perceived company image are the attributes considered to be most important by respondents. Similarly, 80% of respondents are likely to be influenced by each of the following attributes: environmental impact, animal welfare, the look of the packaging and whether the company is local.

These product attributes are also directly linked to consumers' purchase behaviour. More specifically, the survey results indicate that over 90% of respondents feel that the brand of milk which they buy regularly is reasonably priced, had attractive packaging, treats cows with respect, looks after the environment, donates to charity, has a shelf life as good as its competitors and has a consistent taste.

Chapter six will present conclusions and recommendations based on these results.

## **Chapter 6: Conclusions and Recommendations**

### **6.1 Introduction**

The purpose of this study was to assess whether differentiation was a viable strategy in the Western Cape fresh milk market. The research results were discussed in Chapter five and specific findings from the questionnaire were presented. In this chapter, the research objectives will be revisited, conclusions will be drawn based on the data collected and final recommendations will be made. Opportunities for further research will also be presented. First, the purpose of the study will be revisited below.

### **6.2 The Purpose of The Study**

Differentiation, as a marketing concept, is regarded as one of the fundamentals of marketing (Drotskie and Herbst, 2010; MacMillan and McGrath, 1997; Fulmer and Goodwin, 1988) and is defined as a strategy of distinguishing a firm's offering from competitive offerings through the promotion of a physical or nonphysical characteristic of the offering that is perceived to be unique by the consumer (Porter 1980, Dickson and Ginter 1987).

In terms of distinguishing a particular product from those of competitors, Broniarczyk and Gershoff (2003) distinguish between primary and secondary elements of differentiation. Primary elements conventionally include specific product features such as the actual product or packaging while secondary elements include symbolic or emotional brand attributes. Barney (2002) argues that differentiation can be based on the primary elements of the product (for example, the taste of the milk or its shelf life), on the customer service and creation of relationships with the customer and/or on the operational competence and "fair value solutions". Slavens (2006) argues that differentiation must focus on how the product in question can best assist the customer while Carpenter, Glazer and Nakamoto (1994) state that the aim is to be "desirable, unique and highly valued" while highlighting aspects of the brand which differ from their competitors (Sharp and Dawes, 2001).

A number of studies consider the benefits associated with a successful product differentiation strategy. In terms of price, Steenkamp, van Heerde and Geyskens (2010) and Hosford (2006) both argue that product differentiation allows the supplier to charge a price higher than normal perfect competition would allow. Kotler and Keller (2013) argue that product differentiation facilitates consumers' strongly associating the brand with positive attributes or benefits (that are believed to be unique to the particular product).

Were differentiation found to be a viable strategy in the fresh milk market, it would afford brands in this market the opportunity to sell more products or change more for the products that they currently sell, thereby, benefitting both the fresh milk processors as well as the farmers. Not only are the results of this study generalisable to all players within the Western Cape fresh milk market but will further allow marketers in other commoditised market segments to better evaluate their choice of marketing strategies. The objectives of the study are revisited next.

### **6.3 Objectives of the Study**

The primary objective of this study was to assess the viability of differentiation as a strategy in the fresh milk market in the Western Cape by examining fresh milk consumers buying behaviour. The secondary objectives were to identify the most important purchase criteria in the minds of the consumers when purchasing fresh milk as well as to identify what weight is given to price, shelf life, animal welfare and health, and environmental attributes when buying milk. The research methodology implemented to achieve the primary objective is summarised below.

#### **6.3.1 Research methodology applied to achieve the objectives**

Telephonic interviews were conducted with 300 respondents randomly selected from the Western Cape telephone book using a systematic random sampling approach.

Responses were analysed using both descriptive and inferential analysis techniques and regression analysis was used to draw correlations between the variables that influence milk buying behaviour.

### **6.3.2 Research findings**

As discussed in chapter 3, Kotler (2012) writes that there is more than one avenue for differentiation. Kotler identifies five elements upon which a company could differentiate itself. These elements are product differentiation, services differentiation, personnel differentiation, channel differentiation and image differentiation.

