

**THE COMMUNICATION EFFORTS OF CELLULAR COMPANIES TO
IMPROVE RELATIONSHIP MARKETING**

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Faculty of Commerce
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DECLARATION

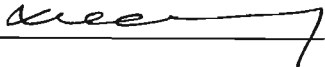
I hereby declare that this dissertation, unless otherwise indicated in the text, is my own original work. This research has also not been submitted to any other institution for degree purposes.

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ABSTRACT

The development of relationship marketing, which is oriented towards developing lasting relationships with clients, emerged in the 1990's. The concept suggests that by better understanding customers on an individual level and by delivering to them information, products and services targeted to their specific needs, marketers can develop a long-term relationship with them that translates into worthwhile profits. Thus, relationship marketing focuses on customer orientation, with high service emphasis and high customer contact.

Relationship marketing uses improved information technology to regularly communicate with firm customers and to base product/service offerings on the customer's buying behaviour. Computer linkages, advertising, personal selling, sales promotion, sponsorships, publicity, special events and exhibitions aid communication among channel members and also create a relationship between buyer and seller.

Whilst research has been conducted on a general aspect of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. It is the intention of this study to examine the way in which relationship marketing is currently being employed in the cellular industry and to assess how improved communication can result in the effective application thereof. The objectives of this study are to investigate whether the communication efforts of the cellular operating companies are satisfying customers, to establish if the communication tools used by the companies are effective in promoting relationship marketing and to explore whether existing customers will become advocates of the company.

Ethical clearance was obtained from the Research Administration at the University of KwaZulu –Natal. All subjects were aware of the purpose of the study and the aims and objectives. All subjects signed and consented to be part of the study.

The target population consists of existing cellular phone users from whom the researcher attempted to draw conclusions and make generalizations. In KwaZulu-Natal, 251 cellular phone users volunteered and participated in this study. Informed consent was required of each of the respondents. 53% were contract customers and 38% were prepaid customers. There were 94 males (38%) and 141 females (56%) in the sample. The overall response rate was 83.7%.

The main results yielded from this study indicated that cellular phone users were satisfied with the communication efforts of their service providers. Therefore, the communication tools used by their service providers were effective in creating, maintaining and enhancing relationships with their customers. Also it was very evident that existing customers are advocates of their service provider and will continue to be so into the future.

This study recommends that customers must understand and be informed of the future direction that their service provider will take. They must be informed of long and medium term plans, new developments and any fundamental changes that are going to take place. Since service is the nerve centre of any organization, service providers must improve on their service to customers. Service providers should conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them and assess the performance on their accounts. The fulfilment of these recommendations will promote and enhance relationship marketing in the cellular industry.

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DEDICATION

To my parents, Poobalan and Vellie Veerasamy, for their love, support and encouragement and always reminding me of the importance of education. Thank you for raising me to be able to lead my best life.

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DEFINITION OF TERMS

Relationship marketing - the objectives of relationship marketing are to identify and establish, maintain and enhance, and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfilment of promises. This study pertains to relationship marketing in the cellular industry, namely Cell C, MTN and Vodacom.

Communication It is the exchange of information, news or ideas or the action to convey one's ideas and feelings clearly to others. When the cellular companies develop new products and services, they use communication to inform their customers and potential customers about their offerings. These products and services cannot sell without effective communication messages.

Product - a set of tangible and intangible attributes, which mainly include packaging, colour, price, quality and brand, plus the seller's services and reputation. A product may be a good, service, place, person, or idea.

Price - the amount of money a willing buyer is prepared to pay a willing seller for a product offering at a point in time

Distribution - the process of ensuring that the marketer's product offering is made available to the targeted consumers in the right place/s, at the right time, in the right quantities, in the right condition, and at the right cost.

Promotion - embodies the collective activities, materials, and media used by a marketer to inform or remind prospective customers about a particular product offering and to attempt to persuade them to purchase or use it

Advertising - are all forms of paid non-personal communication through the mass media of ideas, goods and services by an identified sponsor.

Personal selling - is a person-to-person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by offering suitable goods or services and making a sale.

Sales promotion -is an activity that offers incentives for a limited time period to induce a desired response, such as a trial or purchase, from those who are targeted.

Public relations - is the management, through communication, of perceptions and strategic relationships between an organization and its internal and external stakeholders

Sponsorship -is the marketing communications activity whereby a sponsor contractually provides financial and /or other support to an organization or individual in return for rights to use the sponsors' name (company, product, and brand) and logo in connection with the sponsored event or activity.

New media - technology has had a profound impact on virtually every aspect of our lives over the past two decades. The way we work, play and communicate has changed completely because of the growth of the Internet, the World Wide Web and the dramatic increase in the use of cellular phones.

Internet - it is the single largest communications system ever developed. It is not one single entity, but is made up of millions of computers connected to each other in countries all over the world.

World Wide Web - The World Wide Web is not a place or a thing; it is a set of rules or conventions for exchanging information over the Internet. The World Wide Web sits on top of the Internet. It uses its existing technology and channels.

ABBREVIATIONS

PRISA – Public Relations Institute of Southern Africa

ROR – Rate of return

LTV – Lifetime value

CLV – Customer lifetime value

CVM – Customer value management

VMR – Value managed relationship

GPRS - General packet radio service

SMS – Short messaging service

WAP – Wireless application port

1G – First generation

2G – Second generation

3G – Third generation

PDA – Personal digital assistant

EDGE – Enhanced data rates for global evolution

SPSS – Statistical programme for social sciences

IM – Instant messaging

ROI – Return on investment

SET – Social exchange theory

PRP – Public relations practitioner

CHAPTER ONE INTRODUCTION

1.1 PREAMBLE

Relationship marketing is defined as the process of establishing and maintaining mutually beneficial long term relationships among organisations and their customers, employees and stakeholders. This shift to building relationships is offered as a solution to organizations for coping in this era of ever-increasing competition (Rensburg and Cant, 2003:119).

Relationship marketing seeks to create new value for customers and then share it with these customers, because customers estimate which offer will deliver the most value, and will buy from the company they perceive as offering the highest perceived value. Relationship marketing recognizes the key role the individual customers have, both as purchasers and in defining the value they wish to achieve. Relationship marketing businesses are seen to design and align processes, communication, technology and people in support of customer value. Relationship marketing seeks to build a chain of relationships within the organization to create the value customers want, between the organization and its main stakeholders (Brink and Berndt, 2004:7).

Relationship marketing is not about having a "buddy-buddy" relationship with your customers. Customers do not want that. It is a process over time rather than single unconnected events. By moulding the marketing message to the needs of the customer, the relationship marketing approach achieves very high customer satisfaction and is highly profitable. This approach customizes programs for individual consumer groups as opposed to some forms of marketing where everybody would get virtually the same promotions.

(<http://www.iimnovo.com/Relationship-Marketing-more.htm>)

Members of an organisation at all levels are involved in communication with business colleagues, customers, shareholders, the media and members of the public on a daily basis. No organisation

can function properly or reach their goals without a good system of communication. Van Staden et al (2002) cite the following advantages of communicating effectively with customers:

- Better customer relationships
- Saving time and money
- More effective decision-making
- Successful problem-solving

Van Staden et al (2002) define communication as a two-way process whereby information (the message) is sent from one person to another (the sender) through a channel to another person (the receiver) who in turn reacts by providing feedback.

According to Rouse and Rouse (2002) effective communication means that the information is received as accurately in terms of content and meaning as intended by the sender.

Communication is believed to directly affect the building of long-term relationships with the stakeholders of an organization. It is therefore, necessary to acknowledge the role of communication in building relationships between the various activities in the organization and between the organization and its stakeholders (Rensburg and Cant, 2003:120).

Companies use a variety of communication options/tools in their attempt to establish, maintain and enhance relationships with their customers. These include advertising, personal selling, sales promotion, sponsorships, publicity, special events and exhibitions, among others.

Over the last 15 years, Relationship Marketing has become a topic of great interest to many companies. These companies have started to seek ways to develop stronger relationships with their customers (Payne, 2000:16). They use the communications task extensively in their pursuit of dialogue with customers. The growing interest in relationship marketing means that companies now seek to build mutually beneficial long term relationships with customers, provide reinforcement

and reassurance, solve customer problems, provide customization of services and service enhancements.

The Cellular industry in South Africa has burgeoned into a massive, multi-billion rand business since 1994 when the first two cellular networks were introduced. Few predicted the heights to which the industry would rise, or the vast potential that exists. The industry has grown at a phenomenal rate and was given another boost when the third network Cell C began its operations in December 2001.

It must be said that Vodacom SA is one of Africa's leading cellular networks, with one of the best lists of innovative products. Vodacom SA launched South Africa's first 3G network in December 2004.

Vodacom SA increased its customer base by 6.4% since March 31, 2006 to 20.4 million customers in an increasingly competitive market. Their customer base comprises 2.5 million contract customers and 17.8 million prepaid customers, reflecting increases of 5.3% and 6.3% since March 31, 2006 (<http://www.mobileafrica.net/n1608.htm>)

	MARCH 31, 2006	JUNE 30, 2006	% CHANGE
CUSTOMERS (1000'S)	19 162	20 380	6.4
CONTRACT	2 362	2 488	5.3
PREPAID	16 770	17 834	6.3
CST's	30	58	93.3

According to an article in the Sunday Times, 13/11/2006, Vodacom reported a 34.7% rise in total customers to 25.8 million. Revenue increased by 20.3% while profit increased by 17.5% to 5 billion rand. Despite strong competition, Vodacom has retained its leadership in the highly competitive South African mobile communications market with an estimated 59% of the market share at the

end of September 2005. The market penetration of the cellular industry in South Africa is now estimated at 72.2% of the population

<http://www.sundaytimes.co.za/article.aspx?ID=317177>

MTN has 10 199 000 customers as of May 2006. MTN's coverage as of August 2006 is as follows:

- 1 071 965 sq km of SA land (87% of land covered)
- 107 076 sq km of SA coastal waters
- 95% SA population covered
- 100% SA national roads covered
- 95% of SA towns covered

(<http://www.mtn.co.za>)

Cell C (Pty) Ltd is the third cellular operator in South Africa, offering products and services to more than 2.7 million active subscribers. With a network capable of providing voice, data and multimedia communications, the company is committed to delivering to subscribers a full range of GSM services, based on the key principles of simplicity, choice and value.

(<http://www.cellc.co.za>)

Cell C's key performance indicators for the first six months of the 2006 financial year are as follows:

- Total revenue for the six months up 22.5% to R3 billion
- 2.7 million active subscribers – up 7% from 2005
 - 1.9 million prepaid subscribers
 - 753 000 contract subscribers
 - 42 000 Community Service Telephones (CST) lines

Cell C made the following connections in recent years:

	START OF 2005	END OF 2005	END OF JUNE 2006
SUBSCRIBERS	2 510 000	2 919 000	2 700 000
PREPAID	1 932 000	2 217 000	1 905 000
CONTRACT	556 000	667 000	753 000
CSTs	22 000	35 000	42 000

The drop in the prepaid market is a result of high levels of churn, which is specific to this segment. Traditionally, this segment is more price sensitive and susceptible to products which are perceived to be of better value.

Network performance through 2006 has remained steady and Cell C's Call Success Rate remained over 98.5% during the year indicating a mature and stable network. Cell C's network now covers 70% of the country's population and 28.5% of the geographical land area – well ahead of the 2007 licence requirement of 60% and 8% respectively.

