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Marketing Management – MKTM 521

Individual Examination Assignment

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Townships



Homes



Camping Accessory

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Executive Summary

Sandton is a wealthy area located in the North of Johannesburg. It is also described as the richest square mile in Africa. It was initially developed as a residential area, but later became one of Gauteng's most important business areas. The name Sandton comes from a combination of two of its suburbs, Sandown and Bryanston. The population of Sandton is approximately 222,415 (1,549.51 per km²). Our product is for the household market, and the number of households are 94,343 (657.26 per km²). This information is important for our market analysis as we are targeting households, due to the nature of our product.

Our aim is to critically evaluate if the Wonderbag – “The best non-electric Cooker” can be suitable for the Sandton market. We will analyse a Wonderbag marketing plan done for Kenya and compare this to the Sandton market.

1. Market Analysis

Who is my potential customers?

Sandton is rated the richest square mile in Africa, and therefore it is safe to say that we are dealing with wealthy costumers. The average income in Sandton is approximately R280 240,00 annually. The people that would buy this product is mostly females and mothers that like to do cooking when they are at home. In fact, in today's life it is not only the stay at home moms that cook anymore, our potential customers will also be working mom and even males. This makes it safe to say that our potential customers are anybody that lives in a house in The Sandton area, who has a family to whom they can cook. Cooking as a family is culturally something South Africans love to do. Trends like Vegetarians and Vegans are very highly populated in this rich area as they have the money to pay for the lifestyle. It won't take much to convince such a person to buy a Proudly South African, environmentally friendly Wonderbag.

Secondly, I will be targeting the gift market. Wonderbag is great as a gift, because it is not so expensive, and this is an environmentally friendly product which is a buzz word in most of today's markets. To top all of this, it is Proudly South African.

Thirdly, I would target the people in surrounding areas. The buyer would still be the person living in Sandton, but they can buy it for a person working for them as a domestic worker or as a gardener. Sandton is surrounded by many residential areas as well as informal settlements. These areas are Alexandra, Cosmo City and a bit further away Diepsloot and Thembisa. As we all know domestic helpers still make up a great part of South African homes, especially in Sandton. The Wonderbag would be an exceptional gift to the domestic workers working in the homes of Sandton. These domestic workers living in the informal settlements, on the outskirts of Sandton, can be categorised as similar people to the ones we catered for in Kenya. The people in the informal

settlements are living in harsh conditions and are people who don't have good service delivery. When they do have power, they don't want to use it, because of the cost. Predominantly they make use of fire to cook their food and this has negative impact on the people's health as the smoke is everywhere and trees need to be cut down for this to happen.

What is my customers' shopping and buying habits?

The people from Sandton will buy most of their appliances at chain stores like Makro, and their everyday food from Woolworths. A big factor that we are looking at is selling these Wonderbag online, as this area is one of the best buyers of online shopping through platforms like Takealot.

How large is my target market?

Sandton consists of an area as big as 143.54 km². There are approximately 94,343 (657.26 per km²) households. When we target big distributors like Makro and online platform like Takealot, we can reach most of these 94 000 households.

How much are potential customers willing to pay?

The customers living in Sandton, as mentioned above, are wealthy people. For most of them the price won't be a problem. Your average price for a new, medium quality, two plate cooking stove or a slow cooker can easily be up to R 2000,00. This makes the Wonderbag very competitive in terms of its price, plus all the other benefits that it has in store.

Who is my competition?

Competitors are companies specialising in the household appliances market. A big competitor in my eyes can be the SnappyChef stoves. They are also known to be energy efficient and safe for children. When comparing the Wonderbag with the competition from SnappyChef you'll quickly identify your best buy. You need electricity to operate the snappy chef stove and the most basic models will be in the price range of R1200,00. In comparison to that, the Wonderbag is priced between R206.00 for the small Wonderbag and R450,00 for the large Wonderbag.

What are my competitors' strengths and weaknesses?

Strengths of competitors:

- Well-known brands (already established).
- SnappyChef is safe for children and can't cause burns.
- Induction stoves are also more environmentally friendly as it's more energy efficient than gas and electric stoves.

Weaknesses of Competitors:

- Expensive

- Not all the competitors, are proudly South African
- Dangerous, can cause burns (Gas and electric stoves).
- Use a lot of electricity.

2. Business Environment Analysis.

(Please refer to section 1 of the group assignment, page 1).

Political/Legal/Institutional environment

South Africa had elections in the second quarter of 2019. SA is a democratic, but one-party dominant state, with the African National Congress in power. Since the elections in May 2019 there were a few changes made in the cabinet. Cyril Ramaphosa is working hard to get a highly engaged team to make SA a better place. After the elections the highly anticipated expropriation of land without compensation has been very quiet and rightly so. This is good for business, because land and buildings are safeguarded like Kenya. Business owners will keep on growing businesses as they have nothing to fear, since their assets are safe.

