UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

ENHANCING THE BRAND BUILDING PROCESS FOR CONSUMER COMMODITY PRODUCTS THROUGH MARKETING AND TECHNICAL COLLABORATION

by

Danielle Bekker

A research report submitted to the Gordon Institute of Business Science, University of Pretoria in partial fulfilment of the requirement for the degree

of

MASTERS OF BUSINESS ADMINISTRATION

14 November 2006

ABSTRACT

Global consumer spending trends indicate a growth in the popularity of premium products. Organisations with traditional consumer commodity products are faced with the challenge of how to profit from this trend through successfully delivering premium products to the consumer.

The objective of the research was to develop a method to enable organisations to conceptualise and employ product differentiation to augment the brand building process for an existing consumer commodity product. The research was conducted at South African Breweries Ltd with beer as the consumer commodity product under review. A two phase qualitative research paradigm was used to address the research. Data collection comprised a combination of 5 technical focus groups, a technical expert discussion forum and 9 marketing and technical semi-structured interviews. Content analysis was then used to identify the key patterns or themes which emerged.

The research established that the continued commoditisation of the local beer industry is as a result of several contributing factors not only related to product differentiation limitations. To ensure successful brand building of a consumer commodity product, an overall method is proposed which considers both product differentiation and the key organisation, industry and product category drivers.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements of the degree of Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university.

..... Date: .....

ACKNOWLEDGEMENTS

I would like to acknowledge the following people who made this research possible:

Nicola Kleyn, my research supervisor who was supportive of a very different type of research topic and provided great insight and direction throughout the research process.

Anne Stephens, who has an inspiring vision for the future of beer and provided such great suggestions for focus group exercises and the brand workshop process

Brett Venter, my husband who has always supported me and kept things running on the home front throughout the MBA

Aaron Venter, my son who provided amusement and entertainment and was constant reminder of the “light at the end of the tunnel”

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

CHAPTER 1: DEFINITION OF THE PROBLEM

1.1 INTRODUCTION

Two global, seemingly conflicting, trends dominate middle class consumer spending. Consumers are both trading up to premium products and services while at the same time trading down to commodity products and services which they see as basic and provide no perceived advantage. Thus, consumers are being cost-conscious while simultaneously demonstrating willingness to spend money on premium items. For most companies, providing premium product offerings is a more attractive alternative than competing on price for a commodity style product where only the largest company tends to win (The Economist, 2006). In order to compete successfully in the premium category going forward, companies need to ensure that consumers are given justifiable reasons to pay more for a particular product through clear differentiation strategies.

1.2 GLOBAL CONSUMER SPENDING TRENDS

According to Reibstein (2006) trading up to premium products is predicted to grow by 10 to 12 percent over the next 5 years. Similarly, trading down to commodity products is predicted to grow at 5 or 6 percent. Commodity products

can be defined as “largely undifferentiated products that offer little or no perceived differences between competitive offerings. These are lowly differentiated products or services with high levels of substitutability and straightforward price discovery ….. (that) are easily interchangeable” (Dolak, 2005, p. 2).

Companies need to understand how they can profit from this change in spending and are faced with two options:

(1) Move downmarket to basic products and services through a reduction in spending and an improvement in operational excellence in order to successfully compete on low price and high volume.

(2) Move upmarket through providing consumers with real justification as to why they should purchase the product. Middle-market consumers have more discretionary income and are willing to pay extra for premium products that deliver higher quality, technical advantages, and superior performance to conventional products (Reibstein, 2006).

For many companies, these trends should prompt a reflection as to where their products and services are currently positioned i.e. is it a premium product, a commodity product or is it neither, sitting in the declining middle segment. While the middle segment may still be the largest area of consumer spending it is forecast to decline at 5 or 6 percent over the next 5 years (Reibstein, 2006). Moving upmarket is the more attractive option if companies are able to deliver real differentiation through their brand building process because consumers are prepared to pay a 50 – 200% premium for these products (The Economist, 2006). It can also create new opportunities for companies whereas cost-cutting

is often an ineffective business strategy because of the difficulty in successfully competing on price for a commodity style product where only the largest company wins (Murane, 2002).

1.3 ALCOHOLIC BEVERAGE INDUSTRY SPENDING TRENDS

This global consumer trend of trading up is echoed in the South African market where per capita consumption of premium products is increasing. According to the South African Advertising Research Foundation (Burger, 2005): 2 million people from the lower end of the income group have progressed to Living Standards Measures (LSM) groups 5 and 6 representing 37% of the population. They further state that it is this emerging black middle class which is helping drive the growth in premium products in South Africa. South African companies are facing the challenge of how to satisfy this increased desire for premium products.

The South African alcoholic beverages market also reflects this global consumer trend where there has been a growth in premium products in a number of sectors including beer, brandy, whiskey and wine. The alcoholic beverage industry is interesting to analyse in light of these consumer spending trends because consumption is not specific to a single demographic group, it is spread across all LSM's. Added to this, the issue of attracting the emerging black middle class is particularly topical in this industry where advertising in order to capture market share grew at 54% in 2005 compared to growth in the overall advertising for fast moving consumer goods of only 12.4%. (Moth, 2005).

South African Breweries Ltd (SAB) is a key player in the liquor industry. It has 98% of the country's beer market and 59% of the total liquor market. Seven of the top 10 brands by sales value are produced by SAB and "the fortunes of just about every business with a licence to sell alcoholic beverages (about 24 000) depends on beer and SAB" (Moth, 2005, p. 21)

SAB, as a representative of the alcoholic beverage industry, is equally concerned with the change in consumer trends because while nearly 82% of the total volume of alcoholic beverages consumed is beer it only represents about 60% of value consumption (Moth, 2005). This is further highlighted by looking at the premium brand ranking. While the top 7 brands by sales value may be part of the SAB portfolio, it has only 3 brands in the premium brand ranking namely Amstel, Miller Genuine Draft and Pilsner Urquell. None of these, however, are local brands (Moth, 2005).

Organisations, like SAB, wish to profit from this trading up phenomenon since this is more attractive than continuing to deliver a low cost commodity style product. They would prefer to be better represented in the premium product rankings demanded by middle class consumers. In order to successfully deliver on this, understanding the role of product differentiation in providing consumers with justification as to why they should purchase a particular product is both topical and relevant.

1.4 THE RESEARCH PROBLEM

Finding and delivering these points of differentiation to support the development of premium product offerings poses a real challenge for companies. A Harvard Business Review article as far back as 1955 (Gardner and Levy, 1955) discusses the difficulty with providing consumers with justifiable points of differentiation in products such as cigarettes, soap, bread and beer. Based on this, the authors suggest that the greater points of differentiation lie in areas other than product qualities. This view of beer as a consumer commodity product which has little basis for product differentiation is still prevalent today. According to Hannaford (2003), the continued consolidation in the beer industry has resulted in consumers being presented with a commodity product or "pseudo variety" i.e. similar products which are made in almost exactly the same way.

Many organisations have attempted to deliver differentiation which is of value to the consumer through, for example, undertaking consumer-based reorganisations. However, these have largely been unsuccessful (Hulbert, Capon and Piercy, 2003) and organisations are faced with the question of how best to enhance integration and collaboration between different functions in the organisation in order to ensure that they are able to successfully establish premium product offerings and subsequently leverage these differentiators in the brand building process.

Given that the changes in global consumer spending habits are echoed in the South African alcoholic beverage industry, the consumer commodity product investigated in this research was beer. The research explored the role of product differentiation for the beer category, and the role that the marketing and technical interface could play in leveraging product differentiation in the brand building process.

Thus, the overall aim of the research was to develop a method to conceptualise and employ product differentiation to augment the brand building process for a consumer commodity product. The research was conducted in two phases. The aim of the first phase of the research was to establish whether suitable differentiation opportunities exist in beer and whether or not these could be leveraged to support brand positioning. The aim of the second phase of the research, given that product differentiation opportunities exist, was to determine how these could be used to enhance marketing and technical collaboration in the brand building process.

1.5 STRUCTURE OF THE REPORT

Chapter 2 addresses the theory and literature relating to brand building, product differentiation and the role of functional integration to deliver differentiation. Chapter 3 highlights the 3 research propositions identified to address the aim of the research. Chapter 4 details the qualitative research methods for phase 1 and phase 2 of the research. Chapter 5 presents the key results for phase 1 of the research and Chapter 6 discusses the phase 1 results and their implications

for consumer commodity product differentiation and brand building. Similarly, Chapter 7 presents the key results for phase 2 of the research and Chapter 8 discusses the phase 2 results and the implications for commodity product differentiation and marketing-technical collaboration. Overall recommendations based on both phases of the research are discussed in Chapter 9.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 INTRODUCTION

In order to address the aim of the research, the theory and literature review addresses the role of differentiation in branding and the various differentiation strategies that are available. The role of product differentiation in branding is discussed in more detail and specifically how to achieve justifiable product differentiation in a traditionally commodity product. The review goes further to discuss how product differentiation can be used to support brand positioning through linking tangible product attributes to consumer needs. Finally, in order for companies to satisfy consumer needs on a more sustainable basis, options to support the establishment of a market-led organisation are reviewed.

2.2 BRAND BUILDING

2.2.1 Introduction

The importance of differentiation in creating strong brands is discussed. The specific role of product differentiation is explored and finally, the ability to successfully differentiate a commodity product and appropriate execution strategies are reviewed.

2.2.2 Brand strength

Kotler and Keller (2006) define a brand as “a product or service that adds dimensions that differentiate it in some way from other products or services designed to satisfy the same need. These differences may be functional, rational or tangible – related to product performance of the brand. They may also be more symbolic, emotional or intangible – related to what the brand represents” (Kotler and Keller, 2006, p. 274).

Dimensions that differentiate products and services are also a key determinant of brand strength. The Young & Rubicam Inc.’s Brand Asset Valuator study, a global survey of brand equity uses four key areas to complete the assessment i.e. Differentiation (the degree to which a brand is seen as different from others); Relevance (the breadth of a brand’s appeal); Esteem (how well the brand is regarded and respected); Knowledge (how familiar and intimate consumers are with the brand) (Aaker, 2003). The Brand Asset Valuator study states that “differentiation is the engine of the brand train – if the engine stops, so will the train” (Aaker, 2003, p. 83). The study discovered that mature brands, even if they scored highly in the areas of relevance, esteem and knowledge started to lose market share when they lost clear points of differentiation, because, without these clear points of differentiation, consumers have no basis for choosing a product over others.

2.2.3 Brand positioning

Brand positioning is defined as “the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market (Kotler and Keller, 2006, p. 310). Brand positioning requires understanding consumer behaviour and the considerations consumers use in making brand choices (Kotler and Keller, 2006).

In order to develop a credible brand positioning, products need to be evaluated based on their points of parity and their points of differentiation in relation to their product category and their competitors. Brands need to ensure that their points of parity associations are adequate in relation to competitors but that their points of differentiation demonstrate clear superiority. The key consumer criteria are that the points of differentiation are relevant, distinctive and believable. The key organisation criteria are that the points of differentiation are feasible, communicable and sustainable (Keller, Sternthal and Tybout, 2002).

2.2.4 Product differentiation

Kotler (2003) describes several different paths that can be used to differentiate brands and that a company can choose to develop the most appropriate differentiation strategy for its environment. The types of differentiation as well as examples of each are shown in Table 2-1 below.

Table 2-1. Differentiation strategies (Kotler, 2003)

DIFFERENTIATION STRATEGY	EXAMPLES
Product differentiation	Form, features, quality, style and design
Service differentiation	Order ease, delivery, installation, customer training and consulting, maintenance and repair
Personnel differentiation	Well trained, competent, credible, reliable
Price differentiation	Cheapest
Image differentiation	Distinctive, emotional, symbols, atmosphere

Trout (2000) suggests that irrespective of the differentiation strategy chosen, a key success factor is to ensure that the brand owns the point of differentiation that can provide it with a distinctive position in the market.

Kuehn and Day (2004) do not believe that any differentiation strategy is sufficient. They state that while competing on product characteristics (through product differentiation) alone is not enough, that it is a mistake to underestimate the importance of the packaged contents and that determining exactly what the attributes of the product ought to be can be difficult. Aaker (2003) agrees and states that without product differentiation it is not possible to sustain a brand or create a loyal consumer base. It is this lack of product differentiation which makes branding in commodity industries very difficult.

Jacoby, Olson and Haddock (1971) explored the role of product composition through an experiment which examined the effect of price, brand image and product composition characteristics on the perceived quality of the product. The product used for the experiment was beer. They found that where product

composition characteristics were allowed to vary, this played a far greater role than both price and brand image on perceived quality and consumer choice.

Hulbert *et al* (2003) state that although many companies favour product differentiation over other types of differentiation, in general, other forms of differentiation may be less vulnerable to competitive imitation and that this should always be considered when choosing a differentiation strategy.

Carpenter, Glazer and Nakamoto (1994) put forward an alternative view and propose that clear points of product differentiation need not be required to create powerful brands. They argue that through the careful articulation of an irrelevant attribute, consumers are provided with a sufficient point of differentiation. They found that even when consumers are given the information that the attribute is not relevant to their choice, they continue to cite the irrelevant attributes as the justification for paying higher prices for various products because it still enabled them to choose between a wide range of similar products.

2.2.5 Commodity differentiation

Chapter 1 defined commodity products as "largely undifferentiated products that offer little or no perceived differences between competitive offerings ….. (with) high levels of substitutability and straightforward price discovery ….. (that) are easily interchangeable" (Dolak, 2005, p. 2). This view is supported by Murane (2002) who states that "by definition, the day price becomes the sole

definition of value is the day that a category becomes a commodity" (Murane, 2002, p. 34).

Goddard (2006) states that what defines a commodity industry is not the industry itself but rather the managers who are running it. Due to managers, these industries are subject to convergent forces through each company copying and imitating the other. Everything, he suggests, can be differentiated and that the only real limitation is the human imagination. Thus, the amount of intrinsic commoditisation in an industry is exaggerated until someone turns this around with a key insight. Hulbert *et al* (2003) support this view and state that commodity product offerings only reflect a lack of imagination or poor management of the integrated market offering.

Differentiation on the basis of price is a suitable differentiation strategy for companies to consider in light of the consumer trend of trading down to basic products and services, particularly for companies that do not have suitable premium products for consumers to trade up to (Reibstein, 2006). However, Murane (2002) warns that competing on price alone is a dangerous strategy. He argues that pricing should only be considered as part of the brand's overall value proposition. If this is not done, companies run the risk of turning their products into commodities which only compete on the basis of price and where only the lowest price can be successful. He states that a low price is not a value proposition. A more sustainable approach is to ensure that a company creates brand preference through a justifiable point of differentiation in the eyes of the consumer who is then willing to pay premium for the product.

While Gardner and Levy (1955) may believe that it is not possible to provide consumers with justifiable points of differentiation in commodity style products, Murane (2002) gives several examples where products in traditionally commodity categories have managed to establish a premium product offering which consumers have bought into. An example of this is coffee in the form of the Starbucks Coffee Company. The ability to redefine a commodity category through improving the product and building a powerful brand highlights the potential that lies in other commodity categories.

The key challenge for an organisation producing a traditional consumer commodity product is to convince consumers that there are meaningful points of differentiation between the products in that category so that their product can occupy a distinctive place in the mind of the consumer and in so doing create brand value (Kotler and Keller, 2006).

Dolak (2005) supports this view and goes further to suggest the following 6 steps be taken to successfully brand a commodity product as shown in Table 2-2 below.

Table 2-2. Six steps to successfully brand a commodity product (Dolak, 2005)

1. Conduct a brand audit
2. Find and define points of differentiation, other than price, that currently exist and that give consumers a reason to buy the product.
3. Choose the most compelling and unique point of differentiation that customers will value.
4. Identify and eliminate reasons for your customers not to purchase the product
5. Create a powerful brand image through building on the previous steps
6. Market the brand

The brand audit is important for understanding how the product is currently being perceived by customers and consumers and what messages are being communicated about the product both internally and externally. If the basis for differentiation is not clear, Dolak (2005) suggests that it may be possible to uncover hidden differentiators which can include unique features of the product or manufacturing process. The aim is for the company to choose the point of differentiation that is "most defendable, least likely to be copied, most compelling, and most unique" (Dolak, 2005 p. 5). This unique, defendable point of differentiation should be the unique selling proposition for the brand and serve as the basis for branding efforts. He does not, however, describe how this should be done

Dolak (2005) does however warn that eventually all points of differentiation can be copied, particularly in a traditional commodity product. To avoid this, companies need to continually innovate, differentiate and build brand image (Dolak, 2005). This suggests an iterative process. Aaker (2003) suggests that

the answer is to brand the differentiator. In order for the branded differentiator to be successful it still needs to be meaningful to consumers. Branding a differentiator has several advantages, including adding credibility to product claims and enabling more effective communication with consumers. Most importantly, it is easier for consumers to remember the differentiator if it is branded and thus help an organisation maintain its competitive advantage e.g. Audi AG which has branded its four-wheel drive as Quattro thereby giving it credibility relative to generic versions.

2.2.6 Consumer behaviour and commodity product brand positioning

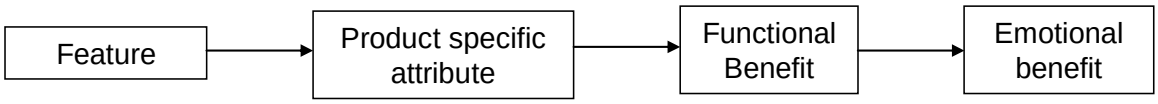
Establishing points of differentiation is not the end point. An integral part of the differentiation process includes understanding why consumers buy certain products or brands. Consumer decisions to purchase from one supplier rather than another depend on the value they believe they will receive. This value is assessed by comparing the benefits (economic, functional and psychological) received from one supplier for the price they pay, to the benefits received from a competitor at that suppliers price (Hulbert *et al*, 2003).