Virgin Mobile South Africa launched successfully on June 24, 2006. Cell C's 50:50 joint venture with the premium Virgin brand came on the back of rigorous testing by Virgin of the Cell C network which was found to be world-class and reliable (<http://www.mobileafrica.net/n1645.htm>)

South Africa is rather unique in its motivation for embracing cellular technology. Although there is an obvious need for cell phones to cater to the ever-changing needs of business, cellular means a lot more to many South Africans than simply being connected. With the high crime figures in the country, the safety that cell phones provide has become a major motivating factor behind the decision to purchase a cell phone. The cellular industry has meant that an emergency number is a mere click away. Many have described this connectivity as the most important reason in factoring their decision to own a cell phone.

Cell phone customers frequently abandon a service provider since they are easily lured by competing packages and no-string relationships except for the contract period of two years with contract customers. Therefore, it is difficult to determine the lifetime value of customers, which is essential for relationship marketing.

Furthermore, cellular phone operators were asked to improve their networks and customer care services or face penalties. Many cellular users are experiencing poor service and have lodged their complaints. Such information will play an important role in the success of relationship marketing. Most South African companies are lagging behind in terms of the quality and availability of customer information. However, many managers are reluctant to adopt strategies that will improve customer relations. In general, the customer service standard in South Africa across many sectors is poor. Clearly the cellular industry is no exception and needs to be evaluated.

The primary goal of a business is sustained superior performance to ensure consistent growth. The cellular industry is no different. One method that can ensure this superior performance and differentiate a business from its competitors will always be the quality of its relationship with customers. It is very difficult to secure a client. A strategy that provides the level of quality, value and satisfaction necessary to retain customers over the long term insulate a firm from the rapid pace of change in the environment. It is also essential for such a strategy to make customers feel good, supported and cared for.

Relationship marketing is a shift away from market share to customer share. The sale should be viewed as the beginning of an ongoing relationship. Cellular telephone companies should strive to solidify relationships by transforming indifferent customers into loyal advocates of the company by using suitable communication.

1.2 STATEMENT OF THE PROBLEM

Whilst research has been conducted on general aspects of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. It is the intention of this study to examine the way in which relationship marketing is currently being employed in the cellular industry and assessing how improved communication can result in the effective application thereof.

There are two main parties who will benefit from the findings of this study, namely the cellular operating companies and retailers. They will be better equipped to apply relationship marketing principles to their business operations. These recommendations could be used to develop strategies to adopt improved relationship marketing techniques.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study were to:

- 1.3.1 Investigate whether the communication efforts of the cellular operating companies are satisfying customers.
- 1.3.2 Establish if the communication tools used by the companies are effective in promoting relationship marketing.
- 1.3.3 Explore whether existing customers will become advocates of the company.
- 1.3.4 To investigate how customer grievances are handled by the various service providers.

1.4 RESEARCH QUESTIONS TO BE ANSWERED

The key questions the study intended to answer were:

- 1.4.1 Are the communication efforts of the cellular companies satisfying customers?
- 1.4.2 Are the communication tools adopted by cellular companies effective in promoting relationship marketing?
- 1.4.3 Will existing customers become advocates of the cellular companies?
- 1.4.4 How are customer grievances handled by the various service providers?

1.5 LIMITATIONS AND ASSUMPTIONS OF THE STUDY

- This study was unable to explore the impact of relationship marketing on the fourth cellular service provider, Virgin Mobile, which was introduced in South Africa in June 2006, since the fieldwork had been conducted between December 2005 and March 2006.
- Since Mobile Number Portability (MNP) was introduced on 10 November 2006 in South Africa, its use and impact on cellular phone users could not be investigated in this study either.
- The use and impact of Mxit, a fairly recent innovation with cellular phones, was not researched since most users of Mxit are under 18 years of age and the sample for this study excluded respondents under 18 years of age.
- This study was unable to investigate the use of 3G technology since most cellular phone users surveyed were not in possession of 3G and EDGE enabled cellular phones at the time.

1.6 STRUCTURE OF THE STUDY

1.6.1 Chapter one: Introduction

Chapter one is an introduction to the study. It focuses on the orientation to the study, the problem statement, the demarcation of the field of study, as well as the delimitations.

1.6.2 Chapter Two: Literature review (Relationship Marketing)

Chapter two surveys the literature surrounding relationship marketing. It starts with the origins of Relationship Marketing, definitions and explanations of Relationship Marketing and then examines the following concepts that form the basis of Relationship Marketing: namely, Excellent Customer Service, Technology to Gain Customer Knowledge and Insight, Individual Customer Approach, the Learning Relationship, Unrealistic relationships, Essential Ingredients of a Relationship, Relationship Loyalty, Stages of Relationship Development and Return on Relationships (ROR)

1.6.3 Chapter Three: Literature review (Communication)

Chapter three surveys the literature surrounding communication. It further examines the following theoretical underpinnings: Communication Objectives, The Communication Effects Pyramid, The

Communication Process, The Communication Mix and evaluating the marketing communications efforts

1.6.4 Chapter Four: Research Methodology

Chapter four critically examines the research methods employed to co-ordinate this research study. It discusses the nature of the study, the survey methods and the research instrument employed.

1.6.5 Chapter Five: Results and Discussions

Chapter five presents an analysis of the empirical study with the aid of graphs and tables.

1.6.6 Chapter Six: Conclusions and Recommendations

Chapter six draws conclusions based on the findings and thereafter proposes recommendations

CHAPTER 2

RELATIONSHIP MARKETING

2.1 THE ORIGINS OF RELATIONSHIP MARKETING

Relationships have been at the heart of marketing in an informal way since the first stirrings of commerce; however as a formal approach to marketing, relationship marketing is more recent.

Marketing today is heavily influenced by the shift away from transactions towards relationships since relationship marketing offers a more holistic approach to understanding marketing dynamics and to developing and implementing marketing strategies. It further emphasises the creation of greater value for customers and organisations through fostering co-operative and collaborative partnerships. Hart, (2003:125-126) further maintains that relationship marketing emerged in the latter part of the 1970s and early 1980s as an alternative approach to understanding markets than that which had dominated in the previous 30 years i.e. the mix management paradigm. In the early years, relationship marketing enjoyed parallel development within services and industrial marketing.

The unique characteristics of services: inseparability, intangibility, heterogeneity and perishability, demanded that service marketers develop a different approach. The dominant mix management paradigm was criticised for offering 'no guidance, no terminology, or no practical rules for services'. Initially, services marketers attempted to enhance the dominant paradigm through the incorporation of additional elements – people, processes and physical evidence. However, this approach proved less compelling than the development of strategies unique to the characteristics of services. Service-based marketing strategies had to recognise and deal with the importance of customers and buyers i.e. people in the service delivery experience, and this led to a focus on managing and understanding the interaction between buyers and sellers. This new approach to services marketing became known as relationship marketing. It represented an approach to develop formal, ongoing relationships between buyers and sellers in order to enhance customer retention. Today,

the term relationship marketing is applied to any marketing situation where relationships are deemed important.

By the late 1970s, European researchers recognised the centrality of relationships in business. Their understanding of the role and development of such relationships is captured in the interaction approach. This approach conceptualises relationships as the outcome of interaction between buyers and sellers. Within this view, both buyers and sellers are active, and both have similar roles in forming, developing and maintaining relationships. This is an important point because it had been previously assumed that buyers were generally passive and this is an implicit assumption of the mix management paradigm.

In the late 1980s and early 1990s, researchers in the USA, offered a compelling and insightful model of relationship development and presented clear guidelines for creating and managing customer relationships. These researchers were concerned with articulating and testing the antecedents and consequences of business relationships. While the European researchers relied on the understanding of business relationships as a special case of interpersonal relationship, the American researchers adopted the social exchange theory (SET) as their conceptual underpinning. Thus, they conceptualised relationships as the outcome of increasing bilateral trust, commitment, co-operation and communication. This view illustrates that mutual goals are achieved through the creation and maintenance of relationships.

From the above brief historical review, it is clear that the researchers working in services marketing independently arrived at the conclusion that the fostering of long-term relationships results in successful exchanges. Although this representation of relationship marketing developed independently, Hart (2003:127), indicates the degree of commonality:

- A focus on the interaction between buyer and seller
- A distinction between transactions (one-off exchanges with no history and no future) and relationships.
- An understanding of those relationships in terms of deepening trust and commitment.

- A recognition that relationships develop and change over time (relationship life-cycle) and, that different strategies may be required at each stage.

Research on the mechanisms associated with relationship marketing suggests that relationships develop between people as a result of extended or intimate interaction. Buyer-seller interaction is distinguishable from other types of human interaction since it is purposive and highly task-oriented. Interpersonal contact makes up a large proportion of relationships, especially those that are recognised and valued by all relational partners. Thus, researchers have paid close attention to the interaction between clients and service providers. The very nature of exchange in services forces buyers into intimate contact with sellers. This emphasises the importance of people in service delivery and service quality.

Hart (2003:128), further emphasises interpersonal interaction within relationship marketing by distinguishing between the functional quality of the service encounter versus the technical quality experienced. The functional quality indicates how the service is delivered e.g. Is your service provider professional, timely and friendly? It focuses on people and the interaction process. Technical quality focuses on the core product or service by indicating what is delivered, e.g. payments to an account or a claim.

Since most organisations today achieve an acceptable level of technical quality, competition is increasingly centred upon the delivery of higher functional or interaction quality. As a result, these organisations need to improve their customers' interaction experience through training, empowering and rewarding their staff.

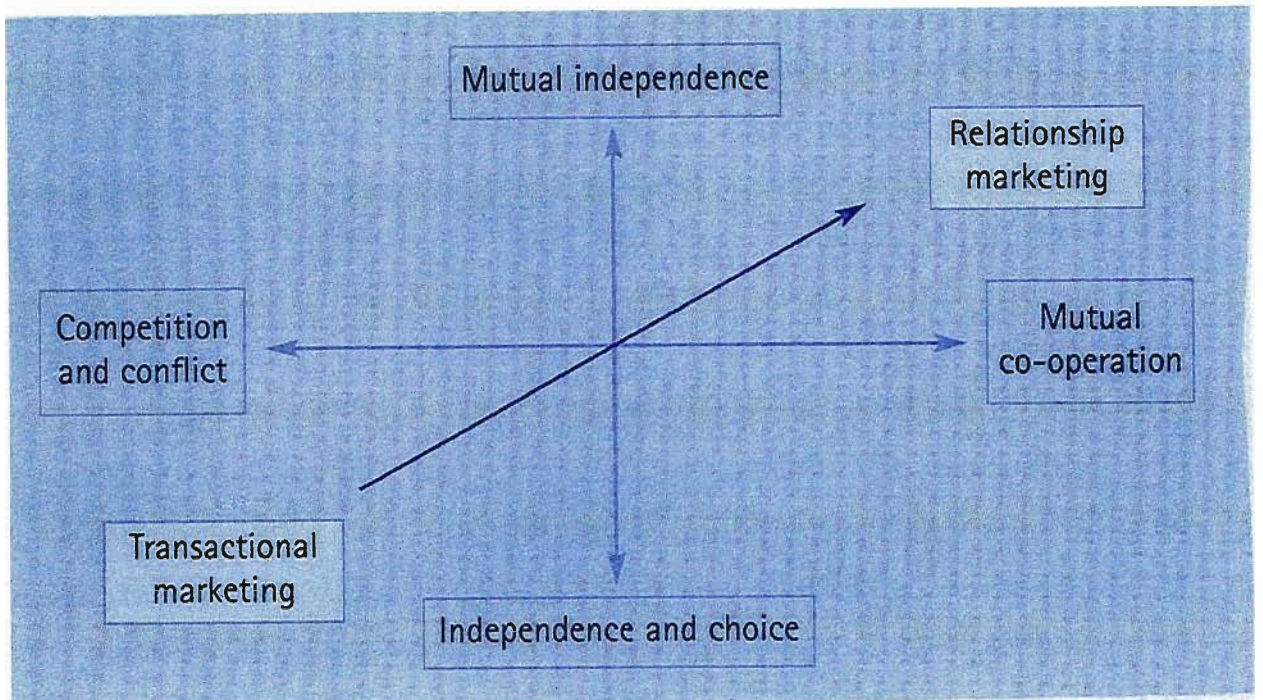


Figure 2.1 Transactional Marketing versus Relationship Marketing (Source: Piercy, 2002:91)

Hart (2003:129-130) maintains that traditionally, marketing focused on transactions rather than relationships. It involved the exchange of money for some easily measured commodity. The identities of the parties were ignored. The relational perspective goes beyond by recognising the importance of the identity of the buyer and seller. Although there is a distinction between transactions and relationships, most research and marketing strategies treat buyer-seller exchanges as discrete events, not on-going relationships. There has been some debate regarding the emphasis on relationships in all marketing contexts. This debate is best epitomised in the marketing-strategy continuum shown in Figure 2.1. The marketing continuum suggests that as one moves from left to right on the continuum, relationship marketing becomes more appropriate. Hence, the suggestion is that relationship marketing is most appropriate in services marketing. Finally, within the relational paradigm, relationships and not transactions become the appropriate unit of analysis.

