

**Sustainable growth of Clover's premium product portfolio in South
Africa's lower income market segment**

By

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Declaration

I, Anban Pillai, student number 19653266 hereby declare that this thesis, “Sustainable growth of Clover’s premium product portfolio in South Africa’s lower income market segment,” is submitted in accordance with the requirements for the Masters: Management Science Degree at the Durban University of Technology, is my own original work and has not been submitted previously to any other institution of higher education and learning. All sources that are cited or quoted in this research project are indicated and acknowledged with a comprehensive list of references.

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Anban Pillai

31 October 2018

Dedication

I dedicate this research to my dearest family who supported and encouraged me throughout this journey. Without their confidence and reassurance, I would not have been able to endure the long hours on my own esteem. Thank you for your faith and belief in me and having to endure many missed weekends and family holidays.

My wife Viveka Pillai, son Kamran Pillai and my daughter Daviska Pillai.

I further dedicate my research project to my heavenly father, Balkisten Pillai. Thank you for instilling the desire and appreciation for education and the will to persevere tough times. You are eternally loved and missed.

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Abstract

Clover Industries Limited has a long and successful history in South Africa whilst playing a definitive role in the development of the local dairy and FMCG industries. The organisation has been a household name in South Africa for over 100 years with roots stemming as far back as 1898. On the 14th of December 2010, Clover listed on the main board of the local Johannesburg Stock Exchange (JSE) and continues to be a prominent company in the South African dairy market.

The South African Audience Research Foundation (SAARF) introduced the Living Standards Measure (LSM) as a marketing research tool in South Africa which groups people by living standards, using criteria that cuts across conventional groupings such as race, and instead evaluates specific criteria such as the level of urbanisation and ownership of motor vehicles and appliances.

An increase in both population and income in Africa have resulted in rapid urbanization making Africa an attractive target market for global businesses. According to SAARF, lower income groups (LSM 1–6) account for 63% of the South African population (SAARF 2014) and it is against this backdrop that an opportunity for exploratory research about consumer behaviour has emerged.

This study focused on business strategies and aimed to investigate whether Clover's premium product portfolio can grow sustainably in the LSM 1–6 segments. The justification for this study is based on the paradoxical nature of the LSM 1–6 segment that has income constraints, aspirational attributes and brand attraction.

The main objective of this research study is to understand the key factors affecting consumer purchasing habits in this segment of the market. The findings could potentially provide direction for Clover's business strategy to achieve its growth ambitions in the local market. Objectives have been classified into four categories to assist in answering research questions that lead to a better understanding of the salient factors affecting the purchasing decisions. These insights led

to the development of recommendations that will help improve the per capita consumption by making Clover's premium beverages more attractive across the affinity groups defined as LSM 1-6.

To achieve the objectives, the research methodology took the form of a mixed method approach to ensure that the qualitative detail is captured in order to supplement the quantitative research data.

The literature review provided detailed insight into global trends pertaining to the beverage industry. A cross-industry analysis was carried out to explore innovative trends and developments that could provide direction for the research project. The literature review, at both the local and global level, provided the foundation for the research questionnaire and the SME interview questions.

Based on the findings from the qualitative SME interviews and the quantitative surveys that were carried out, specific themes have emerged. These themes have been categorised and have helped provide clarity on the existing gaps in literature. There are specific factors that influence how business can be carried out responsibly within the LSM 1–6 segments without having an undertone of being exploitive. There are trends that have emerged which profile the typical LSM 1–6 consumer and businesses need to understand these specific needs and behaviour.

This study aimed to contribute to the body of knowledge by providing business organisations with insight into LSM 1–6 and how to succeed responsibly in this segment.

Key Terms

Black middle class; shopper attitudes; shopping malls; townships; segmentation; informal economy; enterprise census; mixed methods; business loans; failure; foreign SME; local SME; premium beverages; share of wallet; soft drinks; success, sustainability

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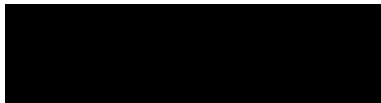
To whom it may concern

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1. Layout and presentation
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Please feel free to contact me for further clarification.

Yours faithfully



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List of Abbreviations

AA	Affirmative Action
ABI	Amalgamated Beverages Industries
AMPS	All Media Products Survey
ANOVA	Analysis of Variance
BBBEE	Broad-Based Black Economic Empowerment
BoP	Bottom of Pyramid
CAGR	Compound Annual Growth Rate
CCBA	Coca Cola Beverages Africa
CPG	Consumer Packaged Goods
CSD	Carbonated Soft Drinks
CSI	Corporate Social Investment
FC	Future Consumption
FDA	Food and Drug Administration
FREC	Faculty Research Ethics Committee
Ha	Alternate Hypothesis
HSE	Health, Safety and Environment
Ho	Null Hypothesis
IC	Immediate Consumption
JSE	Johannesburg Stock Exchange
L&T	Local and Traditional
LSM	Living Standards Measure
MNC	Multinational Corporation
NARTB	Non-Alcoholic Ready to Drink Beverage
PESTEL	Political, Economic, Social, Technological, Environment and Legal
PET	Polyethylene Terephthalate
R&D	Research and Development
RFID	Radio Frequency Identification
RIP	Relative Income Price
SASSA	South African Social Security Agency
SKU	Stock Keeping Units
SME	Subject Matter Expert
SONAR	Shopper Opportunity Needs and Attitude Research
SSB	Sugar Sweetened Beverage
SSD	Sugar Sweetened Drink

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CHAPTER 1

INTRODUCTION & OVERVIEW OF THE STUDY

1.1 INTRODUCTION

Clover Industries Limited has a long and successful history in South Africa whilst playing a definitive role in the development of the local dairy and FMCG industries (Clover, 2017b). The organisation has been a household name in South Africa for over 100 years with roots stemming as far back as 1898. On the 14th of December 2010, Clover enlisted on the main board of the Johannesburg Stock Exchange (JSE) and continues to be a leading player in the South African dairy market (Marketline, 2017a).

The global soft drinks market growth is expected to reach a compounded annual growth rate (CAGR) of 5.62% for the period 2017 – 2021 (Newswire, 2017). Exceeding this global forecast, industry estimates expect the South African soft drinks market to grow at 13.1% (CAGR) during 2015 –2020 (Marketline, 2016a). Therefore, there is global interest in the African market due to the expected growth which exceeds the global forecast (Jernigan & Babor, 2015). ABInBev recently acquired SABMiller, in a deal that was termed,” Megabrew”, which saw the merger of the world’s two largest Brewers. The global market research company, Mintel, suggested that the underlying reason for the deal was due to SABMiller’s footprint in Africa. According to research from Deutsche Bank, 40% of the expected profit growth over the coming decade will be from Sub-Saharan Africa (Guest, 2015).

The South African Audience Research Foundation (SAARF) introduced the Living Standards Measure (LSM) as a marketing research tool in South Africa which groups people by living standards, using specific criteria that cuts across conventional groupings such as race, and instead evaluates criteria such as the level of urbanisation and ownership of motor vehicles and appliances (SAARF, 2016).

An increase in both population and income in Africa have resulted in rapid urbanization making Africa an attractive target market for global businesses (Jernigan & Babor, 2015). According to

SAARF, lower income groups (LSM 1 – 6) account for 63% of the South African population (SAARF, 2014) and it is against this backdrop that an opportunity for exploration has emerged.

Similar to the roots that SABMiller established in Southern Africa within the Beer Industry, Clover has an enviable reputation and history in the Dairy Industry. The organisation has shown its intent to be taken seriously not just as a dairy company, but rather a consumer-packaged goods company with a soft drinks portfolio. The brand strength and heritage make Clover well perched to succeed in this sought-after region. International giants are competing to succeed for a share of wallet in this new growth battlefield.

This study focuses on business strategy and aims to investigate if Clover's premium beverage portfolio can grow sustainably in the LSM 1–6 segments. The justification for this study is based on the paradoxical nature of the LSM 1–6 segment that has income constraints, aspirational attributes and brand attraction (Chipp, Corder & Kapelianis, 2012).

The main objective of this research study is to understand the key factors affecting consumer purchasing habits in this segment of the market. The findings could provide direction for Clover's business strategy to achieve its growth ambitions in the local market. To achieve the objectives, the research methodology will take the form of a mixed method approach to ensure qualitative details are captured to supplement the quantitative research. This study aims to contribute to the body of knowledge by providing business organisations with insight into the LSM 1–6 consumers and how to succeed responsibly in this market segment.

Chapter 1 introduces the study by presenting the background of the research topic. This chapter then proceeds to outline the research problem whilst adding context to the socio-economic climate faced by the consumer. The problem statement and subsequent objectives are articulated which form the basis for the study. Finally, the summary of the research structure is defined as well as the limitations of this study.

1.2 BACKGROUND

South Africa has recently become the largest economy in Africa, surpassing rivals Nigeria (Marketline, 2017b). According to (SAARF, 2014) the majority (63%) of SA consumers are in the base of pyramid economic category with 23% at the lowest level of the lifestyles measure index, LSM 1-4 and 40% in the LSM group 5-6. Jernigan & Babor (2015) highlighted that rising populations and income have resulted in a rapid rate of urbanization, making Africa very attractive to the global beverage industry. Industry leaders have identified Africa as a key area for growth (Jernigan & Babor, 2015).

1.3 JUSTIFICATION FOR THE STUDY

The three most common aims of research are exploration, description and explanation (Babbie, Mouton & Payze, 2001). Prahalad & Hart (2002) argue that there is global interest in the untapped potential of the Bottom of the Pyramid (BoP) segment of the economy. The concept put forward by Prahalad & Hart (2002) suggest that it was possible, based on a large global market with an income of less than \$USD 2 per day, to exploit the opportunities at the BoP whilst still being able to alleviate poverty. This suggestion is based on economies of scale, innovative technology, a different business model and working together with the local community, NGO's and government (Prahalad & Hart, 2002).

Business models, in the South African context, aim to grow the Beverage and FMCG industries by utilising the traditional market-segmented approach used thus far. This research project aims to close a gap in research by viewing the largely stereotyped segment LSM 1 – 6, from a different lens, and explore the growth potential of Clover's premium beverage in this segment.

1.4 PROBLEM STATEMENT

Clover's corporate strategy is to set a platform for future market expansion by building onto existing competencies within the Group (Clover, 2017a). These business priorities are the drivers which help the organization to realize its growth vision in the segments in which it participates. In recent years the organisation has transformed its presence in local markets by demonstrating clear acquisition strategies, strong organic growth and joint venture partnerships (Clover, 2017d).

Industry estimates indicate that the South African soft drinks market is expected to grow in value at a rate of 13.1% (CAGR) during 2015 –2020 (Marketline, 2016a) with South Africa being the third largest in the Middle East, Africa Region (Marketline, 2016b).

Soft drinks consumption per capita in South Africa is therefore an essential part of the growth strategy for Clover towards achieving its volume growth target. The LSM 1 - 6 class of trade is a focal point of this research as it is one of the less developed areas for premium consumer products, with a lot of potential when benchmarked against similar classes in other developing countries, like Brazil and Mexico. Clover has a product portfolio that is vast and caters for consumers across LSMs'. When analysing consumer behaviour and marketing strategy, however, it is prudent to ensure that the products focused on are fit for both immediate consumption(IC) or future consumption(FC). This allows for a critical analysis of the LSM 1 – 6 habits and influences as articulated by the aspirational nature of the consumer contrasted by their cost constraints. This focused view on the premium beverage portfolio allows the researcher to gain deeper insight into themes that have emerged. Given the economic climate in South Africa and the growth aspirations of Clover, the following juxtaposition is presented, *"How can Clover's premium beverage portfolio grow sustainably in South Africa's lower income market segment?"*

1.5 OBJECTIVES

The primary objective of this research study is to understand the trends displayed by LSM 1 – 6 soft drink consumers and their personal preferences in relation to what is available/accessible in this market segment. A fundamental understanding of this dynamic will help provide direction for the strategic drive of the Clover Group. Key influencers have been clustered into five main objectives. The objectives highlighted in Table 1 below, are multidimensional and will allow the researcher to understand the salient features that can potentially reveal the opportunities or solutions in addressing the challenges of increasing per capita consumption of premium beverages in LSM 1-6.

Table 1: List of Objectives

No:	Description
1.	To understand the factors influencing consumers to switch between different beverage brands.
2.	To understand the factors influencing consumers to switch from mainstream to premium classes.
3.	To explore innovative pricing strategies and value propositions that can yield increased consumption and subsequently profitable growth.
4.	To explore the acceptability of premium brands outside of the LSM 8 -10 group.
5.	To investigate the channel flow of premium soft drink brands to ensure alignment to lifestyle choices.

1.6 DEFINITION OF KEY CONCEPTS

AA

Affirmative Action is defined as a method of making the workplace more representative and fair. The intention is to ensure that qualified people from designated groups have equal opportunities in the work place and is articulated in the Employment Equity Act (Wage Indicator, 2017).

BBBEE

Broad-Based Black Economic Empowerment was launched in 2003 as a racially selective program to empower groups that were previously disadvantaged with the objective of enhancing the economy (The Investment House, 2016).

Consumer

The consumer, for this research project, refers to the individual who ultimately consumes the purchased product.

Customer

The customer, for this research project, refers to the retailers, distributors and outlets that purchase from Clover.

Healthonism

Healthonism is defined as a philosophy with a set of rules that allow people to still be hedonistic and mindful of their health at the same time (Riklis, 2016).

L&T – Local and Traditional

These refer to the market channel outlets typically found in the township areas. Local and traditional markets are represented by Spaza or Tuck-shops and are often run by local women or foreign traders.

Loss Leaders

This refers to a pricing strategy whereby a product is sold at a price below its market cost to attract customers and stimulate sales of other more profitable goods.

LSM – Living Standards Measure

The South African Audience Research Foundation (SAARF) introduced Living Standards Measure (LSM) as a marketing research tool in South Africa which groups people by living standards, using criteria that cuts across conventional groupings such as race, and instead evaluates criteria such as the level of urbanisation and ownership of motor vehicles and appliances (SAARF, 2016).

Micro-Enterprise

A micro-enterprise is categorised as a small business, with varying norms internationally. In South Africa, the National Small Business Act 102 of 1996 defines the micro-enterprise sector as having 5 or less employees and a turnover less than \$15,000 with assets valued at under \$10,000.

Sin Tax

This is a state sponsored excise tax levied on items or services considered to be vices such as alcohol, tobacco, soft drinks sugar, etc.

Stock Keeping Units (SKU's)

Stock keeping units are typically service or product identification codes for a store or product. This can take the form of a machine-readable bar code which helps track the item for inventory. Examples of SKU's can refer to pack sizes such as 250 ml, 500 ml and 1 litre.

Social Capital

Defined as “assets” in social networks and “captured from embedded resources” available to people through relationships in social networks (Lin, 1999).

Soft Drinks

For this study, soft drinks refer to the non-alcoholic category of beverages. This is inclusive of both carbonated and non-carbonated drinks.

Spaza Shop

This refers to the informal retail sector which is most prevalent in the township areas. It is often seen as a by-product of the racial segregation policies which only ignited entrepreneurship from the home or garage (Jeeva, 2017)

Tuk-tuk

An automotive form of a rickshaw widely used for urban transport in many Asian countries.

1.7 LIMITATIONS

The following limitations detailed below are applicable to this research study:

- The consumer immersion and questionnaires will be administered in key geographical areas, specifically chosen due to the high density of LSM 1–6 consumers. This spans across 3 provinces, KZN, Eastern Cape and Gauteng; and
- Only non-alcoholic beverages are focussed on in this research study.

1.8 SUMMARY

Chapter 1 provides the background of the study and introduces key themes that were considered. This research study considers how Premium Beverage Products, from the Clover Portfolio, can grow sustainably in the LSM 1 – 6 segments. The study further interrogates the township economy and the “rules” of doing business in this sector of the economy due to the influence of foreign traders.

Chapter 2 includes a literature review defined as a summary of a subject field that assists with the identification of specific research questions. This chapter explores literature related to LSM 1 – 6. The objectives are to understand the factors influencing the purchasing process, as well as disruptive products competing for a share of the consumer’s basket. The literature review aims to provide a global perspective on this segment behaviour and will cover cross industry learnings with economies like South Africa. The researcher explores the rise of Clover Industries, and the categorisation of soft drinks in this industry. To ensure a holistic view, a discussion of the micro, macro and socio-economic environments are ensued. An overview of the consumer as well as the customer is established, before exploring some of the global trends as well as the disruptive technologies that are impacting the industry.

Chapter 3 involves the research methodology used in this study. The approach for this research is based on a mixed methodology approach, starting with a qualitative focus on SMEs (subject matter experts) and business stakeholders to gather the key constructs for the topic. This mixed method approach used several different measures including both contextual understanding such as interviews and observations along with facts and statistics. This facilitated the definition of the dependant and independent variables that are measured using the measurement tools. Elements of the research process were identified, and the subsequent hypotheses and measurements tools were defined. The problem statement was defined, and specific objectives were set to help test the hypotheses. The research paradigm and design were explained as well as the unit of study and target population for this research project.

Chapter 4 includes the findings, analysis and discussion. This chapter presents the primary findings, interprets and discusses them in the context of the problem statement. The two variables here, that being the LSM 1 – 6 and Clover’s Beverage growth are brought together to highlight salient factors that influence these variables and the relationship between them. The objectives are reiterated before a qualitative and quantitative analyses of the results are put forth. A thematic analysis of the qualitative findings is defined to add further context to feedback from the interviewees. The quantitative findings are represented graphically as well as in a tabular format.

Chapter 5 presents the conclusions and recommendations. This chapter provides a critical analysis of the findings and draws conclusions based on the environmental influences both locally and abroad. The findings, together with emerging trends that were revealed from the literature review, allow the researcher to make calculated recommendations and measured observations available to the Clover Leadership.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

According to Imenda (2014) theoretical and conceptual frameworks are two different constructs. In his argument, he explains that a deductive approach to literature review is defined using theories and theoretical frameworks, whereas an inductive approach usually leads to the development of a conceptual framework.

This chapter explores literature related to LSM 1–6 market segments, which form the focal point of this research project. The objective is to understand the factors influencing the purchasing process as well as the disruptive products and innovations that compete for a share of the consumer's basket. The literature aims to provide a global perspective on this segment's behaviour. Selection and location of the literature review were not limited to the local LSM 1-6 traditional market. This was done to obtain an understanding of international trends in similar markets and economies, whilst benchmarking against global markets. Three key factors form the basis of the conceptual framework (customer, consumer, economy) which influence beverage consumption, and were therefore explored in these broad avenues.

2.2 THE RISE OF CLOVER INDUSTRIES LIMITED

Clover Industries Limited has a long and successful history in South Africa whilst playing a definitive role in the development of the local dairy and FMCG industries (Clover, 2017b). The organisation has been a household name in South Africa for over 100 years with roots stemming as far back as 1898. On the 14th of December 2010, Clover enlisted on the main board of the JSE and continues to be a leader in the South African dairy market (Marketline, 2017a).

Clover's rich history began in 1898 with a series of meetings among a group of farmers in the pastures of Mooi River, in the Natal Midlands to establish a butter factory, leading to the birth of The Natal Creamery Ltd. The organisation grew organically and was instrumental in a number of mergers, acquisitions and joint ventures eventually resulting the formation of Clover S.A (Pty) Ltd in 1994 (Clover, 2017d).

A retrospective look into Clover's rise highlights significant milestones in the rich history such as the JSE listing in 2010 and the more recent joint ventures with Nestle and Future Life to expand their product offering. Clover Industries which now encompasses South Africa and other African countries employs approximately 6300 people, with a new focus on dairy and non-dairy beverages. Their range of beverages includes household names such as Super M, Tropika, Danao, Frankies and Krush, amongst others (Brownlee, 2015). See the table below for an overview of the current Clover product offering.

Table 2: Clover's 2017 Product Portfolio

DAIRY PRODUCTS	YOGHURT PRODUCTS	BEVERAGES	FUNCTIONAL DRINK
Milk	Clover Classic Yoghurt	Tropika	Smart Drink
Butter & Butter Spread	Bliss Full Cream Yoghurt	Clover Duo	
Cheese	InShape Yoghurt	Clover Krush	SOY MILK
Cream	Sip Up Drinking Yoghurt	Clover Life Nectar	Clover Good Hope
Condensed Milk	SnackPack Yoghurt	Aquartz Mineral Water	LACTOSE FREE MILK
Amasi	Fruits of the Forest Yoghurt	Manhattan Ice Tea	Nolac
Numel		Super M Flavoured Milk	
Clover Care	GROCERIES	Quali Juice	TODDLER RANGE
Clover Classic Custard	OLIVE OIL & OLIVES	Nestlé Pure Life	Nutrikids
	Olive Pride	Milo	
	MAYONNAISE	Frankie's	
	Cream O'Naise		

With roots firmly planted in South Africa, Clover's Corporate Social Investment (CSI) Project, Clover Mama Afrika, which focuses on disadvantaged communities, celebrated its 13th birthday this October (Clover, 2017c). The goal of Clover Mama Afrika was to restore pride and a sense of livelihood to South Africans from disadvantaged communities. The philosophy of Clover's flagship CSI initiative is underpinned by the principle of sustainability; rather than giving handouts to people. The company invests in projects that empower communities, with the aim of enhancing their ability to become self-sufficient in the long term: "We teach the Mamas how to fish rather than giving them fish" (Vlok & Kloppers, 2009). This is achieved whilst caring for the most vulnerable members of society, which include orphaned and abused children, those infected or affected by HIV/Aids and senior citizens. The campaign works with female entrepreneurs across the nation and to date has appointed 43 Mamas nationwide who collectively care for over 15 500 children and more than 2 500 elderly across South Africa (Toti, 2011).

Clover's corporate strategy is to set a platform for future market expansion by building onto existing competencies within the Group (Clover, 2017a). These business priorities are the drivers which help the organization to realize its growth vision in the segments in which it participates. In recent years the organisation has transformed its presence in local markets by demonstrating clear acquisition strategies, strong organic growth and joint venture partnerships (Clover, 2017d).

2.3 SOCIO-ECONOMIC BACKGROUND

2.3.1 Maslow's Theory

Abraham Maslow's well known theory of motivation articulates human needs into his initial five tier hierarchy of needs as seen below in figure 1 (Robbins, Odendaal & Roodt, 2016). Maslow then separated the physiological and safety needs into lower order needs whilst social, esteem and self-actualisation made up the higher order needs. The differentiation between these lower and higher order needs was based on the premise that the lower order needs were satisfied by

external factors whilst higher order needs were satisfied internally. An understanding of how these higher order needs are satisfied will be a key driver to unlocking how organisations can operate ethically in this growing segment.

Figure 1: Maslow's 5 Tier Hierarchy of Needs



2.3.2 Bottom of Pyramid Theory

'Bottom of Pyramid'(BoP) is a concept that refers to the world's poorest yet largest socio-economic group (Chipp, Corder & Kapelianis, 2012). Whilst poverty significantly influences this segment of the population, these consumers are becoming an increasingly attractive target market. Chipp et al. (2012) argue that the existing literature portrays BoP consumers as

individuals who live in a social vacuum. Contrary to this, Chipp et al's (2012) study draws upon the cultural dimensions literature and takes an innovative approach by adopting a collectivist perspective as opposed to an atomised view of consumers to describe the South African BoP.

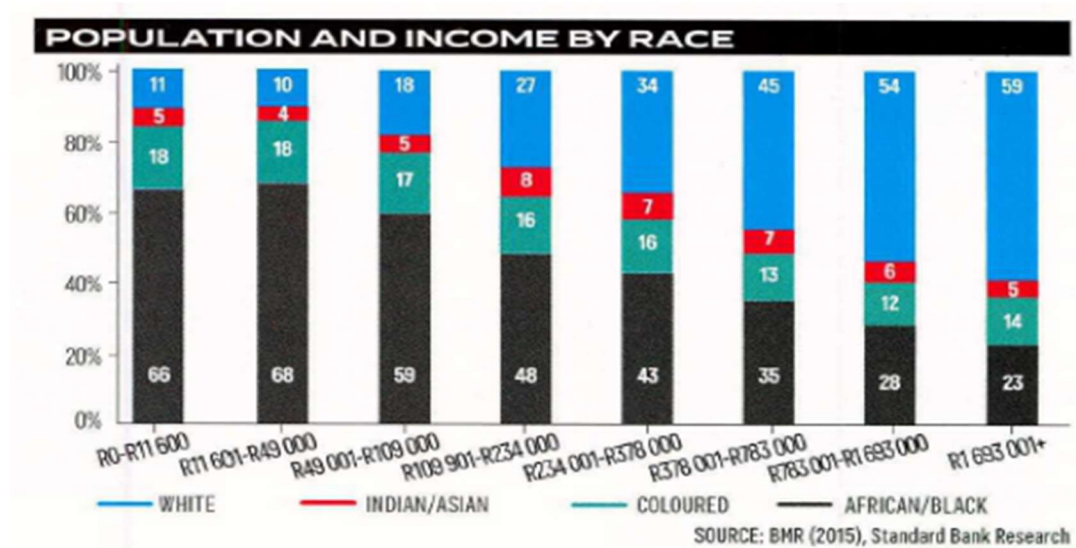
According to Gupta & Jaiswal (2013) there has been pioneering research done on the BoP population by Prahalad & Hart (2002), who stressed that marketing to the world's poor is a viable option for companies to generate profit. The overriding assumption that supports this theory of the BoP marketing proposition has been that the poor are consumers who make purchasing decisions just as consumers who fall into the higher tiers in the LSM pyramid (Prahalad & Hart, 2002). Gupta & Jaiswal (2013) highlights that the BoP proposition has been widely criticised and could be perceived as exploitative or unethical in nature because the poor are being viewed as vulnerable and can fall victim to unscrupulous marketplace business practices.

2.3.3 The South African Context

Post-apartheid South Africa exposed the repercussions of the previous oppressive regime. The racial segregation that was entrenched by this discriminatory system, proved to be a fertile ground to breed inequality and poverty. Whilst significant transformation processes were implemented by the democratically elected government, inequality still exists with the top 10% of the population accounting for almost 58% of the country's income (Nanziri, 2016).

Policy changes, such as AA(Affirmative Action) and BBBEE (Broad Based Black Economic Empowerment) to undo the injustices of the past have not had the desired rectification effect (Nanziri, 2016). The banking sector defines middle class as those with an income of R49 001 to R783 000 per annum (Ryan, 2016) .Whilst the white population still account for more than half of the affluent income group(> R783k per annum), their black counterparts now make up between 23% – 28% of this affluent group (Ryan, 2016). See the graph below for South Africa's income by population and race:

Figure 2: Income by population & race



2.3.4 Socio-Economic Barometer

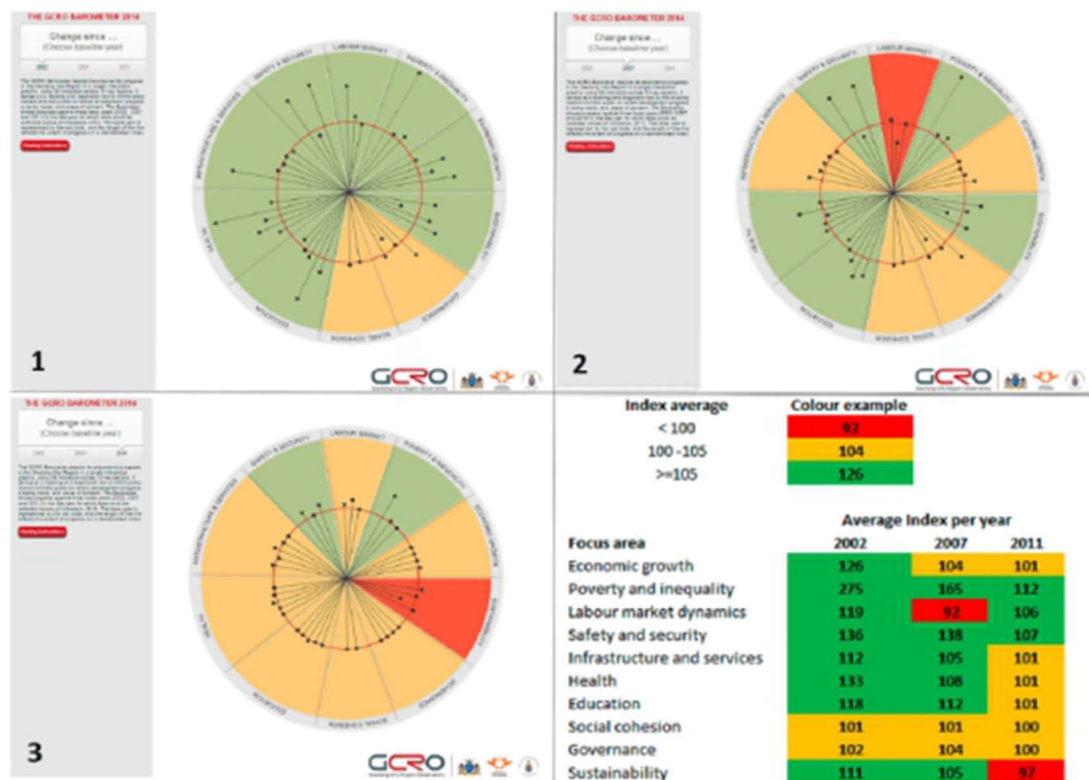
Gross Domestic Product (GDP) is a flawed but commonly used indicator in measuring economic welfare (Jones & Klenow, 2015). Key influencers such as crime, leisure, inequality, mortality and the natural environment which affect living standards are not incorporated into this measure. These influencers have varying degrees of impact across the LSM segments and are a crucial consideration when evaluating economic welfare at the Bottom of Pyramid (BoP). In light of this, there is a push to coerce countries to develop realistic measures of economic welfare under the rubric ‘Beyond GDP Measures’ that will complement the existing GDP measures (Mushongera, 2017). The measurement of developmental progress has largely relied on the use of the GDP measure. Recent events such as the global financial crisis have shown that an overreliance on GDP as a measure economic development can be misleading (Daly & Posner, 2011).