Product differentiation plays only one role in the overall brand proposition because products cannot be fully described through a set of concrete product attributes. In addition, quantifying the importance of product attributes and points of differentiation is not the complete solution to brand positioning. This is particularly true for commodity style products where the brand proposition cannot rely on product attributes alone. Successful brand positioning requires a

link between the tangible attributes of the product and the needs of the consumer (Vriens and Hofstede, 2000).

Botschen and Thelen (1999) support this view. They state that consumer behaviour is driven by "true" benefits sought which cause the desire or preference for certain attributes. It is therefore important to distinguish between the preferred attributes and the underlying benefits. This distinction provides the basis for developing a benefit chain which links the emotional benefits of the product to the product attributes, as shown in Figure 2-1 below. This approach provides a tool for linking the consumer commodity product attributes to the emotional benefits which are currently being used to promote the brand.

Figure 2-1. Means End theory (Botschen and Thelen, 1999)



From Figure 2-1 above, the first block, "Feature", refers to the ingredient or processing step used to enhance the basic function of a product and gives rise to product specific attributes. The second block, "Attribute" refers to the direct, physical characteristics of a product. "Benefit", the third block and fourth blocks, promote the functional or emotional well-being of the consumer through a combination of several attributes (Botschen and Thelen,1999; Kotler and Keller, 2006).

Using the Means End theory, once the points of product differentiation have been established, organisations need to decide at which level they are going to anchor the brand's points of differentiation. This can take place at a number of different places in the benefit chain. At the lowest level are the concrete attributes, at the next level are functional benefits and at the top are emotional benefits or values. Attributes are typically the least desirable level to anchor the brand's point of differentiation because consumers are more interested in benefits than attributes. In addition, attributes are easier for competitors to copy (Kotler and Keller, 2006).

2.2.7 Conclusion

Differentiation is a key determinant of brand strength (Aaker, 2003) and each organisation needs to decide which differentiation strategy is most appropriate for them (Trout, 2000; Kotler, 2003). Product differentiation is possible in a traditionally commodity industry (Murane, 2002) but it does require innovative thinking by the industry (Hulbert *et al,* 2003; Goddard, 2006*)* and a deliberate process to uncover differentiators and link them to brand positioning (Aaker, 2003 and Dolak, 2005).

Understanding the benefits important to the consumer is a key element in brand building (Hulbert *et al*, 2003; Kotler and Keller, 2006). Companies need to develop a compelling value proposition that is better and/or different in ways that are important to the customer which is far more than just the core positioning of the offering (Kotler and Keller, 2006). This is an area where

marketing and technical can collaborate to craft the appropriate brand positioning through linking product attributes to functional and emotional benefits and ultimately deliver customer value (Botschen and Thelen, 1999; Vriens and Hofstede, 2000).

Successful product differentiation requires collaboration between the marketing and technical functions and as such, any product differentiation strategy needs to be supported by an appreciation for the role that this collaboration can play in developing a compelling value proposition.

2.3 FUNCTIONAL INTEGRATION

2.3.1 Introduction

A description of market-led, consumer-focused organisations is provided. The role of functional integration to deliver consumer value is highlighted. Methods for improving functional integration are discussed and the role of collaboration as a key mechanism for improving functional integration is explored in detail. Methods for improving collaboration between marketing and technical are examined. Finally, the ability to practically implement various collaboration techniques is discussed.

2.3.2 Market-led, consumer-focussed organisations

Hulbert *et al* (2003) describe a market-led, consumer-focused organisation as one in which the purpose of business is to create a customer. Consumer-focused organisations realise that what the business thinks it produces is not of first importance, it is what the consumer considers of value which is decisive. Market-led organisations have moved beyond the traditional, narrow view of marketing as the responsibility of a single function to where marketing is embraced by all functions within the organisation. These organisations have realised the importance of aligning their capabilities to what is required to deliver value to the consumer as this is what will ultimately deliver shareholder value (Barabba, 1996). Successful organisations are those that provide consumers with an integrated offer of value whereas less successful companies focus more on functional specialisation than on consumer value (Ellinger, Daugherty and Keller, 2000; Maltz and Kohli, 2000; Hulbert *et al*, 2003).

2.3.3 Functional Integration

The issue facing many organisations, however, is that while they recognise that functional integration is important, there is not consensus as to the best way to achieve this functional integration to deliver customer value (Kahn and Mentzer, 1998).

The literature broadly refers to two methods which can be used to improve functional integration. The overall impact of functional integration on

organisational performance will differ depending on the method chosen and the functional interface under examination. The two methods are:

(1) Formalised departmental interactions which rely on organisational structures, mandatory communication and information exchange
(2) Collaborative departmental interactions which rely on voluntary behaviours between functions

The methods are not mutually exclusive, but represent alternatives that can be emphasised in order to improve functional integration.

2.3.3.1 Formalised departmental interactions

Organisational structure can be used to promote knowledge sharing across the organisation (Barabba, 1996; Maltz and Kohli, 2000). Barabba (1996) and Griffin and Hauser (1996) state that while there are a number of different organisational structures which can be used in order to help achieve a market-led organisation, structures alone are insufficient. Cespedes (1996) highlights that as many as three out of four reengineering programs which have been completed to stimulate cross-functional alignment have not produced the desired customer satisfaction and profits.

Kahn and Mentzer (1998) and Ellinger *et al* (2000) describe two other dimensions of formalised departmental interactions which emphasise formalised communication and information flow between functions:

(1) Consultation which requires mandatory personal contact between representatives from different functions e.g. meetings

(2) Information exchange which refers to formal, structured documented interactions between different functions which do not require personal contact e.g. reports

While some form of information exchange is important (Maltz and Kohli, 1996), Kahn and Mentzer (1998) propose that this formalised approach may have unintended negative consequences with functions only using the fixed contact points to communicate. In addition, information exchange was found to have no statistically significant impact on interdepartmental relations. This may be because these formalised interactions occur by a senior management mandate and each function continues to optimise their individual, departmental performance. Thus, merely requiring functional areas with traditionally conflicting outlooks to provide each other with more information is not a particularly effective integration strategy.

Ellinger *et al* (2000) found that consultation impacted negatively on interdepartmental relations because mandatory meetings and communications between representatives are influenced by departmental agendas and priorities. The higher the number of mandatory interactions, the less productive and less satisfied with the relationship the two departments became. Maltz and Kohli (2000) found a similar result where too much communication between marketing and other functions was detrimental.

Formalised interactions do have a direct relationship with organisational performance (Kahn and Mentzer, 1998). However, as highlighted above,

organisational structures alone are not sufficient to improve functional integration (Barabba, 1996) and in some cases, additional consultation and information exchange impacted negatively on interdepartmental relations (Kahn and Mentzer, 1998; Ellinger et al, 2000; Maltz and Kohli, 2000)

2.3.3.2 Collaborative departmental interactions

Liedtka (1996) believes that investing in successful collaborative effects supported by a committed leadership is more effective than reengineering structures in an attempt to remove traditional functional barriers. Successful collaboration can ensure that the interface areas between functions are more effectively addressed thereby reducing the number of important activities that are left to chance as well as reducing conflict between functions (Kahn and Mentzer, 1998). Collaboration is characterised by the use of teams, shared values, mutual respect, team work, joint accountability for decisions and outcomes and collective goals (Kahn and Mentzer, 1998; Ellinger *et al*; 2000). "Communication and cooperation, rather than just communication strongly correlate with …success" (Ellinger *et al*, 2000, p.3). Hulbert *et al* (2003) go further to suggest that collaboration is a key way to maintain an advantage over competitors because without a process of constant rejuvenation, most forms of differential advantage will be eroded by competitors. Thus, successful collaboration is an important organisational capability which needs to be developed to allow organisations to "work and learn across the silos that have characterised organisational designs" (Liedtka, 1996, p. 21).

The downside of a collaborative approach to integration is that it can often require a dramatic change in organisational climate and culture which can mean a significant shift for some organisations. In addition, because collaboration encourages informal, interdepartmental activities this can contribute to confusion and frustration with employees (Kahn and Mentzer, 1998).

In summary, Ellinger *et al* (2000) propose that collaboration, which emphasises meaningful interdepartmental relationships is the most effective way to achieve interdepartmental integration. Based on their studies, Kahn and Mentzer (1998) suggest that organisations should focus on collaboration as the more effective integration strategy. Formalised interactions should be used to establish contact between the departments and then collaboration used to drive the integration process. Thus, formalised interactions are a necessary, but not sufficient, factor for organisational performance (Cespedes, 1996).

2.3.4 Marketing and technical integration

Various authors have investigated different elements of marketing and technical collaboration. This includes manufacturing, research and development (R&D), new product development, and operations. These are all collectively referred to as the technical function.

Kahn and Mentzer (1998) found that collaboration was important in sustaining satisfaction across the marketing-technical relationship. As discussed above, the negative impact of increased information exchange and meetings on the

relationship was also revealed. Unlike Ellinger *et al* (2000), Maltz and Kohli (2002) found that formalisation of the interface relationship did not improve collaboration between marketing and technical.

2.3.4.1 Cross functional teams

Maltz and Kohli (2000) found that the most effective way to increase collaboration between the marketing and technical functions was through the use of cross-functional teams. Griffin and Hauser (1996) support this view and highlight that as organisations grow in size, so specialisation between functions increases, and communication decreases. This requires organisations to investigate alternative team structures in order to decrease barriers between functions.

2.3.4.2 Compensation and training

Hulbert *et al* (2003) suggest that one of the ways to improve the linkages between marketing and technical is through appropriate reward systems and multidirectional education between the two functions. This view is supported by Griffin and Hauser (1996) who found that functional success measures which do not support integration are a barrier to collaboration and cooperation. In contrast, Maltz and Kohli (2002) found that compensation and multidirectional education had no effect on the collaborative efforts between the functions. They concluded that the reasons for this was that marketing and technical are

already closely aligned by design. Technical goals are to produce a high quality, cost effective product. If they succeed in delivering this, marketing are able to meet their objectives of delivering customer satisfaction. This would suggest that the ability to increase collaboration depends on the initial goal alignment between the functions.

2.3.4.3 Social interactions

Griffin and Hauser (1996) propose that informal social systems developed outside of the formal organisation bounds can be a powerful way to reduce language, cultural and physical barriers to integration. In contrast, Maltz and Kohli (2000) found that increasing the number of non-work related activities (social interaction) had no effect on reducing integration barriers.

2.3.4.4 Culture

Griffin and Hauser (1996) and Hulbert *et al* (2003) suggest that, in many companies, it is often in the quality of the relationship between marketing and technical that the problem lies. Better functional coordination between marketing and technical should therefore include bridging the gap between the cultures of the two functions. In general, the cultural differences can be characterised as follows: marketing is typically impatient for action, results-orientated, imprecise and often impulsive. In contrast, technical tends to be more patient, precise and methodical. This is exacerbated by the different

background and training that marketing and technical personnel typically receive. Griffin and Hauser (1996) found that inherent personality differences (real or stereotyped) between marketing and technical personnel can also provide barriers to collaboration. The implications of these culture differences are that although both functions work for the same organisations, and may even subscribe to the same organisational goals, the prevailing paradigm through which each function interprets these goals differs.

2.3.4.5 Language

The different thought worlds and culture extend into language barriers between the two functions. One of the major barriers to effective cooperation has been the lack of a suitable language for communication between the functions. Each function has its own set of terminology. Added to this, a mismatch between customer needs and engineering solutions can occur because each group thinks they are talking about the same thing. Subtle language differences can often imply vastly different customer solutions. (Griffin and Hauser, 1996; Maltz and Kohli, 2000; Hulbert *et al*, 2003;).

Griffin and Hauser (1996) suggest that one way to overcome both language and cultural barriers is through temporary personnel movement between functions. In this way, integration can be enhanced without eroding valuable functional skills.

2.3.4.6 Physical barriers

On a far more basic level, marketing people often do not know who the technical people are and vice versa. As a result, interactions between the two functions are between virtual strangers (Hulbert *et al*, 1996). Griffin and Hauser (1996) describe that physical separation enhances existing communication, cultural and language barriers. They do warn that while removing physical barriers provides the opportunity for, it does not by itself generate communication and coordination. Removal of physical barriers needs to be complemented with techniques that foster cross-functional relationships and encourage open door policies. Maltz and Kohli (2000) found that reducing the spatial proximity had no effect on reducing barriers to integration.

2.3.5 Practical implementation of marketing and technical integration

The role of collaboration and the various strategies which can be used to enhance collaboration are discussed extensively in the literature. However, very few practical implementation techniques are provided in the literature. The options which are provided are discussed below.

2.3.5.1 Product quality

Hulbert *et al* (2003) recognise the role of the technical function in keeping marketing promises through enhanced product quality. They state that total

quality is the key to creating value and customer satisfaction and that it is essential for marketing personnel to understand the language of quality and how it relates to customer satisfaction. Kotler and Keller (2006) suggest that customer satisfaction is dependent on product quality through its ability to satisfy the customer's stated or implied needs.

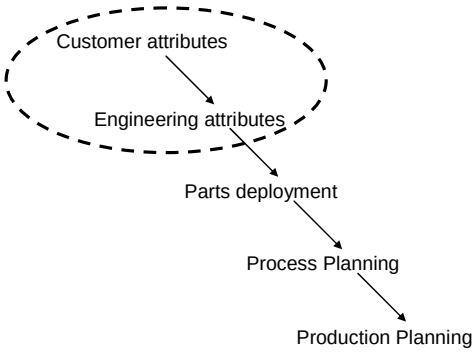
The importance of product quality for customer satisfaction is supported by Rust, Moorman and Dickson (2002) who found that firms that attempted to increase sales through catering for customer quality preferences (external orientation) fared better than companies that followed a cost reduction strategy (internal orientation). In order to correctly cater for customer quality preferences, marketing need to be able to correctly identify customer needs and requirements and these need to be communicated to technical in a way that allows the requirements to be correctly interpreted in product design and execution (Kotler and Keller, 2006).

2.3.5.2 Quality Function Deployment

Hulbert *et al* (2003) suggest Quality Functional Deployment (QFD) as a functional integration mechanism. If it is used properly, it provides a vehicle for informed discussion between marketing and technical. It can link together an entire chain of activities starting from customers preferences all the way to final production planning as illustrated in Figure 2-2 below. In terms of the marketing technical interface, the first two steps are relevant.

Griffin and Hauser (1996) describe how, with repeated use QFD for product development can reduce cultural and language barriers between functions. It provides a translation mechanism from the language of the customer to the language of the engineer by explicitly linking the two kinds of information in a "house of quality". The downside, however, is that QFD is an onerous and time consuming technique requiring dedication from all parties involved to achieve the desired outcome.

Figure 2-2. Quality Function Deployment process (Hulbert *et al*, 2003)



2.3.6 Conclusion

Successful market-led organisations provide consumers with an integrated offer of value (Ellinger, Daugherty and Keller, 2000; Maltz and Kohli, 2000; Hulbert *et al*, 2003). This requires functional integration (Kahn and Mentzer, 1998) across the organisation. Product differentiation requires functional integration between the marketing and technical functions. Any method to increase collaboration between marketing and technical functions should also support the development of a market-led organisation.

There are two methods which can be used to improve functional integration i.e. formalised and collaborative departmental interactions. Of these, collaboration which emphasises meaningful interdepartmental relationships is the most effective way to achieve interdepartmental integration (Kahn and Mentzer, 1998; Ellinger *et al*, 2000).

An understanding of the relative effect of different intervention strategies for particular functions can allow organisations to more cost effectively target their strategies to improve relationships between functions (Maltz and Kohli, 2000).

2.4 CONCLUSION

Companies wishing to establish a premium product offering in a traditionally commodity industry need to consider the most appropriate differentiation strategy available to them. Regardless of the differentiation strategy chosen, companies should not ignore the role of product differentiation and how this can support the overall brand proposition through a clear linkage of product attributes to consumer needs. All of the above can be delivered on a sustainable basis through enhancing the collaboration between the marketing and technical functions and in so doing support the establishment of a market-led, consumer-focused organisation.

The literature review suggests 6 steps that organisations should follow to establish premium product offerings in order to profit from the change in global consumer spending trends (Reibstein, 2006; The Economist, 2006).

1. **Organisational desire to develop a premium product offering determined i.e. differentiation strategy other than price.** This requires an organisational mindset that supports and believes that a differentiation strategy other than price is viable (Hulbert *et al*, 2003; Goddard, 2006). In order to successfully deliver a premium product offering, companies need to take an integrated approach to achieving differentiation in a commodity product. This requires collaboration across traditional functional silos and the realisation that responsibility for marketing lies with all the functions in an organisation. (Barabba, 1996; Hulbert *et al*, 2003).

2. **Role of product differentiation in the integrated market offering established.** Companies need to consider the most appropriate differentiation strategy available to them (Kotler, 2003). Regardless of the differentiation strategy chosen, companies should not ignore the role of product differentiation and particularly the role of the packaged contents (Jacoby *et al,* 1971; Kuehn and Day, 2004). Further, they need to evaluate their products in relation to the category and their competitors to ensure that their points of differentiation demonstrate clear superiority (Kotler and Keller, 2006)

3. **Potential differentiators which are relevant and credible for the commodity product identified.** Companies need to identify or discover

potential differentiation opportunities in their brands that will set them apart from their competitors (Dolak, 2005; Kotler and Keller, 2006).