The secondary objectives of the study were achieved and the results of the analysis indicated that price, colour, taste and shelf life (all product differentiation) were the most important elements of consumers' fresh milk procurement decisions. Elements such as animal welfare and environmental credentials also feature in the consumers' decision making but were not prioritised by consumers. Price and the consistency of taste and colour as well as shelf life were the most likely to impact brand choice.

Other elements which were likely to impact brand choice are perceived company image, packaging, animals being well treated and fresh milk being produced in a manner which protects the environment (all image differentiation). These elements were all likely to play a role, though less significant, in consumers choice fresh milk brand.

These product attributes are also directly evidenced by consumers' purchase behaviour. Respondents indicated that more than 90%, of respondents believed that the brand of milk they most often purchase is reasonably priced, had attractive packaging, treats cows with respect, looks after the environment, donates to charity, has a shelf life as good as its competitors and has a consistent taste.

Taking into account respondents' perceived importance of price, taste, colour, shelf life, company image, animal welfare and environmental impact; physical product differentiation and company image differentiation are likely to be the most viable differentiation strategies.

The primary objective of the study was achieved by concluding that consumers have different purchasing criteria which influences their choice of fresh milk brand. Therefore, differentiation based on those attributes could potentially influence consumers to purchase other brands making differentiation a viable strategy in the Western Cape fresh milk industry.

#### **6.4 Conclusions and Recommendations**

The Western Cape fresh milk industry remains largely commoditised, with product-based marketing (such as price and shelf life) standing out as the dominant strategic approaches.

In assessing whether differentiation was a viable strategy in this Western Cape fresh milk market, this study showed that there were a number of brand attributes that would affect the procurement decisions of consumers and cause them to choose one brand of fresh milk over another.

The attributes which were most likely to affect the procurement decisions of the respondents were price, consistent taste, consistent colour, the expiry date of the milk, the image of the company, care for the environment while producing the milk, the company being local, the welfare of the cows and an attractive packaging. These findings clearly indicate that if producers were to differentiate themselves from the competitors on most of these attributes, they could potentially reap the benefits of the differentiation strategy, namely higher prices or increased demand. Brands like Fair Cape have already increased the demand for their products by differentiation based on animal, environmental and social welfare. Woolworths have differentiated themselves on quality; while Clover appears to have successfully differentiated on price.

Kotler (2012) identified five types of differentiation. These elements are product differentiation, services differentiation, personnel differentiation, channel differentiation and image differentiation.

The attributes detailed above, which have been shown to affect consumer decision making around the procurement of fresh milk all fall into one of these categories. Price,

consistency of taste and colour, expiry date and care for the environment and the cows fall under product differentiation; company image and packaging fall under image differentiation and company being local falls under channel differentiation.

This study has shown that differentiation does influence the procurement decision of consumer and we are able to conclude that differentiation is, in fact, a viable strategy in the Western Cape fresh milk market.

It is evident from the findings that price is the brand attribute that is most likely to affect the procurement decision of a consumer. There are, however, nine attributes which scored highly as illustrated in the findings in Table 5.20 and Table 5.21. these attributes are:

1. Price
2. Consistency of colour
3. Consistency of taste
4. Expiry date
5. Company Image
6. Environmental Welfare
7. Animal Welfare
8. Company is local
9. Attractive packaging

In terms of how to implement these findings, three industry experts recommended focusing on specific points of differentiation that a brand is able to achieve rather than trying to implement too many of them. Below are their opinions:

“You can’t be all things to all people. You need to understand what is important to your consumers, select the one or two things you can do differently and well and nail that flag to your mast” (Loubser, 2014). “The brands who we feel have the most potential to grow are those who understand the market but look internally to see what makes them different. Some brands chase the market by promising a hundred things, but the brands who focus on one key difference are the brands who end up making that difference” (Daitsch, 2014).