In response to this, the Gauteng City-Region Observatory (GCRO) has developed a tool called the Socio-Economic Barometer for assessing developmental progress. The Barometer comprises 38 indicators across keys sectors of the socio-economy and provides crucial insight for this

research study, due to the high density of LSM 1–6 in the Gauteng region. The Barometer does not try to show relationship and dependencies of the different measures but looks at the outcome for each indicator and each sector. To provide perspective, 3 base years (2002, 2007, and 2011) were used to benchmark progress up to the latest year (2012). The variables were assumed to carry equal weighting and an index was generated for each of the 38 indicators across the entire period.

Figure 3 below is divided into 4 quadrants. Section 1 indicates the changes noted in 2012 since 2002. Section 2 indicates the changes since 2007, whilst Section 3 highlights the changes since the previous baseline in 2011.

Figure 3: GCR Socio-Economic Barometer



The results indicate that there are challenges in the areas of social cohesion and governance as these sectors have shown no improvement for the period under review. A dramatic reduction in the poverty rate can be seen and is attributed to the successful roll out of the social grant system. Slide 2 in Figure 4 shows GCR status in 2012 relative to 2007. A higher number of sectors are seen reflecting no change when compared to 2002 which was the base year. Again, the social cohesion and governance sectors showed little or no change, whilst the infrastructure, services and economic growth sectors all showing signs of slowing down.

The labour market was the worst affected showing an overall negative change between the two years. This highlights the sensitivity of the labour market to both long and short-term economic turbulence such as the global fiscal crisis. The reduction in the poverty rate remains significantly high. Overall, there appears to be little positive change over brief time spans and further illustrates the social challenges faced by Gauteng, inferring a negative socio-economic outlook for South Africa.

2.4 MACRO ENVIRONMENT

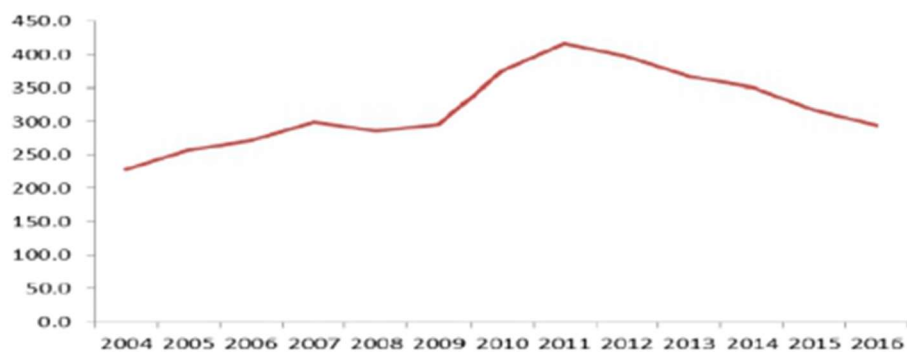
2.4.1 The South African Economy

South Africa has been described as having a dualistic socioeconomic structure whilst being spatially and legally divided by formal and informal contexts (May & Meth, 2007). Having recently being declared the largest economy on the continent, South Africa now surpasses rivals Nigeria according to the latest 2017 review (Marketline, 2017b). Characterised by an expanding, sizeable middle class and large, vibrant teenage market, the country is experiencing rapid urbanisation with a movement of the population from rural areas to urban metros. As seen in first world countries, South Africa's growth ambitions are not immune to local and global influences such as political uncertainty and fluctuating oil prices. The mining industry for instance, is a critical contributor to the South African economy, generating vital export income (Marketline, 2016a).

2.4.2 South African GDP Outlook

The recent drop in production of mining and quarrying of minerals has been attributed to several factors, including prolonged strikes, which has consequently become the main contributor to the short term decrease in economic activity. To some extent, a recovery in commodities has been seen in 2017, however it is the BRICS countries over reliance on this industry that poses a problem for GDP as a whole (Marketline, 2017c). See the figure below for South Africa's GDP trend:

Figure 4: South African GDP 2004 - 2016



SOURCE: World Bank

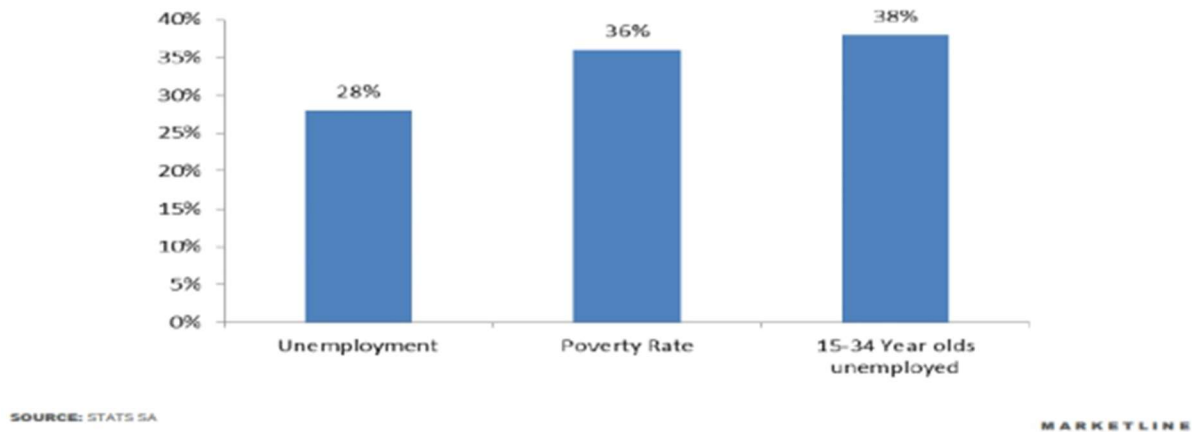
MARKETLINE

South Africa was flagged in 2010 as a potential driver of world growth, which led to its inclusion in the BRICS list of countries. However, South Africa is currently struggling with economic growth having dropped into recession over two consecutive quarters in 2017 (Marketline, 2017c). A lack of investor confidence in South Africa, further compounded by recent downgrades from ratings agencies, add to the GDP challenges being faced. Allegations of corruption and an unacceptably high unemployment rate further hinder investor trust in South Africa.

GDP has been on a downward spiral since 2011, with two successive quarters of negative growth, and subsequent ratings agencies downgrades, the outlook appears challenging. Cripplingly elevated levels of poverty and unemployment are the major contributors to the low

demand in the domestic market. See the figure below for details of South Africa's Unemployment and Poverty Rates (Marketline, 2017c).

Figure 5: South African Unemployment & Poverty Rates 2017



The compound annual growth rate (CAGR) for the period 2011 – 2015 was 18% in market value. This figure is expected to decelerate to 13.1% for the period 2015 to 2020 (Marketline, 2016b). See the figure below:

Table 3: SA Soft Drinks Market Value Forecast

Year	\$ million	ZAR million	€ million	% Growth
2015	7,741.8	98,863.4	6,977.7	17.3%
2016	8,882.9	113,435.6	8,006.2	14.7%
2017	10,051.0	128,351.7	9,058.9	13.1%
2018	11,348.0	144,915.7	10,228.0	12.9%
2019	12,767.6	163,044.0	11,507.5	12.5%
2020	14,324.2	182,921.6	12,910.4	12.2%
CAGR: 2015–20				13.1%

SOURCE: MARKETLINE

MARKETLINE

2.4.3 Health Promotion Levy

The anticipated slowdown of the CAGR, will partly be due to increasing market maturity, but mainly attributable to rising health awareness among South Africans. In particular, better education about the risk factors associated with obesity and diabetes is likely to encourage more middle and higher income consumers to switch from carbonates to healthy alternatives like fruit/vegetable juice and bottled water (Marketline, 2016b).

The global sentiment regarding the obesity epidemic and its associated chronic diseases, have put significant pressure on government to introduce a Health Promotion Levy, commonly known as the “Sugar Tax” locally. Scholars and academics from around the world have added their voices to the call for a “Sugar Tax” in South Africa stating that the science is clear; excess sugar consumption is a major contributor to obesity and its related diseases (Anon, 2016).

Parties in industry however, argue that the knock-on effect of imposing such taxes will reduce SSB (Sugar Sweetened Beverage) consumption and could subsequently lead to job losses, thereby damaging the economy as a whole (Green, 2016). This viewpoint is counter argued by (Stacey, Tugendhaft & Hofman, 2017), highlighting that there is sufficient price elasticity in sugary beverages to have a significant reduction in consumption by imposing the “Sugar Tax”. Stacey et.al. (2017), further argue that the impact of the obesity epidemic places a significant strain on the public and private healthcare system and need to be considered when assessing the impact on the South African economy.

Recently academics have questioned the efficacy of such tax legislations in South Africa. Alcohol and tobacco abuse for example, is widespread and has reached concerning levels in poor households. However, even with tough “sin tax” measures, tobacco and alcohol abuse continue to rise. The unintended consequences of such legislation have adversely affected households in which an egoistic head, addicted to alcohol and/or tobacco controls the household budget. It is argued that these “sin tax” hikes have affected the welfare of household members, other than the head, due to the re-allocation of the household budget to fund addictive behaviours (Black & Mohamed, 2006).

Whilst the “sin tax” may have been relatively successful with increased prices and consequently reducing tobacco consumption in South Africa, this approach does have drawbacks, particularly in the domain of rapidly growing low and medium income consumers. An affordability benchmark offers a suitable alternative that would be more effective in reducing tobacco consumption in the future (Blecher, 2010). Blecher (2010) argues that an affordability-based benchmark using relative income price (RIP) as a measure of affordability based on the percentage of annual per capita GDP required to purchase 100 packs of cigarettes.

2.5 THE CONSUMER

2.5.1 Introduction

The consumer referred to in this study represents an individual who ultimately consumes the purchased product. A fundamental understanding of the consumer is vital as this is the source creating the soft drinks demand.

Multinational Corporations (MNC's) across the world have spent the past two decades exploring the rapidly-expanding emerging markets, lured by the vast number of consumers and subsequent opportunities presented by emerging markets (Miotto & Parente, 2015).

Economic growth in Africa is driven, to a considerable extent, by the rapidly growing Black middle class, who have demonstrated an increase in income, and subsequently spending power. In South Africa, the middle-class consumer is predominantly a Black consumer, and a township dweller (Donaldson et al., 2013). In this post-apartheid era, South African townships receive a great deal of attention from MNC's, as lucrative business opportunities within this sector arose (Strydom, 2011). Township markets have been seen as an untapped channel, as a result of being under-developed and under-served by the previous apartheid government (Strydom, 2011). The stigma of crime and poverty that once burdened townships provided mental barriers for businesses, preventing them from venturing into this township economy.

South Africa has seen focused research on understanding the size and growth of the informal sector, township markets, emergent and established middle class, and most recently the Black middle class (Donaldson et al., 2013). Ligthelm & Masuku (2003) investigated the opportunities for entrepreneurship and the sustainability of small business in townships given the rapidly changing environment, adding their voice to the business potential in the township economy.

2.5.2 Living Standards Measure (LSM)

The LSM index was developed by The South African Audience Research Foundation (SAARF) as a marketing segmentation tool. When referring to any population, it is prudent to understand that whilst people are rather diverse, there is a certain degree of commonality. LSM as a market segmentation tool aims to define an index that will help differentiate between people with different behaviour patterns whilst grouping together those with similar behaviour.

The development of this LSM Index was triggered by a series of events. The most influential factor however was the fact that the then commonly used market segmentation tool of an “urban” or “rural” classification was losing its power as a differentiator (Haupt, 2013). Rapid urbanisation meant that the gap between urban and rural markets was narrowing quickly and the habits of both markets were becoming increasingly difficult to differentiate.

SAARF (2012) defines LSM as having the following attributes (SAARF, 2012):

- Multi-attribute segmentation tool;
- It is based on access to basic services and durables, and geographic indicators as determinants of standard of living; and
- LSM is a very stable and dependable differentiator and the All Media Products Survey (AMPS) variables are particularly suited to this.

See the following table for the current list of variables used to determine the LSM segmentation:

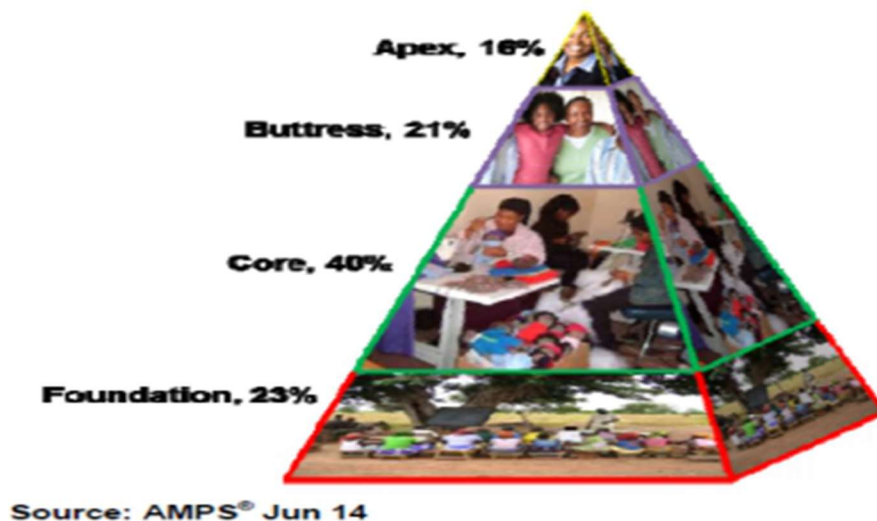
Table 4: SAARF LSM Variables

Var. No.	Attribute		Weight	SAARF AMPS® Jan-Jun 2011 Q.No.
1.	Hot running water from a geyser		0.185224	H5
2.	Computer - Desktop/Laptop		0.311118	T1(16,17)
3.	Electric Stove		0.16322	T1(1)
4.	No domestic workers or household helpers in household (this includes live-in and part time domestics and gardeners)		-0.30133	PD15A
5.	0 or 1 radio set in household		-0.245	T5
6.	Flush toilet in/outside house		0.113306	H6
7.	Motor vehicle in household		0.16731	G1
8.	Washing machine		0.149009	T1(9,10,11)
9.	Refrigerator of combined fridge/freezer		0.134133	T1(5)
10.	Vacuum cleaner/floor polisher		0.164736	T1(7)
11.	Pay TV (M-Net/DStv/TopTV) subscription		0.12736	C2/C4/C5/C11
12.	Dishwashing machine		0.212562	T1(8)
13.	3 or more cellphones in household		0.184676	E1
14.	2 cellphones in household		0.124007	E1
15.	Home security service		0.151623	H11
16.	Deep freezer – free standing		0.116673	T1(6)
17.	Microwave oven		0.126409	T1(4)
18.	Rural rest (excl. W. Cape & Gauteng rural)		-0.12936	*
19.	House/cluster house/town house		0.113907	H1
20.	DVD player/Blu Ray Player		0.09607	T1(19)
21.	Tumble dryer		0.166056	T1(12)
22.	Home theatre system		0.096072	T1(20)
23.	Home telephone (excl. cellphone)		0.104531	PD17
24.	Swimming Pool		0.166031	H13
25.	Tap water in house/on plot		0.123015	H3B
26.	Built-in kitchen sink		0.132822	H7
27.	TV set		0.120814	T1(14)
28.	Air conditioner (excl. fans)		0.178044	T1(21)
29.	Metropolitan dweller (250 000+)		0.079321	*

SAARF indicates that local consumers are grouped into 4 major LSM layers. The foundation layer (LSM 1–4) makes up 23 % of the population with a significant 40% making up the core layer (LSM 5–6). The next layer in this ascending LSM scale is the Buttress layer (LSM 7–8) and makes up 21%. The apex layer (LSM 9–10) makes up the remaining 16% of the population (SAARF, 2014).

See the following figure for the breakdown of the distribution:

Figure 6: SAARF Pyramid



Whilst a household income per LSM group can be inferred, it is not used directly as a measure for the LSM (SAARF, 2012). The Gauteng City Region Observatory (GCRO) have also indicated that there is major growth forecast for 20 township regions which have a high population density of LSM 1-6 (GCRO, 2014). See the figure below for a summary of these priority townships:

Figure 7: 20 Priority Townships in Gauteng

20 Priority Townships		
<u>Atteridgeville/Saulsville</u>	<u>Boipatong</u>	<u>Bophelong</u>
<u>Daveyton</u>	<u>Garankuwa</u>	<u>Hammanskraal</u>
<u>Kagiso</u>	<u>Katlehong</u>	<u>Khutsong</u>
<u>Kwatsaduza</u>	<u>Mabopane</u>	<u>Mamelodi</u>
<u>Mohlakeng</u>	<u>Munsieville</u>	<u>Orlando</u>
<u>Ratanda</u>	<u>Rathibiseng</u>	<u>Refilwe</u>
<u>Sebokeng</u>	<u>Sharpeville</u>	<u>Soshanguye</u>
<u>Soweto</u>	<u>Tembisa</u>	<u>Wattville</u>
<u>Winterveldt</u>	<u>Zola</u>	

This scale and growth rate of this LSM segment make a compelling case as to why this area of research is so significant. LSM 1–6 form the bulk of the consumer group in the South African Economy. This, coupled with a vastly expanding township economy, highlights an untapped market avenue that requires new means of consumer engagement to ensure success in the channel.

2.5.3 South African Retail Model

A significant part of the urban environment is made up by the retail sector in first world as well as in developing countries. South Africa has approximately 2000 formal shopping centres ranging from 1000m² to over 170000m². Information from the International Council of Shopping Centres Country Fact Sheet has suggested that South Africa has the fifth highest number of shopping centres globally (Prinsloo, 2016).

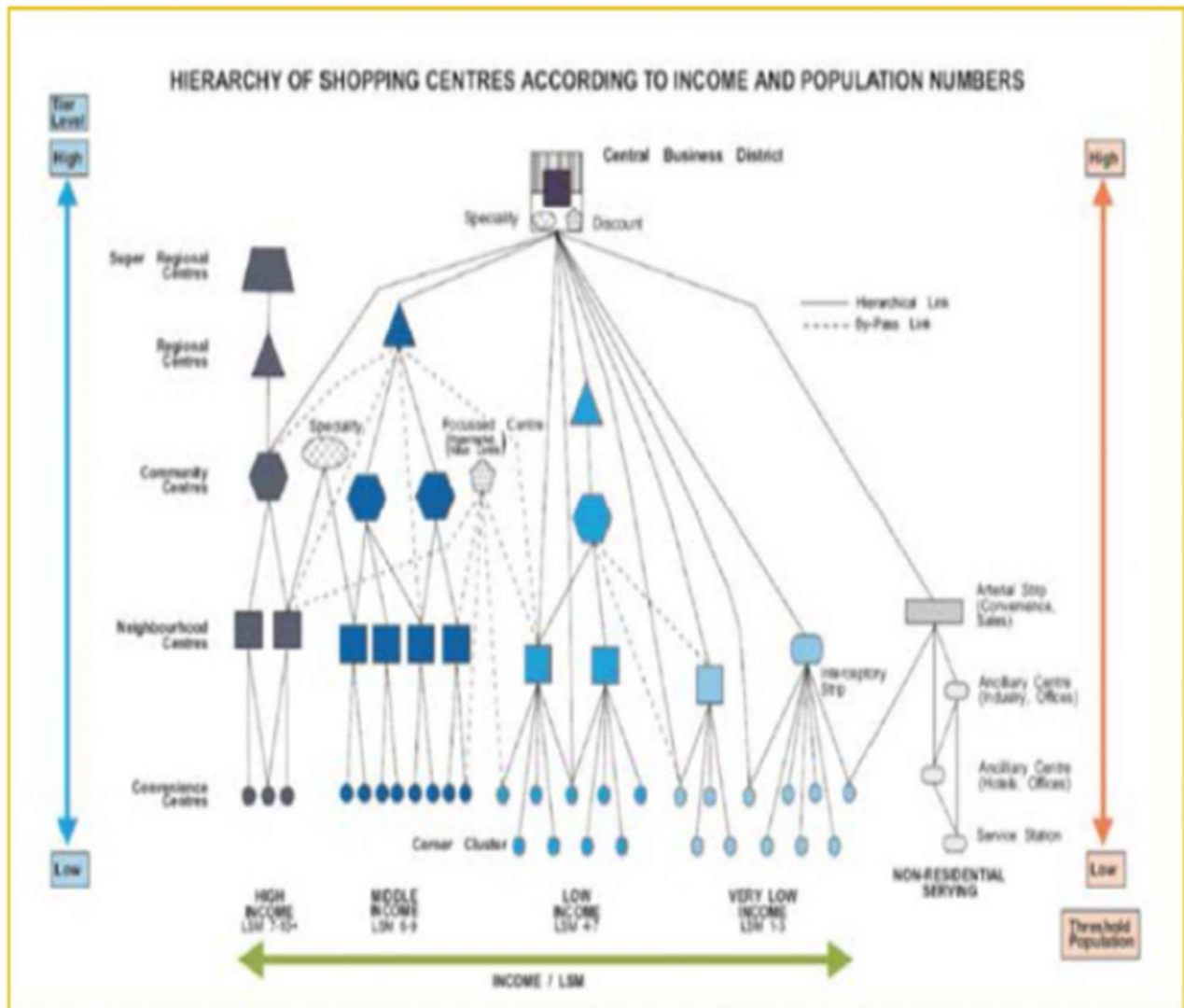
International retail models however, were found to be inadequate in addressing the full spectrum of the South African retail structure. The hierarchical model developed by Professor M. Kahn (Kahn, 1988) needed to be updated for a better understanding of South Africa's urban and

metropolitan retail markets. Prinsloo (2016) purports a new model from the South African Council of Shopping Centres (SACSC) and incorporated the following:

- Disposal income differences amongst various socio-economic groups is considered in the determination of the LSM classification;
- The LSM segmentation model is often used by retailers to differentiate their offerings in terms of products, markets and store type;
- Access to transport and the mobility of the consumer has a major influence on how shopping centres are supported. Car ownership, for instance, is increasing in the lower, middle and upper income categories. Taxi transport is another very influential consideration, with a direct impact on the development of retail facilities; and
- Different threshold values are defined for different product categories which directly impact the hierarchy of shopping centres. These threshold values give a clear indication of how many households of a specific LSM group are required to warrant retail of any kind.

The SACSC has subsequently put together a Hierarchy of Shopping Centres, influenced by income and the number of households. See the following figure:

Figure 8: Hierarchy of Shopping Centres



The SACSC further categorises shopping facilities into the following segments:

Table 5: SA Shopping Facilities

Planned		Unplanned	Rural
<u>Core Classification</u> <ul style="list-style-type: none"> • Small free standing and convenience • Neighbourhood • Community • Small regional/ large community • Regional • Super Regional 	<u>Specialist</u> <ul style="list-style-type: none"> • Big Box Retailers • Entertainment/casinos • Lifestyle • Value • Hyper • Motor showrooms and related facilities • Filling station stores • Airport retail • Centres at railway/ commuter stations • Organised flea markets 	<ul style="list-style-type: none"> • CBD/Town Centre • Taxi rank retail/ commuter centre • Informal Traders • Spaza shops • Fresh produce markets • Morning/daily food markets 	<ul style="list-style-type: none"> • Rural retail taxi orientated • Town centres • Informal trade • Spaza shops • Planned shopping centres

Source: Urban Studies 2010 updated for 2016

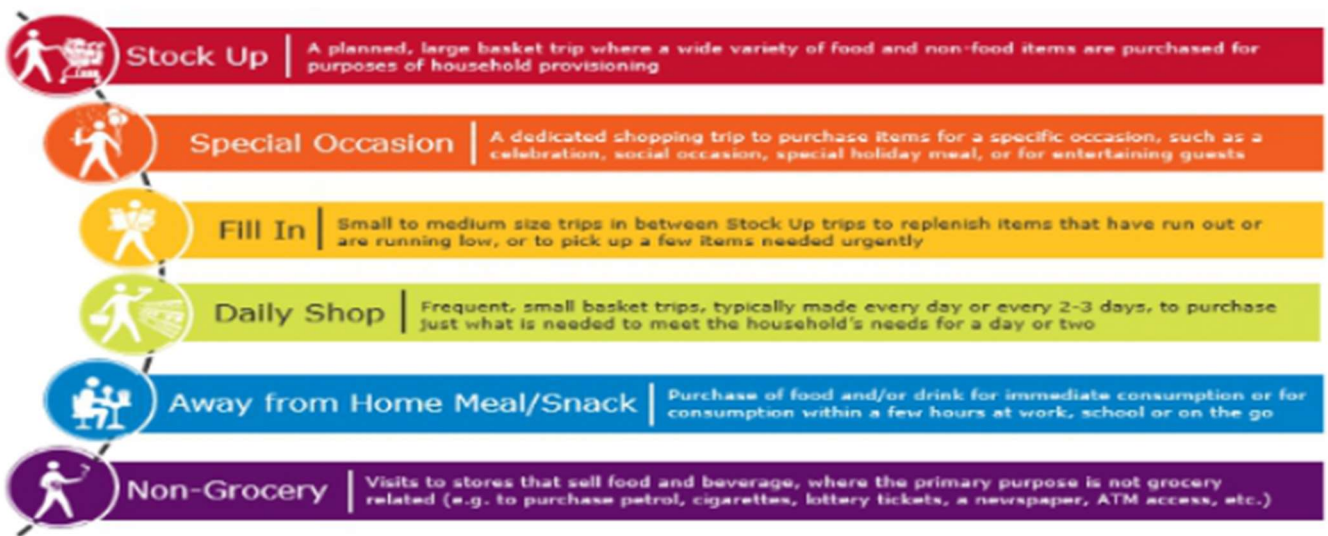
The above literature provides direction regarding the specific retail channels that should be focused on for the LSM 1-6 market segment.

2.5.4 Consumer Attitudes & Segments

A vast number of researchers have investigated the relationship between attitudes towards shopping malls and shopping-related variables. The subsequent relationship to shopping behaviour as well as the motivations and decision of where and how shoppers spend their money can therefore be inferred (Cai & Shannon, 2011).

An understanding of how consumers make purchasing, where they choose to shop and what they choose to shop for remains a key consideration for marketers and retailers. The recent growth in the number of township shopping centres, targeting the Black middle class consumer, warrants research, with the aim of understanding this target market's attitudes and habits (Wiese, 2016). A research study by (McGaffin & Gavera, 2011) revealed that consumers had decreased their expenditure out of the township, favouring rather to spend more at their local shopping centres. A South African market analysis reveals 6 macro shopping missions (TNS, 2013). See the figure below for the broad classification of these shopping occasions:

Figure 9: 6 Macro Shopping Missions



The Shopper Opportunity Needs and Attitude Research (SONAR) further overlays the typical shopping channels in the South African market to create a multi-dimensional view of the consumer (TNS 2013). See the figure below for the classification of the South African shopping channels:

Figure 10: South African Shopping Channels



The two nodes of analyses above offer a detailed perspective of the South African Beverage Consumer by providing granularity regarding the shopping occasion and the channels most used.

2.5.5 Consumer Insights

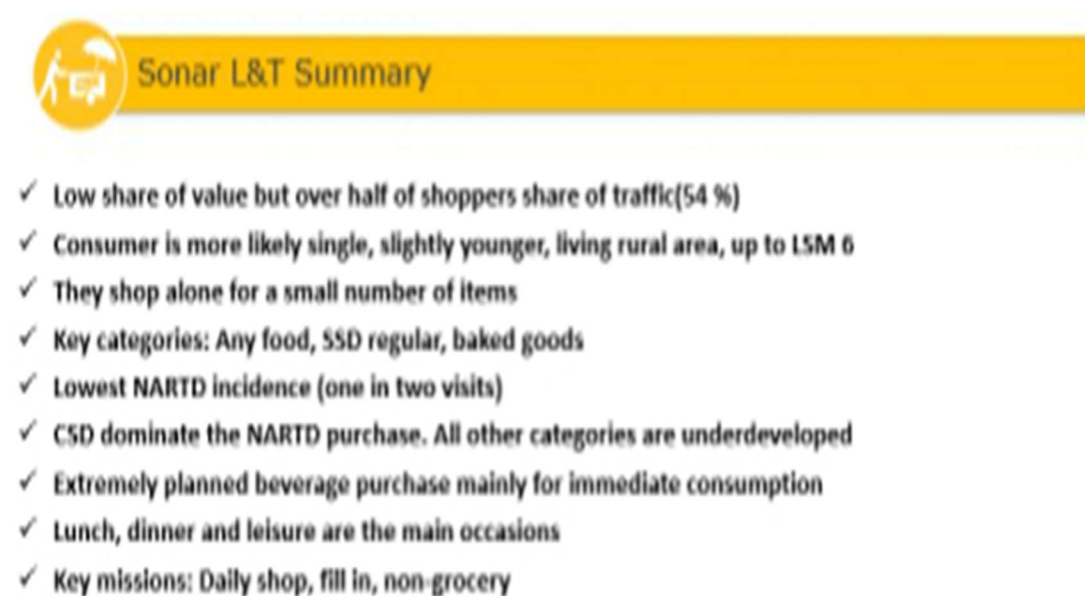
Research into informal economies and mass-market dynamics indicates that spending patterns displayed by the local low-income market segment are not as clear-cut as in similar segments across the globe due to variances such as the social grant system (Van Heerden, 2013). The South African Social Security Agency (SASSA) is mandated to ensure the provision of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework.