4. **Enriched brand propositions using product differentiators developed.** Merely establishing points of differentiation on a technical basis is not sufficient (Vriens and Hofstede, 2000; Aaker, 2003). In order to support the brand building process, companies need to understand how these differentiators can support the overall brand proposition (Kotler and Keller, 2006) through a clear linkage of product attributes to consumer needs (Botschen and Thelen, 1999; Vriens and Hofstede, 2000).

5. **Brand building through product differentiation supported by marketing-technical collaboration ensured.** In order to deliver customer satisfaction on a consistent basis, it is necessary for functions and groups across the organisation to work together (Cespedes, 1996; Kahn and Mentzer, 1998; Ellinger *et al,* 2000; Maltz and Kohli, 2002; Hulbert et al, 2003). Cross-functional integration is most successful when organisations focus on functional collaboration supported by formalised departmental interfaces (Cespedes, 1996; Kahn and Mentzer, 1998; Ellinger *et al*, 2000; Maltz and Kohli, 2002). Product differentiation in particular needs to be supported by marketing-technical collaboration. Various approaches are cited in the literature and each organisation needs to understand how to maximise the value from this particular

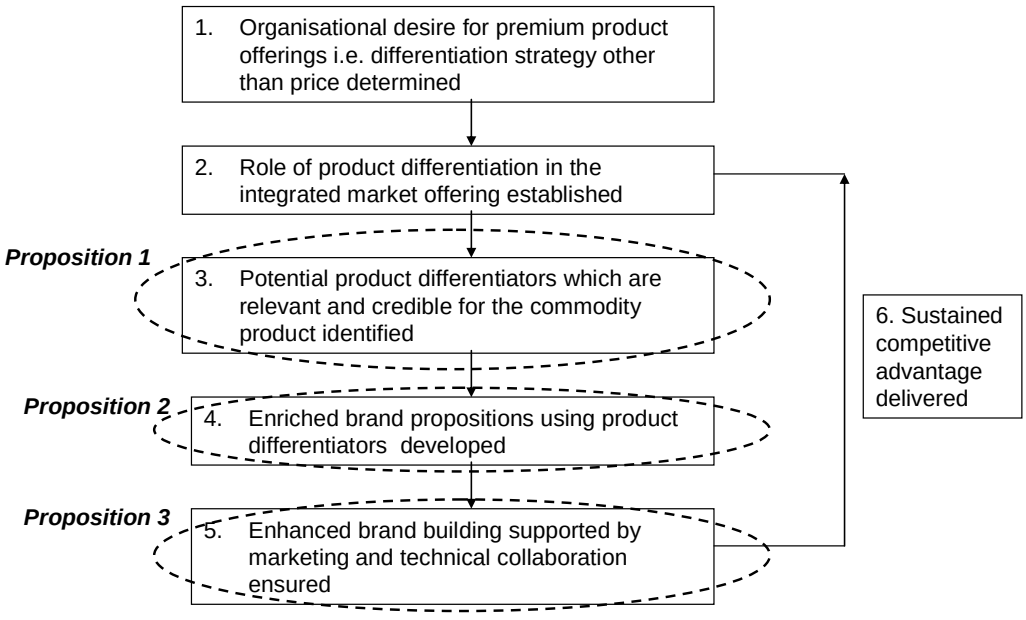
functional interface (Griffin and Hauser, 1996; Maltz and Kohli, 2002; Hulbert *et al*, 2003).

6. **Sustained competitive advantage delivered**. Many forms of differentiation are vulnerable to competitor attack (Hulbert *et al,* 2003; Dolak, 2005) and in order to ensure that premium product offerings can be delivered on a sustainable basis, companies need to ensure that the process of product differentiation and marketing-technical collaboration forms part of an on-going process.

CHAPTER 3: SPECIFIC RESEARCH PROPOSITIONS

The literature suggests that there are 6 steps which can be used to enhance the brand building process for a consumer commodity product through marketing-technical collaboration. While this proposed method may well enable organisations to differentiate their consumer commodity products, a practical implementation process and output has not been documented. As a result, research propositions were developed to determine the feasibility of successfully applying a number of these steps to enable an organisation to differentiate a consumer commodity product. The 6 steps and the associated propositions are summarised in Figure 3-1 below.

Figure 3-1. Method to enhance the brand building process for a consumer commodity product through marketing-technical collaboration with specific research propositions highlighted.



Step 3 in the method recommends that potential product differentiators which are relevant and credible for the commodity product are identified. This gives rise to proposition 1:

- *Proposition 1:* Sufficient opportunities exist to achieve product differentiation of the packaged contents in beer

Step 4 in the method recommends that enriched brand propositions using product differentiators are developed. This gives rise to proposition 2:

- *Proposition 2*: Product differentiation of the packaged contents will be able to augment brand positioning in the beer industry

Step 5 in the method suggests that product differentiation of the packaged contents supported by marketing-technical collaboration ensures enhanced brand building. Assuming that there are opportunities to technically differentiate beer (proposition 1) and that these differentiators are able to augment brand positioning in the beer industry (proposition 2) i.e. proposition 1 and proposition 2 hold,

- *Proposition 3:* There are opportunities to enhance the brand building process for a consumer commodity product through improving the collaboration between marketing and technical functions

CHAPTER 4: PROPOSED RESEARCH METHODS

4.1 INTRODUCTION

A two phase qualitative research paradigm was used to address the research. The research was conducted in two phases. The aim of the first phase of the research was to establish whether suitable differentiation opportunities exist in beer and whether or not these could be leveraged to support brand positioning. The second phase of the research was to determine, given that product differentiation opportunities exist, how these could be used to enhance marketing and technical collaboration in the brand building process.

4.2 RESEARCH DESIGN

"To answer some research questions, we cannot skim across the surface. We must dig deep to get a complete understanding of the phenomenon we are studying. In qualitative research, we do indeed dig deep: we collect numerous forms of data and examine them from various angles to construct a rich and meaningful picture of a complex, multifaceted situation" (Leedy and Ormrod, 2001 p. 147).

A qualitative research methodology is appropriate where the researcher needs to "test the validity of certain assumptions, claims, theories or generalisations

within real-world contexts" (Leedy and Ormrod, 2001 p. 153). The literature suggested 6 steps that could be used to successfully differentiate a commodity product. Through a qualitative research design it was possible to test these steps in an existing commodity product company namely SAB.

As a result, an explorative qualitative study which took place in two sequential phases was used. Emergent themes from phase 1 were used to provide direction for phase 2. An overview of each phase is provided below.

4.2.1 Phase 1 overview

Phase 1 of the research addressed propositions 1 and 2 i.e. to explore the potential product differentiators for beer and how these could be reflected in brand positioning. The main aim of phase 1 of the research was to capture the unique views on beer product differentiation from key technical people in SAB.

Merriam (1998) states that focus groups are appropriate data collection tools when the aim is to obtain special information and to see things from another person's perspective. Unstructured focus groups and an expert discussion forum were used with prompts to capture and uncover the key themes required. As suggested by Gillham (2005) the focus groups and the expert discussion forum were guided by a set of issues to be explored but the exact wording and order of questions was not pre-determined.

4.2.2 Phase 2 overview

Workshops for 3 of the existing SAB brands were held with key marketing and technical personnel to test the product differentiation and brand positioning outcomes from phase 1. Semi-structured, individual interviews were conducted with participants after the brand workshops. These interviews were used to understand the role of technical differentiation in brand positioning and the role of collaboration between marketing and technical to leverage technical expertise in the brand building process based on their experience of the brand workshop.

4.3 POPULATION

The consumer commodity product that was explored was the South African beer category. Due to the nature of the local brewing industry with the dominance of SAB, the choice of company was limited to SAB. As discussed in Chapter 1, SAB is an important representative of the alcoholic beverage industry. In addition, access to the organisation was available due to their interest in commodity product differentiation. Thus, SAB provided a good case to fully explore the role of product differentiation in brand positioning for a consumer commodity product.

4.3.1 Phase 1 – Product differentiation and brand positioning

The population for this study comprised all qualified SAB technical personnel holding a recognised technical brewing qualification and/or extensive brewing experience. This resulted in a population of 95 people.

4.3.2 Phase 2 – Collaboration and brand building

The population for this portion of the study comprised all qualified technical personnel referred to above who could play a role in brand positioning as well as all marketing personnel directly responsible for establishing or updating brand positioning. The marketing personnel equated to a population of 24 people. This resulted in a total population of 119 marketing and technical personnel.

4.4 SIZE AND NATURE OF SAMPLE

4.4.1 Phase 1 – Product differentiation and brand positioning

SAB operates as a collection of 7 semi-autonomous manufacturing sites located throughout the country with support departments located at the Corporate Head Office. A form of snowball sampling was used i.e. the chief technical person at each site was contacted and their nominated individuals included in the research (Wellman and Kruger, 2001). This had the added benefit of

encouraging greater participation of the technical personnel from each site because the request to participate in the focus groups originated from the chief technical person and not from the researcher. Six to 8 individuals per focus group were targeted. (Gillham, 2005). Of the 7 manufacturing sites, 5 were be able to provide sufficient qualified technical people to participate in a focus group. The focus group participant profile is detailed in Appendix 1.

The expert discussion forum comprised the chief technical person at each manufacturing site as well as the internal SAB brewing consultants who provide technical expertise to the manufacturing sites. The number of expert discussion forum participants was 13. The expert discussion forum participant profile is detailed in Appendix 1.

4.4.2 Phase 2 – Collaboration and brand building

A form of non-probability, purposive sampling was used (Wellman and Kruger, 2001). Targeted marketing personnel known to play a key role in brand positioning were approached to participate in the brand workshops. In addition, the chief technical person at each manufacturing site was approached to participate in brand workshops. In order to ensure that all 3 brand workshops were approached in the same way, an additional marketing person and a technical person participated in all the brand workshops. Thus, the brand workshops comprised a technical expert specific to a particular brand, the brand manager, a marketing representative, a technical representative and a member of the brand advertising agency. Follow-up, semi-structured individual interviews were then used to assess the workshop. The number of respondents

for the semi-structured interviews was 5 marketing personnel and 4 technical personnel. The semi-structured interviews respondent profile is detailed in Appendix 2.

4.5 DATA COLLECTION

4.5.1 Interview recording

For both phases 1 and 2, in order to assist in recording and evaluating the data, the focus groups, expert discussion forum and semi-structured individual interviews were tape-recorded, where possible, for later transcription. Merriam (1998) suggests that observations, used in conjunction with interviewing, provide a useful way to triangulate emergent findings in qualitative research. Thus, observations and reflections were recorded during and after the focus groups, expert discussion forum and semi-structured individual interviews.

For 2 of the 5 focus groups held for phase 1, reliance had to be placed on the key notes captured during the focus groups due to the poor quality of the tape-recording.

4.5.2 Phase 1 – Product differentiation and brand positioning

As recommended by Merriam (1998) a pilot focus group with a separate group of global technical experts was used in order to test the different focus group

exercises that had been developed. This was conducted prior to the various manufacturing site focus groups. The exercises are described in detail below.

Technical and marketing data relating to the beer industry was also required. The brand information was sourced internally from SAB using each brand's positioning strategy as the primary source document. The technical specifications were sourced from the existing brand technical manuals.

4.5.2.1 Proposition 1

Focus groups were used to elicit potential product differentiators for beer from the technical personnel. Three separate exercises were developed in order to address proposition 1, namely that sufficient opportunities exist to achieve product differentiation in beer. Each exercise attempted to understand beer differentiation from a different perspective.

- Exercise 1 asked focus group participants to sort a collection of different beers into 4 price categories based on what they would be prepared to pay for the product. Participants were requested to sort the products using only their relative product differentiation. This was again used to explore the role of product differentiation in existing brands and to understand the role that product differentiation played in existing premium product offerings and the presence, if any, of category rules related to product differentiation.
- Exercise 2 asked focus group participants about their favourite beers. This was used to explore product differentiation in existing brands and to

understand what product differentiators were relevant and credible to technical personnel.

- Exercise 3 asked focus group participants to describe the various ways that they could achieve end product differentiation through the brewing process. The bulk of the exercise was deliberately conducted without reference to particular brands in order to ensure that the focus group thinking was not constrained by the product differentiation in existing products.

The 3 exercises and the rationale behind their choice are described in detail in Appendix 3 in the focus group discussion guide.

4.5.2.2 Proposition 2

The technical personnel focus groups were again used in order to investigate linkages between the potential product differentiators and the attributes or benefits that these would provide to the consumer. Two exercises were developed in order to address proposition 2, namely that product differentiation would be able to augment brand positioning in the beer industry.

- Exercise 1 asked focus group participants to describe beer using their five senses. This was used to reveal linkages between the product differentiators and the attributes that these would deliver in the final product.
- Exercise 2 asked focus group participants to describe beers that they would choose for particular occasions and why. This was used to

uncover linkages between the beer attributes and the functional benefit that this would ultimately provide.

Thus, the 2 exercises were used to help establish a benefit chain which could potentially be used to link product differentiators to the functional and emotional benefits typically used in brand positioning. The 2 exercises are described in detail Appendix 3 in the focus group discussion guide.

4.5.2.3 Focus group and expert discussion forum process

Each focus group session lasted a total of four hours. The widespread location of the manufacturing sites resulted in the focus group sessions being conducted at each manufacturing site. Due to the length of time it took to cover the information required for propositions one and two, this was split into two separate sessions. It was found that the focus group sessions were unable uncover a wide range of linkages between the potential product differentiators and the attributes or benefits that these would provide to the consumer. This is discussed in more detail in Section 6.2 below. As a result, the two exercises that were developed in order to address proposition 2, namely that product differentiation would be able to augment brand positioning in the beer industry, were tested again using a separate expert discussion forum. Thus, the expert discussion forum was use to confirm the results from proposition 1 and uncover the detail for proposition 2. The expert discussion forum was held over 2 days at a central location.

4.5.3 Phase 2 – Collaboration and brand positioning

"Emergent insights, hunches, and tentative hypotheses direct the next phase of data collection which in turn leads to the refinement or reformulation of questions" (Merriam, 1998, p. 204). The outcomes of phase 1 provided the direction that the brand workshops and subsequent semi-structured interviews would follow.

The brand workshops and semi structured interviews were used to address proposition 3, namely that there are opportunities to enhance product differentiation through improving the interface between marketing and technical functions. The brand workshops were used to assess the efficacy of the 6 steps recommended for achieving differentiation in a commodity product as shown in Figure 3-1 above. The interviews were used after the brand workshops had been completed to evaluate the brand workshops from both a marketing and a technical perspective. The interviews addressed the following key areas:

1. Respondent interpretation of the definition of a marketing-facing, consumer-led organisation and SAB response to this
2. Marketing and technical interaction triggers prior to the brand workshops and differentiation process
3. Role of product differentiation in the brand building process
4. Marketing and technical perception of the efficacy of the workshop process and outcomes

5. Key obstacles and triggers for effective future collaboration between the two functions

The interview schedule can be found in Appendix 4.

4.5.3.1 Individual Interview process

Respondents had all been exposed to the brand workshop and differentiation process. As a result, it was not necessary to include an extensive introduction to the interview. Respondents were asked to reflect on the workshop and differentiation process and then to provide their opinions on a range of topics related to this. At the end of the interview, respondents were given the opportunity to provide additional comments that had not been discussed during the interview. Gilham (2005) suggests that these concluding comments can often provide unique insights into the topic under research. The individual interviews lasted 30 to 45 minutes and were conducted at the SAB Head Office.

4.6 DATA ANALYSIS

The key element of qualitative research data analysis is that it is not a linear, step-by-step process. Ideally, one should have simultaneous data collection and analysis (Merriam, 1998).

For both phases of research a similar approach to data analysis was taken. There are a number of different data analysis strategies that can be used for qualitative analysis. As suggested by Merriam (1998), content analysis was used as the primary data analysis strategy. Content analysis involved analysing the focus group and interview transcripts and observation notes. From this, tentative themes and areas for further probing were captured. This process was carried out as each interview or focus group was completed. "Without ongoing analysis, the data can be unfocussed, repetitious, and overwhelming in the sheer volume of material that needs to be processed" (Merriam, 1998, p. 314). Data collection from previous interviews or focus groups was used to direct the next data collection session. Content analysis produces a numerical description of the data (Wellman and Kruger, 2001) and is a useful technique to analyse the contents of any form of verbal communication such as focus groups and semi-structured interviews (Leedy and Ormrod, 2001).

Category construction is an important element in qualitative data analysis. The aim of creating categories or themes was to capture recurring patterns that emerged through the different interviews or focus groups. Merriam (1998)

suggests that this is largely an intuitive process based on the researcher's orientation and knowledge. As recommended by Leedy and Ormrod (2001), the rationale for the category construction was described, where appropriate. In this particular case, the technical background of the researcher supported the development of suitable categories based on the technical differentiation opportunities in beer.

4.6.1 RESEARCH METHOD SUMMARY

A summary of the research methods used to address each of the propositions is shown in Table 4-1 below.

Table 4-1. Research method summary

		SAMPLE	DATA COLLECTION	DATA ANALYSIS
PHASE 1	Proposition 1	o 5 technical focus groups. o 6 to 8 technical personnel per focus group	3 exercises: o Brand sorting o Favourite beer o Ingredient and processing differentiation	Content analysis
	Proposition 2	o 5 technical focus groups. o 6 to 8 technical personnel per focus group	2 exercises: o Beer 5 senses o Beer occasions	Content analysis
		o Expert discussion forum comprising 13 technical experts		
3 Brand workshops				
PHASE 2	Proposition 3	o 5 marketing personnel involved in brand positioning o 4 technical experts	Semi-structured individual interviews	Content analysis

4.6.2 VALIDILITY AND RELIABILITY

Because a qualitative design is emergent, the issues facing the qualitative researcher in the areas of validity and reliability are very different to those facing a researcher using quantitative research techniques. The validity and reliability in a qualitative design "derives from the researchers presence, the nature of the interaction between the researcher and the participants, the triangulation of

data, the interpretation of perceptions, and rich thick description" (Merriam, 1998, p. 204).