“Don’t try do too much, consumers really only take note of one or two things in each brand’s strategy. Find the most important thing or two and use that to differentiate your brand. Saying too much to a consumer often results in the consumers not remembering anything about a brand. In Shoprite, the brands with the most focused differentiation are usually the ones that do best” (Parker, 2014).

The study has highlighted the nine brand attributes most likely to affect the procurement decision of a consumer and the industry experts have suggested the appropriate approach in focusing on only a small number of those attributes in deciding which of the attributes to base a differentiation strategy on.

In assessing the brand attributes most likely to affect consumers’ procurement decisions, as discussed in Chapter five. Price (99.67%), consistency of taste and colour (both 96.33%), long expiry dates (95.33%) and the company image (92%) are all attributes which over 90% of respondents reported were likely to affect their procurement decisions. These are closely followed by looking after the environment (87.33%). The company being local (86.67%), good animal welfare practices (86%) and good-looking packaging (85%) which were attributes which over 85% of respondents reported were likely to affect their procurement decisions.

#### Recommendation 1:

Consistency of both colour and flavour are clearly high priorities for the respondents. Good quality dairy production equipment is a requirement to ensure consistency of product. Companies should invest in dairy production equipment which allows them to produce fresh milk which is consistent in both colour and taste.

#### Recommendation 2:

The next important brand attribute is expiry date. The length of the expiry date is a function of the quality of the cold chain. Brands who are able to invest in improving their cold

chains should prioritise this to ensure that they are able to differentiate their fresh milk on the basis of having a longer expiry date than their competitors.

#### Recommendation 3:

While the consistency of colour and taste are clear for the consumer to see and taste when they consume the milk and the expiry date is printed on the milk bottle, the last four attributes - environmental welfare, the company being local, animal welfare and attractive packaging are all attributes which must be communicated to the consumers, or they will not know about them. Fresh milk brands, who are able to claim one or more of these attributes, should invest in a promotional campaign to highlight the differentiation in their products to ensure that the consumers understand their points of difference.

It is therefore the recommendation of this study that to be successful in the Western Cape fresh milk market, a brand should interrogate the above list of brand attributes, select the one or two (but not more) that they believe they can achieve better than any other fresh milk brand in the market and use those as their key points of differentiation.

### **6.5 Opportunities for Further Research**

This study (to assess whether differentiation is a viable strategy in the Western Cape fresh milk market) has provided a number of opportunities for further research.

The main opportunities are discussed below:

- This study focused specifically on fresh milk in the Western Cape. Researchers should identify whether the conclusions of this paper are also applicable to fresh milk in other geographic locations.
- This study focused specifically on fresh milk in the Western Cape. Researchers should identify whether the conclusions of this paper are also applicable to other product categories in the Western Cape.

- Due to the perishable nature of fresh milk, households only buy as much as they can consume. Therefore, differentiation might cause consumers to buy a specific brand over another but will not cause them to buy more fresh milk due to the concerns around the milk expiring. Researchers should replicate this study with non-perishable products to understand whether it might also cause consumers to buy more of a specific product than they would usually.

## **6.6 Conclusion**

The purpose of this study was to assess whether differentiation was a viable competitive strategy in the Western Cape fresh milk market. By answering the telephonic survey, respondents allowed the researcher to identify the most important purchase criteria in the minds of the consumers when purchasing fresh milk.

The study found that there were nine attributes by which a brand can differentiate itself which would affect the decision of consumers in terms of which brand to fresh milk to buy. These nine attributes are:

1. Price
2. Consistency of taste
3. Consistency of colour
4. Expiry
5. Company image
6. Environment
7. Company is local
8. Animal welfare
9. Packaging

Understanding the factors that influence consumers to choose one brand of fresh milk over another provides fresh milk brand with important strategic insights which can be used to influence their marketing strategy in the future; and supplies marketing academics

with both qualitative and quantitative evidence to continue to analyse differentiation marketing theory.

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