In accordance with the Social Assistance Act, 2004, a national legislative framework for the provision of different types of social grants, social relief of distress, the delivery of social assistance grants is provided by a national Agency (SASSA, 2004). Van Heerden (2013) argues that there is a mentality to force-fit middle-income strategies for low-income groups, without a deep understanding of the unique needs and price points befitting of this LSM market.

Whilst many people assume that the biggest challenge in a low-income market is the willingness to pay, and the demand for cheap products, Van Heerden (2013) further highlights that many of the consumers in this segment are brand loyal and willing to pay more for a particular brand. This is as a result of not being able to afford to make mistakes in term of choice or possibly because of the aspirational value of that these premium brands add to their social capital (Van Heerden, 2013). It is also pointed out that businesses building a strategy around low-price, low-quality products constitutes severe limitations and suggests that people in low-income groups have little money to spend, so they tend to spend it on superior quality products with long standing reputation (Boumphrey & Bevis, 2013).

Researchers have noted that what appears effective and important in developed markets is not necessarily applicable to emerging markets, such as South Africa (Boumphrey & Bevis, 2013). Growth of consumer spending in emerging markets has exceeded that of developed countries every year since 2000 and is expected to continue doing so, making emerging markets an attractive investment (Wiese, 2016). The SONAR Survey, TNS (2013) further illustrated the following key findings:

Figure 11: SONAR L&T Summary for SA



The Shopper Attitude Needs and Opportunity Research (SONAR) illustrate the opportunities in the L&T channel in figure 12 below.

Figure 12: L&T Channel Opportunities



2.6 THE CUSTOMER

2.6.1 Introduction

The customer, for this research project, refers to the Spaza shops, retailers, distributors and similar micro-enterprises that purchase from Clover for resale to the consumer. In this area of exploration, there are new variables at play, forcing manufacturers to think differently about how the local and traditional (L&T) markets, for the LSM 1–6 segments, are serviced.

2.6.2 Foreign Traders

Over the last few decades in South Africa, Spaza Shops have played an important role in the township economy, specifically amongst economically marginalised communities (Bear et al., 2005). However, instability displayed by locally-owned Spaza Shops or micro-enterprises, have led to foreign entrepreneurs realizing an opportunity for competition in the township economy. The fertile business ground provided by South Africa's democracy since 1994 has increased competition between South African operators and foreign-owned businesses (Liedeman, 2013).

The platform created by the South African Government however, favours local entrepreneurship in this competition for a share of wallet. Government has supported the local entrepreneurs by enabling key legislation. Foreign traders by contrast, have introduced new methods of bulk buying into the economy and are effectively bringing to the fore a cash-based pool. Their strategy of collectively pooling cash from many small outlets affords them greater buying power and consequently, better negotiating power pertaining to discounts on bulk quantity purchases.

South Africa was rocked by attacks on foreign-owned Spazas' in 2008. The attacks started in Diepsloot township, but rapidly spread to townships like Alexandra. However, these were not xenophobic attacks, but criminal acts, where unemployed youth took advantage of the anger towards a foreign-shop owner, resulting in mass looting and theft. This also raised the issue of why foreigner-owned Spaza shops were more successful than those of locals (Ndweni, 2015).

It is pointed out that local business people often seem to find fault with these foreign-owned Spazas, as a result of them selling goods at cheaper rates, but that there is no magic to why foreign traders seem to be selling goods at lower rates compared to local Spazas (Ndweni, 2015). The aforementioned, is a typical marketing strategy where businesses sell certain items at a very low price to attract foot traffic into stores and make money on the sale of additional items with higher margins. These low-price items are known as "loss leaders".

Spaza shops or residential micro-enterprises have seen organic growth, serving the immediate local resident consumer demands, primarily for essential groceries, fast food, airtime and liquor

(Charman et al., 2017). Key observations from current research revealed the dominant role played by women in many of these home-based businesses as well as the rise of foreign nationals whose businesses are strategically positioned to penetrate established markets (Charman et al., 2017).

2.6.3 Social Capital

According to Liedeman (2013) a differentiator between the Somali and South African business models is the use social and business networks. Foreign-owned businesses are highly networked and dependent upon 'trust'. By contrast, South African operators have a mistrust of all non-family members involved in their Spaza business. Liedeman (2013) further emphasises that locally-owned businesses try not to involve anyone outside the family unit and are consequently unable to forge additional business ties and larger networks. This has led to South African Spaza operators limiting themselves from building stronger business and social networks as a 'sense of trust' is lacking in their micro-enterprise.

2.6.4 Competitive Advantage for Micro-Enterprises

Charman, Petersen & Piper (2012) define 3 key focus areas for success in the Township Economy:

- Access to larger labour networks - individuals are recruited through some sort of relationship, where both employment seekers and employers use 'social capital' as part of the recruitment process;
- Access to business capital through investment networks - new entrants to the Spaza trade can raise the money needed via investment networks, to create new Spaza opportunities. Somalis operators indicated borrowing money, leveraged through 'social capital' from networks such as family and friends. Such transactions usually tie the parties together through a verbal agreement and business partnership (Liedeman, 2013). Locally-owned

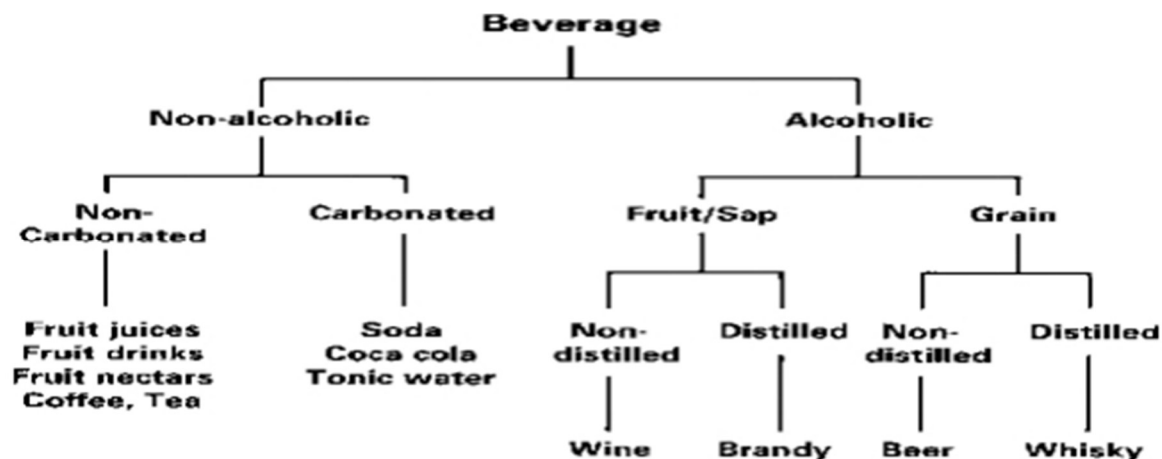
micro-enterprises, by contrast, have little or no access to ‘social capital’ in their communities and struggle to raise the large investments to start Spaza business; and

- Access to stock procurement and distribution networks – The strength of ‘purchasing networks’ lies in the ability to access credit facilities from formal wholesale suppliers. According to a study by Liedeman (2013) Somali business owners indicated splitting the cost of stock within their business partnerships, and in some cases, also with other Somali operators who were not necessarily partners in their Spaza shops. This was a strategy employed to leverage the benefit of discounted prices at times of the month and from suppliers.

2.7 BEVERAGE DEFINITIONS

The Beverage Industry is categorised into two large areas, namely, the Alcoholic and Non-Alcoholic segments. These legs are further refined into Non-Carbonated and Carbonated drinks. Clover has products which compete in both these segments. See the figure below for a detail breakdown of the industry classification:

Figure 13: Beverage Industry Tree



2.7.1 The Local Food and Beverage Industry

Food and Beverage consumption patterns in South Africa have seen significant changes over the past few decades and will continue to do so due to global influences. Numerous studies conducted over the last few decades indicate that food consumption patterns locally can be attributed to a more Western-influenced diet, with notable nutritional consequences contributing to increased obesity and other non-communicable diseases.

According to a recent research article by the South African Journal of Science, the convenience, perceived health and nutrition, and indulgence were the main factors driving the increased consumption of packaged foods and beverages. These shifts in food consumption are alarming due to the fat, sugar and salt composition and potential impact on the public health system (Ronquest-Ross, Vink & Sigge, 2015).

Numerous studies suggest that South Africans are increasing their soft drinks consumption. Soft drinks were second to fruit drinks, as the most popularly purchased street food item. A recent US study found that an increased sugar intake from sugar-sweetened soft drinks (SSD's) can be associated with an increase in cardiovascular disease mortality and recommended that calorie intake from added sugar be limited (Ronquest-Ross, Vink & Sigge, 2015).

Total soft drink consumption in South Africa, increased by a considerable 68.9% from 55 L per capita/year in 1999 to 92.9 L per capita/year in 2012, with all the soft drink categories showing significant growth. See Table 6 below for the detailed breakdown. Bottled water has shown substantial global growth and consumption continues to increase, even in countries with safe potable tap water being available. There are several factors influencing this consumer trend, such as inconsistency with tap water taste, demographics, perceived quality and safety of the water source, branding and marketing influences and overall convenience. Similar to the rest of the world, bottled water consumption in South Africa has experienced exponential growth of 315% from 1999 to contribute 8.3 L per capita/year in 2012 (Euromonitor International, 2013).

Table 6: Consumption of soft drinks in South Africa

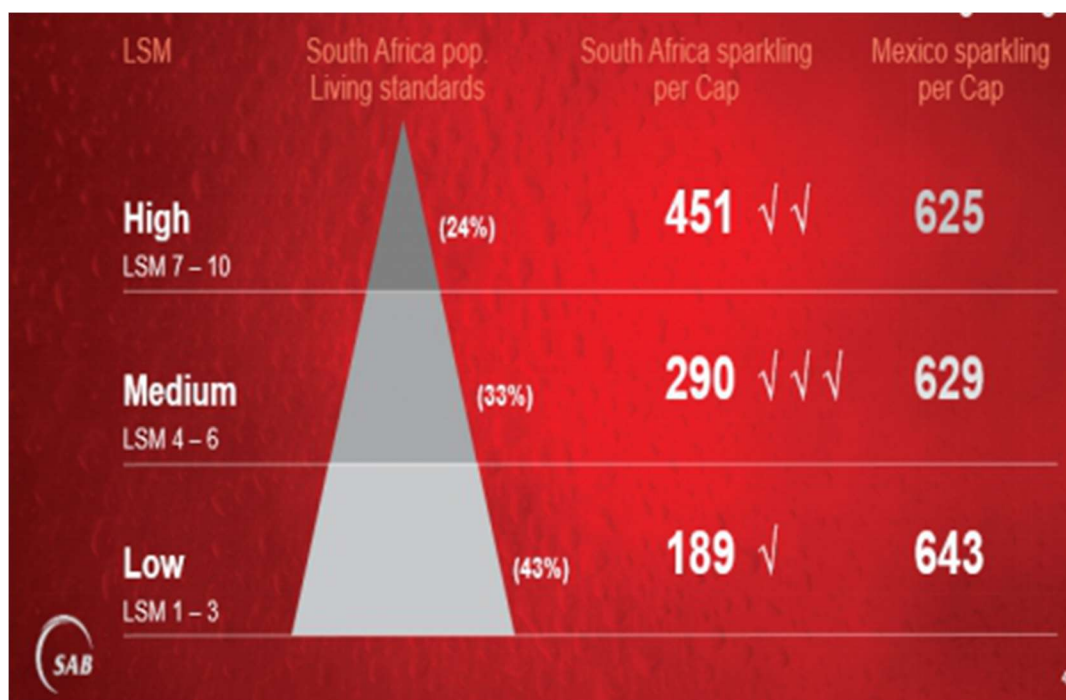
Food item	Euromonitor PPBC (kg/capita/year)				
	1999	2004	2009	2012	% change (1999–2012)
Total soft drinks	55	70.6	87.3	92.6	68.9
Carbonates	43.7	54.7	65.5	67.5	54.5
Cola carbonates	24.3	30.5	34.4	34.6	42.4
Regular cola carbonates	22.3	27.6	31.4	31.7	42.2
Standard regular cola	22.3	27.2	31.4	31.7	42.2
Specialty regular cola	–	0.4	–	–	
Low calorie cola carbonates	2	2.9	3.1	2.9	45.0
Standard low calorie cola	1.7	1.9	2.4	2.4	41.2
Specialty low calorie cola	0.3	1	0.6	0.6	100.0
Non-cola carbonates	19.4	24.2	31.0	32.9	69.6
Lemonade/lime	6.1	7.7	9.9	10.1	65.6
Juice-based lemonade/lime	0.1	0.1	0.1	0.2	100.0
Non-juice-based lemonade/lime	6	7.6	9.8	9.9	65.0
Mixers	0.8	1	1.3	1.6	100.0
Ginger ale	0.1	0.1	0.2	0.2	100.0
Barber	0.4	0.6	0.7	0.8	100.0
Tonic water	0.3	0.4	0.4	0.6	100.0
Orange carbonates	3.5	4.1	4.4	4.4	25.7
Non-juice-based orange carbonates	3.5	4.1	4.4	4.4	25.7
Other non-cola carbonates	0	11.4	15.4	18.6	86.7
Fruit/vegetable juices	6.4	7.1	8.2	9.2	43.8
100% juice	4.4	5.1	6.2	7.2	63.6
Juice drinks (up to 24% juice)	0.3	0.2	0.2	0.2	-33.3
Bottled water	2.0	4.1	7.1	8.3	315.0
Concentrates	2.5	3.5	4.1	5.1	104.0
Liquid concentrates	2.5	3.5	4.1	5.1	104.0
RTD tea	0.1	0.3	0.6	0.7	600.0
Salt RTD tea	0.1	0.3	0.6	0.7	600.0
Sports and energy drinks	0.3	1.1	1.8	2.1	600.0
Energy drinks	0.1	0.3	0.6	0.6	500.0
Sports drinks	0.2	0.7	1.3	1.4	600.0

2.7.2 The Global Food and Beverage Industry

2.7.2.1 Consumption Comparisons

The LSM population distribution in Mexico closely resembles that of South Africa. However, according to Rajballi (2014) the consumption habits evident in Mexico, reflect a more even distribution across LSM's with a significantly higher per capita consumption when compared to South Africa. See the figure below for a comparative view of the consumption details:

Figure 14: SA VS Mexico Per Capita Consumption



An analysis of the two markets with similar economic indicators highlighted several differences in the marketing execution strategies. Rajbali (2014) further illustrated that the most significant difference was the number of outlets with coolers that serviced the population in an area. This highlights the importance of availability in driving the execution strategy.

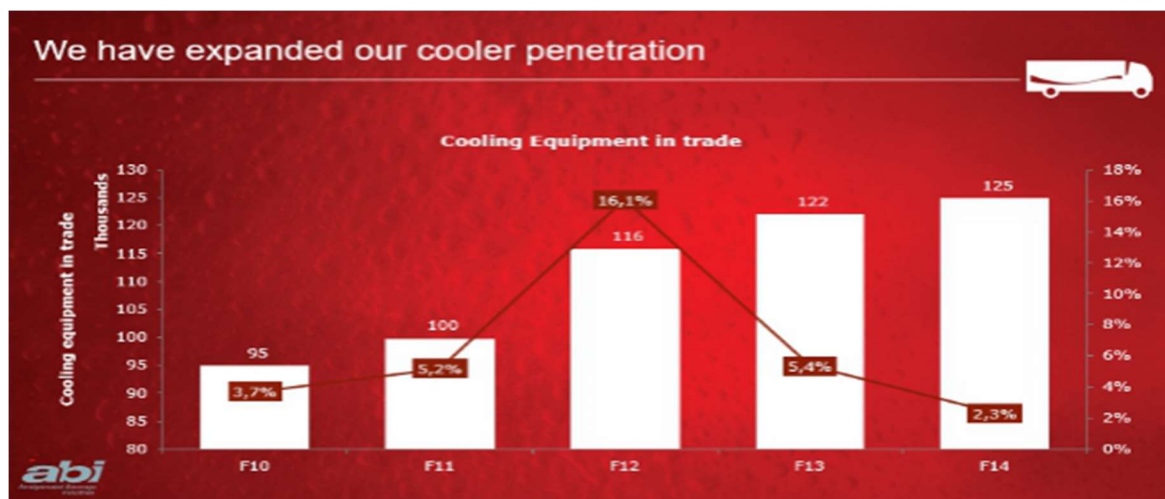
See the table below for key differences between the two countries:

Table 7: Mexico vs South Africa

Mexico versus South Africa Comparison		
	SA	Mexico
Population (millions)	53	112
SSD Per Capita	306	663
KO SSD Per Capita	259	486
KO SSD Market Share	84%	73%
Cold Drink Equipment per 10k	43	110
# outlets serviced	180,000	1,652,268
Outlets per 10k pop	34	147

Research conducted in Manipal, India, further emphasize the influence that visibility and availability have on soft drinks consumption. Their study also reinforces the perspective, that consumers in the lower LSM's still seek quality products with the brand being the key influencer in the consumers' choice of soft drink (Baranwl, Dangi & Singh, 2010). This concept of increased visibility and availability has been adopted by ABI as a learning experience from their Coca Cola counterparts in Mexico (Rajballi, 2014). See the graph below outlining the ABI implementation strategy.

Figure 15: ABI Cooler Expansion Strategy



2.7.2.2 Global Health Awareness

A healthy diet throughout the course of life has been proven to help prevent malnutrition as well as a range of non-communicable diseases and conditions. However, a recent increase in demand for processed food, rapid urbanization and changing lifestyles has led to a shift in dietary patterns. People are now consuming significantly more foods that are high in energy, fats, free sugars or salt/sodium (World Health Organisation, 2015).

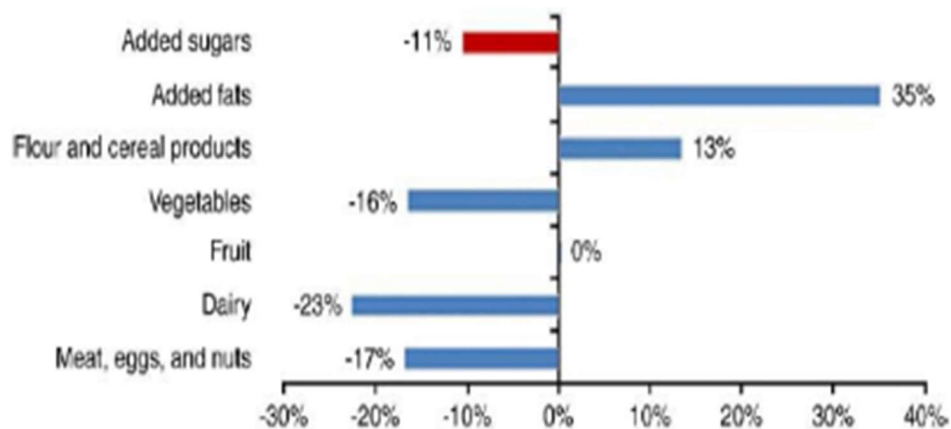
In the US, policy makers are paying attention to the global concerns around health awareness. In 2014, the US Food and Drug Administration rolled out the first major update to the American's Nutrition Facts labels in more than two decades. The finalized rules were published in 2017 and for the first time include information on added sugars (Thompson, 2017).

A combination of lifestyle changes has occurred over the last few decades, resulting in an imbalance of energy intake when compared to energy expenditure. This has ultimately led to overweight and obesity (Storey, 2010). Storey (2010) further emphasises that food supply trends indicate total daily calories available per capita have increased 28% since 1970.

Whilst some have suggested that intake of beverages have had a major impact on obesity, data collected by the Beverage Marketing Corporation between the period, 1988–2008 demonstrate that, in contrast, fewer calories per ounce are being produced by the beverage industry. Storey (2010) argues that data from the National Cancer Institute have shown soft drink intake to represent 5.5% of daily calories. Whilst the percentage of available energy from added fats has increased by 35%, the percentage of available energy from added sugars declined 11%.

See the following trend for the detail analysis:

Figure 16: Percentage of Daily Per Capita Calories(US) : 1970 – 2007



According to the Food and Drinks Report 2017, Public Health England is tackling the health epidemic by challenging businesses to cut sugar by 5% in 2017, progressing to 20% by 2020 and is revising sugar labelling to make the contents clearer to consumers (Thompson, 2017). The introduction of the Health Promotion Levy (Sugar Tax) by the South African Government was because of the growing global sentiment regarding obesity and its associated chronic diseases linked to the consumption of SSD's. Global beverage giant The Coca Cola Company, have embraced the added sugar guidelines, from the World Health Organisation, for a 10% limit of total calorie intake be day (The Coca Cola Company, 2017).

This is illustrated by their key business actions outlined in the figure below:

Figure 17: The Coca Cola Company Key Business Actions



The Coca Cola Company adds further choice to the consumer, by analysing the opportunities in a 24 hour cycle, and defines the different consumption occasions throughout the day (The Coca Cola Company, 2017). The intention is to have a product offering for any occasion that a consumer is faced with. See the figure below for details of this consumer-centric approach.

Figure 18: Consumer Occasion Cycle



With the popularity of “Healthonism” growing globally, consumers are seeking natural, wholesome food and drinks at every turn. This is prompting categories traditionally associated with indulgence, such as alcohol, ice cream and confectionery, to incorporate holistic health and wellness into their products, without compromising on flavour (Thompson, 2017).

2.8 DISRUPTIVE INNOVATIONS AND INDUSTRY TRENDS

In the coffee industry, the norm has been to harvest coffee beans and to discard the coffee fruit, which were deemed to be waste. An understanding of the antioxidant power of this fruit, offered Bai Brands an opportunity to harness this into an edible commodity (Jacobsen, 2015). According to Chief Executive Officer, and Founder of Bai Brands, Ben Weiss, personal health benefits are just a part of their mission (Jacobsen, 2015). Weiss says, “Eliminating waste wherever possible is the duty of every person on this planet; as is helping your neighbours achieve a better life.” When traditional coffee-harvesting methods are used, the discarded fruit lands up in the plantation waterways. The rotting coffee fruit pollute surrounding streams with a build-up of ochratoxins, aflatoxins and caffeine. Processing this composted material into a consumable product, has allowed Bai Brands to help keep the waterways clean and the ecosystem in balance, whilst generating a new revenue stream for local farmers. Weiss continues to highlight that there is a cultural shift within the beverage industry of an unprecedented magnitude and will change the course of beverage for generations to come (Jacobsen, 2015).

Smart packaging is often considered somewhat of a buzzword within the Consumer-Packaged Goods (CPG) world and has seen an increased rollout in recent years. Intelligent packaging focuses on the consumer and can communicate information to the user. Information such as the state of the product can be conveyed using thermo-chromatic ink for example. Thermo-chromic ink is temperature dependant and changes according to the temperature of the product inside the bottle or can.

This has seen great success with alcoholic beverages that are best enjoyed ice-cold as the bottle can convey to the consumer whether the drink is the optimum temperature to consume (Smart Packaging, 2014). An example of thermo-chromic ink application is on the 'cold activated bottles and cans' of popular American lager Coors Light, where the Coors mountain logo changes colour depending on the beer's temperature. See the figure below:

Figure 19: Coors Cold Activation Packaging



Swiss-based packaging manufacturer, Tetra Pak continue to invest significant funds in solutions to ensure product integrity by developing innovative solutions, announcing in 2012 that it had developed a smart milk carton in partnership with a Brazilian food co-operative, Aurora. The milk carton contains a label with a QR code that, when scanned by a smartphone, reveals which cow on which farm produced that milk (Smart Packaging, 2014). Although many of these technologies have not yet gone mainstream, it highlights that the packaging industry's key role players are embracing smart technologies and continuing to invest in the future.

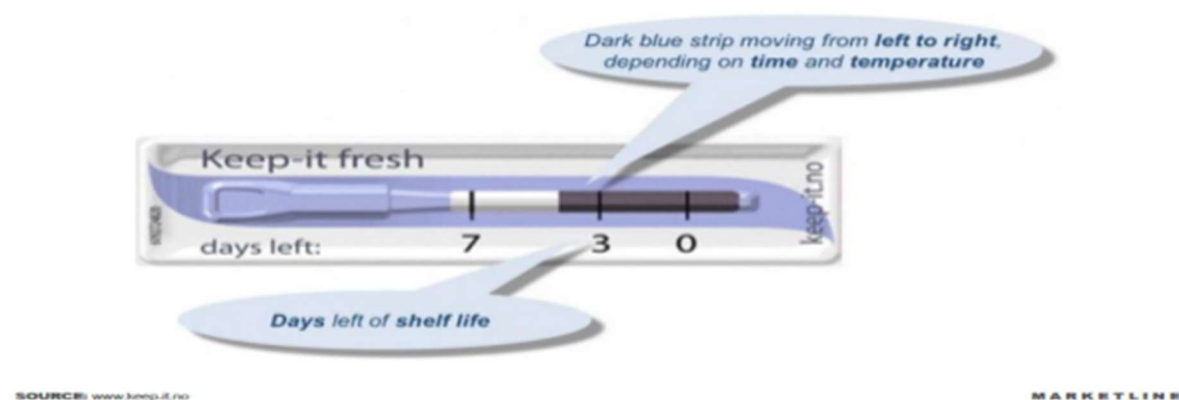
Smart packaging also plays a key role in food safety due to the potential risk, as well as stringent legislation. In December 2010, the Food Safety Modernization Act (FSMA) was passed by the US Congress. The Washington Post described the Act as "the first major overhaul of food laws since 1938" (Smart Packaging, 2014). This legislation changed the Food and Drug

Administration's (FDA) approach to food safety from a reactive mode that responded to outbreaks, to a proactive approach focusing on prevention.

Keep-it Technologies, a Norwegian-based company, have developed a more innovative/intelligent device that measures more accurately the freshness of food products as they pass through from factory to consumer. The shelf-life indicator for instance has been used by McDonald's since 2007 to assess the shelf-life of salads and onions and allows them to assess their handling procedures throughout the cold chain, from supplier to the restaurants.

Keep-it's Shelf-Life Indicator uses a small self-adhesive label containing a range of non-toxic chemicals that respond to environmental changes and time and change accordingly. The start of the chemical reaction is triggered at the end of the packaging line of the food manufacturer and follows each leg of the supply chain stages from production to the consumer. This reaction displays the time left before expiration of that product and most importantly, is an actual indication of the degree of degradation of the food item, graphically represented. See the figure below for an example of this:

Figure 20: Keep-It's Shelf-Life Indicator



There are significant advantages to innovations such as this as it allows for a use-by, best before, or sell by date that is representative of degradation that a specific product has been exposed to. This could differ between two products from the same batch and is therefore a more accurate representation of exposure as opposed to a predicted degradation. The opportunity to reduce wastage can greatly assist in alleviating famine in a world where 850 million people lack the food necessary to live a healthy active life World Food Program (Newswire, 2015). Keep-it Technologies innovative Shelf-Life Indicator was designed with this challenge in mind and its success is testament to the company's vision in taking the guesswork out of expiry dates (Smart Packaging, 2014).

2.9 CHAPTER SUMMARY

This chapter explored the history of Clover Industries. The organisation has grown in leaps and bounds, from its humble beginnings stretching back to 1898, to be a JSE listed entity. With an enviable product portfolio with brands that have a rich heritage in South Africa, Clover SA is well perched to contribute to the 2020 CAGR growth forecast of 13.1% (Marketline, 2016a) in the South African Beverage market. The chapter continued to explore developments within the industry which Clover competes in and influences on a macro-economic level.

This literature review chapter then explored the LSM 1–6 consumers. It is clearly evident that this is an avenue worth exploring by businesses, by virtue of the scale of this segment. However, responsible marketing strategies are required to ensure that the disadvantaged are not seen as being exploited as they are financially vulnerable yet aspirational.

Economic development tools, such as the GCRO's Socio Economic Barometer, provide insight into the rapidly urbanising LSM 1–6. Businesses can responsibly identify expanding township economies as a channel to access the scale of the LSM 1–6 group. The current GDP downward spiral and consequent need for "value for money" alternatives, should enable economy brands and private label products to make further volume share gains in many categories.