While there is little agreement on the criteria for assessing validity and reliability in qualitative data, Merriam (1998) suggests there are a number of steps that can be taken to enhance validity and reliability which are described below.

4.6.2.1 Internal validity

Internal validity can be improved through the following techniques (Merriam, 1998):

1. Triangulation through using multiple sources and method to collect data
2. Interview checks through taking data analysis back to the source and confirming the conclusions that have been drawn from the data
3. Long term observations through gathering information over a period of time
4. Asking colleagues to comment on findings as they emerge
5. Involving all participants in all phases of the research
6. Identifying and clarifying researcher biases at the beginning of the research

From the above list, 3 techniques were used to enhance internal validity. Triangulation was used in the focus groups where technical differentiation opportunities were elicited using several different exercises. For both the focus groups and the individual interviews, data analysis was taken back to the

original participants for commentary. As stated previously, the researcher bias as a technical person was highlighted at the beginning of the research.

4.6.2.2 Reliability

Reliability refers to the extent to which the research findings can be replicated. Merriam (1998) suggests that this is not possible in the traditional sense as is achieved in quantitative research. For qualitative research, reliability is not about "whether the results will be found again but whether the results are consistent with the data collected" (Merriam, 1998, p. 360).

Reliability can be improved through the following techniques:

1. Triangulation through using multiple sources and method to collect data
2. Identifying and clarifying researcher biases at the beginning of the research
3. Providing a clear audit trail to show how the data was collected, categories derived and conclusions drawn

As for internal validity, triangulation and identifying the role of the researcher were used. In addition, every attempt was made to ensure that the audit trail in the final research document was as clear as possible.

4.6.2.3 External validity

This relates to how well the findings could be translated to another consumer commodity product in another industry. Merriam (1998) states that by attempting to generalise conclusions that the depth of qualitative research can be lost. As a result, ensuring external validity was not a focus in this research report.

4.7 POTENTIAL LIMITIATIONS

The following potential limitations to the research were identified:

1. The research was conducted in a single organisation, namely SAB
2. Access to technical manuals and brand propositions was limited to beers produced by SAB.
3. SAB predominately produces a single beer style and as such, the technical experts used in the focus groups and expert discussion forum may have had limited understanding of alternative beer styles. This in turn may have impacted on the quality of the technical differentiators developed.
4. The strong technical bias of the researcher had the potential to influence the data interpretation.

5. The difficulty with qualitative research, as highlighted with the validity and reliability considerations, is the extent to which the findings can be applied to other commodity consumer products and even to other beer companies.

CHAPTER 5 : PHASE 1 RESULTS

5.1 PROPOSITION 1

5.1.1 Exercise 1: Brand sorting

A total of 22 brands were used for the brand sorting exercise. Participants were asked to place the beers into 4 price categories: economy; mainstream; premium; super premium based on what they would be prepared to pay for the product. Participants were requested to sort the products using only their relative product differentiation based on the product differentiators described on the labels. For large focus groups, the focus group was split into two sub-groups to complete the brand sorting exercise resulting in a total of 9 groups. From the test focus group it was found that the brand sorting was more effective when it was conducted using the labels only and not the labels on the bottles. It is believed that when the labels were on the bottles, technical personnel were unintentionally focusing on the external packaging and not on the packaged content product differentiators described on the labels.

Thus, the labels were removed from the bottles and presented to focus group participants on plain cards to try and ensure a focus on the packaged contents and not on the external packaging. The overall result of the brand sorting into the four price categories is shown in Table 5-1 below. An adjacent price

category refers to either: economy and mainstream; mainstream and premium; or premium and super-premium.

Table 5-1. Brand sorting into price categories

NO OF BRANDS (Total = 22 brands)	PRICE CATEGORY	NO OF GROUPS (Total = 9 groups)
6	Single price category	7 or more groups
12	Adjacent price categories	7 or more groups
2	No discernible pricing category	

Based on the brand sorting exercise, each focus group or sub-group was asked to identify the key rule set they believe they used to complete the brand sorting process. Category construction was based on the price categories initially provided to the focus group participants as well as the differentiation strategies available to the organisation described by Kotler (2003). Of the 5 differentiation strategies described by Kotler (2003), only product and image differentiation were referred to by the focus group participants. Product differentiation was sub-divided into packaging and packaged contents differentiation because the focus of the exercise was on packaged contents product differentiation. Although the focus group participants were only presented with the labels, many groups continued to cite packaging as being part of the rule set that they used to complete the exercise. These results are shown in Tables 5-2, 5-3, 5-4 and 5-5 for each price category.

Table 5-2. Rank order table of category rules for economy brands

ECONOMY	NO OF GROUPS (Total = 9 groups)
PRODUCT DIFFERENTIATORS: PACKAGING	
Basic or poor labelling	7
Packaging or labelling used for promotions	2
Large volume packages	1
Recommended selling prices on labelling	1
PRODUCT DIFFERENTIATORS: PACKAGED CONTENTS	
Limited or no information on product / ingredients or processing	7
Conventional beer styles for mass appeal	3
IMAGE DIFFERENTIATORS	
South African or African Beer origin	3

Table 5-3. Rank order table of category rules for mainstream brands

MAINSTREAM	NO OF GROUPS (Total = 9 groups)
PRODUCT DIFFERENTIATORS: PACKAGING	
Improved class of labelling but still standard and plain	7
Specific mention of brewing quality or beer quality	3
Crests or emblems on labelling	3
Large or small volume packaging	1
PRODUCT DIFFERENTIATORS: PACKAGED CONTENTS	
Small or single ingredient or processing differentiator	7
Brewing in a traditional way and incorporates elements of brewing heritage	4
Limited or no information on product / ingredients or processing	2
Award winning beers– external quality endorsement	4
No mention of brewing heritage or tradition	1
IMAGE DIFFERENTIATORS	
Internationally recognisable or imported beers	5
History and credibility– length of time products have been going for	5

Table 5-4. Rank order table of category rules for premium brands

PREMIUM	NO OF GROUPS (Total = 9 groups)
PRODUCT DIFFERENTIATORS: PACKAGING	
High quality labelling: colour/ material / font	6
Crests or emblems on labelling	2
Only small volume packaging	1
PRODUCT DIFFERENTIATORS: PACKAGED CONTENTS	
Specified ingredients and processing with more than one or two differentiators in each	9
Brewing in a traditional way and incorporates elements of brewing heritage	7
Distinguishing product characteristic and quality	6
Modern beer style with functional benefits	4
Award winning beers– external quality endorsement	2
Alternative traditional beer styles	2
IMAGE DIFFERENTIATORS	
Internationally recognisable or imported beers	6
Smaller sales volumes – sense of rarity	1

Table 5-5. Rank order table of category rules for super premium brands

SUPER PREMIUM	NO OF GROUPS (Total = 9 groups)
PRODUCT DIFFERENTIATORS: PACKAGING	
High quality / striking / distinctive labelling	5
Crests or emblems on labelling	2
PRODUCT DIFFERENTIATORS: PACKAGED CONTENTS	
Unusual or special ingredients or processing	7
Distinguishing intrinsic characteristic and quality	7
Brewing in a traditional way and incorporates elements of brewing heritage	4
Specified ingredients and processing with more than one or two differentiators in each	4
Modern beer style with functional benefits	4
Award winning beers – external endorsement of quality	1
IMAGE DIFFERENTIATORS	
Specific place of origin	4
History and credibility – length of time products have been going for	4
Internationally recognisable or imported beers	3
Smaller sales volumes – sense of rarity	2

5.1.2 Exercise 2: Favourite beer

A total of 36 focus group participants provided feedback on what their favourite beer was and why. Product differentiators were considered as any feature (ingredient and processing) or attribute justification cited by respondents as described by the Botschen and Thelen (1999) benefit chain in Figure 2-1 e.g. bitterness, alcohol strength, colour, aroma. A summary of the number of product differentiators quoted by each respondent when describing their favourite beer is shown in Table 5-6 below. This exercise highlighted that even technical personnel did not always cite product differentiators as justification for their choice of beer.

Table 5-6. Number of packaged content product differentiators quoted for favourite beer

Number of product differentiators: packaged contents	NO OF RESPONDENTS (Total = 36)
0	3
1	6
2	9
3	10
4	8

Seven of the existing local brand value propositions were evaluated to understand the role of product differentiation in the current brand positioning. A consolidated list of the features and attributes described in these brand value propositions was produced. This list was compared to the feedback from the focus group participants. This is shown in Table 5-7 below.

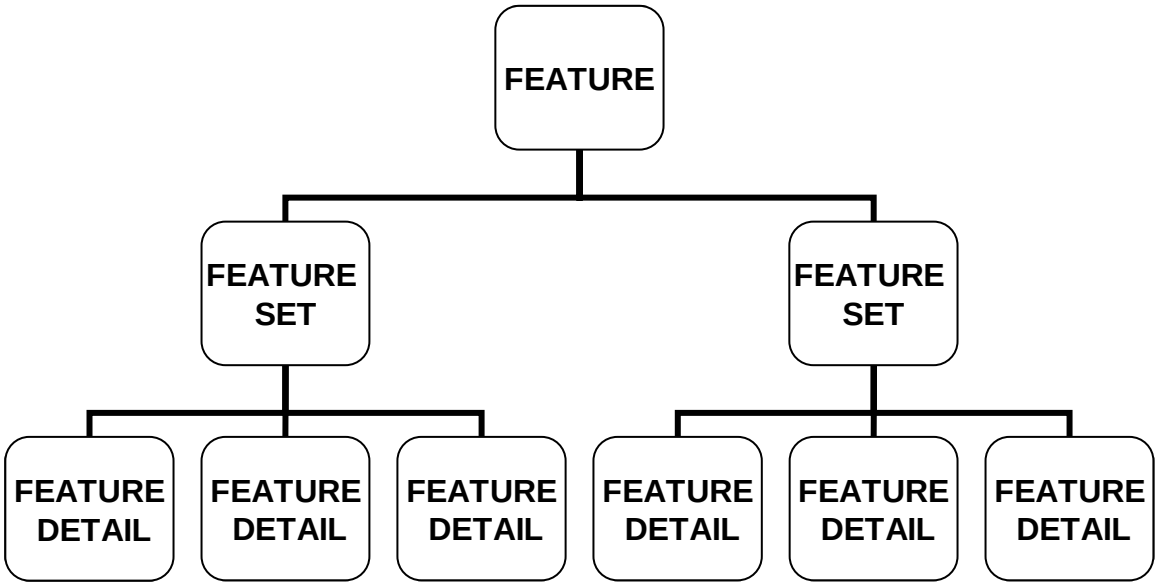
Table 5-7. Focus group participant feedback compared to brand value propositions

PHRASES USED TO DESCRIBE FAVOURITE BEER	NO OF RESPONDENTS (Total = 36)
Exact terminology used in brand value propositions	20
Similar terminology to that used in brand value propositions	5
Unique terminology	11

5.1.3 Exercise 3: Ingredient and processing differentiation

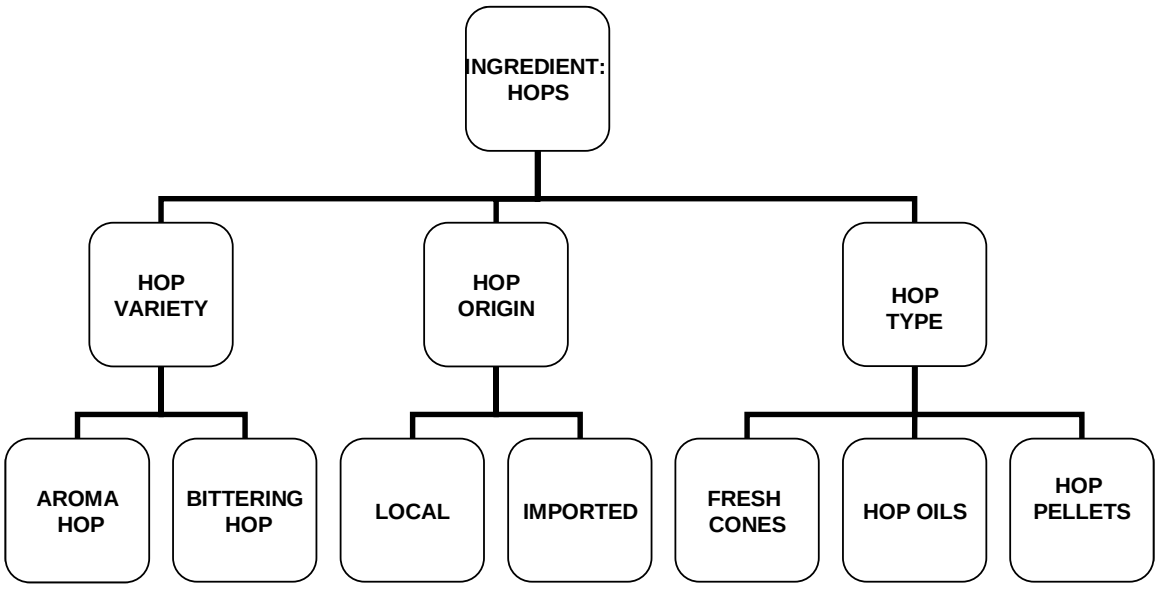
Each focus group was asked to highlight the various ways in which beer could be differentiated from a feature perspective i.e. ingredients and processing. All ingredient and processing options generated were recorded. Figure 5-1 indicates the category construction that was used for the data analysis for the ingredient and processing differentiation.

Figure 5-1. Category construction for feature (ingredient and process) differentiation



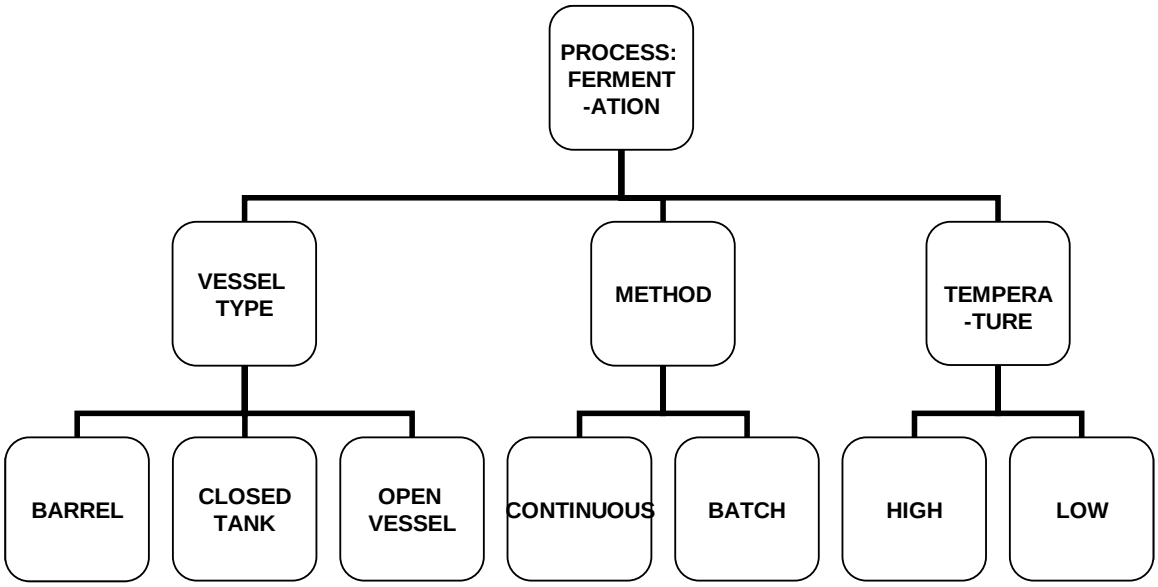
An example of an ingredient category construction is shown in Figure 5-2 below.

Figure 5-2. Example of ingredient category construction



An example of a processing category construction is shown in Figure 5-3 below.

Figure 5-3. Example of processing category construction



A consolidated list of ingredient and processing options based on the feedback from each focus group was produced taking into account duplication and inconsistencies between the groups. This list was presented back to the chief technical person at each site for final verification. A high level summary of the total number of ingredient and processing steps identified as differentiation opportunities is shown in Table 5-8 below.

Table 5-8. Number of ingredient and processing differentiation options

	CATEGORIES	NO. OF DIFFERENTIATORS
FEATURE: INGREDIENT	INGREDIENT	6
	INGREDIENT SET (per ingredient)	3-6
	INGREDIENT DETAIL	64
FEATURE: PROCESSING STEP	PROCESSING STEP	8
	PROCESSING STEP SET (per processing step)	3-11
	PROCESSING STEP DETAIL	78

An extract of the consolidated ingredient and processing list is shown in Appendix 5.

5.2 PROPOSITION 2

5.2.1 Exercise 1: Beer attributes through five senses

Each focus group was asked to highlight the attribute that the ingredient and process differentiators identified above would have on the final product. No results are included because of the limited information which emerged. Focus group participants found it difficult to articulate the attributes in the final product caused by the ingredient and process differentiators. This is discussed in more detail in Section 6.2 below.

Beer attributes were elicited from the expert discussion forum using the five senses exercise. Category construction was based on the 5 senses. A high level summary of the attributes identified using this exercise is shown in Table 5-9 below. Focus was placed on positive beer attributes.