2.2 DEFINITIONS AND EXPLANATION OF RELATIONSHIP MARKETING

One of the first definitions of relationship marketing is attracting, maintaining and enhancing customer relationships (Berry, 1983:25-28). Other definitions of relationship marketing include Porter (1993: 14), relationship marketing is the process whereby both parties – the buyer and the provider – establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally and profitably rewarding to both parties.

O'Malley et al (1997), define relationship marketing as involving the identification, specification, initiation, maintenance and (where appropriate) dissolution of long-term relationships with key customers and other parties, through mutual exchange, fulfilment of promises and adherence to relationship norms in order to satisfy the objectives and enhance the experience of the parties concerned.

Pricewaterhouse Coopers (1999: 12) defines relationship marketing as a business strategy – an attitude to employees and customers – that is supported by certain processes and systems. The goal is to build long-term relationships by understanding individual needs and preferences – and in this way add value to the enterprise and the customer.

According to Etzel, Walker & Stanton (2001), relationship marketing is the process of moving toward long-term, cost effective, mutually beneficial trust with selected customers. McDonald and Christopher, (2001:291), define relationship marketing as a continuous commitment to meeting the needs of individual customers, with particular stress on service and quality. Relationship marketing embraces the analysis, planning and management of customer relationships, where the goal of the enterprise is to focus on select customers (Eggert and Fassot, 2001:5).

According to Kotler (2001:7), relationship marketing aims at building long-term mutually satisfying relations with key parties such as customers, suppliers, distributors – in order to earn and retain their long-term preference and business.

Lucas (2005:4), describes relationship marketing as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.

However, the most comprehensive definition of relationship marketing was proposed by Gronroos (2000: 42-3) who submits that the objectives of relationship marketing are to identify and establish, maintain and enhance, and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfillment of promises.

From the above definitions, it is clear that relationship marketing is influenced by contributions from diverse relational schools. It incorporates the purpose, process, focus and key elements of relationship marketing as explained by Evans, O'Malley and Patterson (2004:210):

- The purpose is to satisfy the objectives and enhance the experience of the parties involved.
- The focus is on key customers and other parties.
- The process involves the identification, specification, initiation, maintenance and dissolution of relationships.
- The key elements include mutual exchange, fulfillment of promise and adherence to relationship norms.

Based on the above definitions, Brink & Berndt, (2004: 7) observed the following dimensions. Relationship marketing seeks to create new value for customers and then share it with them by recognising the key role that individual customers have as purchasers. In defining the value they wish to achieve, relationship marketers design and align processes, communication, technology and people in support of customer value. Hence, relationship marketing represents continuous co-operative effort between buyers and sellers that recognize the value of customers' lifetime purchasing, and seeks to build a chain of relationships within the organization and create the value

customers want. Further, one of the main principles of relationship marketing is to identify the most profitable customers so that the business can focus on customers appropriate to its strategy. Wood (2000:15) supports this definition and maintains that the main idea behind relationship marketing is to build relationships with customers in order to retain them instead of concentrating efforts on recruiting new ones.

Evans, O'Malley and Patterson (2004:210), maintain that as a result of participating in a number of different relationships, certain benefits accrue to the organisation:

- Supplier relationships improve value or reduce costs through more efficient ordering systems.
- Relationships with distributors accommodate new product introductions.
- The network of relationships in which the organisation is involved will enhance its competitive position. Therefore, all of these relationships in some way contribute to adding value, reducing costs and increasing innovation.
- This combination of relationships ultimately helps the organisation to enhance its relationships with its own customers.

For customers in the cellular industry, relationship marketing can be very satisfying:

- They feel an affinity with the service provider beyond mere purchase.
- They feel an acquaintance with the organisation and are not just anonymous customers.
- They often receive special treatment and extra pampering by the service provider.
- They are likely to receive timely and relevant communications of offers that would be of interest to them from their service provider.

The benefits of relationship marketing for the service provider as explained by Lucas (2005:323), are as follows:

- There is less need to obtain new customers through marketing since current customers are aware of offerings and take advantage of them.

- Marketing costs are reduced since direct mail, follow-up and other customer recruitment activities are reduced.
- There is an increased return on investment (ROI) since marketing can target specific customer needs.
- It enhances customer loyalty due to pricing and product service offerings that meet current customer needs.
- There is elevated profitability due to increased sales, customer referrals and longer customer retention during life cycle.

Thus, relationship marketing builds strong economic, technical and social ties among the parties and cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, and others) with whom it has built mutually profitable business relationships.

Hart (2003:144), outlines a number of organisational attributes of service providers that may help foster sustainable customer relationships:

- An organisational culture that focuses on customer service.
- Employees must have good interpersonal communication skills since this influences how service providers interact with customers.
- Employee motivation and training is very important especially in services that involve high employee/customer contact, social benefits are valued and where technology plays a significant role in building and maintaining relationships, for e.g. service providers contacting customers via sms.
- Develop an ability to calculate relationship performance and to assess the impact of marketing strategies on customer satisfaction, trust, commitment and loyalty.

Implicit in the above definitions is that relationship marketing involves activities aimed at developing long-term cost effective links between an organization and its customers for their mutual benefit.

Organizations can maintain and enhance relationships by treating customers fairly and offering service augmentations. For the service provider, a valued relationship is one that is financially profitable in the long run. According to Lovelock & Wright, (2002:102-103), customers define a valued relationship as one in which the benefits received from service delivery significantly exceed the associated costs of obtaining them.

The following concepts form the basis of Relationship Marketing and will be discussed and expanded upon below:

- 2.3 Excellent Customer Service
- 2.4 Technology to Gain Customer Knowledge and Insight
- 2.5 Individual Customer Approach
- 2.6 The Learning Relationship
- 2.7 Unrealistic relationships
- 2.8 Essential Ingredients of a Relationship
- 2.9 Relationship Loyalty
- 2.10 Stages of Relationship Development
- 2.11 Return on Relationships (ROR)

2.3 EXCELLENT CUSTOMER SERVICE

Brink & Berndt, (2004:12) identify excellent customer service as an integral part of relationship marketing. No business can consider implementing relationship marketing if it does not offer excellent customer services. Excellent customer services can be achieved by training all staff, even those who do not have direct contact with customers. Staff must understand that their own job satisfaction rests on the success of the organisation. Staff must be supported by technologies and processes to make them more effective. Front line staff must have the ability to communicate with customers in a manner that recognizes them, remembers their contact history, understands their current issues, predicts anticipated behaviour and suggests appropriate solutions. Front line staff are actually consultants who work with customers to add value to their company. The interaction between staff and customers is referred to as the service encounter i.e. the actual service the

customer receives either face-to-face, by telephone, e-mail, or by mail. This service encounter is very important for all types of business.

2.4 TECHNOLOGY TO GAIN CUSTOMER KNOWLEDGE AND INSIGHT

Technology enables an organization to acquire knowledge about customers, establish a database and gain insight into the knowledge through data mining. In order for relationship marketing to be successful, an organisation needs to establish customer-centricity by focusing on the primacy of customers, develop a database by integrating all knowledge about key customers and by using data mining and statistical techniques to extract useful information about individuals, trends and segments from the mass of data.

2.5 INDIVIDUAL CUSTOMER APPROACH

One of the key aspects of relationship marketing in the cellular industry is to focus on individual customers. Individual customers play a key role, thus, the most profitable customers need to be identified so that the business can focus on customers appropriate to its strategy.

Business today, is supported by information, which has the ability to differentiate, customize and personalize, and which enables it to gather information about individual customers. Thus, it is possible to be more flexible and it has the ability to individualise the market offerings, the messages and the media to focus on individual customers.

Not all customers are the same. Different customers should be treated differently. The key is to know who the best customers are and to treat them accordingly. It is impossible for an organization with one million customers to cost effectively communicate one-on-one with all of them, therefore, customers need to be segmented or categorized, based on what is known about them. These segments can be described and quantified in terms of their value and potential value to the organization, and appropriate communication strategies can be designed for each segment.

2.6 THE LEARNING RELATIONSHIP

Enhancing customer relationships requires the marketer to acquire knowledge about the customer and develop insight into this knowledge. The marketer also has to interact regularly with the customer in order to acquire new information.

2.6.1 Learning Relationships are built on Knowledge

Individual interaction leads to a better learning relationship between a customer and an organization. The more customers teach the organization, the better it becomes at providing exactly what they want. According to Brink & Berndt, (2004:25), in order to have knowledge of customers, it is necessary to obtain information. This information is then used to create a database for the customer, which becomes the foundation for relationship marketing. The database contains information about transactions, customer contacts, customer preferences, descriptive information and responses to marketing activities.

2.6.2 Customer Interaction Enhances Relationships

Interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time, helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, a learning relationship is created and the customer will become very loyal. When interacting with customers, ensure that your interactions are always welcomed, protect the customer's privacy, invite dialogue by making contact numbers and web addresses available, ensure that the customer can see value from each interaction and be sensitive to the customer's time. Technology has made interactions increasingly less costly; therefore it is affordable for businesses to interact with a wider range of customers economically. Organizations are able to streamline and automate many of their manual interactions required in serving customers. This reduces cost and saves time.

2.7 UNREALISTIC RELATIONSHIPS

There are many situations where relationship development is unrealistic, from either the customer's or the supplier's perspective. For example it may not be a viable proposition for a supplier to embark on costly relationship building strategies, or there may be a situation where the seller would never see the buyer again.

There are a number of unrealistic customer scenarios. For example, a situation where there is no reason why a buyer will purchase again from a supplier, since the buyer is unlikely to patronize the supplier, he/she sees no benefit from relationship formulation. In some instances where buying processes are formalized and prevents either the parties from developing relationships based on social bonds because the transaction could be compromised and jeopardized by a close association between buyer and seller. Lastly, where the cost associated in a relationship places the buyer at a cost disadvantage.

2.8 ESSENTIAL INGREDIENTS OF A RELATIONSHIP

2.8.1 Customer Value

Kotler (2001:20) suggests that customers will buy from the firm that they perceive offers the highest customer delivered value. Customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits that customers expect from a given product or service. Total customer cost is the bundle of costs that customers expect to incur in evaluating, obtaining, using and disposing of the product or service.