Businesses should be wary of building a strategy around low-price, low-quality products. People in low-income groups have little money to spend, so they tend to spend it on superior quality products with long standing reputation. The opportunity that is presented here is for businesses to find a middle ground of offering the consumer a value proposition that is based on decent quality with enviable brand equity.

The infrastructure provided by foreign traders in the township economy cannot be ignored. There is opportunity for Businesses looking to expand into this segment, to understand the retail strategy used in the Local and Traditional market, and to partner with these entrepreneurs to access the LSM 1–6 consumers.

There is a need for manufacturers to educate consumers. Manufacturers have failed to educate users about the benefits of smart packaging, fuelling scepticism and a view of some solutions as 'gimmicky'. Consumers often do not understand the technology and tend to look at packaging from an aesthetic point of view.

Food and drink are currently ranked as the favourite social media currency. Embracing the associated aspirational values combined with the social capital creates a platform for manufacturers to display their portfolio.

The literature review has provided the basis for the research question by emphasising the scale of the LSM 1–6 and the rapid growth as a result urbanisation. Existing literature suggests that a segmented approach has been used to target market growth in specific LSMs. A gap in literature has been identified whereby previous studies fail to address the aspirational aspect of the rapidly urbanised population.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter 2 provided theoretical concepts and variables, which consequently provided the grounding and constructs for the basis of this study. In the previous chapter, key concepts were explored within the framework of this study. This chapter uses the pertinent concepts highlighted in chapter 2 as a foundation and builds on this to effectively define the methodology applied to the study. The approach used is a cross-sectional analysis, with the aim of investigating the dynamics present in the LSM 1–6 segments and the influences that drive the township economy. The literature review revealed a few significant contributions towards the body of knowledge pertaining to LSM 1–6 in South Africa but has also highlighted that gaps do exist in current literature.

This study is aimed at understanding the influences and aspirational nature of the LSM 1–6 consumers against the backdrop of a challenging socio-economic climate in South Africa by embarking on a systematic research process. Welman, Kruger & Mitchell (2005b) define Research Methodology as methods and techniques which are scientifically defendable, through which we may come to conclusions having a high probability of being justifiable in a court of law if so needed.

According to Fox & Bayat (2007b) there are three critical components present when dealing with research. These are defined as the following:

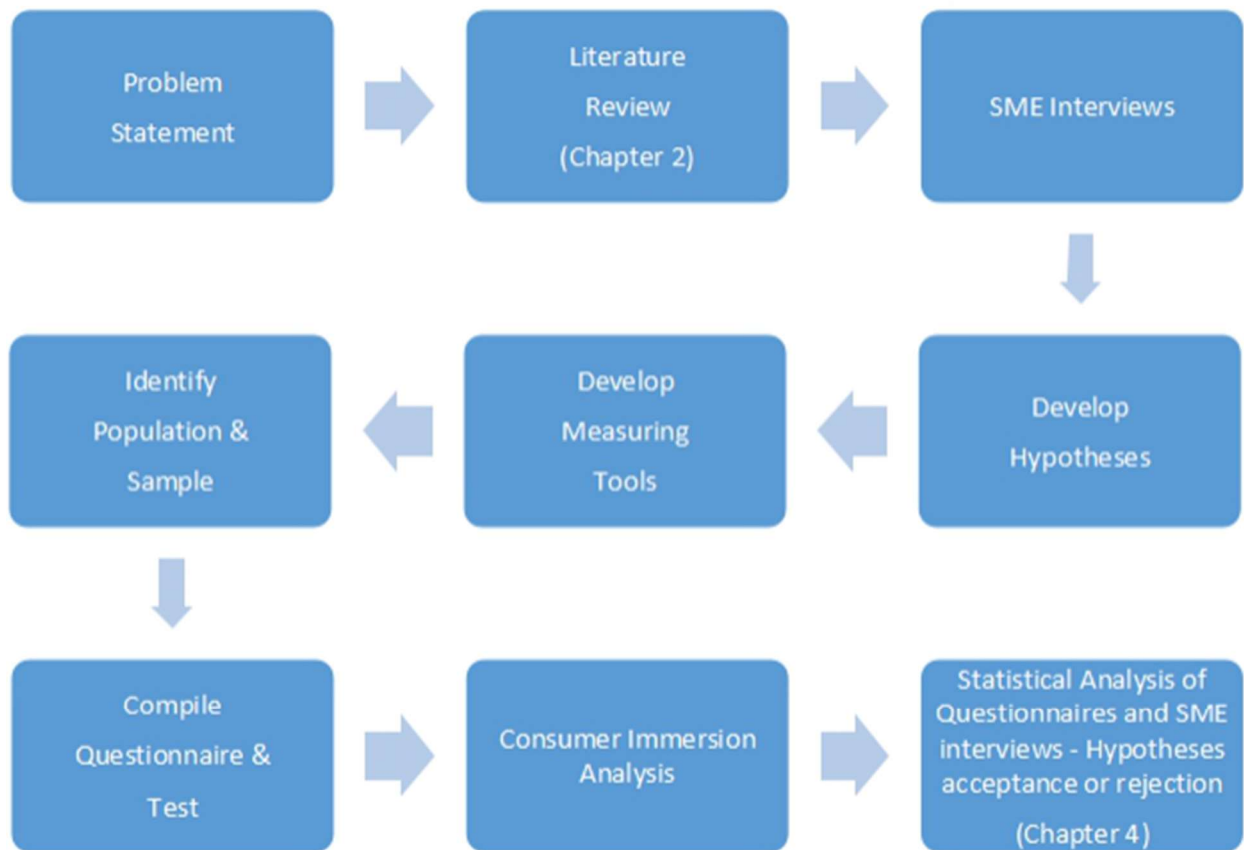
- Concepts are defined as collectives used to label certain pieces of experience. Concepts are in essence elementary constructs by which reality is classified and categorised;
- Hypotheses may be defined, in simple terms, as presumptions, expectations or statements about anticipated findings; and

- Observation may be generally defined as an activity by which researchers record information received from their environments. This may be in many forms and can vary from physiological measurements to reporting on dreams.

3.2 ELEMENTS OF THE RESEARCH PROCESS

The research process followed by this study is illustrated in figure 21 below.

Figure 21: Elements of the research process



3.2.1 Stage 1 – Problem Statement

The formulation of the research problem to be investigated was encapsulated into a problem statement. This stage covered the business growth aspirations of Clover, followed by an introduction into the South African macro environment. This provided context to the research problem and the significance of the study whilst defining the limitations that were evident.

3.2.2 Stage 2 – Literature Review

A detailed literature review was undertaken, covering key areas that affect the economy, the country and the industry which ultimately impact the consumer. The review was extended to cover cross-industry developments as well as existing literature pertaining to LSM 1-6 consumers. The literature review provided direction for valid measures to view LSM 1-6 through a different lens, as gaps in existing research are evident.

3.2.3 Stage 3 - SME & Stakeholder Interviews

Interviews with Clover SME's - There is currently extensive work done by marketing and business intelligence teams. The researcher aimed to leverage the existing knowledge that has been established and compliment this by taking a new view of pursuing this market.

Clover Stakeholder Interviews – The key driver of this research project is to add business benefit to the organisation. Therefore, the stakeholder engagements are critical inputs to the process as this adds direction and purpose to research objective.

3.2.4 Stage 4 – Hypotheses Development

Developing on from the problem statement and the literature review, the hypotheses to be tested were formulated. The hypotheses test the acceptance of premium brands in the LSM 1–6 segments, whilst distilling the influence, perceived quality and price have on the purchasing decision of the consumer.

3.2.5 Stage 5 – Development of Measurement Tools

A measuring instrument was developed consisting of structured questions, defined by 3 broad categories; Demographic, Consumer and Product. These questionnaires were administered face-to-face as modern methods of electronic distribution would potentially not reach the target population.

3.2.6 Stage 6 – Identification of Population & Sampling

The sample of 300 consumers was targeted spanning the Gauteng, Eastern Cape and Kwazulu-Natal Provinces. This was done due to the high density of LSM 1–6 consumers in rapidly urbanising townships in these provinces. The focus townships in the mentioned Provinces are Tembisa (Gauteng), Umlazi (Kwazulu-Natal) and Ibhayi (Eastern Cape) (Mdladla, 2017).

3.2.7 Stage 7 – Questionnaire Development & Testing

The questionnaire instrument was administered to 300 consumers face-to-face to ensure that the target population was reached. A greater understanding of the consumer behaviour was achieved

via the questionnaire. The questionnaire instrument leverages a Likert scale due to its multidimensional attitude, friendliness and ease of compilation.

3.2.8 Stage 8 – Consumer Immersion

The objective of consumer immersions was to understand the decision influences that the consumer faces at the point of sale. This was done typically at retail outlets, convenience stores and Spaza shops frequented by LSM 1–6.

3.2.9 Stage 9 – Statistical Analysis

A quantitative statistical analysis of the gathered responses from the returned questionnaires was performed and the findings reported in chapter 4. This is supplemented by qualitative feedback from the interview process.

3.3 PROBLEM STATEMENT

One of the strategies that can be used to define a research problem is to begin by asking specific questions. Fox & Bayat (2007a) define competent questions as having the following characteristics:

- They should not be used in research as a ploy to achieve self-enlightenment;
- They should not be used with the sole purpose of comparing or showing a relationship between two sets of data;
- They should not result in a yes or no answer;
- They should be clear, i.e. they should be plainly understandable; and

- They should convey relationships between two (or more) variables.

As stated in chapter 1 Clover's corporate strategy aims to build a platform for future market expansion by developing existing competencies within the Group (Clover, 2017a). Soft drinks consumption per capita in South Africa is an essential part of the growth strategy for Clover towards achieving its volume growth target considering the scale of LSM 1–6 segments and the rapid rate of urbanisation. The LSM 1-6 class of trade is a focal point of this research as it is one of the lesser developed areas for premium consumer products, with a lot of potential when benchmarked against similar classes in other developing countries, like Brazil and Mexico.

Whilst industry estimates indicate that the South African soft drinks market is expected to grow in value at a compound annual growth rate (CAGR) of 13.1% during 2015–2020 (Marketline, 2016a), literature review emphasizes a gap in literature which exists. Business owners hoping to excel in the township economy need to understand the social dynamics at play in order to succeed (Van Heerden, 2013).

Given the economic climate in South Africa and the growth aspirations of Clover, the following juxtaposition is presented, *“Can Clover's premium beverage portfolio grow sustainably in South Africa's lower income market segment?”*

3.4 OBJECTIVES

Based on the problem statement defined above in 3.3 and the literature review discussed in the previous chapter, a primary objective emerged for this study. To ensure direction of the research project, the primary objective of the study was to understand the salient factors affecting the purchasing process by the LSM 1–6 consumers. Based on literature review, a further analysis was done to try and understand the factors influencing soft drink consumption in the LSM 1–6 class of trade. This analysis is represented below:

Figure 22: Analysis of Consumption



According to Welman, Kruger & Mitchell (2005c) the advantage of stating the relationships between variables, is that it can be tested. Key variables in this spectrum, that influence the consumer decision, have been clustered into five main objectives. These objectives are multidimensional and allow the researcher to understand the factors that could reveal opportunities or solutions in addressing the challenge of increasing per capita consumption of premium beverages in LSM 1-6 segment for Clover. See the following table for a summary of these influential objectives.

Table 8: Defined Research Objectives

Cluster	Defined Objective	Area
1.	Understand the factors influencing consumers to switch between different beverage brands.	Choice
2.	Understand the factors influencing consumers to switch from mainstream to premium classes.	Choice
3.	Explore innovative pricing strategies and value propositions that can yield increased consumption and subsequently profitable growth.	Competition
4.	Explore the acceptability of premium brands outside of the	Execution

LSM 8 -10 group.		
5.	Investigate the channel flow of premium soft drink brands to ensure alignment to lifestyle choices.	Execution

3.5 HYPOTHESES

According to Cooper & Schindler (2011) hypotheses are educated guesses about a the solution to a problem or expectations about groups within a population, expressed in an empirically testable form.

Section 3.4 above posed four research questions. In order to answer these research questions, they must first be translated into hypotheses (null and the alternative) (Tredoux & Durrheim, 2013). According to Sekaran, hypotheses are educated guesses about a problem's solution or expectations about groups in a population expressed in empirically testable form (Sekaran, 1993). A null hypothesis (H_0) is a statement maintaining that there are either no relationships between the measured variables, or differences between groups.

The alternate hypothesis (H_a), by contrast, maintains that there is a difference between groups or a relationship between measured variables. The alternate hypothesis is therefore a diametrically opposed conjecture to the null hypothesis.

Applying this principle to the question posed within the problem statement definition (Section 3.3), the following hypotheses guide the research process:

H_{10} - Clover's Premium Beverage Portfolio cannot grow sustainably in South Africa's lower income market segment.

H_{1a} - Clover's Premium Beverage Portfolio can grow sustainably in South Africa's lower income market segment.

Respondents are required to indicate their specific preferences and highlight factors that influence their decision-making process when purchasing soft drinks.

The research instrument that was crafted, aimed to address this, by including questions/statements from respondents to indicate the acceptability of premium products in the LSM 1–6 segments.

3.6 RESEARCH PARADIGM

The ontology and epistemology of this study are defined, whilst outlining the reasons for their selection. The research design used outlines the methodology for respondent selection, as well as the techniques selected to extract information.

3.6.1 Selection Criteria for Paradigms

According to Mouton & Marais (1990) the criteria chosen for a qualitative research design are derived from the following:

- The perspective favoured by an individual researcher and is a matter of personal choice;
- The researcher's expertise. Researchers with experience in technical areas, statistics, quantitative computing, biological sciences and those who read journals that publish research findings typically based on quantitative methodology, are likely to choose quantitative methods. Similarly, the opposite is true for adopting a qualitative method for research;
- Psychological characteristics. A quantitative approach, with its traits of tired and trusted rules and procedures, is the traditional method of research. Little uncertainty exists, and the formalised methods lean towards a low risk of failure;

- The nature of the research problem. When the problem to be investigated develops from literature findings, the variables are fairly known and the theories to be tested or verified already exist, a quantitative paradigm usually chosen. When dealing with the opposite scenario, a qualitative approach is then selected; and
- The intended audience for the research. The audience should be able to easily understand and sanction the research methodology as legitimate and viable.

3.6.2 Research Paradigm

According to Davies (2007) epistemology is defined as an inquiry about knowledge, and the manner in which its validity can be verified. The epistemological stance of this study takes a positivist view with a deductive-reasoning approach. Positivism is mainly focused on objective methods that involve the collection of quantitative information (Corbishley, 2017). The choice of paradigm selected, was based upon the main objective of this study - to explore the acceptability of premium brand in the lower LSM market segments.

Deductive reasoning involves the researcher arriving at several hypotheses based on their knowledge, and the subsequent subjecting of these hypotheses to empirical scrutiny. The hypotheses drive the process of data collection clearly and logically (Bryman, Bell & Hirschohn, 2014).

The ontology of this research project can best be described as pragmatic. Mixed-methodology studies base their knowledge on pragmatic grounds (Corbishley, 2017). Pragmatism entails an understanding of real-world situations as opposed to an artificial or experimental scenario. Pragmatism manifests from the need to focus on the research problem rather than a specific approach; a number of approaches can be used in order to make sense of the problem (Creswell, 2009). Creswell emphasises that, a hypothetical-deductive quantitative approach based on logic and previous reasoning, is valid with constructs that are already defined. Objectives and hypotheses are developed before data collection begins.

Below are some of the traits of pragmatism that are relevant to the study as articulated by (Creswell, 2009).

Table 9: Pragmatism Summary

1. Pragmatism does not rely on one system, but rather draws from quantitative and qualitative methods to solve a research problem.
2. Researchers can select whichever methods, techniques and procedures that will serve the purpose.
3. The important thing is to understand the research problem in the best conceivable way.
4. Intended consequences are important. There needs to be a reason for the mixing of methods.
5. Pragmatism opens doors to multiple methods, different assumptions and different worldviews, as well as different forms of data collection and analysis.

3.7 RESEARCH DESIGN

As early as the 1950s, mixed method research has become increasingly popular in their use, and the critique thereof. This method of research comprises an alternative research paradigm, with separate frameworks from those that value merely quantitative or qualitative forms of data collection and analysis (Johnson, Onwuegbuzie & Turner, 2007). Whilst definitions of the concept still vary, there is a willingness to some degree, on the part of mixed method researchers, to acknowledge the inherent weakness in individual methods of data collection such as quantitative surveys or qualitative interviews.

According to Haase et al. (1999) triangulation by means of a mixed method approach increases the reliability and validity of findings. Christie (1971) was one of the first to elaborate on the

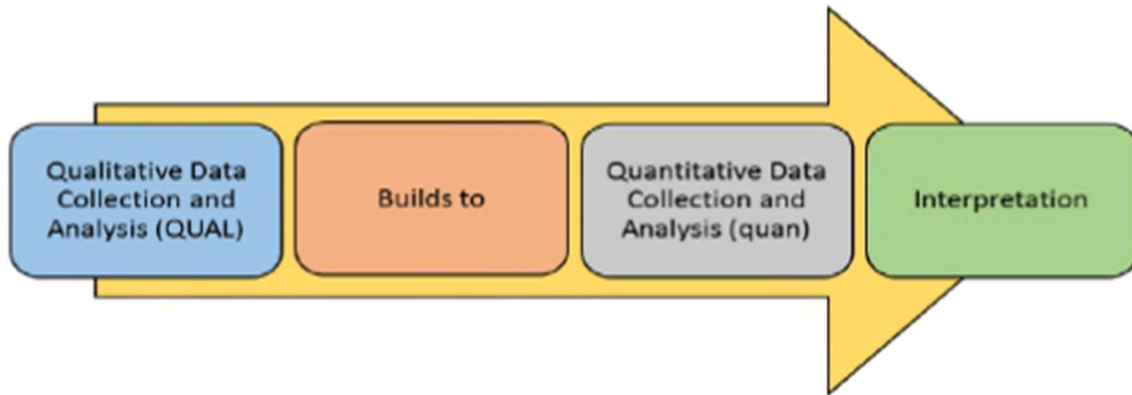
concept of triangulation in research methods, defining this as “the combination of methodologies in the study of the same phenomenon.” Christie (1971) further emphasises that by utilizing different methods to assess the same hypothesis, the researcher is better able to test for inconsistencies, convergences, or contradictions of tabulated results.

This allows for an outcome from the data collection process that are not only “thicker” in their yield but also allow the researcher to feel more confident in the acquired results while providing a useful platform for the integration or testing of additional theories (Jick, 1979). It can therefore be deduced that the triangulation of data using mixed methods research can potentially result in findings that have increased validity and are more conclusive.

Whilst literature exists pertaining to LSM’s and the construct thereof, little information is available as to how the needs and the aspirational nature of a rapidly urbanising segment should be addressed. The hypotheses articulated above in section 3.5 were tested with the aim of verifying the acceptability of premium brands in lower LSM segments. The approach for this research uses a mixed methodology, covering the qualitative dimension with a focus on SME (subject matter expert) and business stakeholders supported by quantitative instruments such as the questionnaire as depicted in Figure 23 below. A mixed methods approach is considered to be the most useful design approach when each separate method on its own is not sufficient to for the research problem (Creswell, 2009). This mixed method approach uses several different measures that include both contextual understanding such as interviews and observations along with facts and statistics.

Figure 23: Exploratory Sequential Mixed Methods Design

Source: Cresswell: 2009



3.8 UNIT OF STUDY

A unit of analysis (study) is defined as a population element (Cooper & Schindler, 2011). For this study, the unit of analysis refers to an individual beverage consumer that's falls into the LSM 1 - 6 market category. An emphasis on consumer behaviour is evident in this research project. This is however not a generic focus on consumers across all LSMs'. The unit of analysis for this study is LSM 1 – 6. It is this consumer category's behaviour, and the understanding thereof, which help define strategic actions to responsibly develop this growing market segment. The study was conducted in the Gauteng, Eastern Cape and KwaZulu-Natal areas with townships that have a high LSM 1 – 6 population density.

3.9 THE TARGET POPULATION

SAARF identified 29 variables for analysis in order to ascertain and define its Living Standards Measure (SAARF, 2016). By utilising a combination of Ward's method and cluster analysis, the 4 natural divisions in the population spread were defined.

These were:

- LSM 1 – 4: Foundation (23%);
- LSM 5 – 6: Core (40%);
- LSM 7 – 8: Buttress (21%); and
- LSM 9 – 10: Apex (16%).

The context of this research project clearly defines the limitations of the population that were explored, that being LSM 1–6, who make up 63% of the South African population (SAARF, 2015).

3.10 THE SAMPLE FRAME

A sample frame is described as a list of elements in the population from which the sample is actually drawn (Cooper & Schindler, 2011). The findings from the GCRO serve to define the sample frame for the Gauteng region due to the rapid growth of certain townships (GCRO, 2014). This provided the foundation for the sample frame which was expanded to include the Eastern Cape and KwaZulu-Natal Provinces.

3.10.1 The Sampling Method

Several methods of sampling are available to the researcher. The different techniques are broadly grouped into probability and non-probability sampling. The choice of method and strategy is generally influenced by the extent of generalisability desired, the time and resources available and the purpose of the study (Sekaran, 1993). Probability sampling allows the researcher to determine the probability that any element or member of the population will be included in the sample (Welman, Kruger & Mitchell, 2005a). This method allows the researcher to estimate the degree of sampling error and thereby ensures representativeness of the sample. In this study cluster sampling technique was used as method of probability sampling, due to the nature of the LSM spread across the country and the benefits of time-saving and cost.

3.10.2 The Sample Size

There is a growing concern from researchers, who agree, that the question of how large a sample size should be, is a challenging one. Sekaran (1993) argues that the sample size is influenced by the degree of precision required and desired confidence but concedes that ultimately, the final choice is a trade-off between confidence and precision (Sekaran, 1993). The aforementioned perspective is supported by Cooper & Schindler (2011) who suggest that since researchers can never be 100% certain that a sample reflects its population; they must decide how much precision they need and in making this decision, they must consider at least four factors (Cooper & Schindler, 2011):

- The degree of precision required;
- The degree of confidence required;
- The extent of the variability in the population on the characteristics being investigated; and
- Probable costs.

With the above in mind (including the difficulty in accessing the population, and the number of questions that required administering) the researcher had decided to have a sample size of 300 LSM 1-6 consumers spanning the three provinces.

3.11 THE QUANTITATIVE MEASUREMENT INSTRUMENT

Cooper & Schindler (2011) suggest that there are essentially two alternate methods used to gather primary data. The first method entails observing conditions, behaviour, events, people or processes. The second method requires engaging and communicating with the sample group. The choice of method employed by a researcher depends on the purpose and nature of the study. For this study, communication and engagement was the adopted approach, whilst the instrument comprised structured questions that were completed by the respondent or the field worker highlighting the respondent's feedback. Statistical analysis of the data was done using SPSS as the analysis software tool.

3.12 THE QUALITATIVE MEASUREMENT INSTRUMENT

Unstructured interviews were conducted with industry SME's as well as Clover SME's and key stakeholders. A formal schedule of questions was not utilised due to the exploratory nature of this engagement. This was done to ensure that the researcher identifies and covered important variables that needed to be focused on and formed the basis of the survey questionnaires. In addition, the researcher made use of secondary data sources and literature. Post the quantitative analysis using SPSS (see chapter 4), a summary of opinions in relation to the results are statistically illustrated using charts, graphs and similar visual representation.

3.13 THE LIKERT SCALE

One of the most common response formats used in marketing research is the Likert scale. Respondents are offered a number of carefully considered attitudinal statements and asked to indicate how strongly they agree or disagree (Corbishley, 2017). Scores are then collated giving an indication of the various attitudes of the respondent towards the objects being researched (Wiid & Diggines, 2015).

The survey questionnaire for the LSM 1-6 target group formed one of the measuring instruments to ensure that the data collected is structured, representative and reliable. A five-point Likert scale has been used to categorise respondents' feedback and was classified into the areas of demographic, consumer and product.

3.14 VALIDITY AND RELIABILITY

In research validity is used to determine if the findings are authentic with respect to the researcher, the participant and/or the reader (Creswell, 2009). Reliability refers to how consistent a set of measurements within an instrument are, whilst validity describes how well a test measures what it is planned to measure (Wiid & Diggines, 2015). A measure is said to be reliable when various attempts at measuring it create a similar result (Zikmund & Babin, 2010).

Saunders & Lewis (2012) emphasize that reliability can be achieved if the data can be replicated using the specified data collection methods, and there is consistency in the results. Replication of results is, however, improbable when working with qualitative research, due to the complexity of interviews and the context in which they were conducted.

To ensure further validity and reliability of the results, the geographical location where the survey questionnaires were administered have been deliberately selected, are part of the sampling frame process. The researcher distributed and collated the survey questionnaires from participants in selected geographical areas which have a high density of LSM 1–6 entities

maximising the chance of achieving an accurate representation of the population. For geographical and logistical reasons, these will be limited to Gauteng, KZN and the Eastern Cape.

3.15 THE PILOT STUDY

The pilot study, which may be considered a scaled down iteration of the final research study, can be conducted to determine if the research questionnaire functions as proposed. This research process helps reduce the risk of the research questionnaire being administered with inherent design flaws (Babin and Zikmund 2016). Conducting a pilot study can further assist with preventing bias before being sent out (Sekaran 1993). For this research project, a pilot study was not conducted due to the mix methodology approach that was used. It would have been prudent to carry out a pilot study should the research instrument have taken the form of a quantitative method only. A secondary influencer in this decision was the cost and time constraints of a pilot study and the impact on the research timelines.

3.16 ANONYMITY AND CONFIDENTIALITY

To encourage free speaking of the participants, anonymity was assured prior to any questionnaires being administered and reiterated by the non-personal nature of the survey questionnaire design. Internal organisational clearance has also been adhered to by means of a signed gatekeeper form. Information letters were sent to interviewees (SME's and key stakeholders) in advance to ensure understanding of the research project, prior to the engagement.

The gatekeeper's letter which has been authorized by Mr Marcelo Palmeiro, Executive: Corporate and Brands Development, grants the researcher permission to conduct research on the Clover portfolio within the identified regions. The title of the research project, which clearly articulates the focus on "Clover's Premium Beverage Portfolio", is included in the approved

gatekeeper's letter. The researcher has deliberately not requested any confidential or sensitive information to be shared when interviewing the company Subject Matter Experts(SME's). The information that has been outlined in this research project has been obtained purely from journals, websites and articles that are currently in the public domain.

3.17 ETHICAL CONSIDERATIONS

According to Welman, Kruger and Mitchell (2005d) there are 4 main key points that the research must consider:

- Informed consent;
- Right of privacy;
- Protection from harm; and
- Involvement of the researcher.

This study encapsulates the above themes by ensuring that consent was sought prior to any questionnaires being administered. The survey questionnaires were sculpted to ensure that privacy is maintained with no questions of any personal details being required. Respondents were also not required to answer any questions that they were not comfortable with and have been communicated upfront. Similarly, the unstructured interviews did not use any unethical interviewing techniques and took the form of an explorative investigation.

The Durban University of Technology utilises 3 categories in its ethical guidance system. Category 1 is exempt from the Ethics and Biosafety Research Committee Review due to the research being straight forward in nature whilst having readily available data without ethical problems. Category 2 is an expedited review, typically for primary research that poses minimal risk to humans, animals or the environment whilst category 3 will require a full review by the committee due to the possible risk to humans, animals, the environment or if the research area is of a sensitive nature.

The nature of this specific project has fallen into category 2 due to the attributes of being primary research with minimal risk and has received approval by the Faculty Research Ethics Committee (FREC) No: 25/26FREC (See Annexure E).

3.18 SUMMARY

In this chapter the methodology used for this research project was contextualized and described. The formulation of the research problem to be investigated was encapsulated into a problem statement. This stage covered the business growth aspirations of Clover, followed by an introduction into the South African macro environment. This provided context to the research problem and the significance of the study whilst defining the limitations that were evident. This study is based on a positivist epistemology with a pragmatic ontology approach. The methodology for this study is an exploratory sequential mixed methods approach which began with qualitative data collection and analysis followed by quantitative data collection and analysis. An overview of the research process was provided, by indicating a brief process flow. The research question was first posed followed by the derivation of the hypotheses to be tested. This process then followed with a description of the sampling process, defining the population, validation of the appropriate sampling design, and determining the required sample size. The measuring instruments used were clearly articulated culminating in the specification of the type of data analysis used. The following chapter (chapter 4) presents the findings of the empirical study.

CHAPTER 4

FINDINGS, ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

In chapter 2 the literature that underpins the research problem was discussed whilst chapter 3 explained the methodology that was employed in this study. In chapter 4 the researcher outlines the results of both, the first and second phases of the research project, which are described as the qualitative and quantitative phases respectively. A thematic analysis is used to support the findings through the qualitative interviews. The results of the research questionnaires are represented graphically as well as in a tabular format. A brief discussion is provided to summarise the emerging concepts.

4.2 RESEARCH OBJECTIVES

In chapter 1 the research questions were divided into the key concepts to address the research aims and objectives of this study. At this point, it is critical to reiterate the research objectives related to specific phases of the study to identify which components of the information or opinions add credence to the study. In the table of objectives below, Objectives 1, 2 and 4 are defined as relevant to the quantitative aspect. Objectives 3 and 5, as outlined in chapter 1, are covered in the qualitative research phase of this project.