Table 5-9. Beer attributes described using the beer 5 senses

SEE			
Liquid • Level of beer clarity • Beer Hue • Range of beer colours	**Foam** • Density of bubbles • Foam formation time • Type • Foam Colour	**Effervescence** • Origin of the bubbles • Rate of bubble formation • Vigour of bubble formation and release • Amount of effervescence	**Lacing (foam cling on a beer glass)** • Lacing pattern • Range of colours
TASTE			
Bitter • Level of bitterness	**Sweet** • Level of sweetness	**Dry** • Level of astringency	**Sour** • Type of sourness
FLAVOUR (SMELL)			
Esters (Aromas) • Range of fruity aromas • Range of fruity aromas	**Hoppy flavours** • Range of hop oil flavours • Fresh flavours • Matured flavours	**Alcoholic flavours** • Level of alcohol • Range of higher alcohol flavours	**Malty flavours** • Range of cereal flavours • Range of malt flavours • Types of wort flavours
TOUCH			
Temperature • Range of temperatures	**Mouthfeel** • Level of body • Level of mouthcoating • Level of astringency		

5.2.2 Exercise 2: Beer occasions

This exercise attempted to uncover beer functional benefits using typical occasions where beer is consumed. The expert discussion forum described a total of 13 beer occasions. Category construction was based on the Botschen and Thelen (1999) benefit chain described in Figure 2-1. It was felt that the process did not uncover true functional or emotional benefits. As such, Table 5-10 refers to "functional benefit input" as a category. The reasons for this are described in Section 6.2.2 below. Three distinct groups of beer occasions emerged. The 3 occasions were named based on the typical phrases that participants used to describe the different occasions. These beer occasions and the associated beer attributes described are shown in Table 5-10 below.

Table 5-10. Beer occasions

	OCCASION 1: FORMAL	OCCASION 2: WINTER AND WARMTH	OCCASION 3: INFORMAL
TYPICAL OCCASION PHRASES	• Bigger bottle • Champagne celebration • Impress • Connoisseur • Black tie • Party	• Close friends • Around the fire • Warming / winter • Satiating • Wholesome • After dinner • English pub	• Easy drinking • Light • Salivating • Outside leisure • Hot weather • Social/informal
FUNCTIONAL BENEFIT INPUT	• Exclusivity • International Premium • Purity • Quality • Endorsement • Nurturing	• Challenging • Distinctive • Craft • Heritage • Speciality • Tradition	• Balance • Fresh • Refreshing • Sessionable • Unchallenging
TYPICAL ATTRIBUTES	• Polished and crystal clear • Sparkly with fine string of bubbles • Rich golden colour • Fine white foam • Fruity, floral flavour • Mid-strength alcohol	• Cloudy • Dark colours • Dense, creamy, long lasting foam • Matured hop flavour • Flatter beer • Lingering flavour • Butterscotch, caramel flavours • Sweet, heavy fruit flavours • Spicy flavours • Creamy, full mouthfeel • High alcohol	• Light colour • Low bitterness • Limited flavours • Green / red apple aroma • Citrus fruity flavours • Thin and clean • Dry and astringent • Lower alcohol

5.2.3 Consolidation of propositions

With the expert discussion forum, feature-attribute-benefit strands as described by Botschen and Thelen (1999) were developed to consolidate all the information uncovered through the focus groups and the expert discussion forum. A summary of how this consolidated grid was developed is shown in Table 5-11 below. This is discussed in more detail in Section 6.2.2 below.

Table 5-11. Consolidated differentiation grid construction

CONSOLIDATED DIFFERENTIATION GRID	INFORMATION SOURCE
Feature	Proposition 1: Exercise 3: ingredient and processing differentiation
Feature set	
Feature detail	
Attribute	Proposition 2: Exercise 1: Beer 5 senses
Benefit set (Functional benefit input)	Proposition 2: Exercise 2: Beer occasions
Benefit detail	

An extract of this for a section of the ingredients is shown in Table 5-12 below.

Table 5-12. Extract of consolidated differentiation grid for propositions 1 and 2

FEATURE	FEATURE SET	FEATURE DETAIL	ATTRIBUTE	FUNCTIONAL BENEFIT INPUT	BENEFIT DETAIL
Ingredients: Hops	**Hop type**	**Fresh Cones**	Distinctive aroma (smells fresh, clean)	Heritage	The way beer was brewed
Ingredients: Hops	**Hop type**	**Fresh Cones**	Distinctive aroma (smells fresh, clean)	Natural	Minimal processing
Ingredients: Hops	**Hop awards**	**Hop awards**	Hand reared by award winning hop breeder	Endorsement	External endorse -ment for product
Ingredients: Hops	**Hop type**	**Hop oils**	Beery character	Aroma	(Masculine appeal)
Ingredients: Hops	**Hop type**	**Hop oils**	Beery character	Distinctive	Discernible aroma note
Ingredients: Hops	**Hop type**	**Hop oils**	Rose / Spicy / Citrus / Herbal / Fruity	Flavour	Discernible aroma note
Ingredients: Hops	**Hop origin**	**Imported**		Exclusivity	Perceived better quality
Ingredients: Hops	**Hop origin**	**Imported**		Premium	Perceived better quality
Ingredients: Hops	**Where hops are added**	**Kettle**	Aroma without taste impact	Aroma	Less challenging drinking

CHAPTER 6: PHASE 1 DISCUSSION

6.1 PROPOSITION 1

6.1.1 Exercise 1: Brand sorting

As can be seen from Table 5-1, only 6 of the 22 brands were placed into the same price category by the majority of the focus groups. Most of the beers were placed into adjacent price categories. This suggests that while the focus group participants had some feel for the price category in which the beers should be placed, even technical personnel found the category differentiators, based on product, unclear. Kotler and Keller (2006) propose that in order to develop a credible brand positioning, products need to be evaluated on their points of parity and their points of differentiation in relation to the category rule structure. This supports the commoditisation of beer because it is difficult to identify and then communicate the most appropriate packaged content product differentiators to the consumer and to deliver product superiority in relation to competitors without a clear category structure.

Tables 5-2 to 5-5 display the category rules that focus group participants believed they used to decide which beers should be placed into each price category. The instructions in the exercise were to focus on packaged content

product differentiators. However, a number of packaging differentiators and image differentiators were still cited as the reason for separating the brands into the different price categories. As the price category was increased from economy through to super premium, the number of packaged content product differentiators did increase. Thus, premium products were distinguished on the basis of the packaged content product differentiators. This supports the view of Kuehn and Day (2004) and Aaker (2003) that product characteristics play a key role in achieving effective differentiation in a commodity industry and in the establishment of premium product offerings.

Based on the packaged content product differentiators identified for each price category by the majority of the focus groups or sub-groups it would be possible to develop a framework which could be used to structure the beer category based on product differentiation as recommended by Kotler and Keller (2006). Aaker (2003) highlighted the role that differentiation plays in the overall brand building process. Although this exercise was completed with technical personnel, it does provide valuable input into achieving relevant and distinctive differentiation in a traditional commodity product (Keller *et al*, 2002).

The exercise demonstrated to the focus group participants the challenge facing a commodity product wishing to establish premium product options. A number of focus group participants commented on the difficulty they experienced in identifying credible and communicable points of packaged content product differentiation in order to support the different price categories. As one focus group participant commented:

" What was quite interesting for me was that it was quite a force not to put them where marketing has put them, but if you look at the label for (brands A and B)… which are premium or super premium ….the label doesn't tell you anything … nothing about the processing or the technical differentiation. So if you didn't know the brand at all and you just looked at the label I wouldn't feel that it was worth the extra money"

The exercise also illustrated to the focus group participants the importance on an integrated brand offering as articulated by this focus group participant:

"Again, you would get a different sorting if you considered the label and the bottle. I guess the ultimate aim would be if there was alignment between the bottle, the label and the product itself"

6.1.2 Exercise 2: Favourite beer

Table 5-6 highlighted that a number of the focus group participants demonstrated a lack of variety and/or ability to cite packaged content product differentiators when justifying their choice of favourite beer. This may suggest a further reason for the continued commoditisation in the beer industry: even technical personnel heavily involved in the product of beer do not have the language to articulate packaged content product differentiators. Kotler and Keller (2006) refer to the fact that points of differentiation need to be communicable. This requires establishing language which allows consumers to articulate and defend their choice of brand. The fact that technical personnel

found it difficult to defend their choice of brand on a packaged contents basis, let alone the consumer, would suggest that this language is missing. This was reinforced by a comment from one of the brand managers:

"Consumers also don't have the language to describe beer. Its limited to things like the colour and strength of the beer and this just reinforces their belief that we put the same beer into different bottles and it also makes innovation more difficult because consumers lack the language when we do want to pull our brands apart"

Chapter 2 discussed the various definitions of a commodity product and Hulbert *et al* (2003) and Goddard (2006) stated that a lack of innovative thinking and belief in differentiation is what defined a commodity industry. This exercise supported this view because credible product differentiation and the language to support this can only be established through technical personnel and only then can these points of differentiation be communicated to the consumer.

Table 5-7 provides valuable insight into the role of packaged content product differentiators. A large number of the focus group participants used terminology used in the brand value propositions, which are used as the basis for designing consumer brand communication, to justify their choice of favourite beer. This was unexpected because as technical personnel it was not expected that they would use words which had been expressed in marketing communication to defend their choice of favourite beer.

This suggests that what is being communicated about product differentiation is being well received, at least by the technical personnel. If the organisation is able to identify a compelling and unique point of differentiation that customers will value, the organisational capability to effectively market and communicate this is exists and this is a key step in branding a commodity product (Dolak, 2005).

6.1.3 Exercise 3: Ingredient and processing differentiation

When focus group participants were asked to describe packaged content product differentiators, detailed recipe differences were described. For example, brand A is different to brand B because a 1 degree Celsius temperature difference is used at this stage of the process. Some focus group participants went as far as to comment that there are no real packaged content product differentiators for the SAB brands. For example:

"we have already spoken about the fact that our brands are so alike and that there really isn't daylight between them and that they aren't very different in terms of the "so what""

Other focus group participants described the lack of sensory differences between the brands:

"….strategy from marketing… don't differentiate beers … all our brands closely flank (brand x). Even beer profiling on taste, our brands overlay each other quite a lot"

As can be seen from Table 5-8, there are a number of ingredient and process differentiators available to support beer category differentiation. The key to the exercise as highlighted by the focus group participants is that it was completed without any reference to brands. The exercise did highlight to technical personnel the lack of real differentiation in the current brands as stated by one focus group participant:

"Sitting there listening to ourselves we could argue that we hadn't really understood the differences and drivers behind the brands ….and also we are only playing in one beer style which limits our thinking, but we can still leverage differences that we had maybe thought were insignificant previously"

This was taken further in terms of how we define our product specifications:

"As a brewing community we weren't brand led. We had brand specs but we had more of a "produce beer mindset" …. we focussed on ensuring that the beer was in spec as opposed to really understanding the differences. We knew the technical lingo but hadn't really defined our brands"

In the same way, the exercise highlighted the credible differentiation opportunities that do exist through ingredients and processing differentiation.

".. process has been very valuable – its probably made the technical community view differentiators as something that is critical and needs to be nurtured and focused on. We began to think a little bit out of the box and even if we weren't going to change existing brands it tells us what is technically acceptable. This is more around – not throwing the manual out the door but let's just think about it what we could do differently to enhance the product"

At the end of the process focus group participants were asked to map the existing beers onto the consolidated differentiation grid. This highlighted the lack of differentiation in the current brands as stated by one focus group participant:

"But the point is that you need to have something that is easily differentiable not something that you fudge your way through – that this one is different because of this and then we make up something – it needs to be something completely different"

The process highlighted a difference in understanding between marketing and technical personnel on what constitutes differentiation i.e. technical personnel when describing how the brands were different focussed on slight recipe differences between the brands. However, this did not meet the marketing requirement in terms of differences that a consumer would be able to credibly believe (Kotler and Keller, 2006).

6.1.4 Conclusion

Proposition 1: Sufficient opportunities exist to achieve product differentiation of the packaged contents in beer

Proposition 1 is supported. Sufficient opportunities do exist to differentiate beer on a technical basis. The limited view on differentiation that has arisen is because product differentiation was traditionally considered on a brand by brand basis and as highlighted above, even qualified technical personnel were unable to consider beer differentiation broader than what had previously been communicated by marketing. This would suggest that existing branding strategies and a brand view tends to obscure the product differentiation opportunities that do exist in the beer category. This differs from the steps put forward by Dolak (2005) to successfully brand a commodity product. He suggests, for example, conducting a brand audit and finding and defining points of differentiation for the brand. The results above suggest that a broader, category based view coupled with a consideration of generic differentiation opportunities is required before it can be successfully applied to individual brands.

6.2 PROPOSITION 2

6.2.1 Exercise 1: Beer attributes through 5 senses

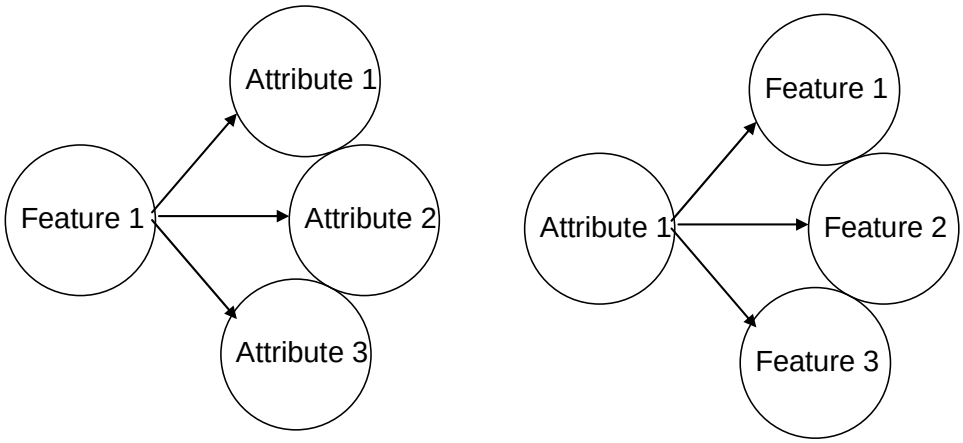
As discussed in Section 5.2.1, focus group participants were limited in their ability to identify beer attributes and to link these attributes to the beer features. As shown in Table 5-9, the expert discussion forum was better able to identify a wide range of attributes which could be used to describe beer.

Many of the attributes provided lie on a continuum of the attribute e.g. colour or flavour. Thus, the attributes developed do not represent an exhaustive list. It would be possible to describe attributes in more detail based on the framework developed by the expert discussion forum. The framework establishes dimensions on which attribute differentiation could take place. Of the attributes that were explored, very few are being used in the current articulation of the brands. This is in part due to the fact that, as can be seen in Table 5-9, a number of the words in use are still more suited to technical language than consumer language. This again highlights the fact that attribute differentiation opportunities exist which are currently not being used in the brand propositions.

Once the list had been developed, the expert discussion forum participants were asked why they believe it was difficult to provide the linkage between the features and the attributes. The majority of participants felt that this was due to the fact that the relationship between the features and attributes was not linear

i.e. one feature has the ability to impact on a number of different attributes and similarly, one attribute is caused by a number of different features as shown in Figure 6-1 below.

Figure 6-1. Non-linear relationship of features and attributes for beer production



As one expert discussion forum participant commented:

"There is no simple cause and effect relationship with beer. It is a complex, biological product where everything impacts on everything else"

This view challenged the existing paradigm of a consumer commodity product. Based on the definitions provided for a commodity product (Dolak, 2005) the assumption is that a lack of differentiation opportunities has forced organisations to compete on price. The above results suggest a different explanation for the commoditisation in the beer industry i.e. because of the non-

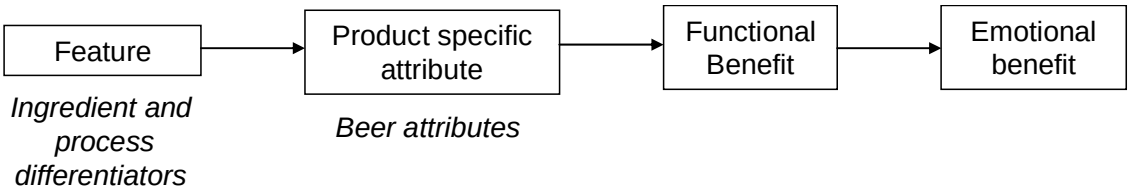
linear relationship which exists between features and attributes and the lack of consumer language to describe the relationship, the industry has chosen not to communicate or only to communicate limited features and attributes to the consumer.

The results would suggest that, where possible, the organisation should identify the key relationship between features and attributes that they wish to communicate and invest in developing consumer-focussed language to describe these.

6.2.2 Exercise 2: Beer occasions

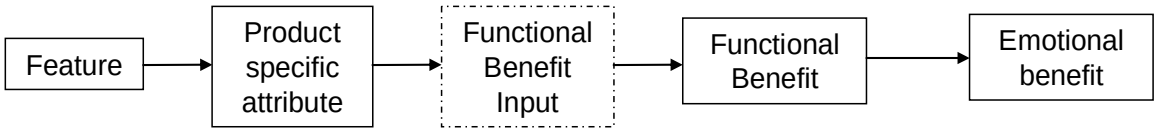
The beer occasions exercise did not elicit the broad range of beer occasions as was intended. As can be seen in Table 5-10, from the 13 beer occasions that were described by the expert discussion forum, only 3 distinct groups of beer occasions emerged. In addition, the exercise did not bring out the functional and emotional benefits that were envisioned. However, the descriptions provided by participants would provide a useful input into functional benefits. Thus, it was not possible to establish a link between the features and attributes and the needs of the consumer as suggested by Vriens and Hofstede (2000) in order to ensure successful brand positioning of a commodity product. This in turn meant that it was not possible to establish the benefit chain based on product attributes described by Botschen and Thelen (1999) as can be seen in Figure 6-2 below.