Economic environment

On the first of November 2019, Moody downgraded the outlook for its credit rating of the South African government from “stable” to “negative”. This is the last step before they downgrade you to junk status. This is not good for South Africa as this means that investors won’t have confidence to invest in SA. Other investors are taking out their money and then leaving SA with bigger problems. This would mean that inflation would go up and the rand would later be worth less. For businesses, this indicated red lights flashing. It’s risky to start a new business in such conditions. For a product such as the Wonderbag, this can also be an opportunity as everyone needs to be more energy efficient and spend less money. The Wonderbag is cheap and efficient for the rich and poor.

Social & cultural environment

In August 2019 major disruptions in Johannesburg happened after foreign shop owners’ shops were looted and vandalized. This was a form of Xenophobia. It had a negative impact on the Johannesburg business environment. This is not good news for any businessman or women trying to make a living as an entrepreneur. The unemployment rate in SA has also been announced in 2019 and states that 29% of South Africans that don’t have work. 55% of people in SA are living in poverty. These statistics are growing due to all the negative impactors, like inflation.

Technological environment

In the Sandton area most people have access to electricity. Therefore, the strategy of selling the Wonderbag will be different to the strategy to sell it in Kenya. In Sandton, people would want to

reduce their carbon footprint. As in Kenya, the Wonderbag would be a healthier and more cost-efficient choice of cooking. As mentioned above, one of our target markets are the people staying on the outskirts of Sandton, in very poor conditions and this would mean as much to them as it would mean to the Kenyan people in rural areas. The people in Sandton are well educated and can read and write. They have access to social media and can read up on our product on platforms such as Instagram and Facebook. The people living in informal settlements tend to also have access to internet, though it might be significantly less, but if they don't, they can read the instructions on the product label.

Physical environment

The environment in Sandton can be seen as a patch of first world country, inside a 3rd world country. Everything works and all the roads would be classified as class A. Sandton consists of many hotels, shopping centers, convention centers and business offices. Surrounding these hotels and business centers are a whole list of class A neighborhoods with houses not affordable to your average South African, in fact, it is expensive and only for the elite.

3. Product description

(Please refer to section 2 of the group assignment, page 2).

As described in the group marketing plan, the Wonderbag continues cooking your dish while you are away at work or busy with your daily routine. This is also highly applicable for people in Sandton who have an even more busy lifestyle than the people in rural Kenya. Mothers in the busy city life can leave the Wonderbag cooking at low, but safe temperatures while they are quickly going to pick up the children from school, or after their swimming lessons. The beautiful design can fit into any modern household and is surely easy on the eye. You will even want to leave it on the kitchen table as part of your decorations for that homey atmosphere. This is truly a must for every household in the world. From the richest to the poorest can use it either as an alternative, cost efficient, safe, environmentally friendly or healthy way to cook your food.

The way it works is easy and effective. Anyone in our new target market would be able to use it after being shown or after reading the instructions.

The main reasons we chose the Wonderbag for Kenya were: (please refer to "Why the Wonderbag" of the group assignment, page 3).

All three issues discussed in the group's marketing plan are applicable to the Sandton market. When we have a look at the safety issues, the Wonderbag is safe for the children in all the households it will be used in. Secondly, the environmental benefits are also being looked at by people in the city. Now a days everyone wants to reduce their carbon footprint and if this can be done by using less electricity, gas or wood they will do so. If you take into consideration the

pollution behind generating electricity and getting that valuable gas canister to your home, the Wonderbag can have a major beneficial impact of less carbon or greenhouse gasses that are set free. Thirdly, the Wonderbag is more cost effective and this can reduce electricity costs in homes. If you buy it for your domestic worker, it can help them now needing to make less fires. When you use it for camping, you have this easy to use, and cheaper than electric or gas stoves, that you can use for cooking.

4. Recommended marketing strategy

(Please refer to section 3 of group assignment, page 3).

The same principle would be applied as for the case of Kenya. In Sandton we are dealing with a wealthy community and can also implement the strategy of emotional marketing. We would be implementing a strategy like the ones of KFC “add hope” and for every unit we sell a R10,00 portion would be donated to a desirable foundation (like the Nelson Mandela foundation). We can also run campaigns in conjunction with industry partners to raise funds like for example, Dimesion Data cycling team for Qubeka charity, where people can donate or participate in fundraisers for certain charities. In this way we show South Africa we are committed to our country and we want to give back to the community (Social responsibility). When referring to a possible slogan, we will want to look at something like “lets start a new revolution”. This type of food preparation can become a trend and need to be started in an area. Sandton can be very helpful in turning this product into one of the new best things in going green.

5. Marketing mix strategies and tactics

(Please refer to section 4 of the group assignment, page 3).

5.1. Product or Service Strategy

There are seven product positioning strategies that we could use during our product strategy. The product characteristics or consumer benefits approach would be the most likely choice for the Wonderbag (Chand, 2018). The product characteristic approach has three aspects that needs to be taken into consideration.