The objectives were used to provide direction for the research instrument used. This was encapsulated in the form of a research questionnaire and face to face feedback from obtained from respondents.

Table 10: Objective Alignment

No:	Description	Phase of Research
1.	To understand the factors influencing consumers to switch between different beverage brands.	Quantitative
2.	To understand the factors influencing consumers to switch from mainstream to premium classes.	Quantitative
3.	To explore innovative pricing strategies and value propositions that can yield increased consumption and subsequently profitable growth.	Qualitative
4.	To explore the acceptability of premium brands outside of the LSM 8 - 10 group.	Quantitative
5.	To investigate the channel flow of premium soft drink brands to ensure alignment to lifestyle choices.	Qualitative

4.3 ANALYSIS OF QUALITATIVE RESULTS

This section is a discussion on the interviews that were conducted with the aim of answering the research questions that were posed in chapter 1. A background to the interview process as well as the sampling characteristics that were employed, are provided below.

4.3.1 Personal Interviews

Four Clover Subject Matter Experts (SMEs) from various business units which included Health, Safety and Environment (HSE), Marketing, Product Development and Corporate Services, were selected to be interviewed for their insights into Clover's growth ambitions and the LSM 1–6 market segments.

4.3.1.1 Sampling and recruitment of interviewees

The population which the interview sample was drawn upon, comprised marketing executives, research developers and managers from HSE and Corporate Services within Clover. Sampling within this group required a non-probability method, calling for a method based on judgment. Typically, this is referred to as a purposive sampling method (Zikmund & Babin, 2010). Purposive sampling was therefore used to select candidates for the interviews. This was based on a judgement call by the researcher to select potential participants who were considered SME's in either the organisation's growth aspirations or demonstrated a deep understanding of the LSM 1–6 markets.

Table 11 below provides an overview of the participants that were interviewed for this phase of the study.

Table 11: List of Participants

	Department	Job Title and Brief Description	Interview Duration
P1	Marketing	Executive Head – Marketing P1 is the Executive Head responsible for product development, engineering and marketing	35 min
P2	Product Development	Technology Specialist – Concept Development P2 is technical lead on new product innovations and the trialling and testing thereof	51 min
P3	Corporate Services	Manager – Corporate Services P3 leads Clover's Corporate Social Investment initiatives and champions the Mama Afrika programme.	48 min

P4	Health, Services & Environment	SHE Manager P4 is responsible for a sites specific requirement pertaining to HSE. This includes the management of the contractors that are on site for outsourced services	39 min
P5	Quality	Quality Manager P5 is responsible for the recipe and quality parameters at a manufacturing site	43 min

4.3.1.2 The interview process

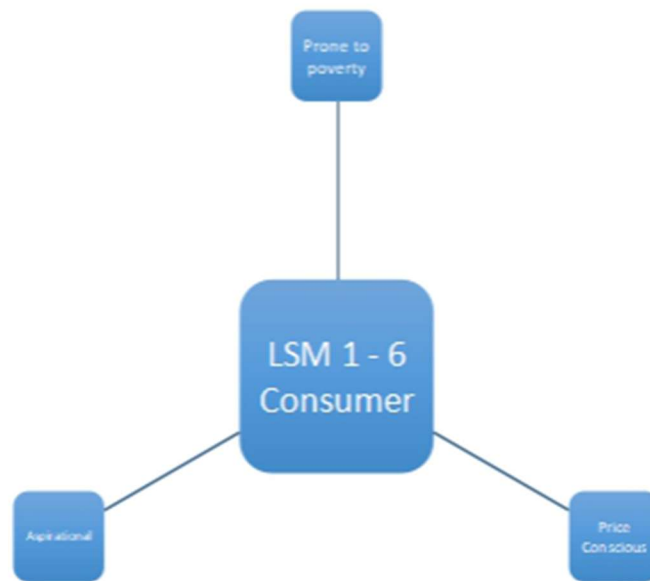
A semi-structured interview guide was sent to participants at least a week before their interview was scheduled. Participants were informed that the duration of the interview would be approximately an hour depending on the feedback. To ensure openness of the discussion, recordings were not used for the interviews. The researcher opted to make personal notes based on the feedback of the participants and the themes that developed. Please see Annexure E for the details of the semi-structured interview schedule.

4.3.2 Thematic Analysis

Personal interviews were conducted with the objective of supplementing the literature that was explored. Transcripts of the interviews were further analysed, summarised and categorised into themes. Results have been analysed using the “COUNTIF” command in Excel (Clarke, 2013). Data was categorised and subsequently coded using the COUNTIF command and tabulated. The emerging themes provided the basic framework for the questionnaire that followed in phase 2 of the study. The qualitative phase aimed not to reach data saturation, but rather to provide clarity in the development of emerging views that would be useful and add rigour to the quantitative phase of the research. The outcomes and emerging views of this qualitative exploration are articulated below.

4.3.2.1 Perception of the LSM Consumer

Figure 24: Perception of LSM 1 – 6 Theme



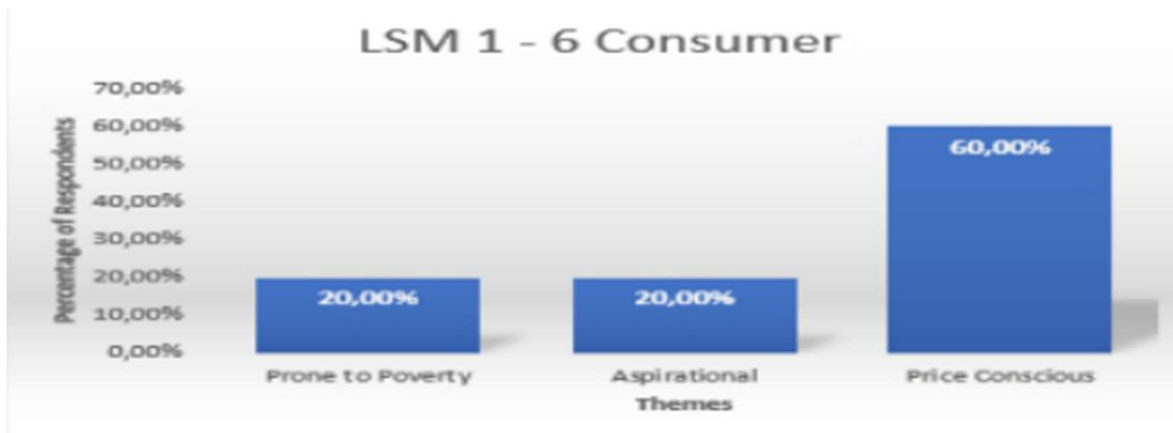
Three themes emerged from the interviewees' feedback. The perception was that consumers are either "Prone to Poverty", "Aspirational" or "Price Conscious".

Table 12: Respondent Summary – LSM 1 – 6 Consumer

Responses	Category	Themes	Code	Statistics	
LSM 1 - 6 Consumer				Frequency	
1 These consumers are wary of the price they pay	PC	Prone to Poverty	PP	Prone to Poverty	1
2 This segment is under pressure and are looking to satisfy the most basic needs	PP	Aspirational	A	Aspirational	1
3 Consumer wishes to buy the brand due to the association with high quality	A	Price Conscious	PC	Price Conscious	3
4 Consumer is buying based on price	PC			Total	5
5 Consumer buy according to what their budget allows	PC				
				Proportion	
				Prone to Poverty	20,00%
				Aspirational	20,00%
				Price Conscious	60,00%
				Total	100,00%

Participants indicated that their perception of LSM 1–6 was that of a very price sensitive consumer.

Figure 25: Respondent Analysis - LSM 1 - 6 Consumer



Whilst there are aspirational attributes noted from this LSM, the perceived extent of this is overwhelmed by the extreme poverty evident in the bottom of the pyramid component of the LSM. 60% of respondents concurred that whilst there are aspirational attributes associated with this LSM consumers in this segment are price conscious buyers.

4.3.2.2 Perception of the Clover Channel Flow

Figure 26: Product Channel Flow Theme



Two distinct channels were evident from the SME interviews. “Direct Sales” and “Retailer Presence” was identified as the key channels used to access LSM 1–6 consumers.

Table 13: Respondent Summary - Product Channel Flow

Responses	Category	Themes	Code	Statistics	
Channel Flow				Frequency	
1 We sell to all SPAZA owners, local or foreign	DS	Direct Sales	DS	Direct Sales	3
2 Townships have direct sales people assisting with local distribution	DS	Retailer Presence	RP	Retailer Presence	2
3 Retailers across these LSM's stock Clover products	RP			Total	5
4 Consumers shop at stores that are supplied by Clover	RP				
5 Fridges and promotional material is shared with SPAZA stores for their growth	DS			Proportion	
				Direct Sales	60,00%
				Retailer Presence	40,00%
				Total	100,00%

Participants emphasised that there were deliberate efforts to sell directly to the Spaza store owners which helped to bring the products closer to the consumer. Relationships with the Spaza store owners were further cemented by Clover offering fridges to the owners which were maintained by Clover.

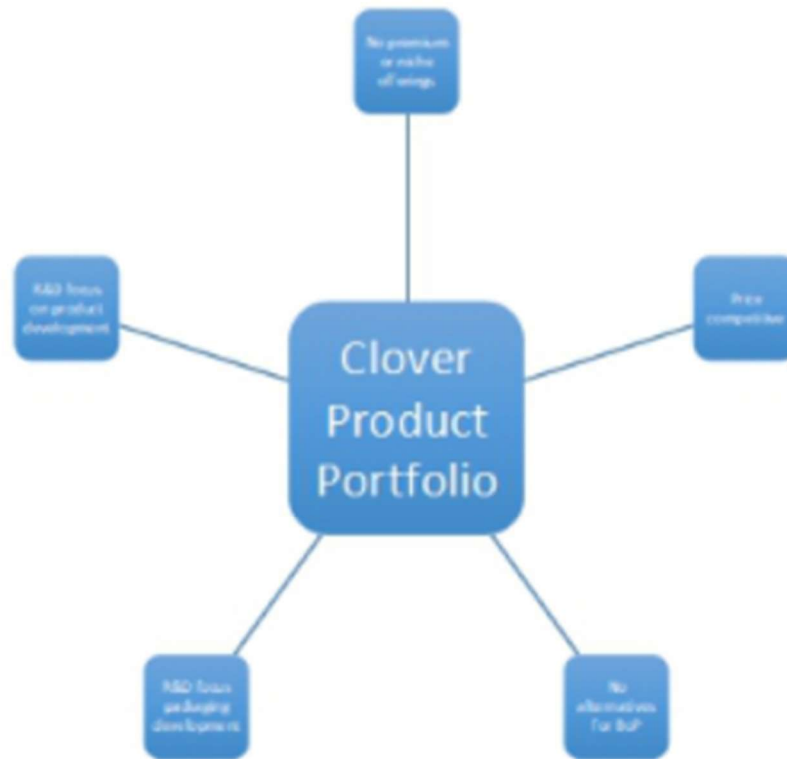
Figure 27: Respondent Analysis - Product Channel Flow



No differences were noted from the participants pertaining to engagements with foreign and locally owned stores. There was mixed feedback pertaining to the brands footprint in larger retailers. Whilst there is a drive to have Clover-branded fridges which display the full beverage portfolio, the sentiment expressed was that the Clover efforts were overwhelmed by the scale of presence of Coca Cola Beverages Africa at most outlets.

4.3.2.3 Perception of the Clover Product Offering

Figure 28: Clover Product Portfolio Theme



Five different themes were noted from the interviewees. This emphasised the differences in perception based on the position or division of the interviewee within the organisation.

Table 14: Respondent Summary - Product Portfolio

Responses		Category	Themes	Code	Statistics	
Product Portfolio						
1	No niche or premium products. Cater typically for LSM 1 - 7	N	Niche	N	Frequency	1
2	No alternatives in the portfolio for BoP consumers	BP	BoP	BP	BoP	1
3	Pricing is competitive for the quality that this LSM is seeking to attain	CP	Competitive Price	CP	Competitive Price	1
4	Focus on product development to ensure low cost options are in the port	PR	Product Dev	PR	Product Dev	1
5	Packaging development to attracted this LSM	PA	Packaging Dev	PA	Packaging Dev	1
					Total	5
					Proportion	
					Niche	20,00%
					BoP	20,00%
					Competitive Price	20,00%
					Product Dev	20,00%
					Packaging Dev	20,00%
					Total	100,00%

The feedback from the participants pertaining to Clover's product portfolio was divided and contradictory.

Figure 29: Respondent Analysis - Product Portfolio

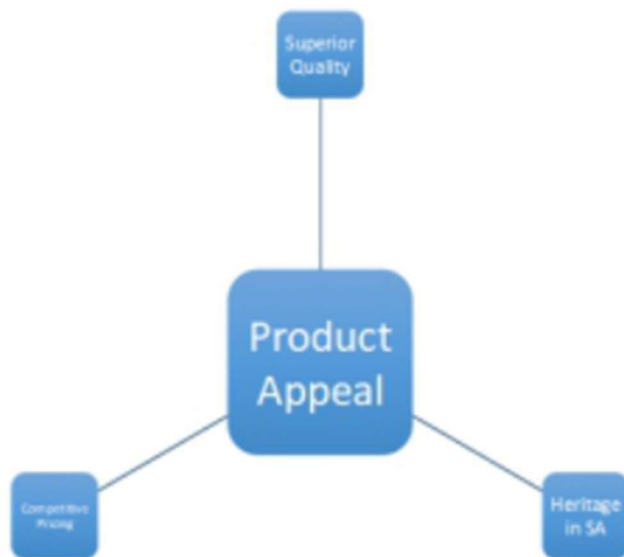


Clover has kept pricing consistent over the last two years and have managed to absorb inflationary costs into the operations and initiated several costs saving drives. One of these drives was an exercise of decreasing pack sizes and consequently volumes. This has also contributed to the flat cost structure that has been noted. This however has not gone unnoticed as consumers have been vocal in their complaints. There are concerns that the value in the Clover products seems to be lost by the consumers, due to the reduced volumes and smaller pack sizes when compared to competitors.

Clover does not consider their products to be premium or niche and specifically target LSM 1–7 with all their offerings. Research & Development spend considerable time and money on developing lower cost options for the LSM 1–6 such as Numel. This is a dairy blend made up of full cream milk, cream and whey powder. Whilst this is a new product targeted at the lower LSM's, participants still felt that there were no suitable options from the Clover range that was affordable and nutritional for the lowest LSM. This was raised as a concern and a social responsibility and should not be considered as a viable route to generate profits.

4.3.2.4 Perception of the Clover Product Appeal

Figure 30: Clover Product Appeal Theme



Participants agreed that there is a strong brand appeal with three key brand hallmarks emerging.

Table 15: Respondent Summary - Product Appeal

Responses	Category	Themes	Code	Statistics	
Product Appeal				Frequency	
1 Clover products are well priced and have not had an increase in 2 years	CP	Superior Quality	SQ	Superior Quality	2
2 Consumers associate with the brand due to the history in South Africa	H	Heritage in SA	H	Heritage in SA	2
3 Household name in the country	H	Competitive Pricing	CP	Competitive Pricing	1
4 Products trade of the deemed superior quality	SQ			Total	5
5 High control standards ensure good products to the consumer	SQ				
				Proportion	
				Superior Quality	40,00%
				Heritage in SA	40,00%
				Competitive Pricing	20,00%
				Total	100,00%

Quality was an attribute that was unanimous with participants as all felt the quality control for the products were of a superior standard. Here again, there was doubt as to the extent of the quality appreciate that the LSM 1–6 consumers displayed, and if this would be a strong enough

differentiator to persuade consumers to remain with the brand in the face of tough economic challenges.

Figure 31: Respondent Analysis - Product Appeal



Clover is seen as a household name by South Africans and has a heritage that resonates with consumers. There are concerns from participants as to whether the product appeal is strong enough to overcome pricing challenges from consumers.

4.3.2.5 Perception of Consumer Health Awareness

Figure 32: Consumer Health Awareness Theme



Key concepts that emerged from the discussion with the interviewees could be categorised into “Consumer Behaviour”, “Sugar Tax” or Sugar Reduction”.

Table 16: Respondent Summary - Consumer Health Awareness

Responses	Category	Themes	Code	Statistics	
Consumer Health Awareness				Frequency	
1 Consumers are aware of the impact of sugar on their diet, but are not willing to change	CB	Sugar Tax	ST	Sugar Tax	1
2 Lower LSM's seek out energy/boost from sugar-rich drinks	CB	Sugar Reduction	SR	Sugar Reduction	1
3 Legislative requirement and requires formulation changes	ST	Consumer Behaviour	CB	Consumer Behaviour	3
4 Efforts at plant level to reduce the sugar content in products	SR			Total	5
5 Government pressure not seen in consumer behaviour. Reduced sugar alternatives are not popular	CB				
				Proportion	
				Sugar Tax	20,00%
				Sugar Reduction	20,00%
				Consumer Behaviour	60,00%
				Total	100,00%

Participants indicated that whilst there is a global outcry for sugar reduction in beverages, the awareness locally has not translated into a change in consumer purchasing habits.

Figure 33: Respondent Analysis - Consumer Health Awareness



The legislative pressure from government to reduce the sugar content in beverages has been embraced by Clover in their operations. Research and Development (R&D) teams have reduced the sugar content of the traditional brands as well as introduced new sugar free formulations. The reduced sugar limits have helped reduce input costs, however alternate sweeteners are required to maintain the product taste profiles. Consumers are aware of the growing health concerns related to elevated sugar consumption, but this has not translated to an increase in consumption of the healthier alternative drinks in the market. SME’s with access to internal market research indicated that the targeted LSM did not show an affinity to the health-conscious alternatives.

4.3.2.6 Perception of Clover Brands Market Positioning

Figure 34: Clover Brand Positioning Theme



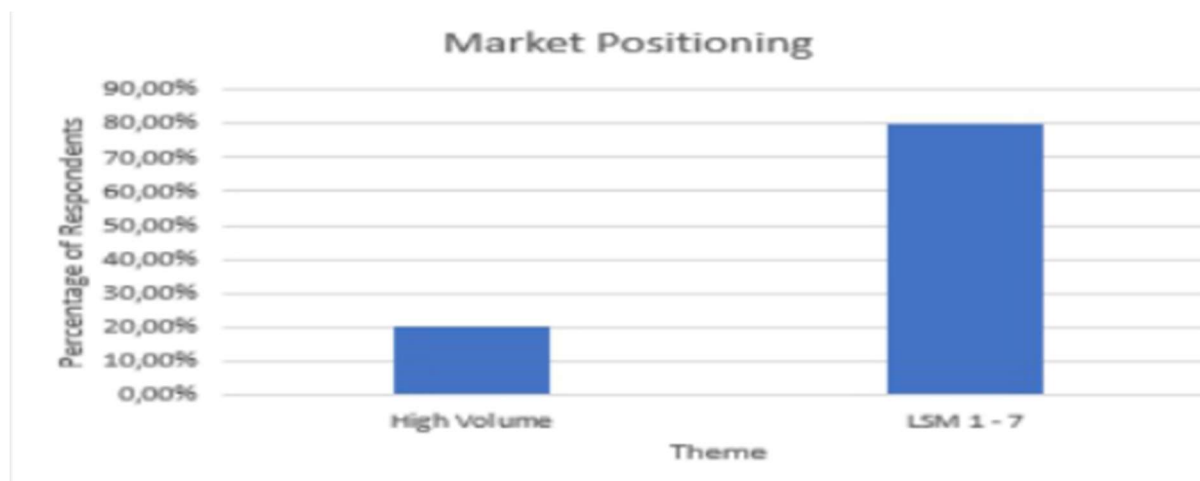
Participants felt that the brand was well positioned due to its heritage and corporate social investments in the communities. The supported communities are typically a dense LSM 1–4 population.

Table 17: Respondent Summary - Market Positioning

Responses	Category	Themes	Code	Statistics	
Market Positioning				Frequency	
1 Products are aimed at middle and lower LSM's	L	High Volume	HV	High Volume	1
2 No option for lowest LSM's as Clover is geared for high volumes	HV	LSM 1 - 7	L	LSM 1 - 7	4
3 Development is based on the scale of the lower LSM hence drive on new pro	L			Total	5
4 The retailer footprint indicates the LSM's we are targeting	L				
5 We cater for middle to lower income groups and the areas we shop.	L			Proportion	
				High Volume	20,00%
				LSM 1 - 7	80,00%
				Total	100,00%

The theme of market positioning is not viewed through the same lenses by all participants.

Figure 35: Respondent Analysis - Market Positioning



Whilst there was feedback to the structure of portfolio catering for LSM 1–7, with no offerings for niche or premium segments, there was a sense that the portfolio does not cater at all for LSM 1 due to price points of these products. Whilst efforts are made to reduce pack sizes to keep costs low, it is the volume that is being pursued by the lowest LSM's. One participant emphasised Maslow's Hierarchy of Needs, indicating that a starving, hungry individual is not at the level of being brand loyal as there is a lower order need of sustenance to be satisfied.

4.4 ANALYSIS OF QUANTITATIVE RESULTS

The literature review that was carried out in chapter 2 provided the foundation for the development of the research instrument used to investigate the research questions. The findings of the research instrument, which took the form of a research questionnaire, are articulated below.

The analysis of the results is categorised into defined sections as outlined by the structure of the questionnaire. The results of this empirical study are broadly segmented into Demographics, Consumer and Product categories. The targeted sample of 300 respondents was achieved for the focus areas of Thembisa, Ibhayi and Umlazi collectively. This was achieved due to the face-to-face approach of administering the questionnaire.

4.4.1 Demographic Analysis

In this category, four salient questions were posed to the population to ascertain key demographic data.

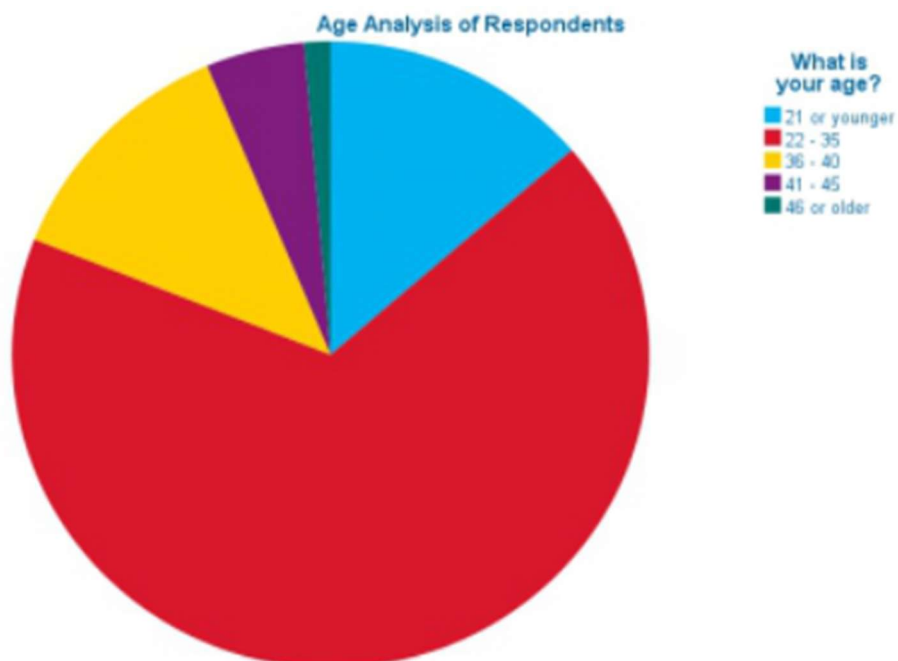
4.4.1.2 Age of Respondents

Table 18: Age Summary

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21 or younger	41	13.7	13.7	13.7
22 - 35	202	67.3	67.3	81.0
36 - 40	38	12.7	12.7	93.7
41 - 45	15	5.0	5.0	98.7
46 or older	4	1.3	1.3	100.0
Total	300	100.0	100.0	

From the 300 respondents that were interviewed across the 3 provinces, an overwhelming 67.3% fall into the “22–35” age category. In contrast to this, a mere 1.3% that were interviewed fell into the “46 or older category”.

Figure 36: Age Distribution



From the above chart, it is evident that most of the respondents fall in the category of “22 – 35 years” of age. This provides valuable insight into the profile of a typical LSM 1 – 6 consumers.

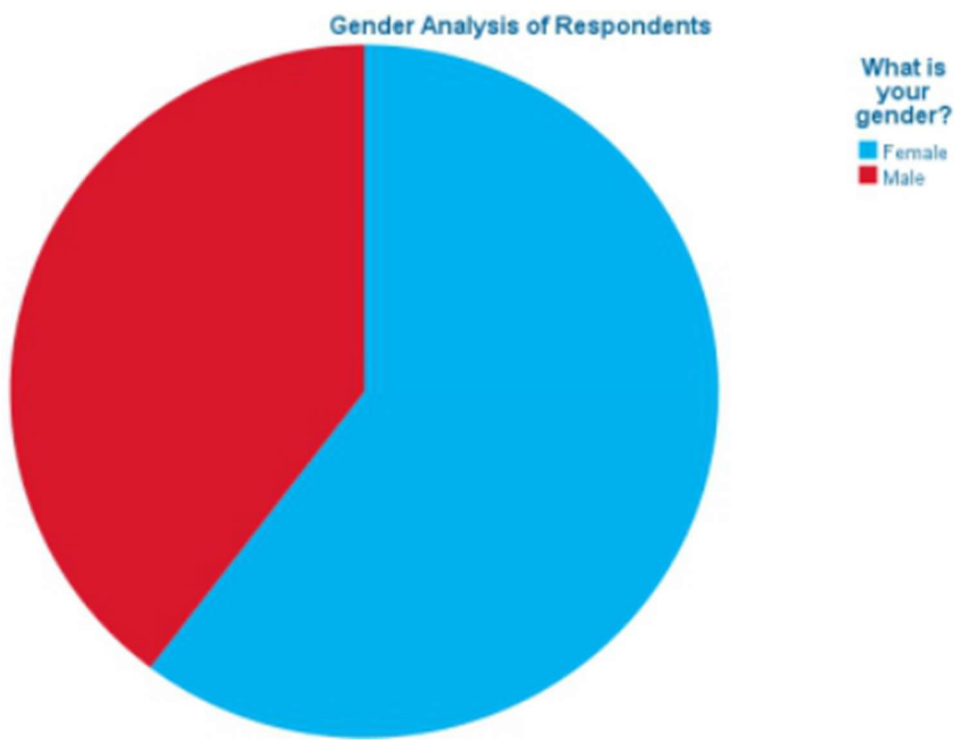
4.4.1.3 Gender of Respondents

Table 19: Gender Summary

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	181	60.3	60.3	60.3
	Male	119	39.7	39.7	100.0
	Total	300	100.0	100.0	

Of the 300 respondents, 181 were female and the remaining 119 were male. The percentage translation reflects that females made up 60.3% of the sampled population with 39.7% being male respondents.

Figure 37: Gender Distribution



This component of the survey result provided further definition to the profile of a typical LSM 1-6 consumer by giving graphical representation of the 60.3% female versus the 39.7% male split.

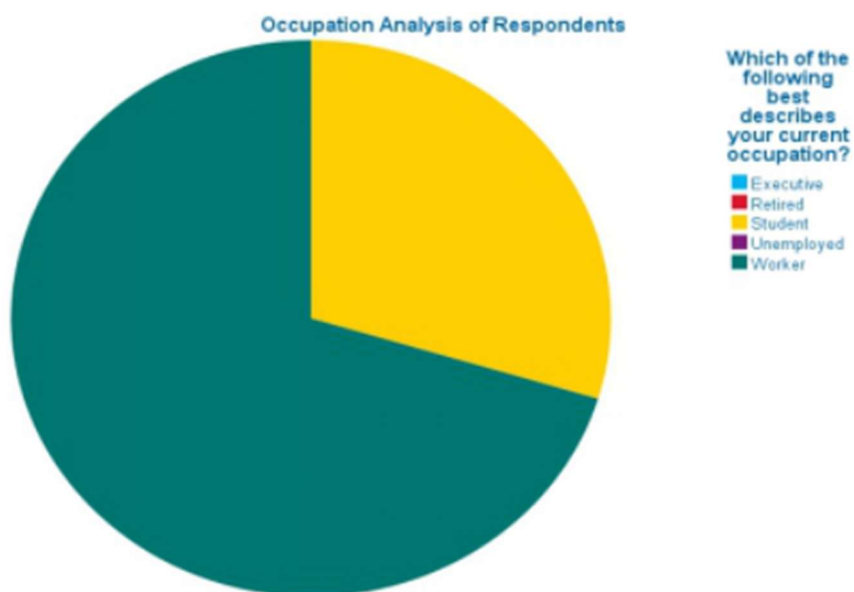
4.4.1.4 Occupation of Respondents

Table 20: Occupation Summary

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	89	29.7	29.7	29.7
	Worker	211	70.3	70.3	100.0
	Total	300	100.0	100.0	

The respondents indicated only one of two options when posed with the question of Occupation. Respondents indicated that they were either “workers” or “students”, with no results being received for the other three available options.