Figure 6-2. Existing benefit chain for beer



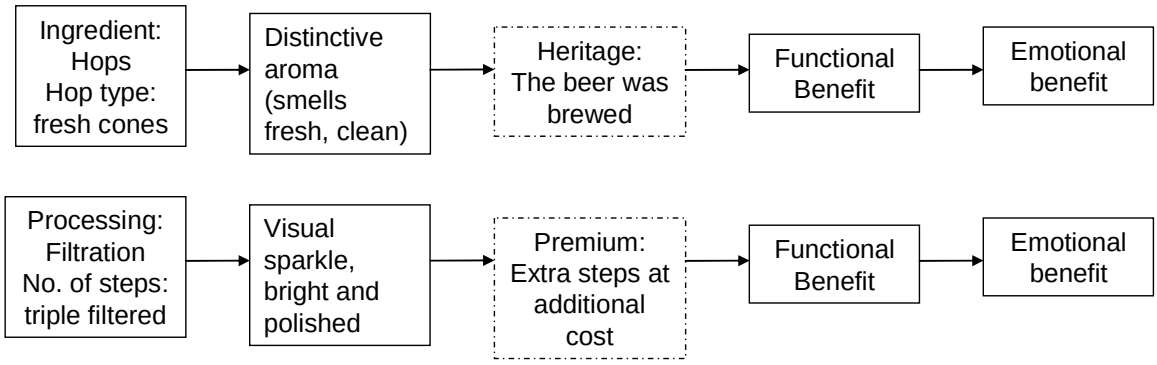
Based on this, it is proposed that it is necessary to allow for an additional step in the benefit chain which can be used to provide an input into the functional benefits as shown in Figure 6-3 below. The purpose of this step would be to articulate the product specific attributes and features using terminology that is understood by both marketing and technical personnel. This step would essentially be used to bridge the gap between the technical aspects of the product and the functional and emotional benefits that marketing are ultimately trying to achieve. It is this functional benefit input that was used in the consolidated differentiation grid. This model was tested in the brand workshops.

Figure 6-3. Proposed benefit chain for beer



An example of the proposed benefit chain as it was used in the consolidated differentiation grid is shown in Figure 6-4 below.

Figure 6-4. Example of benefit chain for beer as used in the consolidated differentiation grid



6.2.3 Conclusion

Proposition 2: Product differentiation of the packaged contents will be able to augment brand positioning in the beer industry

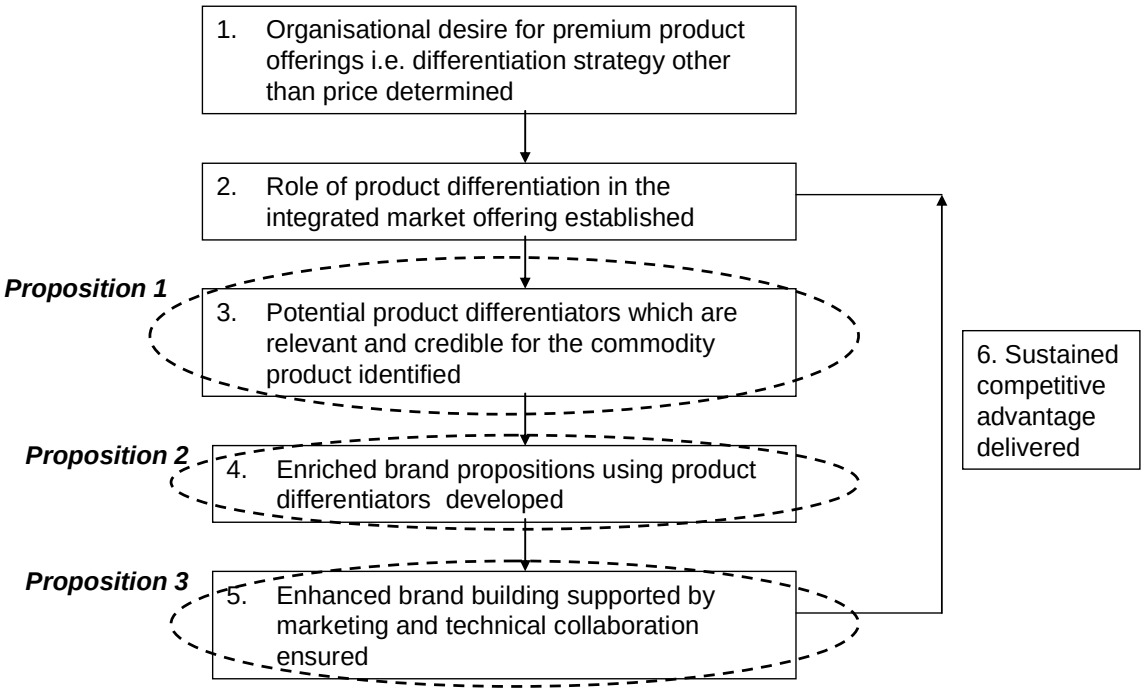
Proposition 2 is partially supported. It was possible to identify credible features and product specific attributes for the beer category. However, it was not possible to make a convincing connection between these features and attributes and the functional and emotional benefits derived. This should have been expected because the functional benefit derived from the product specific attributes will depend on the overall brand positioning and not just on the product differentiation. In addition, as should be expected in a consumer led organisation, the functional benefits cannot be developed by technical people alone (Hulbert *et al*, 2003). At best, the process suggests that technical are able to provide the translation mechanism for input into the functional benefits which can then be developed further by an integrated brand team.

Thus, although technical differentiation opportunities exist in the beer industry, the difficulty in establishing the connection between product specific attributes and functional benefits suggests that technical differentiation is not able to augment brand positioning in its existing format.

6.3 BRAND WORKSHOP PROCESS

The outputs from propositions 1 and 2 were used to shape the brand workshop process. The workshop process was based on the 6 steps proposed in the literature to enhance the brand building process for a consumer commodity product through marketing-technical collaboration which was depicted in Figure 3-1. This is reproduced here in Figure 6-5 for ease of reading.

Figure 6-5. Brand workshop process



1. **Organisational desire for premium product offerings i.e. differentiation strategy other than price established.** The workshop introduced the challenges facing organisations in light of the changes in global consumer spending and specifically the challenge facing SAB to establish premium product offerings as discussed in Chapter 1.
2. **Role of product differentiation in the integrated market offering established.** The lack of clear, product-based category rules as highlighted in proposition 1 through the beer sorting exercise was discussed as well as the lack of consumer language to describe beer as highlighted in proposition 1 through the favourite beer exercise.
3. **Potential differentiators which are relevant and credible for the commodity product identified.** The consolidated differentiation grid which was developed from propositions 1 and 2 through the various exercises was introduced and a discussion was held on how it could be used to support brand propositioning and the range of differentiation options it provided.
4. **Enriched brand propositions using product differentiators developed.** The existing brand proposition for the brand under review was discussed and the consolidated differentiation grid in conjunction with the brand proposition was used to develop brand specific feature-attribute-benefit strands

5. **Brand building through product differentiation supported by marketing-technical collaboration ensured.** The workshop comprised both marketing and technical personnel and was used to explore the role of marketing and technical collaboration to effectively support the brand building process.

CHAPTER 7 : PHASE 2 RESULTS

The brand workshops were the first collaborative approaches to brand building that had ever taken place in the organisation between the marketing and technical functions. Technical personnel in SAB have never been actively involved in the brand building process of any of the SAB beers.

In order to address proposition 3, the phase 2 results are divided into 3 areas based on the marketing and technical respondents who participated in the brand workshops view of:

(1) The collaboration triggers and barriers prior to the brand workshops and the differentiation process. This included respondents view of SAB as a consumer-led organisation.
(2) The brand workshop itself
(3) Collaboration triggers, barriers and opportunities post the brand workshops

7.1.1 Pre brand workshop and differentiation process collaboration

In order to understand the impact of the brand workshops and the preceding differentiation work on functional collaboration, respondents were asked to describe their interaction with marketing or technical prior to this process. In addition, respondents were asked to explain the key interaction triggers. These results are shown in Table 7-1 below.

Table 7-1. Rank order table of marketing and technical interaction prior to this process

RESPONDENT CATEGORIES	NO. RESPONDENTS
Limited / no interaction	7
Ad hoc interaction based on specific issues	7
No defined interaction triggers	5
Limited, formal information exchange	5
Informal interactions through other channels e.g. executive courses	3
Limited interaction based on New Product Development	3

Some respondents provided reasons for the lack of interaction as shown in Table 7-2 below.

Table 7-2. Rank order table of marketing and technical interaction barriers prior to process

RESPONDENT CATEGORIES	NO. RESPONDENTS
Organisational environment: focus on operational efficiency vs. brands	9
Organisational environment - functional goals and optimisation	9
No benefit to interaction because of similarity between brands	7
Functional cultural differences	5
Lack of knowledge of appropriate person to interact with	4
Complicated technical product vs. other food industries	3
Innovation viewed as not being relevant to the beer category	3
Brand differentiation created through communication vs. product	2
Lack of technical information in readily understood format	1
Conflicting technical answers provided for brand intrinsics	1

The majority of respondents felt that SAB had progressed towards becoming a consumer-focussed organisation. The range of definitions provided for what it means to be a consumer-focussed organisation is shown in Table 7-3 below.

Table 7-3. Rank order table of definitions of a consumer-focussed organisation

RESPONDENT CATEGORIES	NO. RESPONDENTS
Satisfying existing consumer needs	7
Brand focus through differentiation	3
Satisfying future consumer needs through consumer insights	3
Turning consumer insights into business profits	2
Being market-led in all departments in organisation	2
Producing a consistent high quality beer	2

7.1.2 Brand workshop

The majority of marketing respondents had positive expectations about the workshop process. They saw the workshop as a tool to understand how technical could enrich their brand propositions. The majority of technical respondents welcomed the focus on packaged product contents and the role that the product could play in the overall brand building process.

The key workshop success factors that respondents cited after having completed the workshop are shown in Table 7-4 below.

Table 7-4. Rank order table of key workshop success factors and outputs

RESPONDENT CATEGORIES	NO. RESPONDENTS
Integrated marketing and technical approach to deliver consumer needs through leveraging product	7
Simple way of communicating between marketing and technical through differentiation grid	6
Well structured, simple process	6
Joint desire and support and desire to establish credible differentiation and pride in brands	6
Appreciation for role technical can play in brand building	6
Fundamental mindset and behaviour change about brands and the differences between them	5
Willingness of everyone to participate and learn	5
Brainstorming and exploratory approach	4
Clear steps on how to legitimately enrich brand propositions through product	4
Organisational environment necessitated new approach to brand building	4
Knowledge of who is who in each department	2

In general, respondents felt that the brand workshops and communication platform established through the consolidated differentiation grid were an important first step to enhancing functional collaboration.

7.1.3 Future collaboration opportunities and obstacles

A number of respondents offered methods which should be considered to further enhance functional collaboration as shown in Table 7-5 below.

Table 7-5. Rank order table of methods to further enhance brand building through functional collaboration

RESPONDENT CATEGORIES	NO. RESPONDENTS
Ad hoc interactions based on particular issues /changes	5
Development of appropriate consumer language to help differentiate brands	4
Exposure to relevant innovation appropriate to brand	4
Joint focus on sustaining key brand drivers identified through process	4
Clear goal alignment	3
Establish direct linkage between technical and consumers	2
Brand teams structured from cross-functional teams	2

While respondents felt positive about the brand building process, as initiated through the brand workshops and the consolidated differentiation grid communication platform, they did highlight several obstacles and challenges to successful brand building. These are shown in Table 7-6 below.

Table 7-6. Rank order table of obstacles and challenges to successful collaborative brand building

RESPONDENT CATEGORIES	NO. RESPONDENTS
Business impact of increased cost and efficiency reduction to deliver differentiation	7
Lack of marketing indepth technical knowledge	5
Gear business to what consumers want and not to existing competencies	5
Lack of competitive environment / operating like a monopoly resulting in limited beer selection	4
Lack of sensory differences between brands and beer sub-categories	4
Marketing leadership to influence other departments	2

Respondents were asked reflect on the value, if any using a collaborative brand building process. These results are shown in Table 7-7 below.

Table 7-7. Ranks order table of the value of collaborative brand building

RESPONDENT CATEGORIES	NO. RESPONDENTS
Deliver a truly differentiated portfolio that consumers believe in as reflected in price and sales	8
Feature to emotional benefit linkage is more explicit and helps reinforce brand differentiation in consumer eyes	6
Establishment of new premium product offerings using process	5
Develop a joint business justification to balance efficiency requirements with brand differentiation	4
Ability to respond more effectively to an increasingly competitive environment	3

CHAPTER 8 : PHASE 2 DISCUSSION

8.1 PROPOSITION 3

8.1.1 Pre brand workshop and differentiation process collaboration

As can be seen from Table 7-1, the majority of respondents, stated that they had either never had interaction with the other function or that the interaction was ad hoc and very limited. Further probing identified that there were some forms of mandatory information exchange between the two functions. This supports the view of Kahn and Menzter (1998) that information exchange does not foster interdepartmental relations. None of the respondents viewed this information exchange as a positive form of interaction.

Table 7-2 highlights the key interaction barriers identified by respondents. The two most cited barriers to interaction related to the organisational environment. All the respondents felt that the focus on operational efficiency took precedence over brands. This illustrates the importance of committed leadership to ensure successful functional collaboration as highlighted by Liedtka (1996). The lack of functional interaction was exacerbated by the presence of functional goals and optimisation. The organisation has been extremely successful operating in a decentralised functionally driven format.

This supports the findings of Griffin and Hauser (1996) who state that that functional success measures that do not support integration are a key barrier to collaboration and cooperation. This is highlighted in the respondent feedback:

"Historically, there has always been a huge gulf between marketing and technical ….. …..there was no debate. So the two streams worked independently of each other ….even when it came to setting goals, they were never bounced off each other. I think we lost a lot of synergy….I think it was a symptom of the organisation"

Notwithstanding the organisational environment, the key insight which emerged is that the neither marketing nor technical saw any benefit to the interaction. For marketing, the prevailing view was that the products are so similar, thus supporting the commodity product view, that product played a limited role, if any, in the overall brand positioning. This was clearly articulated by one respondent:

"Limited selection (of beers) which may have seemed like a wide range because of packaging differences but was actually essentially same. It felt like it was the same beer in each bottle… so I think it (the product) was taken as a given. We were given an existing product so what we tried to do was manipulate our communication strategy around it"

The cultural barriers to marketing and technical collaboration as highlighted by Griffin and Hauser (1996) were reflected in the feedback from some of the

respondents. There was a clear distinction between the older, more conservative technical personnel and the younger, more arrogant marketing personnel. As described by one respondent:

" (technical) saw it as the old face of SAB; it was about the old fashioned way of making beer, the old guard. So you have this very young group of marketers and then this old technical guard and that was a big gap. So there are cultural differences with very different mindsets."

8.1.1.1 Market-led, consumer focussed organisation

Successful brand building for a consumer commodity product requires a market-led, consumer focussed organisation. As can be seen from Table 7-3, there was generally a consistent definition of a consumer-focussed organisation provided by respondents i.e. understanding and meeting consumer needs. However, unlike the definitions provided in the literature which stressed the role of functional integration (Barabba, 1996; Hulbert et al, 2003), very few respondents included the role of functional integration to deliver value to the consumer. A strong theme which is emerged is that it is the marketing department which is responsible for understanding and delivering to consumer requirements. As suggested in the literature, in order to enhance the brand building process, both marketing and technical need to understand the importance of functional integration to provide consumers with integrated offers of value (Ellinger, Daugherty and Keller, 2000; Maltz and Kohli, 2000; Hulbert *et al*, 2003).

The majority of both the marketing and technical people interviewed felt that while SAB had progressed towards becoming a consumer-focussed organisation that there was still a significant amount of work which remained. Marketing personnel commented on the fact that because of our virtual monopoly status, operational efficiency took precedence over brands designed to meet consumer needs. The organisation developed products which met efficiency and cost requirements and marketing personnel were then required to sell these products. This, in the view of the marketing personnel limited their scope in being able to sell the most appropriate products to the consumer as indicated by the view from this respondent:

"I think there was an arrogance and it was probably fed on the fact that we were virtually a monopoly and so if you messed up one brand it would be taken up by another brand. So we have been driven by operational excellence and focussed on cutting costs wherever we can. If we had grown up in a competitive market where we have to fight for 1% share we would probably have had a different mindset"

8.1.2 Brand workshop

As can be seen in Table 7-4, the key brand workshop success factor cited by most respondents related to the integrated marketing and technical approach to defining the brand. This would suggest that cross-functional teams as described by Maltz and Kohli (2000) are an effective way to increase marketing

and technical collaboration. The integrated approach also helped to address perceptions around cultural barriers as discussed by Griffin and Hauser (1996). A number of respondents described how their existing views of the other function were altered as a result of the workshop process.

Respondents commented on two distinct aspects in relation to the workshop and differentiation process. Firstly, respondents commented on the value of having an interface language to facilitate the discussion between the functions. Secondly, respondents referred to the rigour in the process of aligning the technical differentiators to the brand proposition as can be seen in the respondent feedback:

"But I think most of the time we both came to a very quick understanding because I think the process was quite simple. Simple process and a simple way of communicating between …. But more the communication than the process. … I think we both met in a mutual, easy to understand playing ground. (the differentiation grid) - I thought it worked quite well in terms of translating technical language… if you said anything technical, everything was explained so well that everyone felt comfortable and before we new it we were throwing the language around as well"

Reducing language barriers emerged as a key workshop success factor through the use of the consolidated differentiation grid. This supports the view of Griffin and Hauser (1996) that the lack of a suitable language for communication between the functions is a major barrier to effective collaboration.