Trust

Trust and commitment is an important indicator when relationship marketing strategies may be potentially valuable. Morris, Barnes and Lynch (1999) defined trust as a willingness to rely on an exchange partner in whom one has confidence. In other words, the word of another can be relied upon. This exchange partner may be an individual, e.g. a sales representative from your service provider, an organisation, or a brand or symbol (Hart, 2003:131). The fundamental building blocks of trust are achieving results, demonstrating concern and acting with integrity.

Evans, O'Malley and Patterson (2004:213), consider trust to be the basis of relationships and the glue that holds it together. Unless there is a minimum level of trust between the parties, it is unlikely that a relationship will be initiated at all. If trust breaks down, the relationship is likely to be dissolved. In order for customers to trust in their service provider, they must have confidence in their service provider's ability and willingness to keep their promises. Trust is particularly important for services, which by their nature are highly intangible, for example in the cellular phone industry, there is a need for a minimum level of customer trust at least before service delivery is initiated. The trust that a customer places with the service provider is mainly based upon their own experience with that provider or with similar organisations. Trust in a relationship brings harmony and stability.

According to Peppers and Rogers (2004:71), a relationship of trust is one in which both parties feel 'comfortable' continuing to interact and deal with each other, whether during a purchase, an interaction or a service transaction. Trust rarely happens instantaneously. Even if the trusted source has been recommended by another, the customer must 'feel' the trust within before he will begin to divulge personal information about himself. The benefits of a relationship based on trust are as follows:

- Co-operation – trust negates uncertainty and leads to better co-operation between relationship members.
- Commitment – vulnerability is overcome when parties trust each other
- Relationship duration – trust encourages relationship members to work to preserve their relationship
- Quality – trusting parties receive and use information from their trusted parties and derive greater benefit from it.

As an extension to the concept of trust, Lucas (2005:319) identifies five dimensions of trust that can help explain why customers trust one service provider over others:

- Personal experience
- Organisational knowledge (of the chosen service provider)

- Deference
- Reference (what one learns about that particular service provider from others)
- Glitz (advertising, packaging and high pricing)

It is up to the customer to decide how much information they will share with the service provider. The more willing customers are with information about themselves, the more customised and personalised the service will be. However, customers will sacrifice a level of privacy. In order to establish a customer-focused business world, service providers need to gain the customer's trust since relationships do not exist without it. Trust ensures that a customer will give the enterprise vital information that it needs to serve the customer better. For example, if the cellular phone user were not sure that the service provider was not sharing his vital information with other companies, would he even think of filling out all the forms? The company has to assure their customers that their information is safe with them. This enables customers to become comfortable with the company and share more information. This leads to the gradual building of a relationship between a company and its customer. In order to build this relationship of trust, the company may offer their customers something of value in return. This includes cash oriented benefits like discounts, coupons or promotions. For e.g. MTN offers their customers a home theatre system when they sign a new contract. Once the flow of information begins between the enterprise and the customer, it is imperative for the enterprise to enable the customer to feel he controls his information. The service provider should enable the customer to use the information to save him time, money and deliver value. This also leads to fulfilling the customer's expectations of trust and leads to lifetime loyalty (Peppers and Rogers, 2004:82). For example, service providers can use customer information to inform cellular phone users when their contract needs to be renewed.

Lucas (2005:319), suggests a few strategies that service providers may implement to gain and develop customer trust:

- Communicate effectively and convincingly
- Display caring
- Be fair

- Admit errors or lack of knowledge
- Trust your customers
- Keep your word
- Provide peace of mind
- Sell benefits not features
- Know your competition

From the above, it is clear that the element of trust is an indispensable component of a healthy, growing relationship between a service and the cellular phone user. Service providers create trust-based customer relationships through the actions of their employees and partners, and through company strategies and policies (Pepper and Rogers, 2004:71). Earning the customer's trust is one of the earliest goals in the service provider's effort to build a long-term relationship. Only in a relationship of trust, can information pass back and forth freely between buyer and seller. Also, a relationship of trust can provide a genuine, sustainable, competitive advantage. Thus, trust is the currency of all commerce.

Uncertainty and Dependence

Relationships based on uncertainty and dependence tend to be less stable as they focus on presently existing conditions. Changes in external conditions, availability of resources, and environmental uncertainty could modify the original parameters that once justified the formation of the relationship. The converse is also intuitive, satisfied customers are generally more inclined to remain in the relationship. The duration of the buyer-seller relationship depends on the customer's subjective assessment of the value of a relationship that is continuously updated based on perceptions of previous experiences. Customers tend to weigh prior satisfying experiences more heavily than they do new experiences. They also weigh negative experiences or losses more heavily than they weigh positive experiences or gains. Companies attempt to entice customers to stay longer by attempting to improve existing satisfaction levels.

Service providers can ensure that customers come back by providing a personal, professional strategy. Lucas (2005:340), provides some useful tips that can help to keep customers:

- Pay attention
- Deal with one customer at a time
- Know your customers
- Give customers special treatment
- Service each customer adequately
- Do the unexpected
- Handle complaints effectively

In addition, Peppers and Rogers, (2004:48) explain that as dependence is not a strategically desirable situation, relationship members will constantly seek relationships that provide them with more favourable positioning. Thus, while dependence plays a role in long-term relationship development, it is not sufficient to maintain a relationship.

Commitment

Commitment is connected with the notion of trust. Morris et al defined commitment as an enduring desire to maintain a valued partnership. This implies that both parties will be loyal, reliable and show stability in their relationship. According to Peppers and Rogers (2004:45), commitment is the belief that the importance of a relationship with another is so significant as to warrant maximum effort at maintaining it. Like trust, commitment is viewed as extremely important in the formation of customer relationships. Morgan and Hunt (1994) submitted that, 'The presence of relationship commitment and relationship trust is central to successful relationship marketing... Commitment and trust lead directly to co-operative behaviours that are conducive to relationship marketing success.'

Evans, O'Malley and Patterson, (2004:215) identified four types of commitment, namely, behavioural, attitudinal, calculative and affective. Behavioural commitment refers to the actual behaviour of parties in the relationship, the efforts they make and the choices they take. Attitudinal

commitment refers to 'an implicit or explicit pledge of relational continuity' between relational partners. Peppers and Rogers, (2004:45) refer to calculative commitment which is the economic analysis of the costs and benefits of making a commitment and affective commitment which is based on continuing the relationship not only because of short-term economic benefits, but because each party feels an emotional attachment towards the other

Hart, (2003:132) explains that relationship dissolution occurs when the levels of commitment to the relationship are questioned. Sometimes, the lack of commitment by one partner may be part of a deliberate strategy of withdrawal. Relationships are developed through interaction, co-operation and communication. The degree of communication and co-operation signifies the level of commitment to the relationship.

Bonds

Bonds are important elements in bringing buyers and sellers together in a relationship. Hart (2003:132), identified two bonds that play an important role: social and structural bonds. Social bonds relate to the degree of mutual personal friendship and liking shared by the buyer and seller. These bonds are developed over time, through interaction and lead to loyalty. Social bonds make people more tolerant of service failure and influence the amount of information shared and the motivation to resolve conflicts. These bonds play a vital role in the creation of 'special status' that is central to the recognition of a relationship. Structural bonds can be based on technical knowledge, legal or economic elements. It can create a strong impediment to relationship termination. An example of a legal and economic bond in the cellular industry is when contracts are signed and payments are made. While both social and structural bonds are important elements in successful relationships, social bonds represent a more sustainable strategy since they engender more positive emotions toward the service provider.

Fairness

There are two distinct types of relationship fairness: distributive and procedural. Distributive fairness is based on the perception of relationship rewards versus relationship burdens or

obligations and is thus focused on relationship outcomes. Procedural fairness is based on the perception that procedures and processes used are fair and is thus more focused on behaviours, independent of the outcome. Distributive fairness is influenced by a combination of elements that may or may not be under the control of the relationship members while procedural fairness is influenced by elements under the control of the relationship members. Procedural fairness has a much stronger effect on the development of trust and commitment of an effective long-term relationship since it has a more enduring quality.

Privacy

According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer based on individual information, it will recognise that customer data is its most valuable asset, will secure and protect that data, and will share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge. This privacy pledge will include:

- The kind of information generally needed from customers
- Any benefits customers will enjoy from the service provider's use of individual information
- An individual's options for directing the service provider not to use or disclose certain kinds of information
- Any events that might precipitate a notification to the customer by the service provider

A company can jeopardise its relationship with its customers by engaging in unethical practices that compromise customer privacy. Instituting a privacy policy serves to reassure customers of a company's intentions. For example, the three cellular service providers in South Africa believe that customer loyalty depends on trust and protection of privacy. Therefore, they do not send sms and e-mail promotions to customers without their permission.

Symmetry

Peppers and Rogers (2004:49), refer to symmetry as the degree of equality between relationship members. It includes information sharing, dependence and power. Symmetrical relationships are very stable since it discourages the development and expression of conflict since the relationship members have equivalent stakes in the relationship.

2.8.2 Shared Goals and Mutual Benefits

Shared goals and mutual benefits are key in building effective marketing relationships. Commitment to a relationship is affected by the extent to which the partners have beliefs in common about behaviours, goals, and policies. Shared goals have significant effects on relationships since people with shared goals expect to receive help from each other, for example they share relevant information and trust this information since its in the interests of both sides to maximize their effectiveness and attain their goal.

2.9 RELATIONSHIP LOYALTY

The purpose of building relationships with customers is to retain customers. By retaining customers, loyalty is created.

2.9.1 Customer loyalty

Customer loyalty means that customers are committed to purchasing products and services from a specific service provider and will resist the actions of competitors attempting to attract their patronage. Thus they have a bond with the service provider. Egan defines loyalty as the biased behavioural response, expressed over time by customers with respect to one supplier out of a set of suppliers which is a function of decision making and evaluative processes resulting in brand or store commitment. Peppers and Rogers (2004:56), approach customer loyalty from two different directions: attitudinal and behavioural. The attitudinal definition of loyalty implies that loyalty is a state of mind. Customers are loyal to a brand or company if they have a positive, preferential attitude toward it. They like the company, its products, or its brands, and they prefer to buy from it, rather than from the company's competitors. Any company wanting to increase loyalty in attitudinal

terms will concentrate on improving its product, its image or other elements of the customer experience. In the behavioural definition, loyalty is not the cause, but the result of brand preference. A company wanting to increase customer loyalty will focus on whatever tactics will increase the amount of repurchase behaviour. These tactics include raising customers' preference for the brand or their level of satisfaction with it. Piercy (2002: 30), suggests that there are many non-attitudinal factors that impact on behavioural loyalty of cellular phone users to a greater extent:

- Committed loyalists – place a high value on what we offer them, tend to be willing to pay a price premium, and not to switch – they are Satisfied Stayers.
- Feature loyalists – place a high value on one or two 'must have' features of the product or service – they may be Satisfied Stayers or Hostages.
- Convenience loyalists – stick with the present option for an easy and convenient life for e.g. the customer may hate their present service provider but it's just not worth the hassle of changing – these are the Hostages.
- Channel loyalists – place a high value on the channel of distribution – another form of hostage.
- Lack of choice – have no alternatives – customer believes that Cell C is the best service provider in the world, but their employer uses MTN – another form of hostage.
- Price loyalists – want the best price for basic product performance.

Loyalty must be seen as a biased repeat purchase behaviour, or repeat patronage accompanied by a favourable attitude. Many companies tend to concentrate on seeking new customers after securing a customer's order. They do not understand the importance of maintaining and enhancing the relationships with their current customers i.e. too little emphasis is placed on generating repeat business. Thus, the objective of relationship marketing is to turn new customers into regularly purchasing customers, and to progressively move them to being strong supporters of the organization.