Figure 38: Occupation Distribution



Respondents to the question of occupation fell into one of two categories. 70.3% of the respondents were employed individuals whilst the remaining 29.7% fell into the student category.

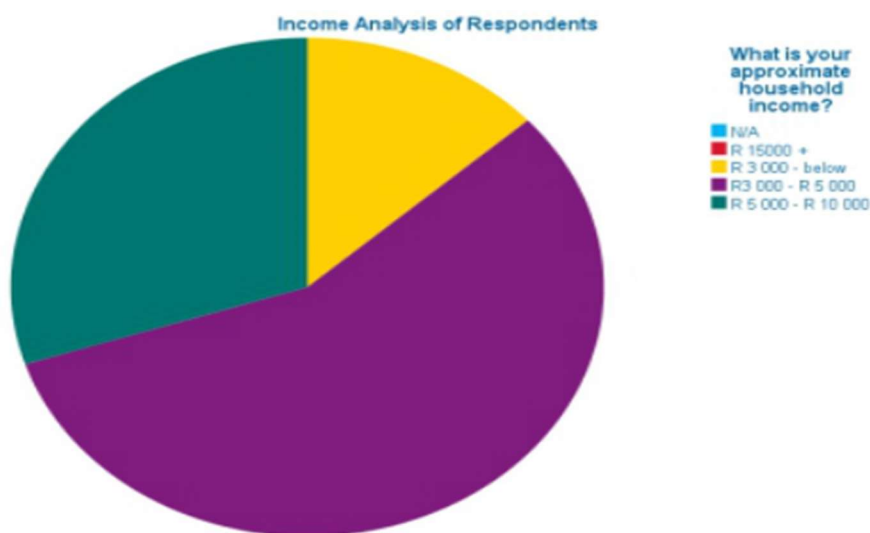
4.4.1.5 Average Household Income

Table 21: Average Income Summary

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid R 3 000 - below	40	13.3	13.3	13.3
R3 000 - R 5 000	170	56.7	56.7	70.0
R 5 000 - R 10 000	90	30.0	30.0	100.0
Total	300	100.0	100.0	

The average household income analysis revealed that the bulk of the respondents had an income of R3000–R5000, at 56.7%, whilst a further 30% had an income between R5000–R10000. This above distribution indicates that a small number of respondents fall in the category of an income below R3000 at 13.3%.

Figure 39: Average Income Distribution



The above distribution indicates that most respondents have an average household income of between R3000–R10 000. None of the respondents indicated an income greater than R15000.

4.4.2 Consumer Analysis

The consumer section of the research questionnaire explored the final consumers' preferences and key attributes that influence their decision-making process.

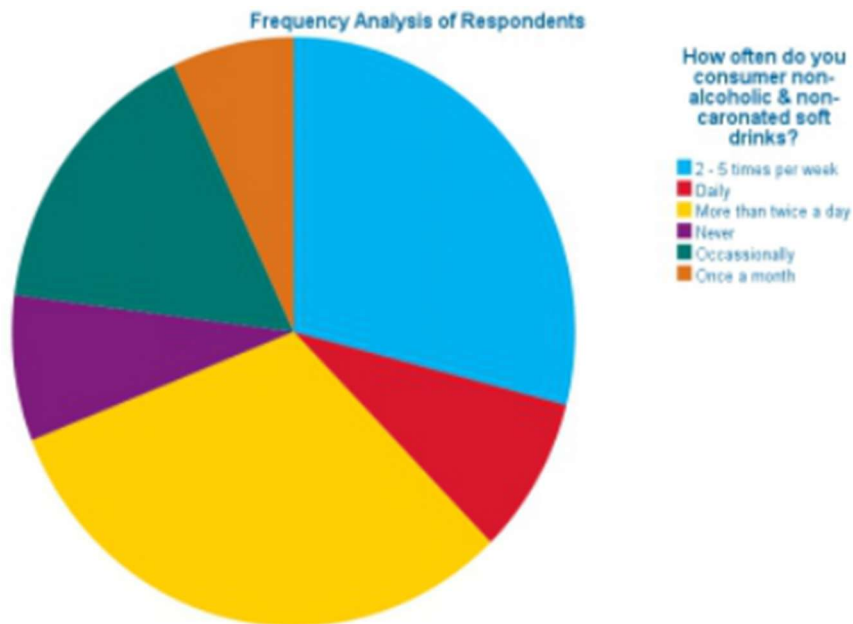
4.4.2.1 Consumption Frequency

Table 22: Consumption Frequency Summary

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	More than twice a day	94	31.3	31.3	31.3
	Daily	26	8.7	8.7	40.0
	2 - 5 times per week	87	29.0	29.0	69.0
	Once a month	21	7.0	7.0	76.0
	Occasionally	48	16.0	16.0	92.0
	Never	24	8.0	8.0	100.0
	Total	300	100.0	100.0	

Most respondents, 31.3%, indicated a typical consumption frequency of more than 2 times a day whilst 29% indicated their tendency to consume non-alcoholic and non-carbonated soft drinks between 2 – 5 times a week.

Figure 40: Consumption Frequency Distribution



The feedback distribution shows a varied response with only 15% indicating a consumption frequency of “Once a Month” and “Never”.

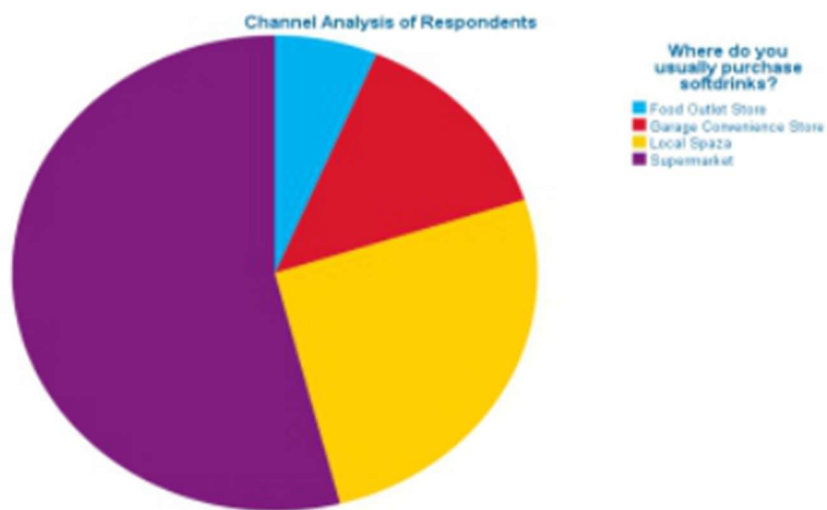
4.4.2.2 Purchasing Channel

Table 23: Purchasing Channel Summary

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Local Spaza	78	26.0	26.0	26.0
Garage Convenience Store	41	13.7	13.7	39.7
Food Outlet Store	19	6.3	6.3	46.0
Supermarket	162	54.0	54.0	100.0
Total	300	100.0	100.0	

Most of the respondents indicated that their channel for purchasing is via supermarkets at 54%, whilst a further 26% indicated that they made their purchases at their local Spaza shop.

Figure 41: Purchasing Channel Summary



The distribution chart indicates that the majority shopping channels are classified as “Spaza” and “Supermarket”.

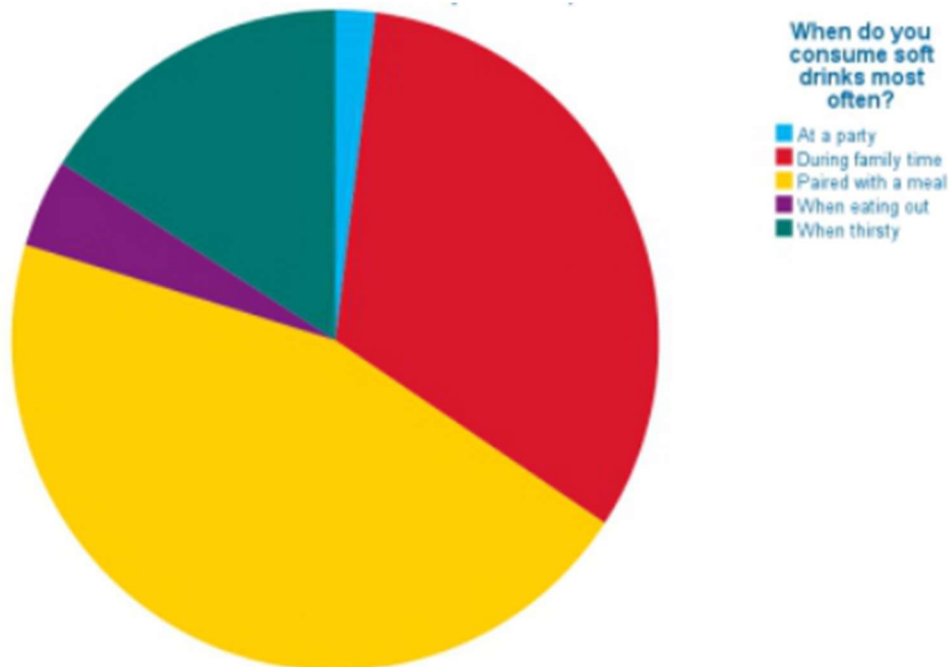
4.4.2.3 Consumption Occasion

Table 24: Consumption Occasion Summary

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	When thirsty	48	16.0	16.0	16.0
	Paired with a meal	136	45.3	45.3	61.3
	When eating out	13	4.3	4.3	65.7
	During family time	97	32.3	32.3	98.0
	At a party	6	2.0	2.0	100.0
	Total	300	100.0	100.0	

The two most significant occasions for the purchase of soft drinks stemmed either from “Paired with a meal” or “During Family Time”, at 45.3% and 32.3% respectively.

Figure 42: Consumption Occasion Distribution



The distribution graphs emphasize two distinct categories of occasions. “Paired with a meal” is categorised as being for IC (immediate consumption) whilst “During family time” is for FC (future consumption).

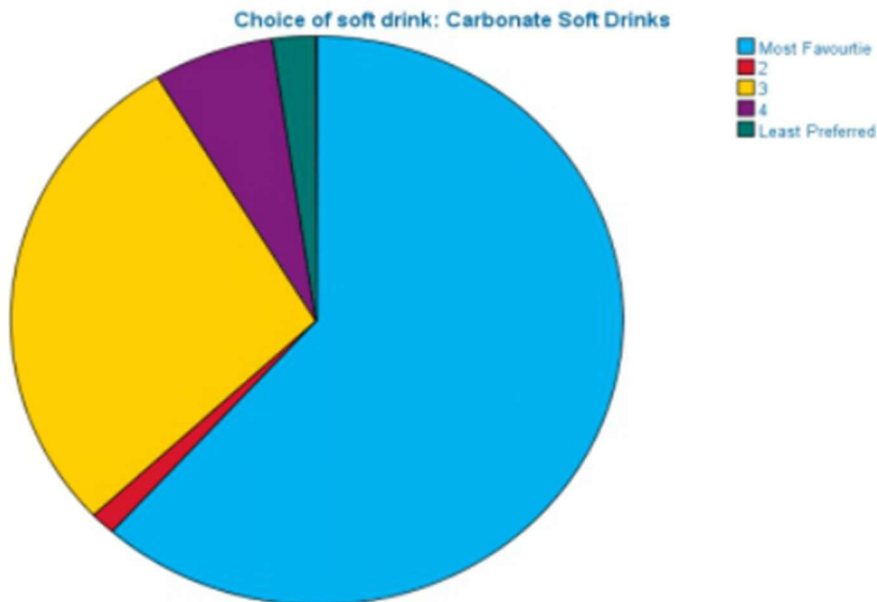
4.4.2.4 Soft drink Category Preference

Table 25: Carbonated Soft Drinks Preference Summary

Choice of soft drink: Carbonate Soft Drinks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Favourite	185	61.7	61.7	61.7
	2	4	1.3	1.3	63.0
	3	85	28.3	28.3	91.3
	4	19	6.3	6.3	97.7
	Least Preferred	7	2.3	2.3	100.0
	Total	300	100.0	100.0	

Carbonated drinks are still the most preferred consumer soft drink category at 61.7%.

Figure 43: Carbonated Soft Drinks Preference Distribution



The distribution graph shows the consumer preference to carbonated soft drinks. 91.3% of respondents placed carbonated soft drinks in their top three.

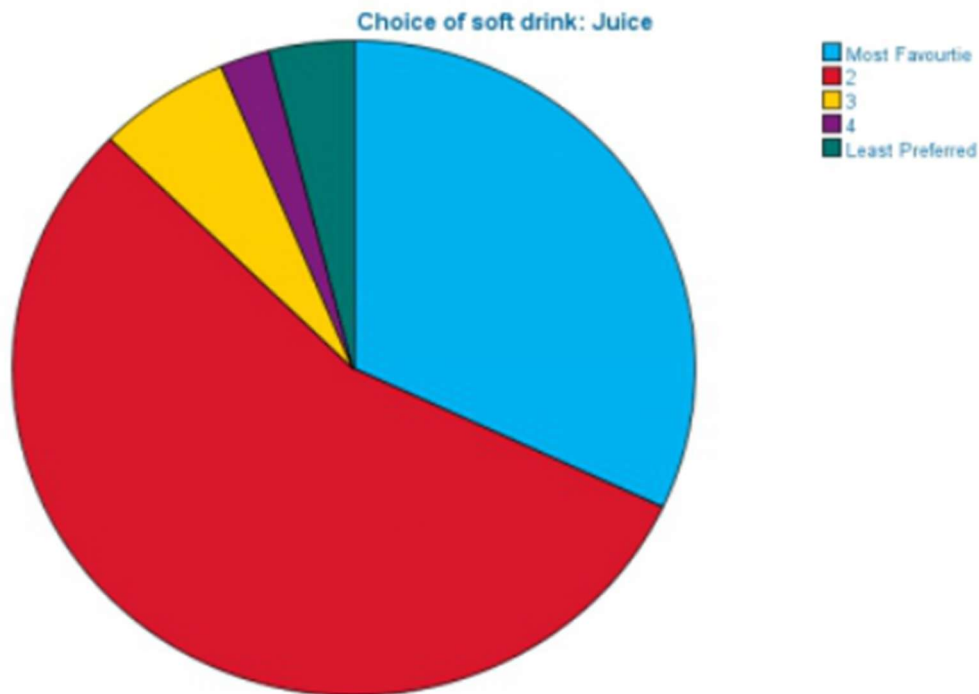
Table 26: Juice Preference Summary

Choice of soft drink: Juice

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Favourite	96	32.0	32.0	32.0
2	166	55.3	55.3	87.3
3	19	6.3	6.3	93.7
4	7	2.3	2.3	96.0
Least Preferred	12	4.0	4.0	100.0
Total	300	100.0	100.0	

The above summary reflects the popularity of the juice category with the LSM 1–6 consumers. 87.3% of the respondents rated “Juice” in there top two favoured soft drink of choice.

Figure 44: Juice Preference Distribution



The juice category takes the 2nd position in the consumer preference feedback with 55% of respondents indicating this preference.

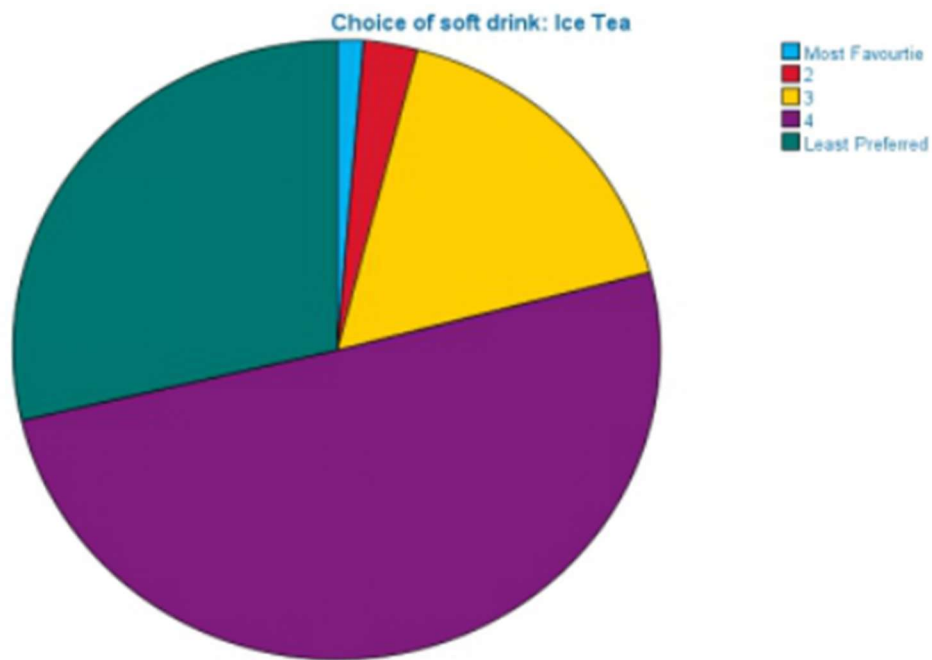
Table 27: Ice Tea Preference Summary

Choice of soft drink: Ice Tea

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Favourite	4	1.3	1.3	1.3
2	8	2.7	2.7	4.0
3	51	17.0	17.0	21.0
4	151	50.3	50.3	71.3
Least Preferred	86	28.7	28.7	100.0
Total	300	100.0	100.0	

Whilst global trends show an increase in the popularity of the “Ice Tea” category, this LSM have indicated this as their 3rd most preferred soft drink of choice (Newswire, 2017).

Figure 45: Iced Tea Preference Distribution



The Iced Tea category is the 3rd most preferred consumer soft drink with respondents showing no brand preference in this category.

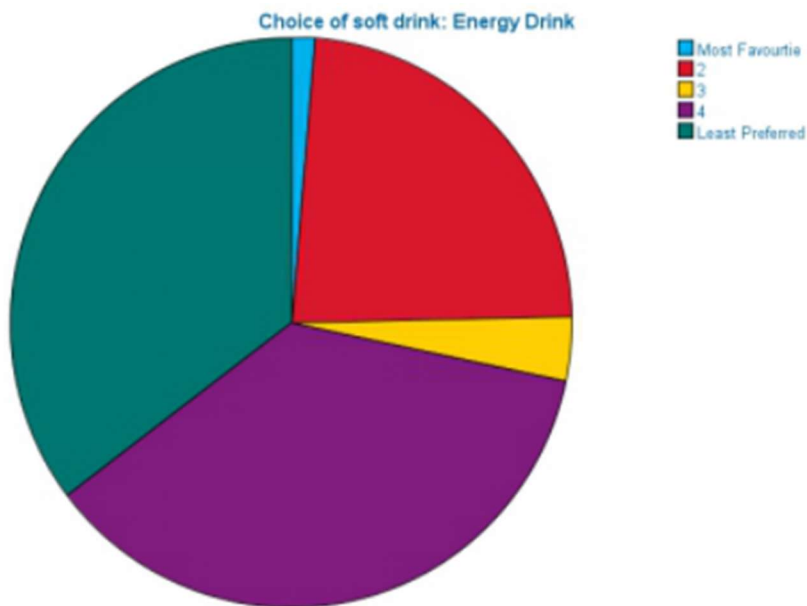
Table 28: Energy Drink Preference Summary

Choice of soft drink: Energy Drink

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Favourite	4	1.3	1.3	1.3
	2	70	23.3	23.3	24.7
	3	11	3.7	3.7	28.3
	4	109	36.3	36.3	64.7
	Least Preferred	106	35.3	35.3	100.0
	Total	300	100.0	100.0	

Similar to the “Juice” category, the “Energy Drink” category growth/preference in LSM 1 – 6 does not resonate with global industry trends.

Figure 46: Energy Drink Preference Distribution



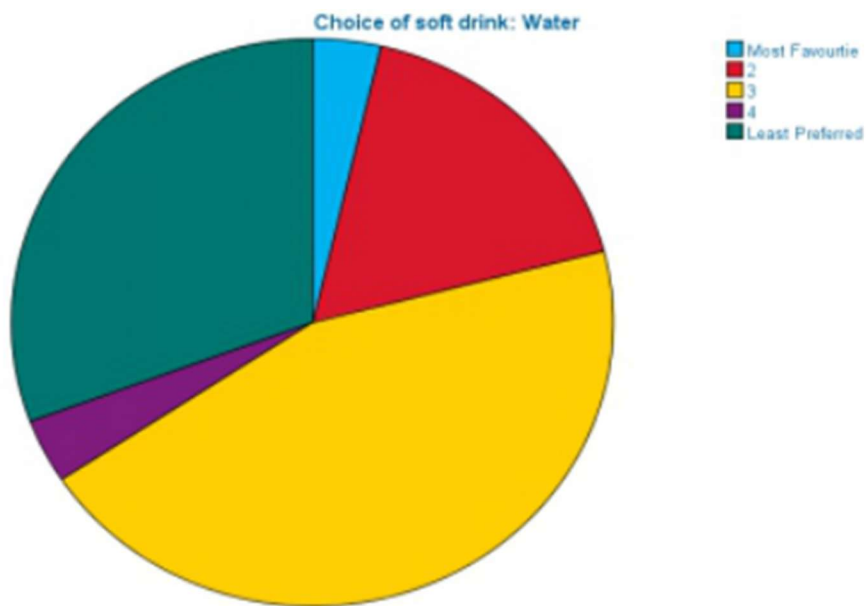
Whilst this is a growing category in South Africa, (Newswire, 2016), respondents in this LSM indicated Energy Drinks to be their 2nd least favourite soft drink choice.

Table 29: Water Preference Summary

Choice of soft drink: Water					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Favourite	11	3.7	3.7	3.7
	2	52	17.3	17.3	21.0
	3	134	44.7	44.7	65.7
	4	11	3.7	3.7	69.3
	Least Preferred	92	30.7	30.7	100.0
	Total	300	100.0	100.0	

With potable water available on tap the LSM 1–6 consumer do not consider “Water” as a soft drink category of choice. This has therefore been selected as their least preferred category (Hodgson & Manus, 2009).

Figure 47: Water Preference Distribution



Whilst there is a growing global health awareness and significant growth in Water as a soft drink of choice, respondents from this LSM 1–6 survey chose water as their least favourite soft drink option (Anon, 2016).

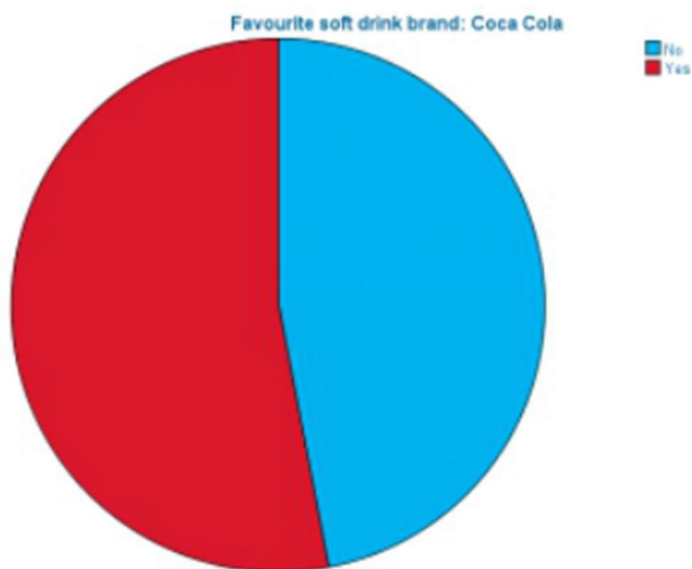
4.4.2.5 Top 3 Preferred Soft Drink Brands

Table 30: Most Preferred Soft Drink Brand Summary

Favourite soft drink brand: Coca Cola					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	141	47.0	47.0	47.0
	Yes	159	53.0	53.0	100.0
	Total	300	100.0	100.0	

Consumer feedback in this LSM 1–6 group indicated that Coca Cola was their favourite soft drink brand with 53% indicating this brand as their 1st choice.

Figure 48: Most Preferred Soft Drink Brand Distribution



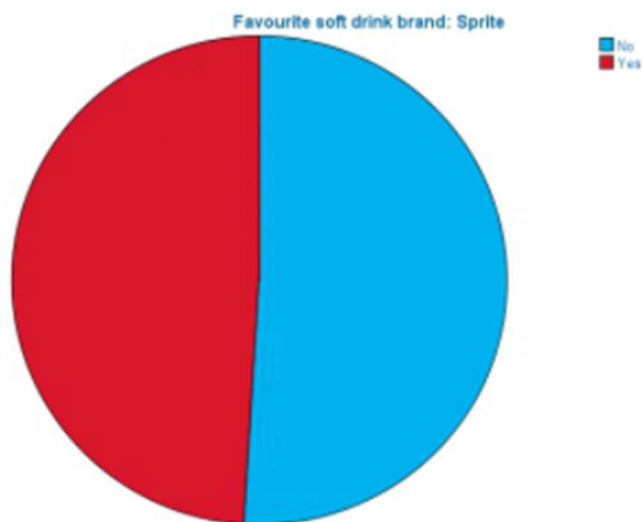
The above distribution chart shows the LSM 1–6 preference for the Coca Cola brand which is in line with global trends (The Coca Cola Company, 2017).

Table 31: 2nd Preferred Soft Drink Brand Summary

Favourite soft drink brand: Sprite					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	153	51.0	51.0	51.0
	Yes	147	49.0	49.0	100.0
	Total	300	100.0	100.0	

Sprite is the second most popular brand for this LSM with 49% of the respondents indicating their choice of this carbonated soft drink.

Figure 49: 2nd Preferred Soft Drink Brand Distribution



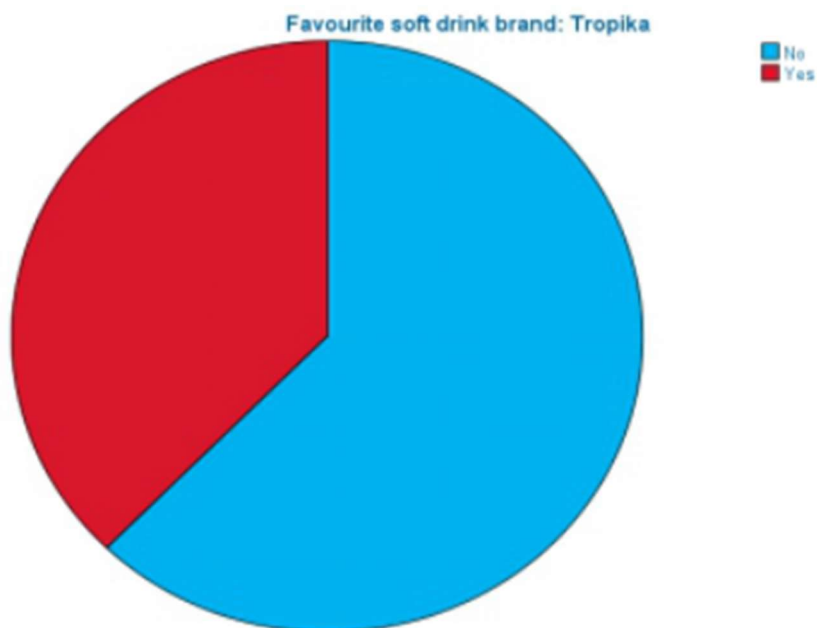
LSM 1–6 consumers have shown their preference for carbonated soft drinks, with Sprite coming up as their second most popular consumer brand.

Table 32: 3rd Preferred Soft Drink Brank Summary

Favourite soft drink brand: Tropika					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	187	62.3	62.3	62.3
	Yes	113	37.7	37.7	100.0
	Total	300	100.0	100.0	

37.7% of the consumers that were surveyed have selected this brand as one of the top three.

Figure 50: 3rd Preferred Soft Drink Brand Distribution



Tropika is the only non-carbonated soft drink to be in the top three favourite brands chosen by the respondents.

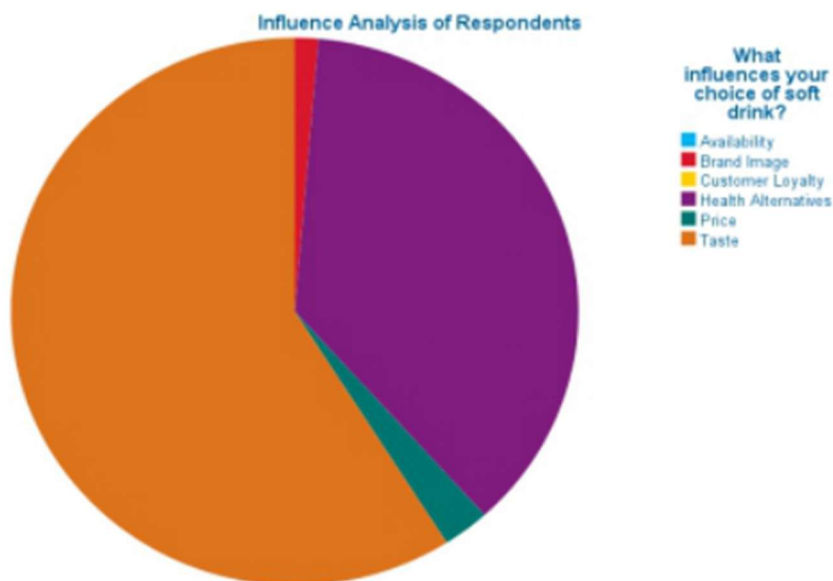
4.4.2.6 Consumer Choice Influence

Table 33: Choice Influence Summary

What influences your choice of soft drink?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Taste	177	59.0	59.0	59.0
	Brand Image	4	1.3	1.3	60.3
	Price	8	2.7	2.7	63.0
	Health Alternatives	111	37.0	37.0	100.0
	Total	300	100.0	100.0	

59% of respondents indicated that taste is their main reason of choice, whilst a further 37% indicated that healthy alternatives were the key factor influencing their purchase.