When probed around why the translation mechanism was seen as a key success factor, one of the respondents provided an interesting interpretation as to the reason behind the language barriers between marketing and technical:

" (collaboration) stems from a deeply embedded product knowledge on both sides. So if the product category isn't as complicated and there is no craft involved you wouldn't need this translation mechanism. Some product categories are going to lend themselves more to this type of interaction than others would. It is easier to have collaboration in a simpler product category. We've all made bread at home so if we were selling bread we wouldn't need this translation. Beer as a process is more complicated and mysterious."

This introduces an aspect which is not covered by the literature which is the role of product complexity and the impact that this has on functional language barriers and the impact that this can have on the brand building process of a consumer commodity product. Products such as bread which people are more familiar with may not be faced with the same language barriers as a product like beer.

The importance of management mindset was also highlighted through the workshop process. The workshop demonstrated to marketing personnel the effective role that technical could play in brand building and challenged the prevailing technical view on what defined brands and their differentiation. This supports the view of Goddard (2006) that what defines a commodity industry is

not the industry itself but rather the managers who are running it and the view of Hulbert *et al* (2003) that commodity product offerings only reflect a lack of imagination or poor management of the integrated market offering. Technical personnel had had a lack of imagination with respect to product differentiation and marketing personnel had not included technical personnel or product differentiation in their design of the integrated market offering. The importance of the organisation and management mindset was articulated by one of the respondents:

"I was hoping that marketing people would have a deeper appreciation of how much technical could enrich brand propositions for them. To be honest I wasn't expecting it to be as profound and fundamental as it turned out to be. I thought there would be more scepticism and cynicism but it was a lot less. Because we are at unique point in time, I don't think it would be applicable for all businesses, our business was searching for deep marketing truths i.e. what is physically in this thing, how do you make it and that message was clear to all brand teams – don't go forward unless you have that. So they had a burning platform to find credible intrinsics"

8.1.3 Future collaboration opportunities and obstacles

As can be seen in Table 7-5, respondents still saw value in allowing for ad hoc interactions based on particular issues or marketing and technical changes. This is in line with the view of Kahn and Mentzer (1998) that formalising interfaces can have unintended negative consequences with functions only

using fixed contact points to communicate. Respondents recognised the value of still allowing for informal interactions between the functions as required.

The language translation mechanism which proved to be so successful in enhancing the collaboration between marketing and technical was highlighted as a future opportunity for marketing and technical to collaborate to develop appropriate consumer language for the beer category. One respondent described the success that the wine industry has had in educating consumers about wine:

"Wine people have done so much better in terms of breaking down language barriers …. They understood the idea of a brand and how to get the consumer to appreciate it. Compared to beer industry which have been abysmal at connecting with the consumer because they have been so operationally focused. We've never talked up the attributes of a beer. Its always been around sociability, sport etc. So consumers don't really connect to the product … Mainstream beers tend to play on patriotism and sport and all it does is commoditise the product and people are led to believe that they can just buy the cheapest product because a beer is a beer is a beer - and its not just South Africa, its all over the world"

The brand workshop and differentiation process also established the platform for future collaboration:

1. Marketing personnel felt that with the aid of the language translation mechanism that they would benefit from exposure to relevant brand

innovation opportunities and the role that this could play in brand building. Brand innovation and renovation was previously considered to be irrelevant for the beer category. This supports the view of Dolak (2005) who states that because all points of differentiation for a commodity product can eventually be copied, that companies need to continually innovate, differentiate and build brand image.

2. Both marketing and technical personnel felt that there would be value in a joint focus in sustaining the key brand drivers identified through the process. Previously, marketing and technical had never collaborated on any form of brand building because neither had seen any commonality between the key deliverables of each function. The key brand drivers identified through the process clearly illustrated the areas of functional overlap.

Table 7-6 highlights that, while respondents felt that the process was worthwhile, there remained obstacles to brand building which would negate the collaborative approach. The majority of respondents again referred to the organisational environment. The view was that once the overall business impact to truly deliver differentiated brands to support the establishment of premium products was known, that the business would default back to its existing functional competencies. This supports the views of Hulbert *et al* (2003) and Griffin and Hauser (1996) that functional success measures which do not support integration are a key barrier to collaboration and cooperation. In the absence of a unifying business strategy to deliver differentiation, functions will continue to focus on functional optimisation.

A second obstacle to collaborative brand building described by both marketing and technical personnel is the lack of marketing in depth technical knowledge. This is discussed in the literature as a barrier to functional collaboration by Hulbert *et al* (2003) who states that that multidirectional education can help improve linkages between functions.

8.1.4 Collaborative brand building value

As can be seen in Table 7-7, respondents felt that the collaborative approach to brand building would have tangible value to the organisation through the delivery of a differentiated portfolio. The importance of this was described by a respondent:

"Globally, the organisation is running out of acquisition opportunities and as such needs to focus on making money through charging a premium which requires a focus on building brand equity"

Added to this, a number of respondents recognised that the role that the benefit chain could play to reinforce brand differentiation in consumer eyes and to potentially establish new premium product offerings. Both of these are important to ensure a sustainable competitive advantage as discussed in the 6 steps proposed in the literature to enhance the brand building process for a consumer commodity product through marketing-technical collaboration.

8.1.5 Conclusion

Proposition 3: There are opportunities to enhance the brand building process for a consumer commodity product through improving the collaboration between marketing and technical functions

Proposition 3 is supported. Collaboration between marketing and technical is key to enhancing the brand building process. The brand workshop, supported by the consolidated differentiation grid, demonstrated that by addressing some key collaboration barriers it is possible to establish a platform to discuss brand building opportunities. With this collaboration platform in place, the view from participants is that the process was an important first step in jointly defining and understanding how packaged product contents could be successfully used to build the brand. Participants also highlighted ways to improve collaboration going forward which would ensure ongoing brand building.

In summary, proposition 1 established that it is possible to differentiate beer from an ingredient and processing perspective. Proposition 2 established that while it is possible to articulate these differentiators as attributes, it is difficult to translate these attributes directly into emotional and functional benefits to support brand positioning. The features and attributes established a communication platform to support brand building. Proposition 3 established that an integrated marketing and technical team, supported by the consolidated differentiation grid were able to collaborate to develop enhanced brand propositions based on packaged product contents.

CHAPTER 9 : RECOMMENDATIONS AND CONCLUSION

9.1 SUMMARY

The research highlighted that the continued commoditisation of beer in SAB is due a combination of the following key factors:

1. Brand focus:

The focus group sessions highlighted that there are a wide range of ingredient and processing differentiators that can be used to differentiate the beer brands. One of the barriers to identifying and highlighting differentiators in the past was due to the fact that differentiation was always viewed from a brand perspective which limited the ability of technical personnel to identify differentiators. This brand view demonstrated that even those with a technical background's ability to develop technical differentiators was limited due to the influence of past marketing activities and existing brand technical recipes.

2. Functional language barriers:

The brand workshops and follow up semi-structured interviews highlighted that one of the key causes for commoditisation in SAB beer industry was due to the lack of collaboration between marketing and technical in defining the brand. This was reflected in the language

barriers that had previously existing been the two functions and the value both marketing and technical found through the translation mechanism as defined by the consolidated differentiation grid.

3. Lack of consumer language:

The focus groups and expert discussion forum illustrated the difficulty that technical personnel experienced in describing attribute differences between the products. The fact that this language is lacking from a technical perspective highlights the challenge the organisation faces in communicating product differentiation to consumers who do not have the language to describe sensory differences between products.

4. Organisational environment

The functional optimisation and operational efficiency focus of the organisation was seen to be a key obstacle to brand building and hence the ability to prevent the commoditisation of the beer industry because functions automatically defaulted back to their competencies rather than collaborate in defining and differentiating brands.

5. Product complexity

The lack of marketing knowledge of the technical process of making beer as well as the non-linear relationship between features and attributes meant that product differentiation had largely been ignored when developing the integrated market offering.

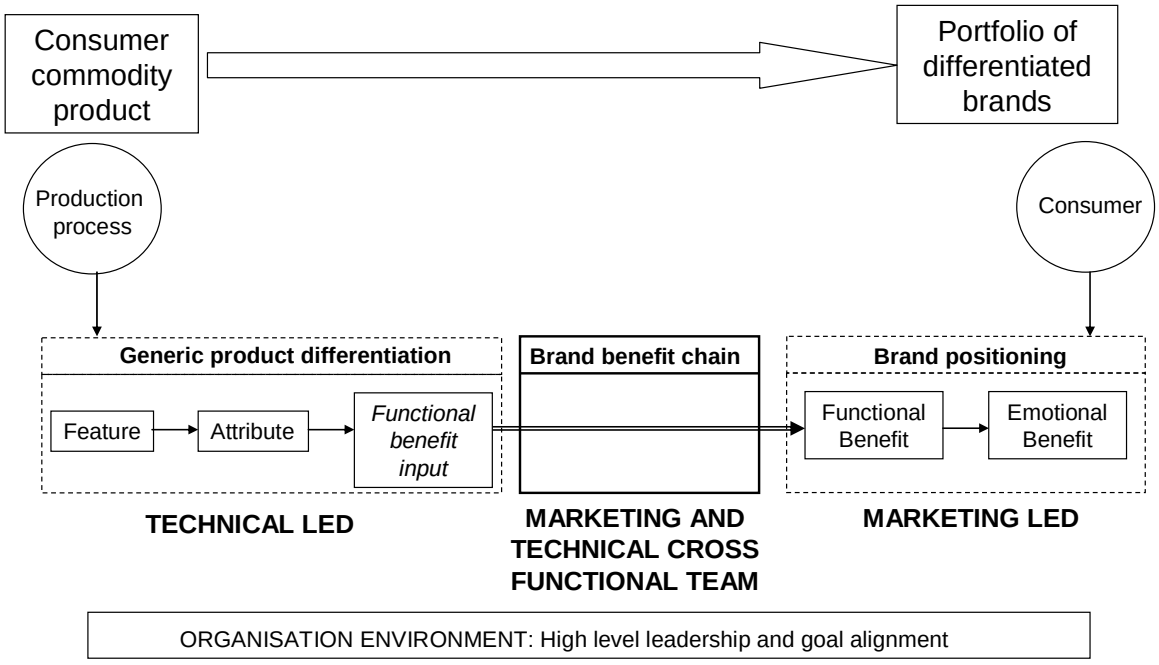
The research demonstrated that the ability to redefine a commodity product is as much in the process of uncovering the differentiators and linkages to brand propositions as it is in the actual differentiators uncovered. Marketing and technical personnel who had never previously collaborated worked together to find the appropriate strand between product and consumer.

This is highlighted in Figure 9-1 where in order to move from a consumer commodity product to a portfolio of differentiated brands, the organisation needs to find a way to link the production process to the consumer. The method to enhance the brand building process for beer as a consumer commodity product proposed in Figure 9-1 below is based on the research in the beer category and may not be appropriate for other commodity industries:

1. Generic product differentiation is a technical led process which establishes key linkages between the feature and attribute portions of the overall benefit chain
2. Through the establishment of generic differentiation opportunities for the beer category, it is possible to establish a translation communication platform which can then be used in the brand building process for specific brands. The value in the language established is the input that it provides into the functional benefits.
3. Brand specific differentiation is completed through a cross functional marketing and technical team e.g. a marketing and technical brand workshop. The generic product differentiation in conjunction with the brand proposition is used to develop brand specific benefit chains.

4. The outputs of the brand workshop can be used by the marketing function to enhance the overall brand positioning to ensure that a differentiated product that is relevant and credible to the consumer is ultimately delivered
5. In order to ensure the delivery of a portfolio of differentiated brands, this needs to be supported by high level leadership and goal alignment. Without this, functional specialisation will continue to take priority.

Figure 9-1. Method to enhance the brand building process for beer as a consumer commodity product.



Overall, it is believed that the above method establishes a sound platform for ongoing brand building for beer as the consumer commodity product under review.

9.2 RECOMMENDATIONS TO THE ORGANISATION

The research identified a number of areas which would assist SAB in enhancing the brand building process of beer supported by marketing and technical collaboration:

1. **Establish product-based category rules for the local beer industry.** Given its dominant market standing, SAB is in a position to establish clearer, product-based category rules for the local beer industry. This is important in order to prevent continued commoditisation of the local industry. The focus group beer sorting exercise provided a suitable method for establishing preliminary category rules for each price band. This approach may not be as effective for an organisation which is not the dominant player in the industry. With this framework in place, supported by consumer education, consumers would be able to identify and articulate the distinguishing product differentiators for different products in different categories.

2. **Complete brand workshops supported by the consolidated differentiation grid for the entire SAB beer portfolio.** Only 3 SAB brands were taken through the brand workshop process. Feedback from respondents suggests that the process was an important step in identifying credible product differentiation opportunities for products and laying the foundation for future brand building through marketing and

technical collaboration. In order to gain the maximum benefit for the organisation, the process should be completed for all the brands.

3. **Appropriate consumer language for the beer category established.** The language translation mechanism which proved so successful in enhancing the collaboration between marketing and technical highlighted the value in marketing and technical collaborating to develop and communicate consumer language appropriate to the beer category. This would equip consumers to articulate and defend their choice of beer.

4. **High level leadership and goal alignment.** In the absence of a unifying business strategy to deliver differentiation, functions will continue to focus on functional optimisation. A lack of high level leadership and functional integration means that functional optimisation and cost cutting remains a key obstacle to successful future brand building and the ability to successfully differentiate beer brands.

5. **Improve marketing knowledge of the technical aspects of brewing beer.** Both marketing and technical personnel cited the lack of marketing in depth technical knowledge as an obstacle to collaborative brand building. Clear training programs which are pre-requisite for any brand manager would address this.

6. **Formulate cross-functional teams to support the brand building process.** It is important not to lose the functional specialisation which

has made the organisation so successful in the past but, functional specialisation can be a key barrier to being able to deliver integrated value to the consumer and so support the ability to redefine the beer industry. Thus, the organisation could make more effective use of cross-functional teams as piloted in the brand workshop process to more effectively deliver an integrated solution to consumer needs.

7. **Bridge the language barrier between marketing and technical personnel.** The research identified the value there would be to allow for an additional step in the benefit chain which could be used to provide an input into the functional benefits. This step would act as the bridge between the technical aspects of the product and the functional and emotional benefits that marketing are ultimately trying to achieve.

8. **Consider generic differentiation opportunities before applying these to particular brands.** The research highlighted that identifying and developing differentiation opportunities was more successful when it was conducted without reference to brands. Only 3 of the SAB brands were piloted through the brand workshop process. In order to successfully complete the remaining brands in the portfolio it is recommended that a similar approach is taken i.e. generic differentiation, as represented by the consolidated differentiation grid, is considered before differentiation opportunities for a particular brand are explored. In this way, both marketing and technical participants are likely to be less constrained by

their existing view of the brands and would be more open to new differentiation opportunities.

9. **Identify key feature and attribute relationships which would be both relevant and communicable to consumers.** The complicated, non-linear relationship between features and attributes has meant that marketing have chosen not to communicate features and attributes to consumers. SAB should identify, through marketing and technical collaboration, the key relationship between features and attributes that they wish to communicate and invest in developing consumer-focussed language to describe these.

10. **Ensure opportunities for future marketing and technical collaboration are established.** The brand workshop and differentiation process established the platform for future collaboration. Respondents recommended collaboration opportunities such as exposure to relevant brand innovation and a joint focus in sustaining the key brand drivers identified through the process.

9.3 FUTURE RESEARCH IDEAS

Some of the issues raised through the research on the ability to successfully brand a typical commodity product suggest that the following research areas may provide additional insight into other consumer commodity product industries:

1. **The impact of category management versus brand management on the ability to redefine a commodity product:** the current literature on differentiation and commoditisation focuses on how to redefine a commodity product on a brand basis. The results from the focus groups and interview feedback suggest that a broader category view coupled with generic differentiation opportunities is required before it can be successfully applied to brands. This may be a unique feature of the South African beer market due to the dominant market share held by SAB. An analysis of commodity products and categories that have managed to establish premium product offerings and the way in which this was achieved would provide insight into the impact of category management versus brand management on the ability to redefine a commodity product.
2. **The impact of consumer language on commodity products:** commodity products are generally viewed as products where the only differentiating feature is price. The research suggests that there may be a linkage between consumer language and knowledge of a category and their view of a category as commodity or otherwise. An analysis of the depth of language a consumer has of a category and their corresponding view of the product would determine the importance of consumer education in redefining a consumer commodity product.
3. **The impact of product complexity and commodity product status:** the research suggests that one of the barriers to collaboration between the marketing and technical functions for the beer industry is product

complexity. Product complexity has contributed to functional language barriers which have in turn impacted negatively on the brand building process. An analysis of product complexity from a production and finished product perspective and commodity product status would highlight the impact that this has on the ability to redefine and existing consumer commodity product.

9.4 CONCLUSION

Many organisations operating in traditional commodity product industries would like to establish credible, premium product offerings in order to benefit from the changes in global consumer spending trends. Finding and delivering these points of differentiation to support the development of premium product offerings poses a real challenge for these organisations.

The prevailing definition of a consumer commodity product such as beer is cited states that it is a lowly differentiated offering where price is the key purchase decision factor. However, the research conducted on the beer category has shown that there are a wide range of product differentiation opportunities available which could be used to support the beer brand building process. This would suggest that commoditisation is far broader than simply a lack of product differentiation.

The research identified several contributing factors to the continued commoditisation of the beer industry which are not related to product differentiation limitations. These include functional language barriers, the

organisational environment and functional specialisation. This would suggest that successful brand building of a consumer commodity product requires a deliberate approach to understand the key drivers in an organisation, the industry and the specific product review in addition to the product specific differentiation opportunities.