Developing customer loyalty is about ensuring that we keep our current customers loyal by giving them more reasons to stay loyal. Foss and Stone (2001:484), maintain that most loyalty experts

would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires, etc. They further explain that there are degrees of loyalty. Some customers are very loyal, some less so. Therefore, loyalty is developed by approaches which reinforce and develop a positive state of mind. The aim is not to make all customers loyal, but rather to improve the loyalty of those customers most likely to respond.

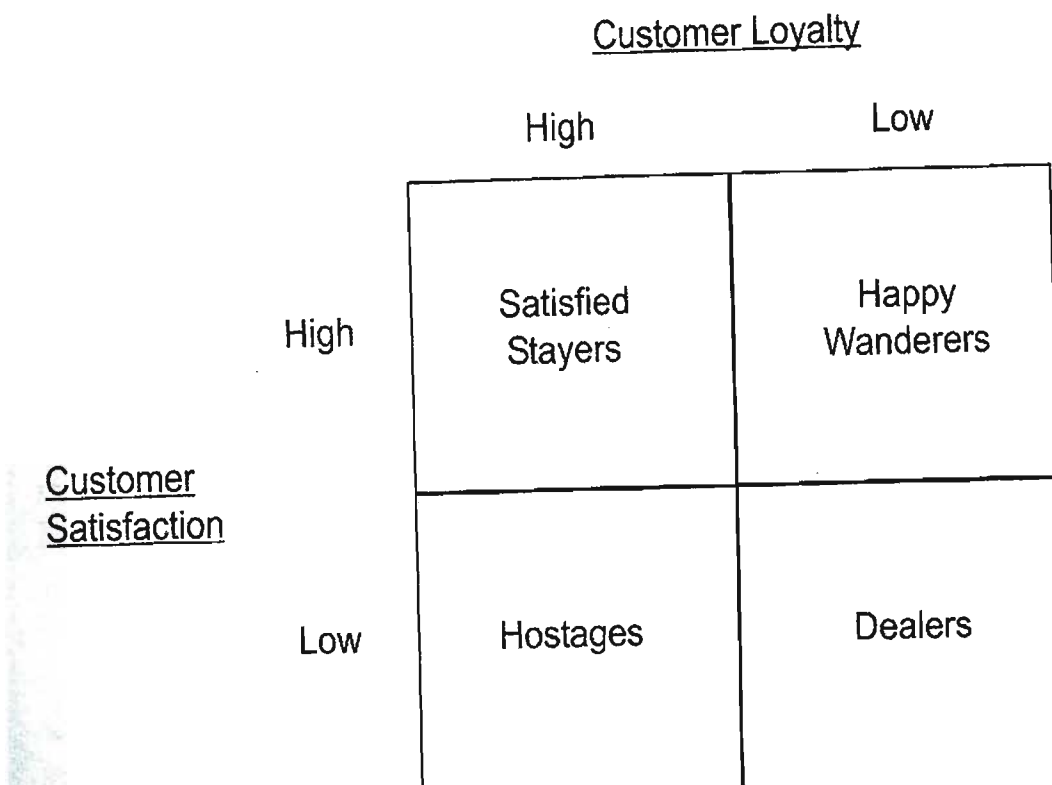


Figure 2.2 Customer Loyalty/Retention versus Customer Attractiveness
 (Source: Piercy, 2002: 66)

Figure 2.2 shows clearly that loyalty is much more than devising a promotional scheme to reinforce customers who want to buy more. It's about changing and/or reinforcing buying behaviour and adding value to the brand. Managing loyalty is also about a state of mind since it affects the customer's attitude to doing business with the service provider over the long term.

Evans, O'Malley and Patterson (2004:217), identified the following elements of loyalty:

- Cognitive loyalty – the brand is cognitively compared with other brands
- Affective loyalty – the consumer likes the brand or organisation as a result of previous satisfying experiences
- Co native loyalty – reflects an intention to re-purchase
- Action loyalty – a commitment to re-buy or re-patronise a preferred product or service consistently in the future.

Evans, O'Malley and Patterson (2004:292), suggest that organisations should very carefully consider developing their own loyalty programme. However, a loyalty programme is not necessarily appropriate for every single organisation. They are most effective for organisations that meet the following conditions:

- The organisation has a product that is purchased frequently, enabling the customer to work actively towards a level of reward.
- The product margin enables the organisation to support the programme.
- The product is a parity item, where it is just as sensible for customers to purchase a competitor's product.
- The product has a history of brand switching.
- The organisation is in a position to commit all resources.
- The company has a service culture in which concern about the customer is integral to the business.
- The company has an aggressive commitment to excellence.

Lucas (2005:325) suggests that the personal characteristics of a service provider may affect customer loyalty and consists of the following:

- Responsiveness
- Adaptability
- Communication skills
- Decisiveness

- Enthusiasm
- Ethical behaviour
- Initiative
- Knowledge
- Perceptiveness
- Planning ability
- Problem-solving ability
- Professionalism

2.9.2 Customer Satisfaction

There is a considerable overlap between trust and satisfaction, since both represent an overall evaluation, feeling or attitude about the other party in a relationship. Satisfaction may be developed directly through personal experience or less directly through opinion and the experience of others. Satisfaction involves the perceived standard of delivery and depends on the duration of the relationship. Thus high levels of service need to be present throughout the delivery process. Satisfaction over time reinforces the perceived reliability of the organization and contributes to trust. Therefore, trust is a belief in a person's or organization's competence to perform a specific task under specific circumstances.

Kotler (2001:21) defines satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Thus, satisfaction is a function of perceived performance and expectations. If the performance falls short of the expectations, the customer is dissatisfied; if it exceeds expectations, the customer is highly satisfied.

Many companies aim for high customer satisfaction since this creates an emotional bond with the brand and results in high customer loyalty. Clearly, the key to generating high customer loyalty is to deliver high customer value. According to Peppers and Rogers (2004:46), the overall role that customer satisfaction plays in the formation of relationships is intuitive since a dissatisfied customer will generally seek to replace the service provider.

Evans, O'Malley and Patterson (2004:219) offer the following criteria by which cellular phone users evaluate satisfaction:

- Economic satisfaction – an evaluation of the economic outcomes that flow from the relationship
- Social satisfaction – psychological aspects of the relationship

Increasing customer satisfaction is valuable because it can lead to repeat business and service providers can achieve this by building good relationships with their customers. This is the key to keeping your business productive and profitable which can be difficult in a competitive market where so many companies are in the race for customers.

Measuring customer satisfaction

According to Piercy (2002:43) customer satisfaction measurement needs to take the following into account:

- Developing different concepts of customer satisfaction which can be evaluated
- Designing effective customer satisfaction data collection and reporting systems
- Adopting methods for institutionalising customer satisfaction measurement into organisational control systems
- Developing systems for responding effectively to customer dissatisfaction and customer complaints

Uses of customer satisfaction measurement

Managerial uses of customer satisfaction measurement – evaluates quality and production, guides research and development, staff pay and promotions, training and evaluation of operational and managerial staff, strategic management control.

Internal Processual barriers – examines internal politics, customer fear, corporate culture, market complacency and credibility.

Market strategies – identifies imperatives such as service and quality; competitive differentiation; sales goals.

The dynamics of the customer satisfaction measurement is shown in figure 2.3.

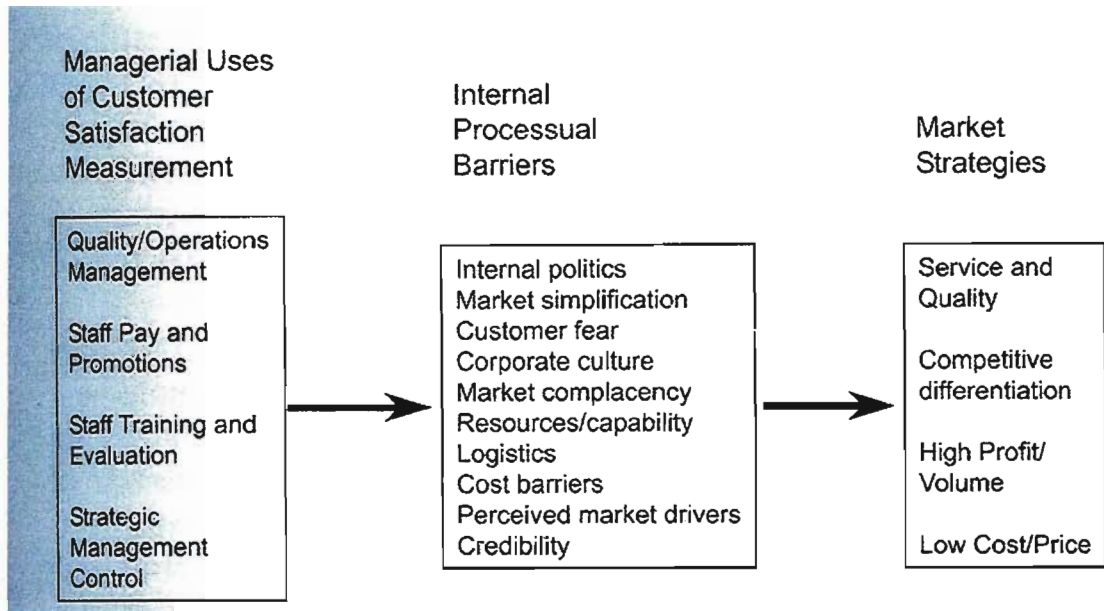


Figure 2.3 Customer Satisfaction Measurement (Source: Piercy, 2002: 45)

Piercy (2002:48), suggests four possible scenarios that result when internal and external customer satisfaction are compared (Figure 2.4):

- Synergy
- Coercion
- Alienation
- Internal euphoria

		<u>External Customer Satisfaction</u>	
		High	Low
<u>Internal Customer Satisfaction</u>	High	<u>Synergy</u> <i>"Happy customers and "happy" employees</i>	<u>Internal Euphoria</u> <i>"Never mind the customer, what about the squash ladder?"</i>
	Low	<u>Coercion</u> <i>"You WILL be committed to customers - or else...."</i>	<u>Alienation</u> <i>"Unhappy" customers and "unhappy" employees</i>

Figure 2.4 Internal Customer Satisfaction (Source: Piercy 2002:28)

As shown in Figure 2.4, Piercy (2002:28), suggests that there are four possible links between customer satisfaction and loyalty:

- Satisfied stayers – if you satisfy customers through your quality in product and service, they will remain loyal.
- Happy wanderers – these customers show every sign of being satisfied with what you do and how you do it, but they do not or maybe can not give loyalty in return. They may choose to buy elsewhere because: tempting new products and services attract them; they want things they can only get from a competitor; technological innovation takes them to the competition.
- Hostages – it is possible that our most loyal customers may be highly dissatisfied ones. They may be tied to us by: product compatibility, loyalty incentives, e.g. free minutes you

receive from your service provider); the economic and psychological costs of switching (e.g. switching service providers). These customers are not satisfied but they are retained.

- Dealers – these customers are not satisfied and move brands and suppliers frequently. Often they will be buyers most attracted by low prices and the 'best' deal on the market.

However, Piercy (2002:30), further suggests that satisfaction and loyalty are not the same thing (Figure 2.5). The difference between them is straightforward: satisfaction is an attitude (how a customer feels about the company, product, and service), while loyalty is behaviour (do they buy from us more than once).

		<u>Customer Loyalty</u>	
		High	Low
<u>Customer Satisfaction</u>	High	Satisfied Stayers	Happy Wanderers
	Low	Hostages	Dealers

Figure 2.5 Customer Satisfaction Versus Customer Loyalty (Source:Piercy 2002:77)

2.9.3 Customer Retention

It has been suggested that it costs up to five times more to win a new customer than to retain an existing customer. A retained customer is more profitable than a new customer because there are costs involved in acquiring new business, it takes time to bring new customers into profit, the more satisfied customers are with the relationship, the more likely they are to place a larger portion of their total purchase with the company, retained customers are easier to sell to, with lower costs, satisfied customers may also refer others, leading to more profitability, loyal customers are less price sensitive and less likely to switch suppliers due to price increases.