Figure 51: Choice Influence Distribution



An analysis of the above results indicates that two key factors influence the purchasing decision process of the consumer.

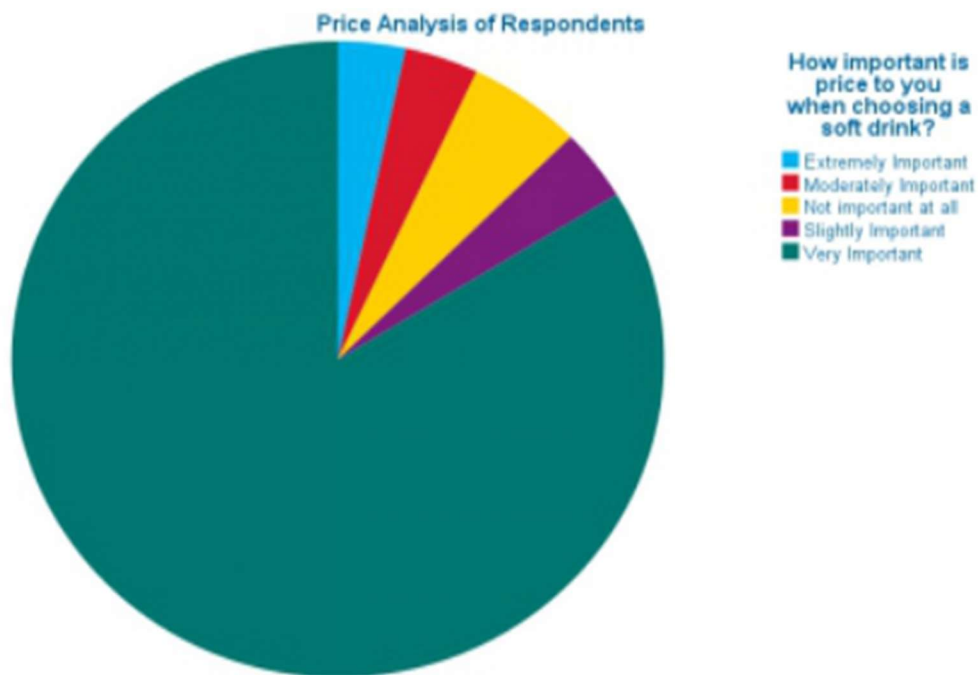
4.4.2.7 Price Consideration

Table 34: Price Influence Summary

How important is price to you when choosing a soft drink?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely Important	10	3.3	3.3	3.3
	Very Important	251	83.7	83.7	87.0
	Moderately Important	11	3.7	3.7	90.7
	Slightly Important	11	3.7	3.7	94.3
	Not important at all	17	5.7	5.7	100.0
Total		300	100.0	100.0	

83.7% of respondents categorised Price as considered “Very Important”.

Figure 52: Price Influence Distribution



A critical finding from this analysis emphasised that Price is a significant contributor to the decision-making process, when purchasing soft drinks.

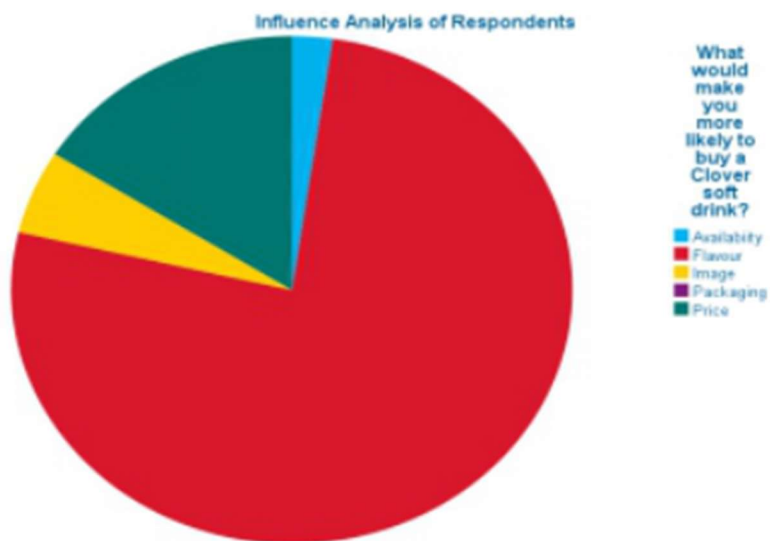
4.4.2.8 Clover Influence

Table 35: Clover Influence Summary

What would make you more likely to buy a Clover soft drink?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Flavour	229	76.3	76.3	76.3
	Image	16	5.3	5.3	81.7
	Availability	7	2.3	2.3	84.0
	Price	48	16.0	16.0	100.0
	Total	300	100.0	100.0	

76.3% indicated such, whilst a further 16% indicated that Price as a likely reason to buy a Clover soft drink.

Figure 53: Clover Influence Distribution



Respondents indicated that “Flavour” was the key factor that would make them more likely to buy a Clover soft drink.

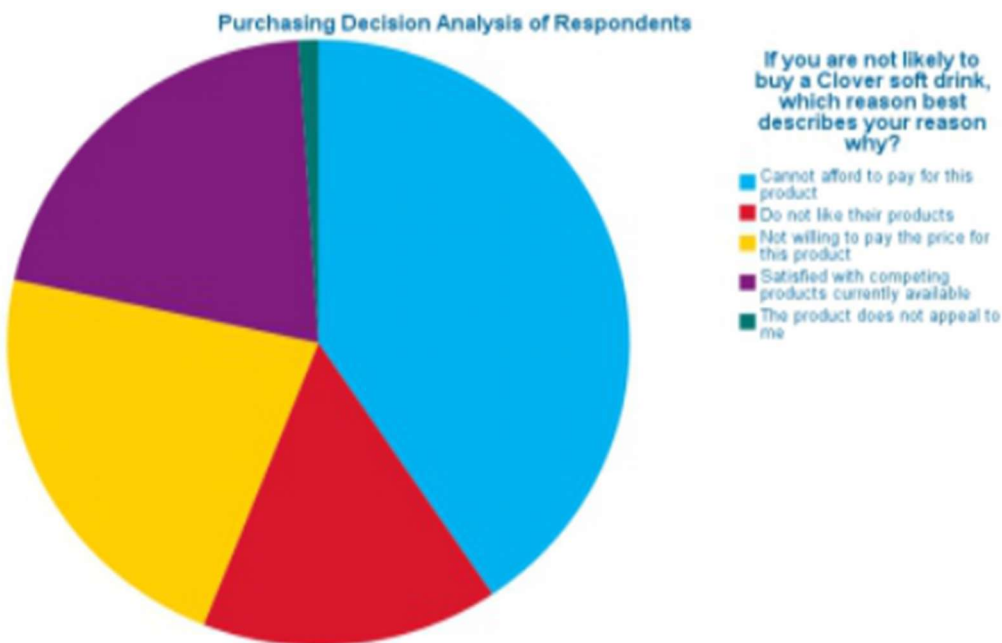
4.4.2.9 Reasons not to buy a Clover Brand

Table 36: Reasons not to buy Clover Brands Summary

If you are not likely to buy a Clover soft drink, which reason best describes your reason why?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cannot afford to pay for this product	118	39.3	40.5	40.5
	Not willing to pay the price for this product	65	21.7	22.3	62.9
	Satisfied with competing products currently available	60	20.0	20.6	83.5
	The product does not appeal to me	3	1.0	1.0	84.5
	Do not like their products	45	15.0	15.5	100.0
	Total	291	97.0	100.0	
Missing	999	9	3.0		
Total		300	100.0		

Most respondents as depicted by 40.5% have indicated that they did not choose the Clover branded soft drinks due to affordability.

Figure 54: Reasons not to buy Clover Brands Distribution



A total of 62.8% indicated reasons related to price for choice of alternate offerings. A further 20.6% indicated that they were satisfied with competitor brands.

4.4.2.10 Recommendation of Clover Products

Table 37: Recommendation Summary

How likely is it that you would recommend Clover's Products to a friend or colleague?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4	50	16.7	16.7	16.7
	5	63	21.0	21.0	37.7
	6	17	5.7	5.7	43.3
	7	48	16.0	16.0	59.3
	8	4	1.3	1.3	60.7
	9	55	18.3	18.3	79.0
	Extremely likely	63	21.0	21.0	100.0
	Total	300	100.0	100.0	

At the highest end of this Likert Scale, 21% indicated that they were “Extremely Likely” to recommend the Clover products to friends.

Figure 55: Recommendation Distribution



The overall feedback from respondents was positive with no scores below 3. Whilst consumers indicated pricing concerns, the perceived quality counteracts this as respondents indicated their willingness to recommend the Clover products to family and friends.

4.4.3 Product Analysis

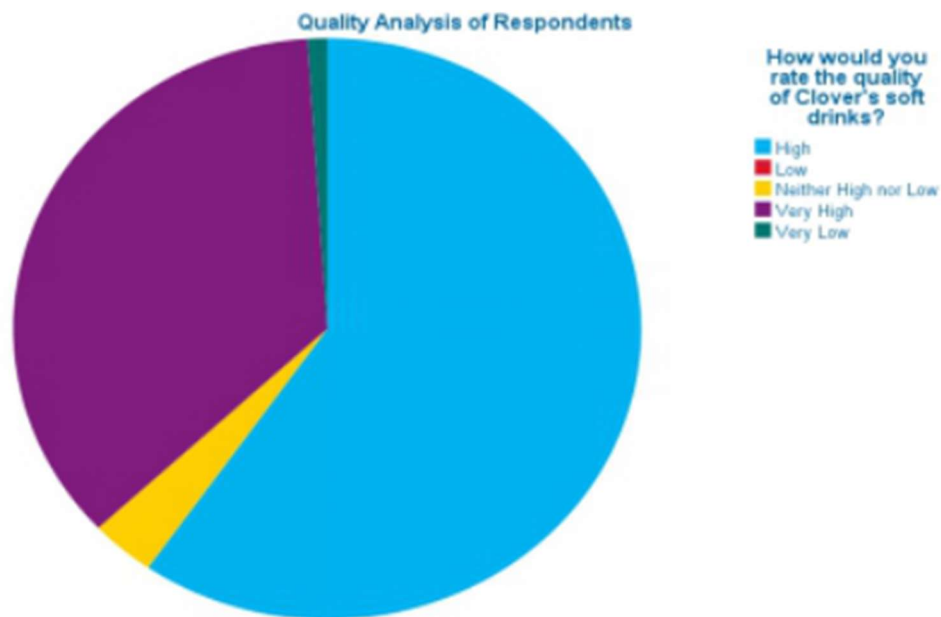
This concluding section of the questionnaire provided insight into the consumers' outlook on the Clover Brand and contrasted this with its competitors.

4.4.3.1 Clover Soft Drinks Perceived Quality

Table 38: Perceived Quality Summary

How would you rate the quality of Clover's soft drinks?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very High	108	36.0	36.0	36.0
	High	179	59.7	59.7	95.7
	Neither High nor Low	10	3.3	3.3	99.0
	Very Low	3	1.0	1.0	100.0
	Total	300	100.0	100.0	

Figure 56: Perceived Quality Distribution



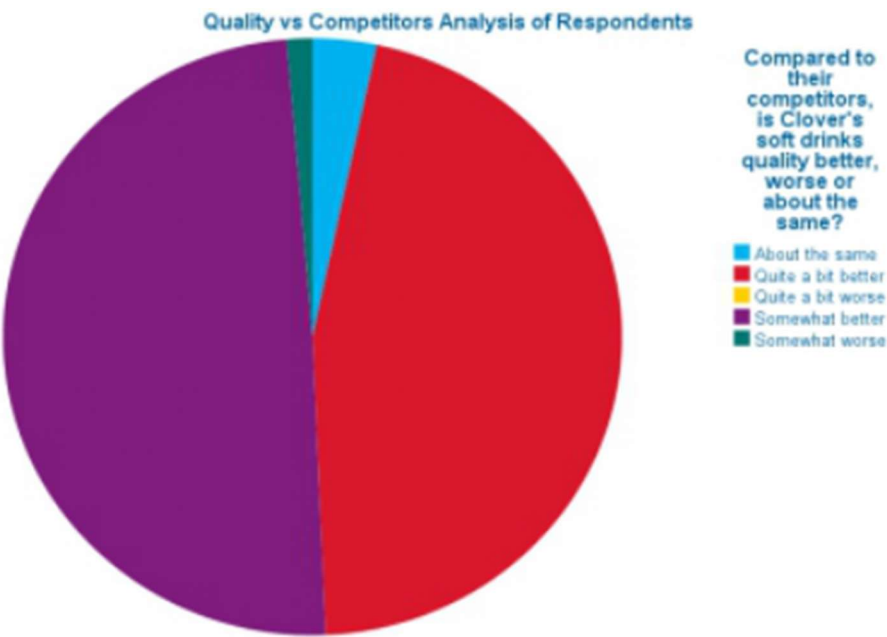
A total of 95.7% of the respondents indicated that the Clover products were perceived to be “High” or “Very High”.

4.4.3.2 Clover Soft Drinks Quality vs Competitors

Table 39: Clover's Perceived Quality vs Competitors Summary

Compared to their competitors, is Clover’s soft drinks quality better, worse or about the same?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Quite a bit better	138	46.0	46.0	46.0
	Somewhat better	148	49.3	49.3	95.3
	About the same	10	3.3	3.3	98.7
	Somewhat worse	4	1.3	1.3	100.0
	Total	300	100.0	100.0	

Figure 57: Clover's Perceived Quality vs Competitors Distribution



When asked about the Clover products quality when compared to their competitors, 95.3% approved of the Clover portfolio, indicating that it was considered “Quite a bit better” or “Somewhat better” than competing brands.

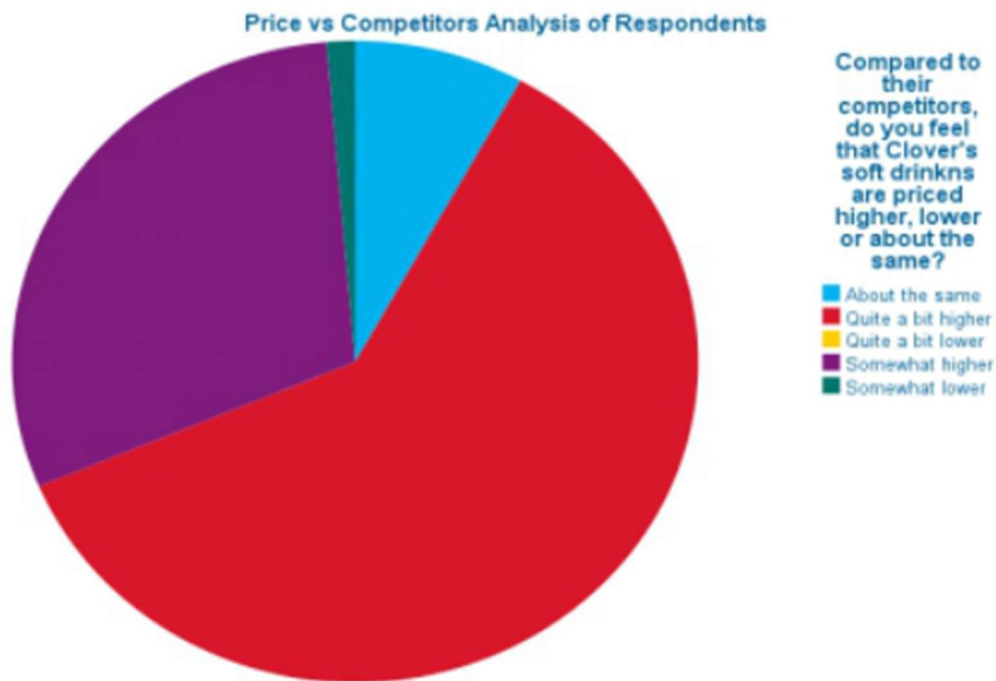
4.4.3.3 Clover’s Perceived Pricing vs Competitors

Table 40: Clover's Perceived Pricing vs Competitors Summary

Compared to their competitors, do you feel that Clover's soft drinkns are priced higher, lower or about the same?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Quite a bit higher	182	60.7	60.7	60.7
	Somewhat higher	90	30.0	30.0	90.7
	About the same	24	8.0	8.0	98.7
	Somewhat lower	4	1.3	1.3	100.0
	Total	300	100.0	100.0	

Figure 58: Clover's Perceived Pricing vs Competitors Distribution



The challenge for the Clover brand is the perceived higher pricing of the Clover products when compared to competitor brands. 90.7% indicated that the products were “Quite a bit higher” or “Somewhat higher” when compared to their competitors.

4.5 SUMMARY

Key themes emerged after the analysis of the qualitative and quantitative assessments of this research project. These have been surmised in the categories below.

4.5.1 Corporate Findings

This section of the findings was achieved by means of qualitative interviews with key stakeholders and SME’s from Clover.

60% of interviewees concurred that whilst there are aspirational attributes associated with LSM 1-6, consumers in this segment are price conscious buyers who are under immense cost pressures. Internal market research indicated that the targeted LSM did not show an affinity to the health-conscious alternatives. Deliberate efforts have been made to sell directly to the Spaza store owners which helped to bring the products closer to the consumer. Relationships with the Spaza store owners were further cemented by Clover offering fridges to the owners which were maintained by Clover. Whilst there is a drive to have Clover-branded fridges which display the full beverage portfolio, the Clover efforts were overwhelmed by the scale of presence of Coca Cola Beverages Africa at most outlets. Clover has kept pricing consistent over the last two years and have managed to absorb inflationary costs into the operations and initiated several costs saving drives. One of these drives was an exercise of decreasing pack sizes and consequently volumes. This has also contributed to the flat cost structure that has been noted. This however has not gone unnoticed as consumers have been vocal in their complaints. Research & Development spend considerable time and money on developing lower cost options for the LSM 1-6 such as Numel. Whilst this is a new product targeted at the lower LSM's, participants still felt that there were no suitable options from the Clover range that was affordable and nutritional for the lowest LSM. The legislative pressure from government to reduce the sugar content in beverages has been embraced by Clover in their operations. R&D teams have reduced the sugar content of the traditional brands as well as introduced new sugar free formulations. Participants indicated that whilst there is a global outcry for sugar reduction in beverages, the awareness locally has not translated into a change in consumer purchasing habits. Consumers are aware of the growing health concerns related to elevated sugar consumption, but this has not translated to an increase in consumption of the healthier alternative drinks in the market. Participants felt that the brand was well positioned due to its heritage and corporate social investments in the communities. The supported communities are typically a dense LSM 1-4 population.

4.5.2 Demographic Findings

The first section of the quantitative research indicated the following salient points below:

Most of respondents (depicted by 67.3%), in the LSM 1–6 category falls between 22–35 years. Of the 300 respondents, 181 were female, making up 60.3% of the sampled population. 70.3% of the respondents were employed individuals whilst the remaining 29.7% fell into the student category. The average household income analysis revealed that the bulk of the respondents had a monthly income of R3000–R5000, at 56.7%, whilst a further 30% had an income between R5000–R10000.

4.5.3 Consumer Findings

The second segment of the research questionnaire focused on the consumer and the influences that affected their purchasing decision. Most respondents, 31.3%, indicated a typical consumption frequency of more than two times a day whilst 29% indicated a consumption frequency of between 2–5 times a week. Most of the respondents indicated that their channel for purchasing is via supermarkets at 54%, whilst a further 26% indicated that they made their purchases at their local Spaza shop. The two most significant occasions for the purchase of soft drinks stemmed either from “Paired with a meal” or “During Family Time”, at 45.3% and 32.3% respectively. Carbonated drinks are still the most preferred consumer soft drink category at 61.7%. The juice category represents the second position in the consumer preference feedback with 55% of respondents indicating this choice. The Iced Tea category is the third most preferred consumer soft drink with respondents showing no brand preference in this category. Respondents in this LSM indicated Energy Drinks to be their second least favourite soft drink choice. Water as a soft drink of choice, makes up the respondents’ least favourite soft drink option. Coca Cola is the favourite soft drink brand with 53% of respondents indicating this brand as their first choice. Sprite in the second most popular brand for this LSM with 49% of the respondents indicating their preference for this carbonated soft drink. Tropika is the only non-carbonated soft drink to be in the top three favourite brands chosen by the respondents. 37.7% of the consumers

that were surveyed has selected this brand as one of the top three. There are two key factors that influence the purchasing decision process of the consumer. 59% of respondents indicated that taste is their main reason of choice, whilst a further 37% indicated that healthy alternatives were the key factor influencing their purchase. Price is a significant contributor to the decision-making process, when purchasing soft drinks. 83.7% of respondents categorised Price as considered “Very Important”. Respondents indicated that “Flavour” was the key factor that would make them more likely to buy a Clover soft drink. 76.3% indicated such, whilst a further 16% selected Price as a likely reason to buy a Clover soft drink. Most of respondents, at 40.5%, have indicated that they did not choose the Clover branded soft drinks due to price. A further 22.3% indicated an unwillingness to pay for the perceived premium price, whilst 20.6% indicated that they were satisfied with competitor brands. The overall feedback from respondents was positive with no scores below 3. At the highest end of this Likert Scale, 21% indicated that they were “Extremely Likely” to recommend the Clover products to friends.

4.5.4 Product Findings

A total of 95.7% of the respondents indicated that the Clover products were perceived to be “High” or “Very High”. When asked about the Clover products quality when compared to their competitors, 95.3% approved of the Clover portfolio, indicating that it was considered “Quite a bit better” or “Somewhat better” than competing brands. The challenge for the Clover brand is the perceived higher pricing of the Clover products when compared to competitor brands. 90.7% indicated that the products were “Quite a bit higher” or “Somewhat higher” when compared to their competitors.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The primary aim of this study was to explore the acceptability of perceived premium soft drinks in the LSM 1–6 segments of the market. The desired outcome was to understand consumer behaviour in relation to the main theories documented in the literature. The emphasis was on understanding various theories on how to succeed responsibly in this growing sector of the consumer market.

A hypothesis was developed and broken down into five key objectives. These main objectives provided the basis for the theoretical grounding and shaped the qualitative and quantitative phases of the research. The first objective was to understand the factors influencing consumers to switch between different beverage brands. The second objective aimed to develop an understanding of the factors influencing consumers to switch from mainstream to premium classes. Exploring innovative pricing strategies and value propositions that can yield increased consumption and subsequently profitable growth formed the third objective to be explored. The research then defined the fourth objective with the intention to explore the acceptability of premium brands outside of the LSM 8 -10 group. Finally, the fifth objective focused on understanding the channel flow of premium soft drink brands to ensure alignment to lifestyle choices.

The literature and research findings allow the researcher to test the hypotheses, formulate new theories and make recommendations to Clover Industries as was postulated in chapter 1. This chapter begins with a discussion of the conclusions followed by the limitations of the study. To conclude, suggestions and recommendations are offered for use to businesses and for further research.

5.2 CONCLUSIONS

To provide structure to the conclusion, the summaries are categorised as per the objectives that were defined.

5.2.1 Objective 1: Factors influencing consumers to switch between different beverage brands

An analysis of the research data in chapter 4 indicated that the consumer was making purchasing decisions based on either a personal taste preference or the perceived healthier alternatives in the market. Whilst “Flavour” was deemed to be a factor that would influence the consumer to switch brands, 83.7% indicated that “Price” was a “Very Important” consideration for the consumer, in the decision-making process.

Globally there is an increasing consumer awareness pertaining to obesity and the associated chronic illnesses (Storey, 2010). Whilst academics have added their voice to the global outcry for sugar reduction, South Africa has implemented new regulations, in the form of the “Sugar Tax” (Anon, 2016). Contrary to this, the data available from the SME interviews suggested that, whilst there is an awareness of the “healthy alternatives”, this did not translate to the actual consumer purchasing trends that were being monitored.

5.2.2 Objective 2: Factors influencing consumers to switch from mainstream to premium classes

Respondents in this segment indicated that they found Clover products to be of a “High” or “Very High” perceived quality. 95.7% of the respondents had a favourable perception of the Clover portfolio’s quality. 40.5% indicated that the products were unaffordable whilst a further 22.3% indicated an unwillingness to pay for the premium. Only 20.6% indicated that they were satisfied with competitor products. This provides critical insight into a key factor that would

influence consumers to switch from mainstream brands to the perceived premium offerings from Clover. Price is therefore a tipping point for consumers who would prefer the quality of the Clover products but are seeking value as well.

5.2.3 Objective 3: Pricing strategies and value propositions

Following on from objective 2, this objective derived valuable insight from both the consumer study, the stakeholder interviews and the literature reviews. The Food and Beverage Industry in South Africa is under immense cost pressures with consumers price-consciousness increasing. Given this background, further complexities have arisen with increased needs for safety standards, quality compliance and legislative requirements being imposed on manufacturing facilities. This has created opposing pulling forces, with the consumer and the manufacturer at the centre. See the figure below for a representation of this:

Figure 59: Pricing PESTEL Summary



Food quality has received increased focus due to the listeriosis outbreak that was experienced in the industry (Kaye, 2018). This therefore demands more stringent hygienic requirements with consistent quality control measures being implemented. As was the norm in the past, additional operational and inflationary costs can no longer merely be passed on to the consumer. The pressure is therefore on the manufacturers to absorb both the increased legal and regulatory requirements and their associated costs, whilst generating value to the consumer.

From the research interviews, it is evident that a deliberate drive is in place by Clover Industries to keep operational costs down and has subsequently not had a price increase for two and a half years. Whilst this is what is required to attract consumers, the perception is still that the Clover products are priced too high. The key finding here is that there needs to be value offered to the customer and will be explored further in the recommendations pertaining to new products or stock keeping units (SKU's).

5.2.4 Objective 4: Acceptability of premium brands outside of the LSM 8 -10

According to Farlane (2018) the retail group Woolworths, focuses primarily on the LSM 8–10 group. There is a correlation between the perceived premium offerings and their target LSM. In contrast to this, feedback from the SME interviews with Clover stakeholders revealed that their target market was LSM 1–7 with no niche products in their portfolio. Whilst the Clover group develops their products to target these lower LSM's, the perceived quality of their products is of a “High” or “Very High” standard like the perceived quality of the products from the Woolworths range.

The consumer feedback from the research questionnaire indicates that the consumers not only accept but prefer Clover's products due to their perceived quality. There is however a threshold up to which they are willing to pay for the added brand quality.

Consumers are willing to recommend the Clover brand to family and friends but are concerned about the pricing of the products with 83.7% indicating that price is a major contributor to the decision-making process when purchasing.

5.2.5 Objective 5: Channel flow of premium soft drink brands

The township economy, and its significance in the South African context, has been likened to that of a country having a “dual” economy. To succeed in this rapidly growing sector of the economy, the South African economy as a whole needs to be contextualised, rather than viewed as a dualistic one, due to people who constantly crossing these divides in making a living (Callebert, 2014).

Clover Industries have taken an active approach to working in the township economy and have partnered with both local and foreign owned Spaza shops by providing them with branded fridges. This channel is typically associated with purchases that are made for the IC occasion. This IC occasion accounts for 45.3% of the consumer shopping occasions and is usually purchased “When pairing with a meal”.

McGaffin & Gavera (2011) have indicated that there has been an influx of retailers and retail centres in the sector defined as “Emerging Economies”. This has been highlighted in the literature review as the next big growth area for retailers. Consumers living in these emerging economy areas now have access to major retail outlets.

Clover Industries have a presence in these channels as well and are therefore well positioned for the second most popular shopping occasion, “During family time”. This shopping occasion is categorised for future consumption (FC) and the typical SKU purchased during this occasion differs from the IC occasion.

Two distinct channel streams have been identified. These two streams are also categorised by different shopping occasions, which then infer a different SKU or product requirement for each.

5.2.6 Hypothesis Testing

At this point in the conclusion, it is prudent to reiterate the original hypothesis that was formulated and guided the research process:

- Null Hypothesis (H1o) - Clover's Premium Beverage Portfolio cannot grow sustainably in South Africa's lower income market segment; and
- Alternate Hypothesis (H1a) - Clover's Premium Beverage Portfolio can grow sustainably in South Africa's lower income market segment.

5.2.7 Key Findings Supporting the Null Hypothesis (H1o)

- Price is a significant contributor to the decision-making process, when purchasing soft drinks. 83.7% of respondents categorised Price as considered "Very Important"; and
- Most of respondents, at 40.5%, have indicated that they did not choose the Clover branded soft drinks due to price. A further 22.3% indicated an unwillingness to pay for the perceived premium price, whilst 20.6% indicated that they were satisfied with competitor brands.

