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# The impact of brand equity and product augmentation on purchasing industrial commodities.

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# The Impact of Brand Equity and Product Augmentation on Purchasing Industrial Commodities

**Nicholas Stewart Alexander**

A research report submitted to the Faculty of Commerce, Law and Management, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ABSTRACT

The purpose of this research was to establish the impact of brand equity and product augmentation on purchase decisions involving industrial commodities. The field of investigation was that of industrial tyres in the South African open cast mining industry and the sample was extracted from buying centre members who purchased tyres for earthmoving equipment for use on coal mines in the Mpumalanga Province of South Africa. Literature pertaining to commodity products, brand concepts and consumer brands forms the basis of the literature review; whereafter specific study on industrial branding and the buying centre were explored. The research method used was a conjoint analysis experiment which was constructed following a series of pilot studies to determine the key factors in industrial tyre procurement. The findings were that brand was indeed considered of primary importance in tyre procurement, demonstrated by each buying centres' willingness to pay a premium price for their preferred brand of tyre. Product durability and price were second and third in importance respectively. The augmented product attributes of delivery lead time and technical support were considered least important of the five attributes. These results have important implications for mining company procurement departments as well as tyre suppliers. Mining companies may be paying premium prices for tyres which are a considerable cost element in running expenses for heavy machinery. On the other hand, well known tyre supply companies may be able to expand their market share and improve profitability through the use of this information.

DECLARATION

I Nicholas Stewart Alexander declare that this is my own unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Nicholas Stewart Alexander

26th June 2006

DEDICATION

With sincere love and gratitude to my wife Amanda and
children, Jayde, Grace, Ruth and Ben

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I am extremely grateful to Geoff Bick for his supervision and guidance on this research; to Dr. Anthony Stacey for instruction and assistance with construction and analysis of the conjoint experiment and to Professor Mike Bendixen for assistance with the application of the linear interpolation analysis. I am also very appreciative of the management and engineering staff of Ingwe Collieries Ltd, Anglo American Coal, Debswana Diamond Company and Michelin Tyres for their participation in the research surveys.

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