There is a direct linkage between customer retention rate and the average duration of a customer relationship. For example, if the customer retention rate is 90% p.a. then the average customer lifetime will be ten years. If the customer retention rate is improved to 95%, then the average customer lifetime will be twenty years. Thus, a doubling of the average customer lifetime is achieved for a relatively small improvement in the customer retention rate. An important statistic that is not always measured is the lifetime value of a customer. This is the measure of the financial worth to the organization of a retained customer. If customers are loyal and continue to spend money with the service provider into the future, the odds are that their lifetime value will be greater than that of a customer who buys once or twice and then switches to another supplier or brand.

According to Evans, O'Malley and Patterson (2004:288), a service provider's ability to retain customers will be directly proportional to its understanding of why customers defect, and its ability to make appropriate changes in the future. A service provider's failure to meet customer expectations may result in one of the following responses from customers:

- Exit – when a customer is left dissatisfied the most common response is simply never to deal with that service provider again.
- Voice – many customers give voice to their feelings about organisations. This voice may be positive (compliments) or negative (complaints). It may include feedback to the organisation itself or word of mouth to other customers. Feedback, whether positive or

negative, is very important to the organisation since complaints offer them an opportunity to solve the problem.

- Loyalty – loyalty programmes which are used to acquire and retain customers can be developed for a variety of reasons:
 - To generate information
 - To reward loyal customers
 - To manipulate consumer behaviour
 - To increase switching costs

The value of retaining customers

There is a high correlation between customer retention and company profitability since even a small improvement in retention rates could have a dramatic impact on profitability. This dramatic effect on profitability can be due to retained business, increased expenditure by the customer over time, repeat customers costing less and referrals by satisfied customers.

Payne, Christopher, Clark and Peck, (2000: 249) maintain that long-term customers are more profitable because they place frequent, consistent orders, they tend to buy more, they are willing to pay premium price. Thus, as the retention rate goes up, so does profitability. The most powerful way to grow your business is to increase your retention.

Kotler (2001:27) maintains that the key to customer retentions is customer satisfaction. A highly satisfied customer stays loyal longer, buys more, talks favourably about the company and its product, pays less attention to competitors, is less-price sensitive, offers product or service ideas and costs less to serve than new customers. Thus, a company would be wise to measure customer satisfaction regularly and to try to exceed customer expectations and not merely meet them.

Kotler (2001:28) suggests two ways in which companies can strengthen customer retention:

- Erect high switching barriers.
- Deliver high customer satisfaction.

Developing a customer retention strategy

Key elements of a customer retention strategy are market information, selective retention effort, design and development of proactive retention programmes, communication and implementation of retention programmes, continual monitoring of retention programmes

Retention strategy must be based on clear and achievable objectives. Retention objectives must support corporate and marketing objectives. There must also be visible leadership and commitment of top management. This includes the empowerment of employees and valid endorsement of other stakeholders. Also relevant and accurate segmentation of customers and meaningful, usable performance must be included. Regular review and reassessment of retention strategy is vital.

Developing a customer retention programme

Step 1 is to measure customer retention levels. This is achieved by undertaking customer retention rate analysis by segments and segment profitability analysis.

For example, in the cellular phone industry, retention is measured/defined by renewals. A single customer may be retained by more than one supplier within the same product or service category, for example, a cellular phone user may have two contracts with different service providers.

Another aim should be to retain the most valuable customer relationships and to develop or drop the least valuable ones.

Step 2 is to identify causes of customer dissatisfaction by segment. This can be done by analyzing customer defection, customer complaints, competitive benchmarking and critical failure factors.

Customer satisfaction/loyalty by segment can be analysed by examining customer satisfaction, benefit trade-off and customer referral.

Customer defection analysis is concerned with developing an understanding of the sources of failure. A lot can be gained by analysing reasons for why customers defect. At the very least the customer should be asked why they no longer wish to do business with the organisation.

There are a number of reasons for customer defections, Evans, O'Malley and Patterson (2004:281), cite the following:

- Price – defecting to get a lower price.
- Product – defecting in order to purchase a superior product.
- Service – defecting for a better service.
- Defecting because of a core service failure.
- Service-encounter failure or failed employee response to a service encounter.
- Inconvenience.
- Market – defecting to a different market.
- Technological – a customer has converted from using one technology to another.
- Organisational – switching as a result of ethical or political pressures.
- Involuntary factors.

Many of these factors are actually controllable by the service provider. Thus, customer defection can be reduced by initiating management programmes in the first place. Customer defection analysis allows the organisation to identify the root causes of defection, for example, a cellular phone user may cite price as a reason for leaving their chosen service provider, when in actual fact they were dissatisfied with customer service, lack of responsiveness and reliability.

Customer complaints provide an indication of the source of dissatisfaction since customer feedback provides insight that can be used to improve service and be innovative.

McDonald and Christopher (2001:328), cite the following reasons why customers break off relationships with their suppliers: the product fails to perform as promised, poor service (for example, long queues, long waiting times, inefficient staff) and price.

Pepper and Rogers (2004:185), view a complainant as a customer with a 'negative' value that can be turned into positive value. Thus, a complainer has an extremely high potential value which needs to be converted because:

- Complaints are a 'relationship adjustment opportunity' – complaining customers enable the company to understand why their relationship is troubled and determine ways to fix the relationship.
- Complaints enable the company to expand its scope of knowledge about the customer – by hearing about the complaints, the company learns more about their customers needs and can strive to increase the value of their customer
- Complaints provide data points about the company's products and services – listening to customer complaints enables the company to better understand how to modify and change their offerings based on customer feedback.

Competitive benchmarking involves using accepted standards of performance for comparing your organisation with its competitors. Sales per unit and market share can be compared.

In order for the customer satisfaction analysis to be effective, the entire organisation has to agree about what exactly is meant by 'customer satisfaction'. For some it may mean that customers are satisfied if they don't complain and continue purchasing the product. Thus, measuring customer satisfaction is challenging.

Benefit trade-off analysis allows different product/service or brand benefits identified by customers to be 'traded-off' against each other. This reveals the customer's benefit priorities which can be used to develop more customer-orientated and customer-specific marketing strategies.

Customer referral analysis offers valuable insight into what characteristics customers deem important in a supplier and what recommendations they give others about specific products, services or brands.

Step 3 examines implementing defection, prevention and retention improvement procedures by segment. This can be done by developing early-warning systems, switching barriers, employee retention, best practice development and recovery and loyalty programme development.

Customer Retention Approaches

Johnson and Weinstein (2004:196) explain that customer retention efforts should begin as soon as the firm acquires a new customer and should include:

- learning as much as possible about customer needs
- responding promptly to any indication of disinterest
- making customers feel truly cared for
- resolving complaints quickly and efficiently
- being willing to negotiate with high-value customers who show signs of inactivity

Some effective approaches to enhance retention as cited by Johnson and Weinstein (2004:196) include:

- building a customer database
- designing loyalty programmes
- offering long-term services
- using reminder advertising
- researching customers needs and wants
- welcoming suggestions and complaints

Improving Customer Retention

In order for an organisation to achieve maximum results for their customer retention programme, they must not only measure their retention rates but they must communicate the results and their importance to all their employees. One way of underlining to employees the importance of keeping customers is for management to stress the cash value of each customer.

Value Managed Relationships

One way of measuring retention rates is using a technique called Value Managed Relationship (VMR). VMR's are collaborative, communicative partnerships between suppliers and their customers. Instead of focusing on the lowest unit price, VMR's are aimed at reducing system costs which is the total cost of all functions incurred by both the supplier and the customer for a specific

product or service (Payne, Christopher, Clark and Peck, 2000: 250-1).VMR's provide five benefits to the supplier: retained customers, increased sales volume, improved margins, higher quality output and locked-out competitors.

2.9.4 Customer Acquisition

Acquisition is the lifeblood of any organisation. Even those organisations with high retention rates need to find new customers. Evans, O'Malley and Patterson 2004:262 maintain that customer acquisition paves the way for successful customer retention because:

- The more efficient and effective an acquisition drive is, the greater the pool of customers whose retention values the organisation can capitalise upon.
- Every relationship begins with acquisition and it is during this stage that the demands and expectations of respective parties are shaped.

Evans, O'Malley and Patterson, (2004:271) identified two main problems associated with an organisational focus on acquisition. First, many companies have failed to understand the costs associated with customer acquisition and especially where acquisition costs are so high that they undermine profit. Because of extensive competition, it takes enormous marketing expenditure to set the company apart from the crowd. Thus, companies today must find the right balance between acquisition and retention strategies. They must develop different propositions for potential and existing customers.

2.9.5 Progression

The relationship between the customer and the organisation is seen as a collaboration providing benefits for both sides and it also demands input from both sides. Thus, it is a continuous relationship. In other words, the relationship is progressing and both parties are happy, they are not anticipating the ending of the relationship.

Evans, O'Malley and Patterson (2004:272) explain that customers remain in relationships with service providers for two basic reasons: because of dedication or as a result of constraints.

Wanting to remain in the relationship is based on satisfaction and trust whilst having to stay is based on barriers to change. Customers remain in relationships because they receive ongoing tangible and core benefits from the relationship. The core benefits include confidence benefits, social benefits and special treatment. Confidence benefits relate to the sense of reduced anxiety, having faith, trust and knowing what to expect from your service provider. Social benefits include being recognised by your service provider and developing friendships with them. Special treatment is the ability of customers to skip queues, receive special prices or promotional offers

Customers stay in a relationship since it saves them time, money and effort in terms of the costs of switching which include economic, psychological and / or social costs. Also they may not have an alternative available and this will force them to maintain their current relationship.

2.9.6 Deterioration

Relationships rarely move directly from a state of progression to dissolution. There is a phase in between in which the relationship gradually deteriorates. Evans, O'Malley and Patterson (2004:274), define deterioration as a situation where commitment and loyalty fade, although the relationship may continue to exist. Organisations must be able to recognise the triggers that initiate deterioration. If they are able to identify the triggers, it may be possible to find solutions and influence the relationship in a positive way. There are two possible outcomes from deterioration: the relationship is maintained as a result of improvements or the relationship is ended.

2.9.7 Cessation

Relationships are viewed as long term in nature; however, it is inevitable that some relationships will end. This may be as a result of one or more incidents which may be hardly recognisable or easily perceived and either party may initiate it.

The different types of cessation are explained below.

- Termination – refers to the deliberate ending of the relationship by one or more parties.
- Dissolution – refers to the natural ending of the relationship, without any deliberate decision to do so.
- Switching – refers to the ending of a relationship where the customer switches to another service provider.

2.9.8 Reclamation

Customer reclamation encompasses the planning, realisation and control of all processes that the company puts in place to regain customers who either give notice to terminate the business relationship or whose relationship has already terminated.

It may not be desirable or cost-effective to re-initiate all ended relationships. Organisations have to analyse the reasons for cessation in order to assess the possibility of reclamation. They also have to assess the customer value to consider whether reclaiming is desirable. Approaches to reclaiming customers include initiating dialogues with these customers to ascertain their reasons for ending the relationship.

2.9.9 Customer Migration

Upward migration means that customers spend more, while downward migration refers to customers spending less. Managing migration enables an organisation to stem the downward course before their customers defect entirely and helps them influence upward migration earlier.