5.2.8 Key Findings Supporting the Alternate Hypothesis (H1a)

- Carbonated drinks are still the most preferred consumer soft drink category at 61.7%;
- Coca Cola and Sprit are the top two favoured soft drink brands with 53% and 49% of respondents indicating these brands as their 1st and 2nd choices respectively. According to Rajballi (2014) these brands are considered a part of ABI's premium portfolio, with Sparletta and Stoney being positioned as the economy offerings;

- Tropika is the only non-carbonated soft drink to be in the top 3 favourite brands chosen by the respondents. 37.7% of the consumers that were surveyed has selected this brand as one of the top three;
- Respondents indicated that “Flavour” was the key factor that would make them more likely to buy a Clover soft drink. 76.3% indicated such, whilst a further 16% selected Price as a likely reason to buy a Clover soft drink; and
- The overall feedback from respondents was positive with no scores below 3. At the highest end of this Likert Scale, 21% indicated that they were “Extremely Likely” to recommend the Clover products to friends.

Analysis of Variance (ANOVA) with SPSS was used by the researcher to test for acceptability of premium brands across regions (Gauteng, KwaZulu-Natal and Eastern Cape). See the table below for the analysis:

Table 41: One Way ANOVA Test

ANOVA					
How likely is it that you would recommend Clover's Products to a friend or colleague?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.447	2	.723	.142	.867
Within Groups	1508.220	297	5.078		
Total	1509.667	299			

Since the calculated Sig. value is greater than the 5% threshold, H1o is rejected and hence it is concluded that premium brands are accepted by LSM 1–6 across regions.

Premium products are noted to be acceptable in this LSM 1–6 segments from the qualitative and quantitative findings. Consumers have shown a preference not only to carbonated soft drinks but

have significantly emphasised their brands of choice. The acceptability of premium brands is no longer questionable, rather the tipping point of price/value counterbalance.

Pricing however has been highlighted as a major contributor to the LSM 1–6 consumer's decision-making process. Based on the summary above, the alternate hypothesis (H1a) is accepted as valid and accepted. The null hypothesis (H1o) is therefore disqualified.

5.3 CONTRIBUTION OF THE STUDY

Several significant findings have been made during this research project that contributes new knowledge toward the understanding of the LSM 1–6 consumers and the purchasing habits.

5.3.1 Profile of a typical LSM 1 – 6 Consumer

Based on the demographic analysis of the research questionnaire and literature review, the following definitions are evident and allow the researcher to profile the LSM 1 – 6 consumers:

- Gender: Female;
- Age: 22 – 35;
- Status: Employed; and
- Average Household Income: R3000 – R10000

5.3.2 LSM 1–6 Environment Insight

According to Mushongera (2017) the growing middle class in South Africa, specifically in the lower LSM's are forced to make use of public transport, with a small percentage being able to afford to purchase a vehicle. This reflects the growing need for convenience and greater accessibility to the consumer. Polyethylene terephthalate (PET) packs, or more commonly

known as plastic packaging, are on the increase. These newer forms of packaging are driven by convenience, safety and a general consumer liking. 78% of the consumers are biased towards PET in South Africa emphasising a new trend (Rajballi, 2014). Future growth in consumption is therefore likely to be through PET offerings due to the increased consumer demand for convenience.

5.3.3 LSM 1 – 6 Occasions and Channels Insight

A multitude of shopper occasions have been defined by marketing organisations (TNS, 2013). There are two major occasions that LSM 1–6 responded to in the research questionnaire. The first occasion referred to the “Paired with a meal” occasion and the second referred to the “Family time” occasion. These two occasions refer to distinct types of consumptions with the former being immediate consumption (IC) and the latter for future consumption (FC). According to the Coca Cola model The Coca Cola Company (2017), a consumer centric approach requires an offering for the full consumer occasion cycle.

5.4 IMPLICATIONS OF THE RESEARCH

This research project has highlighted some significant implications for manufacturers, customers as well as the body of knowledge concerned with succeeding in the LSM 1 – 6 class of trade. Valid and reliable results have been achieved when considering the various constructs that have been identified.

5.4.1 Academic Implications

There has been pioneering work done by researchers such as Prahalad & Hart (2002) and Chipp, Corder & Kapelianis (2012) who emphasised the scale of the BoP and how organisations can succeed responsibly in this market. This research adds to the body of knowledge by adding the

qualitative and aspirational attributes of the LSM 1–6 consumers, who has often been viewed through a single lens as a consumer living in a vacuum, unaffected by social pressures. The study also builds on the work of Chip et al. (2012) who developed the 'Bottom of Pyramid' (BOP) concept as an emerging strand in consumer behaviour literature. With changing demographics and a rising middle class lower level consumers have become an attractive target market. This study supports the work of Chipp et al. (2012) by incorporating cultural dimensions in consumer behaviour as an innovative approach in a South African context.

Multinational Corporations (MNC's) across the world have spent the past two decades exploring the rapidly-expanding emerging markets, lured by the vast number of consumers and subsequent opportunities presented by emerging markets (Miotto & Parente, 2015). Economic growth in Africa is driven, to a considerable extent, by the rapidly growing Black middle class, who have demonstrated an increase in income, and subsequently spending power. These findings suggest that a rising middle class in South African society has become imperative for the expansion of new markets as well as growth of existing products and services.

This study offers academics evidence of the social influences and the aspirational factors that influence consumer purchasing decisions. Empirical evidence has been provided which has been tested for validity and reliability of variables and their associated relationships.

5.4.2 Implication for Manufacturers

There is significant interest by the manufacturing industry in the dynamics of the expanding middle class and LSM 1–6. According to Wiese (2016) retailers are moving into the township market to gain a slice of the growing market. Other studies suggest that a significant part of the urban environment is made up by the retail sector in first world context as well as in developing countries. Earlier drawn from the literature review it is evident that South Africa is globally recognised as having the fifth highest number of shopping centres (see Prinsloo, 2016). With an increase in the middle class as well as township consumers the findings of this study suggest that the nature of manufacturing should take this into account. The findings of this research could

assist product development and packaging development teams with manufacturing organisations to understand their target LSM and the critical price vs value mix.

An insight is given into the consumers' appreciation for quality, as well as their price sensitivity. Literature review has further added to the offering by looking at packaging and SKU possibilities to make the value proposition to the consumer more attractive.

5.5. LIMITATIONS

The limitations of this research project are characterised by the challenges that were experienced. Due to the mixed methodology approach used, specific limitations pertaining to the SME interviews and the survey questionnaires were noted.

5.5.1 Researcher Bias

Due to the qualitative component of the mix methodology approach, the interpretation of results may be influenced by the researcher's bias and early expectations. This must be considered when assessing the validity of the research study (Leedy & Ormond, 2001). The researcher has some experience in the industries that were explored in this project which could have resulted in researcher bias.

Whilst it is possible that unconscious researcher bias may have influenced the study, the employment of triangulation and similar awareness methods should have limited the effect of this bias.

5.5.2 Coverage Bias

Coverage bias is a potential limitation where certain elements of the population were excluded from the sample. The research questionnaires were administered by means of field work and the distribution thereof was limited to the targeted geographical areas and time constraints. Probability sampling allows the researcher to determine the probability that any element or member of the population will be included in the sample (Welman, Kruger & Mitchell, 2005a). This method allows the researcher to estimate the degree of sampling error and thereby ensures representativeness of the sample.

In this study the cluster sampling technique was used as method of probability sampling, due to the nature of the LSM spread across the country and the benefits of time-saving and cost. The results may therefore not be fully representative of the entire LSM 1–6 population in South Africa. This research could be replicated in order to compare LSM 1-6 groups at different geographical locations.

5.5.3 Qualitative Interpretation

A limitation experienced during this study was the availability of Clover Executives for the scheduled interviews. Some of the interviews held were short due to time constraints. The participants however did answer all the questions albeit in a shorter time frame.

Another limitation in the Clover Group that was evident related to the information available to middle managers. Whilst certain themes and perceptions emerged, it was evident that developing concepts were formed based on a lack of exposure or information and are relative to the employee's level in the organisation.

5.6 RECOMMENDATIONS FOR FUTURE STUDY

This research project has revealed specific themes from the literature review, SME interviews and the research questionnaires that were administered. A few opportunities emerged for future research activities.

5.6.1 LSM 1 – 6 Consumer Habits

The second limitation has revealed specific constraints in time and reaches when accessing our target LSM. There is opportunity to repeat this study with an extended focus on the questionnaires in the target regions. This can provide a more holistic view of the consumer trend.

5.6.2 The Impact of Foreign Traders on the Township Economy

During literature review, latest trends have become evident pertaining to the township economy. There are specific patterns and methods of doing business in this informal segment and foreign traders have added a new dimension in the sector. Their impact has been beneficial to consumers but met with resistance from local Spaza owners due to lost revenue. This growing sector and the new dynamics of the cultural mix provides an opportunity for further research.

5.6.3 Smart Packaging

The literature review and the research questionnaire analysis revealed that there are specific characteristics of the typical LSM 1–6 consumers. A profile of this consumer has indicated their dislike for glass as a form of packaging and highlights a new opportunity for research. A focus on smart packaging is a unique selling point for this LSM.

5.6.4 Responsible Business in LSM 1-6

The SME interviews revealed conflicted feedback from interviewees pertaining to the strategic direction for accessing LSM 1–6 successfully and responsibly. There is an opportunity to explore how the LSM 1–6 segments need for basic nutritional products can be satisfied responsibly whilst providing a business avenue for manufacturers.

5.7 RECOMMENDATIONS FOR MANAGEMENT

This section consolidates the research findings and presents the key outcomes into the recommendations below.

5.7.1 Mobile Campaign Strategy

According to Rajballi (2014) the consumer landscape has changed significantly since the introduction of prepaid airtime. Competing for a share of wallet, the traditional staples such as bread and milk have often fallen victim to the demand for prepaid airtime. This disruptive innovation has impacted consumer purchasing habits and redefined priority purchases. This provides a platform to introduce targeted mobile campaigns. Fulgoni (2014) has emphasised that mobile technology is defined as a linchpin across industries. Mobile technology can deliver targeted communication with digital advertisements and incentives directly to consumers eliminating organisational channel and platform silos. Incentives can be redeemed in-store and help build a database of the consumer and enhances the understanding of consumer behaviour.

Mobile campaigns are relatively easy to implement and can be designed to be cost effective and are highly effective in building top of mind brand awareness. Considering the emerging middle class and the BoP concept, mobile technologies are now more readily accessible. In this way the

consumer landscape has changed significantly. This is quite noticeable in other industries such as banking that have adopted digital technologies in line with mobile campaigns. An example of this is mobile banking and the use of online banking services.

5.7.2 Product Pairing

Meal time pairing is a strategy that has been employed by ABI (Rajballi, 2014). This was noted by the researcher at many of the Spaza stores as was ABI-branded promotions. Offerings included meal combinations such as a quarter chicken, half a loaf of bread and a 500 ml coke for R30. This has been a successful implementation by ABI and a similar offering can be adopted by Clover. This should leverage their brand strengths and focus on pairing of meals with the iconic Tropika brand that is a household name across South Africa.

Product pairing need not be limited to food pairing. The noted increase in demand for prepaid airtime can form either part of a loyalty programme of instant redemption depending on the purchase amount. This pairing affords the consumer to address two needs as helps influence the purchasing decision. Again product pairing strategies are examples of diversifying product offering to emerging markets where needs are more unique.

5.7.3 Consumer loyalty program

Consumeristic offerings such as loyalty points and discount offerings are still sought after by consumers and lead to trust and satisfaction from the customer. Both of these are desired business outcomes (Corbishley, 2017). Whilst consumeristic benefits do not necessarily lead to immediate loyalty, they are still attractive to customers. Corbishley (2017) further emphasises that if consumeristic benefits are easy to use, immediate and tangible, satisfaction and trust will improve resulting in commitment and loyalty.

The implementation of a guaranteed rewards program will drive repeat purchases and offers consumers instant gratification is recommended. These campaigns must be used selectively and on a short-term basis to drive the initial appetite for the products in an already brand conscious environment. Investment costs are perceived to be low given that this can be implemented using the current Clover IT infrastructure.

A case study of such an implementation was demonstrated by Unilever with their “OMO hand wash campaign” (Brandtone, 2014). Unilever South Africa successfully increased sales by 18 % during the campaign period.

Members of FNB’s (First National Bank) loyalty programme, E-Bucks Rewards, have given away to consumers R202 million on fuel since implementation in 2010 (Kruger, 2014). Even relatively inactive E-Bucks members are afforded the opportunity to spend their e-bucks rewards at many other retail outlets both in-store as well as online.

Another player in the beverage industry KAUI who target a different LSM with vastly different selling points, have successfully used their loyalty programs to promote consumer purchasing to the extent that they have now migrated to a digital platform, where consumers can use their mobile smart phones devices to accumulated points and redeem their rewards.

5.7.4 New Price Pack Innovation

A study by McGaffin & Gavera (2011) indicated that consumers from the townships had decreased their expenditure, favouring rather to spend more at their local shopping centres. In this way product offering and pricing must be more innovative and in line with such emerging markets. Providing consumers with a low entry point to Clover’s products will enhance brand loyalty from an early age and has the potential to build preference over extended periods of time.

An entry level pack can help us build the relationship with younger consumers. It is acknowledged that Clover has a wide variety of SKU's, but these are not evident in the local and traditional markets associated with the township economy. These should be considered recruitment packs as part of addressing the affordability concerns that were highlighted in the consumer feedback. At a later stage these can be to be expanded to selected big events, like soccer matches to improve the brand visibility of the Clover portfolio.

5.7.5 Branded Tuk-tuk's for Clover Products and Customers

Tuk-tuk's provides a flexible alternative to the traditional outlet and has the ability to take cold Clover soft drinks directly to the consumers during key consumption times, thereby increasing availability. In addition, the Tuk-tuk acts as a moving billboard and this high impact brand visual have the potential to stimulate consumer demand. A similar campaign was carried out in Cambodia (Fernquest, 2014). Coca Cola used the Tuk-tuk initiative to promote their new Samurai drinks by travelling through the city and distributing samples using these solar powered Tuk-tuks.

Due to the infrastructure disparity in the South African economy, several consumers still commute long distances to the affluent areas to be able to access more attractive deals from the national stores, like Massmart and Supermarkets. These areas are not easily accessible through public transport and in some cases the distance between the shops and the commuting areas like taxi ranks limit the basket size of consumers.

A fleet of Tuk-tuks is suggested that ease the distance consumers must travel between the taxi ranks and the major retail centres. This can change the shopping experience for the consumer who feels like they are walking directly to a car park straight from the retailers. The only entry permit required to get into the "shuttle" Clover Tuk-tuk is a predetermined Clover bundle.

5.7.6 Two Pack-Easy Pick

Most consumers in the local and traditional market that is associated with the township economy use public transport or walk to reach their destinations. Glass is heavy and difficult to transport compared to PET packaging. An innovative handle allows for implementing an “easy pick 2 pack”. This allows a consumer to carry two 2 litre containers with one hand and will encourage consumers to increase their basket size. This supports the need for convenience that the profiled consumer is looking for making the carrying of two 2 litre soft drinks a one-handed task.

5.7.7 Smart Packaging

During literature review developments internationally have shown innovative approaches to smart packaging. The traditional approach of having shelf life of a product defined by an expiry date is being challenged. Smart packaging uses specific packaging technology to remove the guesswork when dealing with expired products (Smart Packaging, 2014). This type of technology, which has been used since 2007 by food chain giant McDonald’s to monitor their salads, is especially useful to this LSM 1–6 markets. Access to fridges is not always possible and the possibility of not purchasing potentially expired products is especially attractive when dealing with these consumers. The consideration for Clover and related industries here would be the potential cost impact of implementing such packaging innovations.

5.7.8 Customer loyalty program

As mentioned in chapter 1, customers are defined as the retailers, outlets and Spaza stores that sell Clover’s products. These programs take time to implement and require funds to be invested at the preliminary stages. SME interviews have revealed that this process has begun with branded fridges being offered both to local and foreign owned Spaza stores. The long-term benefits can be significant not just in terms of loyalty but also in terms of information sharing

and creating the front of mind brand awareness that Clover requires. Such initiatives are particularly effective in environments where the brand does not own the outlet and need to rely on independent sales people to promote the products over strong, established competitor brands.

5.7.9 New Markets

ABI which now fall under the Coca Cola Beverages Africa (CCBA) umbrella, have identified 32 priority townships in which the fastest growth is envisaged (Rajballi, 2014). A considerable 26 of those identified townships are in Gauteng. However according to Gauteng City-Region Observatory (GCRO) only 8 of those identified by ABI are currently in the list of the fastest growing or priority townships (GCRO, 2014).

The researcher recommends that Clover develop their own list of priority townships and start aligning their promotional activities in favour of the new emerging data for both consumer and customer initiatives. The focus for these drives need not be only on the large established townships, rather on the fast growing and emerging areas.

5.7.10 Strategic Wholesalers

Strategic wholesalers or distributors that are ideally located in the targeted townships allow Clover to increase their availability of products to all consumers as new outlets and selling opportunities emerge or are uncovered by the wholesaler. This is a relatively easy solution to implement and allows for the Clover portfolio to be present in this channel. This helps drive the front of mind awareness concept and ensures that competitor brands are challenged as this is their route to market and typical channel flow. Foreign traders who operate in these local and traditional markets tend to use these wholesalers for their bulk scale purchases, which are then in turn distributed among fellow foreign traders.

5.8 SUMMARY

This concluding chapter has outlined the conclusions from this research project whilst describing the limitations that framed the study. The implication for academia as well as the manufacturers of consumer-packaged goods is discussed. The researcher defines specific areas that suggested for future research.

This research project focused on the L&T class of trade, where the consumers classified as LSM 1-6 are most densely concentrated. Five objectives were defined with the ultimate objective of answering the key research question of sustainable growth of Clover's premium product portfolio in the LSM 1–6 market segments.

Through literature review, consumer immersion studies, research surveys and SME interviews, the researcher has distilled the data into 10 actionable recommendations. The implementation of such actions can afford Clover growth more than the industry growth projections.

There is pressure globally on the Food & Beverage Industry. There is an increase in legal compliance requirements for manufacturing facilities which increases their manufacturing costs. Consumers on the other hand are under immense financial pressure and are adopting a low-cost model to purchasing whilst still demanding a high-quality product. This means that manufacturers can no longer pass on the increased costs to consumers and need to find innovative ways to keep the quality standards high whilst absorbing these increased operational costs within their facilities.

Companies with intelligent business strategies will continue to grow. Companies that have mediocre strategies will go to the wall. Value for money and the cheaper alternatives are the key drivers of consumer behaviour today. Companies that reflect this trend in their product offering will do well.

This study has produced many new dimensions when looking at the LSM 1–6 consumer which builds on the existing theory of how to work with the BoP market segment in a responsible

manner. As can be seen from the research summary, there is opportunity to grow premium brands in this segment as consumers in this LSM 1–6 segments do not operate in a vacuum and are susceptible to social pressures leading to an affinity to quality products and brands.

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ANNEXURES

ANNEXURE A: Questionnaire



Consumer Survey

1. Demographic

1. What is your age?

☐ 21 or younger

☐ 22-35

☐ 36-40

☐ 40-55

☐ 56 or older

2. What is your gender?

☐ Female

☐ Male

3. Which of the following best describes your current occupation?

☐ Student

☐ Worker

☐ Executive

☐ Retired

☐ Unemployed

1

4. What is your approximate average household income?

- ☐ R 5000 - below
- ☐ R 5000 - R 9 999
- ☐ R 10000 - R 19 999
- ☐ R 20000 +
- ☐ N/A



Consumer Survey

2. Consumer

5. How often do you consume non-alcoholic & non-carbonated soft drinks?

- ☐ More than twice a day
- ☐ Daily
- ☐ 2 - 5 times per week
- ☐ Once a month
- ☐ Occasionally
- ☐ Never

6. Where do you usually purchase soft drinks?(Select one option only)

- ☐ Local Spaza shop
- ☐ Garage Convenience Stores
- ☐ Food Outlet Store
- ☐ Supermarket
- ☐ Other (please specify)

7. When do you consume soft drinks most often?

- ☐ When thirsty
- ☐ Paired with a meal
- ☐ When eating out
- ☐ During family time
- ☐ At a party

Other (please specify)

8. Please rank your choice of soft drink category in order of preference: (1 being the most preferred and 5 being the least preferred)

⋮	<input type="text"/>	Carbonated Soft drinks (Coca Cola, Sprite, Fanta, Frankies, Pepsi,etc)
⋮	<input type="text"/>	Juice (Tropika, Krush,Clover Life, Super M, Danao, Liquifruit, Ceres)
⋮	<input type="text"/>	Iced Tea (Lipton, Manhattan, Bos, Nestea)
⋮	<input type="text"/>	Energy drink (Red bull, Monster, Powerade, Milo, Futurelife Smartdrink)
⋮	<input type="text"/>	Water (Valpre, Aquartz, Nestle Pure Life)

10. What influences your choice of soft drink?

- ☐ Taste
- ☐ Availability
- ☐ Customer Loyalty
- ☐ Brand Image
- ☐ Price
- ☐ Health alternatives

11. How important is price to you when choosing a soft drink?

- ☐ Extremely important
- ☐ Very important
- ☐ Moderately important
- ☐ Slightly important
- ☐ Not at all important

12. What would make you more likely to buy a Clover soft drink?

.. ..	<input type="text" value="Flavour"/>
.. ..	<input type="text" value="Image"/>
.. ..	<input type="text" value="Availability"/>
.. ..	<input type="text" value="Price"/>
.. ..	<input type="text" value="Packaging"/>

13. If you are not likely to buy a Clover soft drink, which best describes your reason why?

- ☐ Cannot afford to pay for this product
- ☐ Not willing to pay the price for this product
- ☐ Satisfied with competing products currently available
- ☐ The product does not appeal to me
- ☐ Do not like their product options

14. How likely is it that you would recommend Clover's Products to a friend or colleague?

Not at all likely

Extremely likely

0	1	2	3	4	5	6	7	8	9	10
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Consumer Survey

3. Product

15. How would you rate the quality of Clover's soft drinks?

- ☐ Very high quality
- ☐ High quality
- ☐ Neither high nor low quality
- ☐ Low quality
- ☐ Very low quality

16. Compared to their competitors, is Clover's soft drinks quality better, worse, or about the same?

- ☐ Quite a bit better
- ☐ Somewhat better
- ☐ About the same
- ☐ Somewhat worse
- ☐ Quite a bit worse

17. Compared to their competitors, do you feel that Clover's soft drinks are priced higher, lower, or about the same?

- ☐ Quite a bit higher
- ☐ Somewhat higher
- ☐ About the same
- ☐ Somewhat lower
- ☐ Quite a bit lower

Thank you for your participation! It is greatly appreciated.

ANNEXURE B: Letter of Information



LETTER OF INFORMATION

Title of the Research Study: Clover's Premium Beverage Growth in LSM 1 – 6

Principal Investigator/s/researcher: Anban Pillai, B Tech: Management

Co-Investigator/s/supervisor/s: Professor Mohamed Sayeed Bayat

The aim of this study is to gain insight into a rapidly developing market segment (LSM 1 – 6). This research project is of an exploratory nature and aims to investigate if Clover's premium beverage portfolio can grow sustainably in this segment.

A mixed approach of interviews, literature review, consumer immersion and questionnaires will be used to formulate a holistic view of the typical LSM 1 – 6 consumers. The consumer immersion and questionnaires will be done in dense areas of the LSM 1 – 6 population across 3 provinces, KZN, Eastern Cape and Gauteng.

Participation is voluntary and places no risk or discomfort to the participant.

The intent to grow the Clover's premium beverage portfolio in LSM 1 – 6 responsibly and sustainably, will be mutually beneficial to Clover and the consumer. This would be in line with Clover's growth aspirations as well as providing consumers with what they want from a beverage product.

Participants are in no way compelled to partake in the survey and are free to withdraw totally or not answer select questions.

This research project is for academic purposes and therefore offers no monetary reward or remuneration.

This study is at no cost to the participant and is fully voluntary.

Confidentiality is maintained in this research project whereby questions of a personal nature are not required. Only demographic details are requested.

Persons to Contact in the Event of Any Problems or Queries:

(Professor Mohamed Sayeed Bayat, Cell: 0837861326) Please contact the researcher (Anban Pillai, Cell: 082 4970276) or the Institutional Research Ethics administrator on 031 373 2900. Complaints can be reported to the DVC: TIP, Prof F. Otieno on 031 373 2382 or dvctip@dut.ac.za.

ANNEXURE C: Consent Form



CONSENT

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, Anban Pillai, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: 25/16FREC,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

Full Name of Participant

Date

Signature/Right Thumbprint

I, _____ (name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

_____	_____	_____
Full Name of Researcher	Date	Signature
_____	_____	_____
Full Name of Witness (If applicable)	Date	Signature
_____	_____	_____
Full Name of Legal Guardian (If applicable)	Date	Signature

ANNEXURE D: Survey Feedback Request Form



Faculty of Management Sciences

Department of Entrepreneurial Studies & Management

Date: 06 November 2017

Dear Participant

I am currently conducting research for a research project as part of my Masters: Management Science Degree, under the supervision of Professor Mohamed Sayeed Bayat at the Durban University of Technology. The primary objective of this research study is to understand the trends displayed by the LSM 1 – 6 consumer tiers and their personal preferences in relation to what is available/accessible in this market segment.

This is an independent research study and is for academic purposes. Participation is voluntary, and respondents may choose to not answer specific questions or not to participate at all. Responses will be **strictly confidential**, and the **anonymity** of individuals is assured. Demographic questions will be asked but are not compulsory in nature.

For clarity with any section of the questionnaire, or if you have specific queries, please do not hesitate to contact me:

Anban Pillai

Cell: 082 497 0276

E Mail: Anban.Pillai@Gmail.com

If you are interested in the results of my findings and wish to have these shared with you, please complete the details below:

Name:

E-mail address:

Telephone No:

Thank you for your participation!

Student: Anban Pillai

Contact Details: 0824970276

Supervisor / Promoter: Professor Mohamed Sayeed Bayat

Contact Details: 0837861326

ANNEXURE E: Semi-Structured Interview Guide



No	Questions	Prompts
1.	What is Clover's growth aspiration for the medium to long term?	Local and global industry forecasts.
2.	How does Clover aim to grow their Beverage footprint in South Africa, given the tough economic pressures that consumers are facing?	Product diversification.
3.	Being a producer of premium products, how can Clover penetrate the LSM 1 – 6 Beverage markets without devaluing the brand?	Volume or price point.
4.	With a growing health consciousness in South Africa, how is this affecting the product portfolio and product development?	Sugar tax. Alternate products. Innovation.
5.	The township economy has shown exponential growth in the last 5 years. What is the business strategy to succeed in this area of the economy?	Foreign traders. Scale of economy.

ANNEXURE F: Ethics Clearance



MANAGEMENT SCIENCES: FACULTY RESEARCH ETHICS COMMITTEE (FREC)

19 October 2017

Student No: 19653266

FREC No: 25/16FREC

Dear Mr A Pillai

MASTERS OF MANAGEMENT SCIENCES: BUSINESS ADMINISTRATION

TITLE: SUSTAINABLE GROWTH OF CLOVER'S PREMIUM PRODUCT PORTFOLIO IN SOUTH AFRICA'S LOWER INCOME MARKET SEGMENT

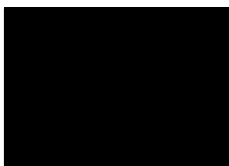
Please be advised that the FREC Committee has reviewed your proposal and the following decision was made: Ethical Level 2

Approval has been granted for a period of two years, after which you are required to apply for safety monitoring and annual recertification. Please use the form located at the Faculty. This form must be submitted to the FREC at least 3 months before the ethics approval for the study expires.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the FREC according to the FREC SOP's.

Please note that ANY amendments in the approved proposal require the approval of the FREC as outlined in the FREC SOP's.

Yours Sincerely



Prof JP Govender
Deputy Chairperson: FREC

ANNEXURE G: Permission to Conduct Research



Clover S.A. (Pty) Ltd
Reg No. 1994/001964/07

CLOVER PARK
Clover park, 200 Constantia Drive
Constantia Kloof, Roodepoort
1709, South Africa

PO Box 6161
Wittevonderpark, 1715

Tel: +27 11 471 1400
Fax: +27 86 500 7862

19 February 2018

Mr Anban Pillai
Durban University of Technology
E Mail: Anban.Pillai@gmail.com

Dear Mr Pillai

RE: PERMISSION TO CONDUCT RESEARCH

Gatekeeper's permission is hereby granted for you to conduct research at Clover towards your studies, provided Ethical Clearance has been obtained. The title of your research project is:

"Sustainable growth of Clover's premium beverage portfolio in South Africa's lower income market segment."

It is noted that you will be constituting your sample as follows:

- Research Questionnaires administered in Tembisa (Gauteng), Umlazi (KwaZulu Natal) and Ibhayi (Eastern Cape)

Please ensure that the following appears on your questionnaire/attached notice:

- Ethical Clearance Number;
- Research title and details of the research, the researcher and the supervisor;
- Consent form is attached to the notice/questionnaire
- Gatekeeper's approval from Clover

Data collected must be treated with the due confidentiality and anonymity.

Yours sincerely

Mr Marcelo Palmeiro
Executive: Corporate & Brands Development