The Physical Characteristics

The Wonderbag is in the form of a pillow bag with a toggle to close it and it has a fire-retardant solid foam base. The product makes use of Shweshwe fabric, which is traditionally a South African fabric design (Proudly South African). Our product is manufactured locally, and we are proud that it helps with employing people. As for the success of the Rugby World Cup season, we can look at other businesses that are going for the traditional colours of our flag or the Springbok rugby logo. Decorating our product in SA flag colours can boost sales as it is a hot topic for the time being. People will resonate with this and be emotionally and spiritually attracted.

Pseudo-physical characteristics:

According to Chand this involves all the characteristics that are not as easily measured as the previous physical characteristics. The Wonderbag is designed with the intent that minimal human intervention is needed during cooking, which frees up time for the mother or father that lives in this busy and rushed lifestyle of the city. Families can spend more time together while the food is cooking in the Wonderbag. Since working people leave their home early in the morning and return late in the day, quality time with loved ones is a big issue. This in fact counts for the lady living in the informal settlement just outside of Sandton borders as well, as she travels far every day, coming home late to her children.

Benefits:

Above is mentioned about the entire product with all its advantages. These advantages are divided into three main themes; safety issues, environmental benefits and the cost benefits.

5.2. Place (Distribution) Strategy

As for the distribution of the product, we need a completely different approach for a place like Sandton compared to Kenya. In Kenya we had the approach of independent contractors distributing the product directly to the customer. This was because we needed to get the product out there in the rural areas of Kenya. As stated in the group strategy, we couldn't make use of traditional retail methods. In the case of Sandton, we will in fact need to use this channel for the Sandton market. Because of the buying habits of the people living here we need to get the product on the shelves of the big retail stores selling household appliances. In this way we can get the product into our target market's hands. Another way that we are going to sell our product is via the internet. There is a big market for online selling and delivery at the customer's door.

Our product would have a small and practical leaflet with the price tag that would give directions on using the Wonderbag. Short tutorial videos can also be uploaded onto YouTube for people that would like a digital illustration of how to use the product safely and securely. Good relationships with big retail companies are needed in this distribution plan. Another key factor is good relationships with our suppliers, so we can manufacture according to demand (just in time). We want to avoid problems of product keeping up space in warehouses but be produced and distributed to the retail stores in regular demand.

5.3. Price Strategy Structure

The price of the product would be determined almost the same for both Sandton and Kenya. The difference is that the Kenya price will ironically be more expensive than our price the product would be selling in retail stores in Sandton. This is because you need to add shipping cost plus

distribution in Kenya as for Sandton the product only needs to be distributed from manufacturing site to retail store in Gauteng.

The price of the product will be determined through the cost-plus pricing method. The cost-plus pricing method involves adding a mark-up to the cost of the product. With this pricing method direct material cost, overhead cost and direct-labour costs are added through a mark-up percentage of 15% in order to cover these costs and to determine the final cost of the product. The formula for the cost pricing method is as follows:

$$\text{Price} = \text{Cost} + \text{Profit}$$

The Wonderbag's final prices is thus set as follows:

Size	Kenya	Sandton
Small Wonderbag	R 206.00	R185.40
Medium Wonderbag	R 436.00	R392,40
Large Wonderbag	R 450.00	R405,00

Above table shows us that the Wonderbag final price in Sandton would be ironically be cheaper than in Kenya. This is because of transport and shipping costs that are cut out for being produced in South Africa.

Another price strategy that will be brought in is that as soon as the Wonderbag has made a name (established) in the Sandton area we can mark up the price because of the willingness of the costumer to pay more for the product. This will increase profit margins and put a smile on the shareholders faces. Not forgetting the extra R2,00 that would be donated to the Nelson Mandela Children's Fund. From each bag that are sold a R2,00 will be donated as part of Wonder bag social responsibility campaign, giving back to the community.

5.4. Promotion Strategy

The proudly South African logo will be part of our labels. This will be one of our main focusses on promotion strategy and the fact that all the money made from the Wonderbag stays in SA. It also means that the product is creating jobs for our struggling economy and help us to fight poverty. Another focus would be the R2,00 that is donated to the charity.

Also referring to the above-mentioned benefits of the Wonderbag will be part of our campaign in South Africa. The fact that we as busy individuals can spend more time with families or helping somebody that works for you (living in poor conditions) or even benefitting from it on your lovely breakaway holiday are three good reasons and targets focussing on the people living in Sandton.

This product connects families and friends and give you a better life. It is safe for children and to top it all it is cheap and saves you time and money.

The use of social media is also a key platform for promotions for the Sandton area and differ from the Kenya platform to deal with the costumer directly because they don't all have access to social media. Great deals on industry initiated black Fridays are also things to look at and we can get out there and do some specials and promotions for our product. Let's start a revolution!!



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