Generally, customers are loyal because they are emotionally attached to the organisation and have rationally chosen it as the best possible option. Downward migrators spend less because their lifestyles have changed so they have developed new needs that the organization is not able to meet; they continually reassess their options and find better ones when they are actively dissatisfied.

2.9.10 Customer Lifetime Value

Peppers And Rogers (2004:116), describes customer lifetime value as the actual value of a customer which is equivalent to a quantity. Gordon (1998:92) suggests that the lifetime value of a customer is simply a projection of the customer's expenditures minus the company's costs of producing the product and serving and supporting each customer. Customer lifetime value describes the present value of the stream of future profits expected over the customer's lifetime purchases. Every customer that the enterprise has today will be responsible for some specific series of events in the future, which will have a financial impact on the enterprise. Lifetime Value (LTV) is estimated by using past behaviours to forecast the future purchases, gross margin from these purchases and costs associated with servicing the customer. The assessments of LTV are based on the assumption that the customer's future purchase behaviours will be the same as the past. Customers have different values to the organization, and they need different things from the organization. The value of a customer relative to other customers allows the organization to prioritise its efforts i.e. allocating more resources to ensure that the more valuable customers remain loyal and grow in value. It also caters to what a specific customer needs as a basis for creating a relationship and winning the customer's loyalty. Therefore, it is necessary to rank the customers by their value and to differentiate them by their needs. When an organization has determined the LTV of its customers, it should have a well-informed financial view of its customer base. In particular it will know that a relatively small number of customers account for the greatest of the profits.

Since customer lifetime value (CLV) is the financial value of a customer over the lifetime of the relationship, summing all revenues and costs, discounted to the present, CLV looks not just at the profits from customers this year, but also at future anticipated profits. The benefits to the organisation from a customer relationship arise from future revenue flows and the learning benefit you get from working with them. The costs and risks associated with this are the risk of losing customers, cost of producing and delivering the product/service, transaction costs (taking and processing an order) and lifetime costs (acquiring and retaining the customer).

Foss and Stone (2001:190), define customer value management (CVM) as a methodical approach for achieving the strategic, profitable and competitive positioning and alignment of a company's essential capabilities – its processes, organisation and infrastructure – and where appropriate the value chain of which it forms a part – to ensure the meeting of current and future target customers' highest priority needs for benefits delivered by the company's products, services, processes and relationships.

A methodical CVM approach may be applied in two ways. First, CVM may be applied to an individual issue, for example, to understand and improve delivery of the value/benefits customers receive from an individual product or service. Second, CVM may be institutionalised within a firm's management system, as a standard, continuing repeatable business process.

Customer Value Categories

In order to make better decisions about resource allocations, companies categorise their customers by their different types of value:

- **Most valuable customers (MVC's):** these customers are of the highest value to the company since they do the most business with the company, yield the highest margins, are most willing to collaborate and tend to be the most loyal. The greatest share of customers comes from MVC's. The objective of the company when it comes to MVC's, is retention since the MVC's are keeping the company in business.
- **Most growable customers (MGC's):** these customers have the most growth potential and they have the highest unrealised potential values. MGC's are actually your competitor's best customers and they are the ones to grow.
- **Below-zeros (BZs):** these customers, no matter how much effort a company makes, will generate less revenue than cost to serve. Thus, their actual value and potential value is less than zero.
- **Migrators:** these customers are on the brink of being not profitable and having some growth potential. The company needs to decide whether they can be nurtured to grow or

are not capable of being highly valuable. The company's goal should be to migrate these customers to the MGC group.

The Customer Pyramid

According to Figure 2.6, the platinum segment is composed of the customers with the top 25% LTVs. These are most loyal customers who are not overly concerned about price and place more value on customer service. The gold segment is the next 25% of customers with a lower LTV than platinum customers because they are more price sensitive. Gold segment customers buy a significant amount of products. They are not as loyal as platinum customers. The iron segment customers have a very modest LTV. Lead segment customers are in the lowest segment. They demand much attention but do not buy much. They cost the organisation money.

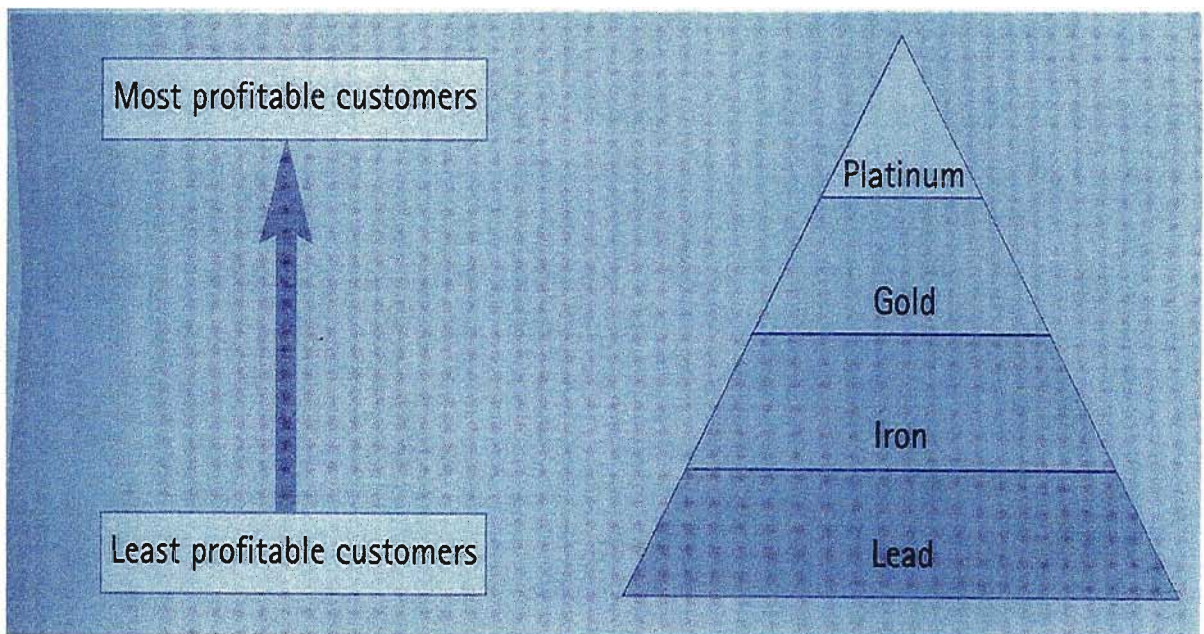


Figure 2.6 The Customer Pyramid (Source:Brink, 2004: 39)

2.10 STAGES OF RELATIONSHIP DEVELOPMENT

Foss and Stone (2001:233), identify the following stages of a relationship:

- Targeting – when the customer is targeted as being an appropriate customer for the company and induced to 'join'
- Enquiry management – when the customer is in the process of joining
- Welcoming – after the customer has joined, it is important to ensure that he/she is 'securely on board'
- Getting to know – this is a crucial period since both sides exchange information with each other with regards to customer needs, profiles, product usage, etc. Also learn about customer's honesty, ability to pay, etc.
- Customer development/retention – the relationship is now managed securely for example, renewals, loyalty.
- Problem management – company has to have a method of dealing with various customer problems

At all stages of the relationship, the company has to implement the following to ensure professional management: timeliness, relevance, responsiveness, accessibility, service recovery and access to prior-given information.

Drummond and Ensor (2001:230), maintain that there is a strong body of evidence supporting the economic case for relationship marketing. Thus, organisations must consider how they can move from a transactional approach to sustainable relationship-based strategies:

- Use appropriately
- Establish relationship drivers
- Build customer value
- Retain customers

The relationship marketing ladder of loyalty

Brink and Berndt (2004), identify the following rungs of the ladder of loyalty (Figure 2.7):

Partner – someone who has the relationship of a partner with you within an organisation.

Advocate – someone who actively recommends you to others, who does your marketing for you

Supporter - someone who likes your organization but only supports it passively

Client – someone who has done business with you on a repeat basis but may be negative or at best neutral towards your organization

Purchaser – someone who has done business just once with your organization

Prospect – someone who you believe may be persuaded to do business with you

The first task is to move the 'prospect' up to the first rung to a 'purchaser'. The next objective is to turn the new purchaser into a 'client' who purchases regularly, then develop a 'supporter' of the company and its products. The next move up the loyalty ladder is to an advocate'. This provides powerful word-of-mouth endorsement for a company. This may ultimately develop into a 'partner'; where they are closely linked in a trusting mutually sharing relationship with their supplier.

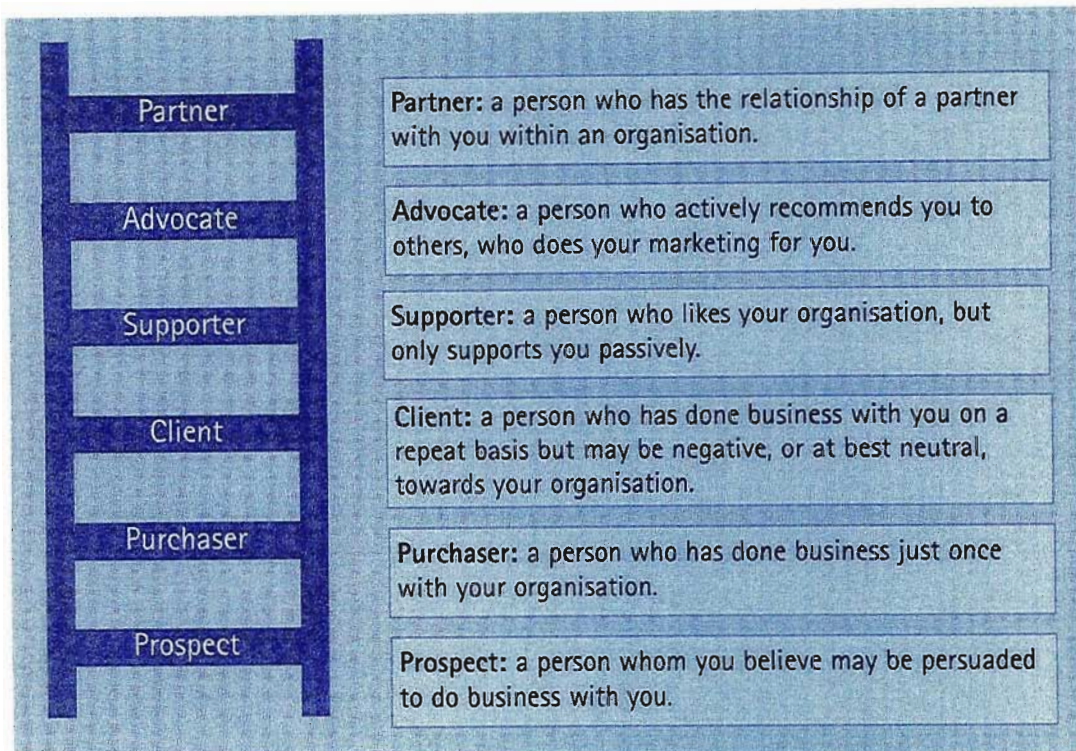


Figure 2.7 The Marketing Ladder of Loyalty (Source :Brink and Berndt, 2004: 40)

Understanding the different levels of relationships they wish to pursue is vital for organisations. It is important to have the appropriate level of relationship with different customers. Evans, O'Malley and Patterson (2004:222), identify the three basic levels of relationship:

- Level-one relationships – these are based on pricing incentives and other tangible rewards (discounts, gifts, etc), it is the weakest level at which a relationship exists.
- Level-two relationships – these relate to the social aspects of relationship marketing which includes regular communication with customers, recognising them, referring to them by name during an interaction.
- Level-three relationships – these offer structural solutions to customers' problems.