Organisations that consider a consumer commodity product only in terms of its apparent lack of product differentiation will be constrained in their ability to redefine the commodity product and establish a credible premium product offering. It is believed that through a deliberate process to conceptualise product differentiation to augment the brand building process as was tested through this two phase qualitative research that significant progress can be made to redefining a commodity category.

REFERENCES

Aaker, D. (2003) The Power of the Branded Differentiator. *MIT Sloan Management Review*, 45(1), 83 – 87.

Barabba, V.P. (1996) Meeting of the minds. *Marketing Tools,* 3(2), 1 – 9.

Botschen, G. and Thelen, E.M. (1999) Using means-end structures for benefit segmentation. *European Journal of Marketing,* 33(1/2), 4 – 58.

Burger, E (2005) *Pocket Guide to South Africa 2005/06.* Third Edition. Johannesburg: STE Publishers. Available from: http://www.gcis.gov.za/docs/publications/pocketguide05.htm (accessed 15/05/2006).

Carpenter, G.S., Glazer, R. and Nakamoto, K. (1994) Meaningful Brands from Meaningless Differentiation: The Dependence on Irrelevant Attributes. *Journal of Marketing Research*, 31(3), 339 – 350.

Cespedes, F.V. (1996) Beyond Teamwork: How the Wise can Synchronize. *Marketing Management*, 5(1), 25 – 37.

Dolak, D. (2005) *How to Brand and Market a Commodity*. Available from: http://www.brandchannel.com/papers_review.asp?sp_id=570 (accessed 30/04/2006).

Ellinger, A.F., Daugherty, P.J. and Keller, S.B. (2000) The relationship between marketing/logistics interdepartmental integration and performance in US Manufacturing firms: an empirical study. *Journal of Business Logistics,* 21(1), 1 – 22.

Gardner, B.B. and Levy, S.J. (1955) The Product and the Brand. *Harvard Business Review,* 33(2), 33 – 39.

Gillham, B.(2005) *Research Interviewing: the range of techniques.* New York:Open University Press.

Goddard, J. (2006). *Strategic Marketing and Value Creation.* Lecture at the Gordon Institute of Business Science, May 2006.

Griffin, A. and Hauser, J.R. (1996) Integrating R&D and Marketing: A Review and Analysis of the Literature. *Journal of Product Innovation Management*, 13(3), 191 – 215.

Hannaford, S. (2003) *Pseudo-variety in the beer market.* Available from: http://www.oligopolywatch.com/2003/04/30.html (accessed 20/02/2006).

Hulbert, J.M., Capon, N. and Piercy,N.F. (2003) *Total Integrated Marketing: Breaking the Bounds of the Function*. New York, New York: Simon and Schuster, Inc.

Jacoby, J., Olson, J.C. and Haddock, R.A. (1971) Price, brand name, and production composition characteristics as determinants of perceived quality. *Journal of Applied Psychology*, 55(6), 570 – 579.

Kahn, K.B. and Mentzer, J.T. (1998) Marketing's Integration with Other Departments. *Journal of Business Research*, 42(1), 53 – 62.

Keller, K.L., Sternthal, B. and Tybout, A. (2002) Three questions you need to ask about your brand. *Harvard Business Review*, 80(9), 80 – 86.

Kotler, P. (2003) *Marketing Insights from A to Z*. Hoboken, New Jersey: John Wiley and Sons, Inc.

Kotler, P. and Keller, K.L. (2006) *Marketing Management*. Upper Saddle River, New Jersey: Pearson Prentice Hall Ltd.

Kuehn, A.A. and Day, R.L. (2004) Strategy of Product Quality. *Harvard Business Review,* 40(6), 100 – 110.

Leedy, P.D. and Ormrod, J.E. (2001) *Practical Research Planning and Design.* New Jersey: Merrill Prentice Hall Inc.

Liedtka, J.M. (1996) Collaborating across lines of business for competitive advantage. *Academy of Management Executive,* 10(2), 20 – 34.

Maltz. E. and Kohli, A.K. (2000) Reducing Marketing's Conflict With Other Functions: The Differential Effects of Integrating Mechanisms. *Journal of the Academy of Marketing Science,* 28(4) 479 – 492.

Merriam, S.B. (1998) *Qualitative Research and Case Study Applications in Education.* Sansome Street, San Francisco: Jossey-Bass Inc.

Moth, A. (ed.) (2005) *Alcoholic beverage review 2005*. Cape Town: Ramsay Son & Parker (Pty) Ltd.

Murane, P. (2002) Low price no bargain as brand building tool. *Advertising Age*, 73(26), 34 – 36.

Reibstein, D (2006) *Death in the Middle: Why Consumers Seek Value at the Top and Bottom of Markets*. Available from: http://knowledge.wharton.upenn.edu/article/1477.cfm (accessed 20/05/2006).

Rust, R.T., Moorman, C. and Dickson, P.R. (2002) Getting Return on Quality: Revenue Expansion, Cost Reduction, or both. *Journal of Marketing*, 66(4), 7 – 24.

The Economist (2006) *The disappearing mid-market.* New York: The Economist Newspaper Group, Inc. Available from:

http://www.economist.com/business/displayStory.cfm?story_id=6956044

(accessed 20/05/2006).

Trout, J. (2000) *Differentiate or Die.* Hoboken, New Jersey: John Wiley and Sons, Inc.

Vriens, M. and Hofstede, F.T. (2000) Linking Attribute, Benefits and Consumer Values. *Marketing Research,* 12(3), 4 – 10.

Wellman, J.C. and Kruger, S.J. (2001) *Research Methodology: for the Business and Administrative Sciences.* Second Edition. Cape Town: Oxford University Press Southern Africa.

APPENDICES

APPENDIX 1 – PHASE 1 RESPONDENTS PROFILE

1.1. Focus group respondents profile

Table A-1. Focus group respondents profile

PARTICIPANT PROFILE	PARTICIPANT PROFILE DESCRIPTION	NO. PARTICIPANTS
JOB TITLES	Line Manager	6
	Technical / Project Brewer	14
	Raw materials	2
	Brewmaster (Chief technical person)	6
	Trade Brewer	1
	Malster	2
	Brewing consultant	5
	Global Chief Brewer	1
ENTRY QUALIFICATIONS	BSc Chemical Engineering	5
	BSc Chemistry / Biochemistry / Microbiology	18
	MSc Chemistry / Biochemistry / Microbiology	4
	pHD Chemistry / Biochemistry / Microbiology	2
	B Tech Chemistry / Biochemistry / Microbiology	6
BREWING QUALIFICATION	Associate member of the Institute of Brewing and Distilling	34
	MSc in Malting and Brewing Science	3
	Post graduate diploma in Malting and Brewing Science	4
	Master Brewer of the Institute of Brewing and Distilling	12
TENURE WITH COMPANY	3 - 5 Years	1
	5 - 10 Years	18
	10 - 20 Years	11
	> 20 Years	7

1.2. Expert discussion forum respondents

Table A-2. Expert discussion forum respondents profile

PARTICIPANT PROFILE	PARTICIPANT PROFILE DESCRIPTION	NO. PARTICIPANTS
	Brewmaster (Chief technical person)	6
	Malster	1
	Brewing consultant	5
	Global Chief Brewer	1
ENTRY QUALIFICATIONS	BSc Chemical Engineering	1
	BSc Chemistry / Biochemistry / Microbiology	6
	MSc Chemistry / Biochemistry / Microbiology	3
	pHD Chemistry / Biochemistry / Microbiology	2
	B Tech Chemistry / Biochemistry / Microbiology	1
BREWING QUALIFICATION	Associate member of the Institute of Brewing and Distilling	12
	MSc in Malting and Brewing Science	3
	Post graduate diploma in Malting and Brewing Science	2
	Master Brewer of the Institute of Brewing and Distilling	3
TENURE WITH COMPANY	3 - 5 Years	0
	5 - 10 Years	5
	10 - 20 Years	5
	> 20 Years	3

APPENDIX 2 – PHASE 2 RESPONDENTS PROFILE

Table A-3. Semi-structured interviews respondent profile

RESPONDENTS PROFILE	RESPONDENT PROFILE DESCRIPTION	NO. RESPONDENTS
JOB TITLES	Brand Manager	3
	SAB Portfolio Manager	1
	SAB Portfolio Development Manager	1
	Brewing consultant	1
	Global Chief Brewer	1
	Brewmaster (chief technical person)	2
ENTRY QUALIFICATIONS	BSc Chemical Engineering	1
	BSc Chemistry / Biochemistry / Microbiology	2
	pHD Chemistry / Biochemistry / Microbiology	1
	BA Law	2
	B Com Finance / Marketing / Market Research	3
TENURE WITH COMPANY	< 3 Years	2
	3 - 5 Years	3
	5 - 10 Years	2
	10 - 20 Years	1
	> 20 Years	1

APPENDIX 3 – FOCUS GROUP DISCUSSION GUIDE

3.1. Proposition 1: Beer differentiation mapping

3.1.1. Exercise 1: Brand sorting

Exercise rationale

This purpose of this exercise was two-fold. Firstly, it was used to explore the role of product differentiation in existing brands and secondly it was used to understand the role that product differentiation played in existing premium product offerings and the presence, if any, of category rules related to product differentiation. There were no clear product based category rules related to product differentiation for the local beer category at the time the exercise was completed. Added to this, due to the limited beer styles available in the SAB portfolio, it was believed that it was important to include a wide range of beer styles in the exercise, including competitor products, in order to develop a broad appreciation for product differentiation in the beer category.

Focus group exercise

I have set out to gather as many examples of beers and beer styles as I could find.

- Please could you sort them the following four price categories (1) Economy; (2) Mainstream; (3) Premium, (4) Super Premium i.e. from least expensive to most expensive based on what you would be prepared to pay for the product

- As you can see I have taken the labels off the bottles. The reason for this is I want you to try and focus on what information the labels provide you about the product.
- As technical people, please try to do this without considering the packaging in too much detail. Please try and focus on the contents of the packaging and how this could influence the price of beer.

Once the beers have been sorted into categories:

- Looking at your categories, please try and explain what made you place beers into particular categories. In other words, what was the product differentiator, if any, which made you decide to put a beer into a particular price category?
- Did you use any rule set to help you complete the exercise?
- If so, what was that rule set?
- Having completed the beer sorting exercise did anything else occur to you that you would like to share?

3.1.2 Exercise 2: Favourite beer

Exercise rationale

This exercise was used to explore the importance of product differentiation in existing brands and to understand what product differentiators were relevant and credible to technical personnel. It was believed that focus group participants would be able to articulate the reasons behind their favourite beer choice and that this would prepare them for the third exercise to think in terms of product differentiation. As a result, this exercise also served as a warm-up

for the ingredient and processing differentiation exercise which required participants to think more broadly about the beer category.

Focus group exercise

Think of your favourite beer or beers. This choice need not be limited to SAB products

- What is your favourite beer?
- Describe why it is your favourite beer?
- Having listened to the descriptions around the table did anything else occur to you that you would like to share?

3.1.3 Exercise 3: Ingredient and processing differentiation

Exercise rationale

This exercise was considered central to addressing proposition 1 namely that sufficient opportunities exist to achieve product differentiation of the packaged contents in beer. This exercise was designed to address feature differentiation which is the first step in the Botschen and Thelen (1999) benefit chain. The exercise asked focus group participants to describe the various ways that they could achieve end product differentiation through the brewing process. The exercise was conducted in three distinct steps. Focus group participants were asked to:

1. Describe how the current SAB brands are different from one another. This was to uncover the ways (if any) that the current SAB brands are technically different to each other and whether the view of beer as a commodity product was relevant for the local beer industry.

2. Describe the various ways in which beer could be differentiated without being constrained by the current SAB brands. This was the considered the heart of the exercise. SAB produce predominantly a single beer style and through exploring feature differentiation for the broader beer category the aim was to uncover a more complete beer product differentiation landscape.
3. Map the differentiation characteristics of the existing SAB brands onto the ingredient and processing list that they had just developed. This was to uncover whether the SAB brands would be viewed as a commodity product in the broader beer industry.

Focus group exercise

Thinking of our existing brands, from an ingredient and processing perspective:

- How are they different one from another?

Now, do not be constrained by thinking about our current brands or how they are currently produced:

- If you wanted to achieve end product differentiation what would you do differently in the brewing process i.e. what in the ingredients or processing would possibly make a difference to the end or final product?

Let us unpack each of these opportunities that you have identified:

- Can you describe any of the ingredient or processing differentiators in more detail?
- What effect would these ingredient and processing differentiators have on the final product that would be noticeable or important to the consumer?

Let us map our existing brands onto the differentiation grid that you have just developed:

- How do our current brands perform compared to the differentiation opportunities that you have just developed?

3.2. Proposition 2: beer attributes and benefits

3.2.1 Exercise 1: Beer 5 senses

Exercise rationale

This exercise was designed to address attribute differentiation which is the second step in the Botschen and Thelen (1999) benefit chain. This was used to uncover linkages between the product differentiators and the attributes that these would deliver in the final product. All beer attributes would be described using the five senses and this is a prompt that SAB marketing personnel have used successfully in the past to elicit product attributes in consumer focus groups.

Focus group exercise

Although this may seem a bit foreign to you, think of a beer in terms of the five senses i.e. taste, touch, smell, hear and see:

- What are all the different ways that you can think of to describe the taste / smell, touch, sound and sight of a beer (discuss each sense one by one)?

- What in the process or ingredients would have caused the attributes above?
- Having completed the beer 5 senses exercise is there anything else that you would like to share?

3.2.2. Exercise 2: Beer occasions:

Exercise rationale

This exercise was designed to address the functional benefits that the product provides to the consumer i.e. the thirds step in the Botschen and Thelen (1999) benefit chain. SAB marketing personnel often use the technique of occasions to uncover functional benefits in consumer focus groups because it covers what, why, when, where and with whom a product is consumed. It is believed that this can provide insight into the functional benefit that a product is providing to a consumer even if they are unable to directly articulate the benefit.

Focus group exercise

- If you were choosing a beer for a particular occasion, what would it be and why?
- Describe the occasion in as much detail as you can. Who are you with, what are the surroundings like, and what time of day is it?.

Explain next steps

I am conducting a number of focus groups at each site and I will be collating all the information you have provided me with today to understand whether we do in fact have sufficient opportunities to differentiate our brands on a technical basis. I will also be examining how technical differentiation could be used to support brand positioning for

both our existing brands and for any new brand we may introduce into the market place. Once this has been completed I will be sharing this information with you to ensure that the conclusions that I have come to make sense to you.

Thank you and close

Thank respondents and close.

APPENDIX 4 – INDIVIDUAL INTERVIEW QUESTIONAIRE

4.1. Background

1. Please could you briefly take me through your educational and professional background

4.2. Introduction

1. We have been challenged to become a consumer-focussed brand-led organisation.
    a. What does this mean to you?
    b. How do you think SAB have responded to the challenge to become a consumer-focussed brand-led organisation?
2. Looking at how marketing and technical integrate and work together:
    a. Have you interacted or communicate with technical previously?
        i. How and why?
        ii. Examples
    b. What, if any, were obstacles in this process?
    c. Did you find any value in the interactions?
    d. What was the basis for the interaction or communication?
        i. What were the triggers?

4.3. Brand workshop

1. What were you expecting going into the workshop?
2. What role did technical play in brand positioning in the past?

3. What role will technical play in the brand positioning going forward?
4. Did you find the workshop valuable?
    a. Yes – what was valuable?
    b. No – what were the issues or obstacles in the workshop?
5. Will the outcomes of the workshop influence brand positioning going forward?
6. Will the outcomes of the workshop influence marketing / technical collaboration going forward?
7. Looking back, how could we now make the collaboration between marketing and technical more meaningful.

APPENDIX 5 – CONSOLIDATED FEATURE LIST EXTRACT

Table A-4. Extract of ingredient feature differentiators from the consolidated ingredient and processing list

INGREDIENT	INGREDIENT SET	INGREDIENT DETAIL
Ingredients: Water	Origin	Spring water
Ingredients: Water	Treatment	Treated
Ingredients: Malt	Malt amount	All malt
Ingredients: Malt	Malt type	Lager / Pilsen malt
Ingredients: Malt	Malt amount	Malt and adjunct balance
Ingredients: Malt	Husk	No husk
Ingredients: Malt	Malt type	Pale ale malt
Ingredients: Malt	Malt type	Speciality malt: Peated malt
Ingredients: Malt	Malt type	Speciality malt: Amber malt
Ingredients: Malt	Malt type	Speciality malt: Black malt
Ingredients: Hops	Hop age	Aged
Ingredients: Hops	Hop Variety	Aroma hop: Saaz; Perle etc.
Ingredients: Hops	Hop blend	Blended hop
Ingredients: Hops	No. additions	Double
Ingredients: Hops	Addition point	Dry hopping
Ingredients: Hops	Hop age	Fresh
Ingredients: Hops	Hop type	Hop oils
Ingredients: Hops	Hop origin	Imported
Ingredients: Hops	Addition point	Kettle

Table A-5. Extract of processing feature differentiators from the consolidated ingredient and processing list

PROCESS STEP	PROCESS STEP SET	PROCESS STEP DETAIL
Process: Maturation	Time	Short
Process: Maturation	Blending spectrum	Single brew
Process: Maturation	Vessel	Wood aged
Process: Mashing	Material of construction	Copper
Process: Mashing	Recipe Method	Decoction
Process: Mashing	Heating method	Direct flame
Process: Mashing	Recipe Method	Double decoction
Process: Filtration	Clarity	Clear
Process: Filtration	Clarity	Cloudy
Process: Filtration	Number of steps	Double filtered
Process: Filtration	Temperature	Ice
Process: Filtration	Gas	Nitrogenation
Process: Filtration	Powder	Powder free filtration
Process: Filtration	Number of steps	Triple filtered
Process: Filtration	Method	Unfiltered