

# UNIVERSITY FORT HARE

IPS 321

Examination

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TIME: 3 HOURS

SUBJECT: ENVIRONMENTAL ASPECTS OF CONSUMER BEHAVIOUR

MARKS: 100

THIS PAPER CONSISTS OF 4 PAGES INCLUDING THE COVER PAGE

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## Instructions

Question one is compulsory. Answer any three questions from Question two.

## QUESTION 1

Read the following case study and answer the questions below. Please answer the questions in detail.

### **CASE STUDY**

#### **Eastern Cape Airline**

(Source based on Star et al. 1977)

##### **Introduction**

'Fasten your seat belts', said air hostess over the public address systems, because we're ready to take off now. As soon as we're airborne, we want you to kick off your shoes, loosen your tie and let Eastern Cape airliners put a little love in your life on our way from PE to George' The passengers settled back comfortably in their seats as the Canadian Regional Jet taxied down toward the take off point at Port Elizabeth airport. Moments later, it was accelerating down the runway and then climbing away steeply into the Algoa Bay skies on the 160 kilometers flight to George.

On the other side of the airport, executives of Eastern Cape Airline ignored the noise of the departing aircraft which was clearly audible in the organisation's modest but comfortable offices in the Airpark building. They were about to begin an important meeting with representatives from their advertising agency. In just two weeks time, on 1 July 2006, the airline would be raising its basic fare by five percent, due to increase in operational cost, mainly resulting from aviation fuel hikes. One problem was how to break the news to the public. This issue has to be resolved within the context of the airline's advertising and promotional strategy as it moved into its second year of operation.

##### **Background**

Eastern Cape Airline was founded in January 2005 by two former graduates, one from Nelson Mandela Metropolitan University, and the other from Stellenbosch University. One held a MComm (Business Management) degree, while the other had MSc Engineering qualification. They managed to obtain sufficient capital to start their own business after being involved in marketing and computer programming for a large motor manufacturer in the Eastern Cape. One of them also held an airline transport pilot licence, while the other was a business partner in an express overnight road transport service.

These gentlemen, after extensive investigation into the passenger and airfreight market, discovered that there was a huge demand for an airline service operating on a triangular route between Port Elizabeth, George and Bloemfontein. The only other airline connecting Port Elizabeth and Bloemfontein was SA Airlink. Between Port Elizabeth and George there was no airline service.

The distance by road (N2 and R62) between Port Elizabeth and George of approximately 330 kilometres could be covered in roughly three and a half hours by car and four hours by truck, depending on road conditions. Between Port Elizabeth and Bloemfontein, via N10 and R390, the journey of 630 kilometres would be much longer and could take up to eight hours. As the railway service between the cities took even longer, Messrs Rousseau and Zendebe reckoned that the gap in the market could be closed by a short-haul air transport services.

##### **Take off**

On 1 July 2005, Eastern Cape Airline came into operation. This was after lengthy negotiations with national government, civil aviation administration, and airport authorities for the necessary licensing to run a commercial airline service. The new airline was widely advertised in the print and electronic media, and public launches took place in all three cities. Local newspaper advertisements focused mainly on passenger service, while industry was targeted through newsletters, follow up calls and visits to promote its air-freight service.

The aircraft fleet comprised of two Canadair Regional Jets and one Jet stream turboprop aircraft. The two large aircraft had a seating capacity of 50 passengers and a cruising speed of 879km/h, while the smaller Jet stream could carry 29 passengers at a cruising speed of 530km/h. All three aircrafts were highly versatile, able to adapt immediately to changes in market, and delivering both passengers and cargo safely, efficiently and economically.

From the initial promotional campaign the advertising agency suggested a small 'teaser' advertisement in the newspapers, containing provocative headlines such as 'A fare to remember' and 'At last there's somebody up there to take care...of YOU'. A 24 hour toll-free number was given approximately 20 000 telephone enquiries were received within the first two weeks. An Internet website was also posted where online booking could be made. For freight shipping, a cargo station was established at all three airports, open 24 hours a day. A timetable and fares, effective from 1 July 2005, were also widely advertised.

Flights to and from the three cities would run on a daily basis according to the triangular route, as shown on the map, with its final destination in Port Elizabeth. Depending on demand, the organisation also foresaw the introduction of an overnight cargo flight plan.

During the first two months after inauguration of the services, the airline performed exceptionally well. Thereafter, demand dropped slightly but gradually picked up during the summer holiday season from December to February. From March 2006, competition entered the market with SA Express and ITime contemplating a service on the route. Sales dropped sharply and although Eastern Cape airline intensified its advertising campaigns with slogans such as 'We don't run large expensive ads, we run fully operational flexible aircraft' and 'Our planes are new, our pilots are not', these did not marginally increase ticket sales and cargo orders.

### **Planning ahead**

In order to prevent the organisation from running into serious financial difficulties, the advertising agency suggested a comprehensive advertising programme featuring a clearly defined target audience, separate theme campaigns for its passenger and cargo markets, with an emphasis on brand preference. Being the first airline to explore the new triangular route, Eastern Cape airline should have the look of a leader. It should also be perceived as a friendly airline to fly, an airline whose people are warm, helpful, and interested in customer problems. Eastern's advertising should express excitement and sophistication. People should become aware that Eastern is 'with it, and cool, and knows how to service its customers today! The airline should also continue to build on its excellent reputation for efficiency and technical advances.

Once these features are prominently addressed, the issue of a five percent increase in normal coach fares would hopefully be viewed less critically. Eastern could further 'soften the blow' of a fare increase by offering discount savings on regular (fixed date) seat reservations and long term airfreight contracts. Since the organisation has had an increase in passenger transport over the festive season, discount fares should also be made available during vacations and for special events in the destination areas. Examples would be during the Splash Festival in Port Elizabeth, Golf tournaments at The Links, Fancourt, in George, and the annual rose festival in Bloemfontein.

At the close of meeting with the advertising agency, Messrs Rousseau and Zendebe were confronted with a decision of whether or not to go ahead with the advertising strategy suggested by their advertising manager. Would it be wise to invest more capital in advertising, bearing in mind the organisation's fragile financial position? What alternatives were there to consider?

## **QUESTION 1**

1.1 Suppose you were the executive in the organisation, motivate the decision to go ahead with advertising strategy. [20]

1.2 Can you make suggestions for alternatives actions to be taken in addressing the organisation's problem? If so, what are they? [20]

**Total Marks (40)**

## **QUESTION 2**

2.1 Some marketers consider benefit segmentation as the segmentation approach that is most consistent with the marketing concept. Do you agree or disagree with this view? Justify your answer using oral B paste as an example. [20]

2.2 Why are consumers' needs and goals constantly changing? What factors influence the formation of new goals? [20]

2.3 Give a comprehensive description and explanation of the concept of social responsibility focusing on the following: The relationship between the community, business and consumers in respect of social responsibility.[20]

2.4 Why are various disciplines such as psychology and sociology are relevant to a discussion of the behaviour of consumers. Make reference to various constructs from these disciplines. [20]

**(60)**