Relationship Lifecycle

In attempting to understand how relationships develop, researchers have attempted to model the process. These models are generally conceptualised as a series of sequential stages that characterise the move from transactional to relational exchange (Hart, 2003:133). A key premise of

these models is that participants assess the costs and benefits of increasing dependence and because of increasing trust, move from transactional to relational exchange. It is also presumed that as the relationship develops, each party risks more but increases confidence that the other intends to respect promises.

Hart, (2003:133) provides a broader conceptualisation of relationship development:

- Attraction – it is the extent to which relational partners perceive past, current, future or potential relational partners as appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility.
- Motivation – when the object of exchange is important or intangible the level of risk rises and the motivation for relationship development increases.
- Personal contacts – these are frequently used as a mechanism or lubricant for relationship development and the resulting relationship between buyer and seller is often long-term, close and involves complex patterns of interaction.

To conclude, the success of relationship marketing may depend not only on the particular strategy or implementation process, but also on the preferences of the individual customer. Relationship investment may only be worthwhile for some customers since customers' orientations toward relationships differ.

2.11 RETURN ON RELATIONSHIPS (ROR)

Return on relationships (ROR) is the long-term net financial outcome caused by the establishment and maintenance of an organisation's network of relationships.

2.11.1 Strategies for improved ROR

Customer-supplier relationships

- Since marketing costs decrease when retention increases, organisations do not have to recruit as many new customers as possible. These new customers are acquired with special offers and discounts that make them unprofitable initially. Good relationships mean less hassle and improvement in quality, productivity and profitability.

- Satisfied customers are not necessarily profitable. Unprofitable customers can be as a result of suppliers offering the wrong product at the wrong price.
- Measure what impacts ROR. Non-measurable items such as culture, leadership, vision and long-term network building must be taken into account.
- Relationship managers must be appointed. Relationship marketing values and strategies must be part of the corporate culture.
- Good relationships lead to customers spreading positive word-of mouth, giving referrals and nourishing the organisation's brand and image.
- Loyal customers are less price sensitive.
- Satisfaction indicators must be interpreted.

Competitor relationships

- An increase in retention and loyalty makes things more difficult for competitors since its not easy acquiring new customers.
- Competitor relationships are multidimensional and in some instances collaboration is necessary and profitable.
- Competitors can assist each other in improving industry conditions.

2.12 CONCLUSION

This chapter addressed the concept of relationship marketing, starting with the origins of relationship marketing. The definitions and explanations of relationship marketing followed. The chapter then further investigated and commented on excellent customer service, the learning relationship, and essential ingredients of a relationship, relationship loyalty, and the stages of relationship development and finally returns on relationships. The most comprehensive definition of relationship marketing was proposed by Gronroos (2000: 42-3) who submits that the objectives of relationship marketing are to identify and establish, maintain and enhance, and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfilment of promises. Excellent customer services can be achieved by training all staff, even those who do not have direct contact

with customers. Staff must understand that their own job satisfaction rests on the success of the organisation. Staff must be supported by technologies and processes to make them more effective. Customer value, trust, uncertainty and dependence, commitment, bonds and privacy make up the essential ingredients of a relationship. Customer loyalty means that customers are committed to purchasing products and services from a specific service provider and will resist the actions of competitors attempting to attract their patronage. Satisfaction may be developed directly through personal experience or less directly through opinion and the experience of others. Satisfaction involves the perceived standard of delivery and depends on the duration of the relationship. Thus high levels of service need to be present throughout the delivery process. Return on relationships (ROR) is the long-term net financial outcome caused by the establishment and maintenance of an organisation's network of relationships.

CHAPTER 3

COMMUNICATIONS

3.1 INTRODUCTION

Marketing entails much more than developing a good product, pricing it attractively and making it readily available to the target customers. Organisations need to communicate with their current and potential customers. They have to fulfill the role of communicator and promoter (Kotler, 2000:550). Therefore, communication is vital in the marketing process. The interaction between customers and sales personnel and the exchange of information between buyer and seller is an indispensable part of marketing and relationship building.

Organisations today have to establish, maintain and manage complex marketing communications systems with their customers, distributors, suppliers, and various other publics. Each group communicates with the organisation and also provides feedback to each other. Thus, for most companies the issue is not whether to communicate but rather what to say, to whom, how and when and where to say it.

According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value. More specifically, it is a cross-functional process for creating and nurturing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them.

Koekemoer (2004:32) defines communication as the exchange of information such as news, ideas or the very act of conveying one's ideas, and feelings clearly to others. Engel et al. (1994:31) define communication as a transactional process between two or more parties whereby meaning is exchanged through the intentional use of symbols. Therefore, communication can simply be described as the 'exchange of ideas' or as 'the process of establishing a commonness or oneness of thought between a sender and a receiver'.

It is clear from the above that for communication to occur there must be some common understanding between two parties – information must be exchanged between one person and another or between one group and another.

Three important elements can be identified from these definitions (Engel et al., 1994:61):

- Communication is intentional – a deliberate effort is made
- Communication is transactional – messages are exchanged based on the motivations of the participants and mutual exchange
- Communication is symbolic – symbols (pictures, words, etc) are created and used

Koekemoer (2004:2) explains that in the past the various elements of the marketing communication mix were regarded as separate functions and were handled by experts in the relevant areas. Some of the factors that led to the new era of marketing communication were the empowerment of consumers, significant political and social changes and rapid technological development. These powerful forces have all contributed to creating a business climate in which marketers can no longer afford to 'dictate' to their target audience. Consumers are finally empowered not only to choose what they wish to read or listen to, but, more importantly, to 'talk back' and make themselves heard.

The immense changes in the approach to marketing over the last decade have meant that marketers have had to learn to adapt and respond to their new environment in different ways. It is an environment in which customers are better able to evaluate the offers being made to them and to decide more independently how to satisfy their requirements. Customers are far more selective than they were and competition will ensure that they are provided with precisely what they want and when they want it. This has led to significant changes in the way marketers promote their product offerings to customers.

Although the communication process can be simple, it has nevertheless, become very complex. Its success depends on factors such as the nature and complexity of the message, the audience's

interpretation of the message, the environment in which communication takes place, the level of interference, receiver's attitudes and perceptions and the medium used to transmit the message.

The following concepts surrounding Communication will be discussed and expanded upon below:

- 3.2 Communication Objectives
- 3.3 The Communication Effects Pyramid
- 3.4 The Communication Process
- 3.5 The Communication Mix
- 3.6 Evaluating the marketing communications efforts
- 3.7 Conclusion

3.2 COMMUNICATION OBJECTIVES

Marketing communication objectives depend on what the organisation hopes to achieve via its marketing efforts. It can be divided into general and specific objectives:

- Specific Objectives
 - Advertising objective – to increase awareness of the product by 80%
 - Personal selling objective – to recruit 100 new accounts
 - Sales promotion objective – to persuade 40% of the target market to try the product
 - Direct marketing objective
 - Public relations objective
 - Sponsorship objective – to enhance brand awareness, corporate image and build goodwill for our organisation

- General Objectives
 - To build primary demand
 - To create brand awareness
 - To provide relevant information
 - To influence attitudes and feelings

- To create desires
- To create preferences
- To facilitate purchase and trial
- To create customer loyalty

Belch and Belch, (2004:206) explain that communication objectives should be stated in terms of concrete and measurable communications tasks, specify a target audience, indicate a benchmark starting point and the degree of change sought, and specify a time period for accomplishing the objective.

3.3 THE COMMUNICATION EFFECTS PYRAMID

Belch and Belch (2004:203) state that communication objectives can be presented in the form of a communication effects pyramid, indicated in Figure 3.1

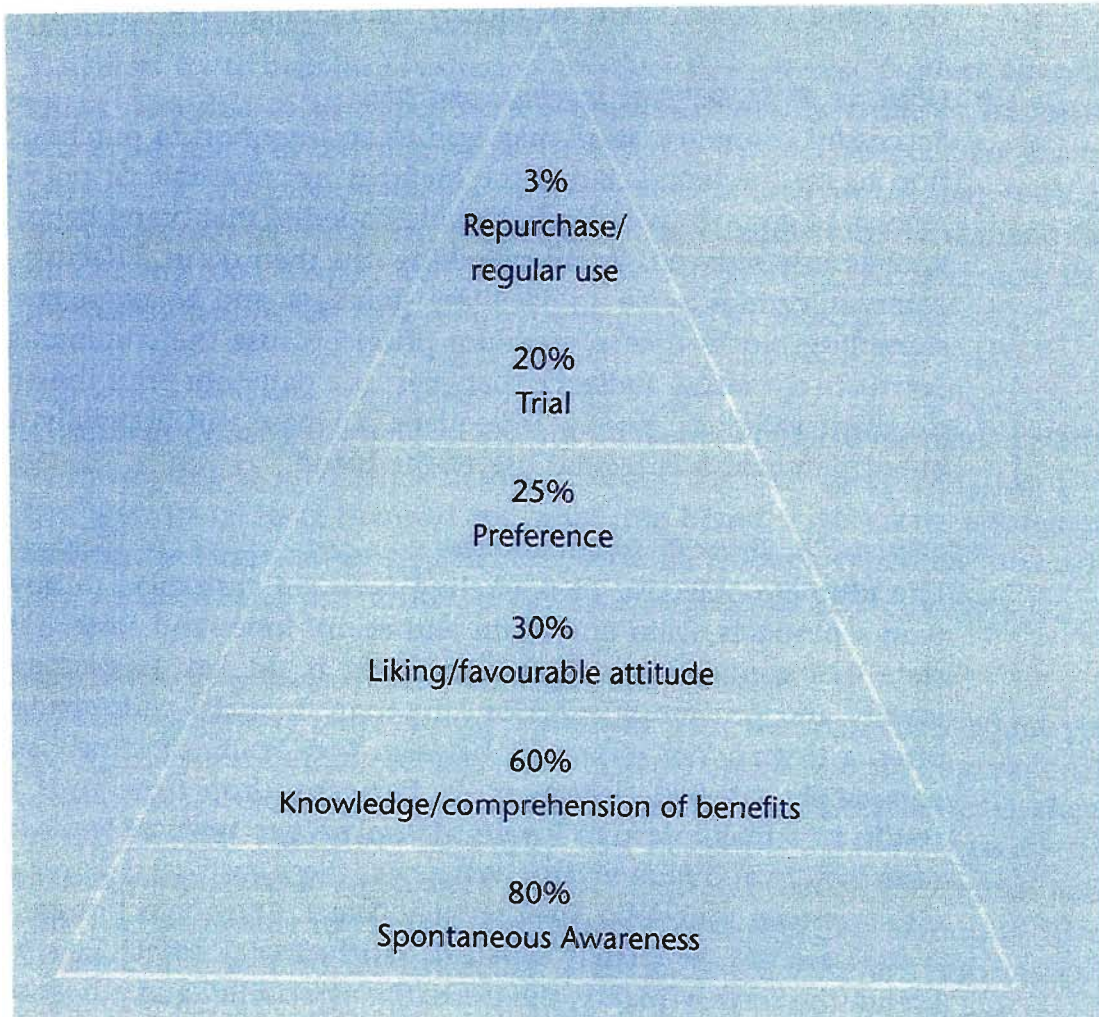


Figure 3.1 Communication Effects Pyramid (Source: Belch and Belch 2004:204)

A way of understanding communications tasks to be performed by advertising and promotion is to view them as being analogous to building a pyramid by accomplishing lower-level objectives such as awareness and knowledge or comprehension. Subsequent tasks involve moving customers who are aware of or are knowledgeable about the product or service to higher levels in the pyramid. The initial stages, at the base of the pyramid, will be easier to accomplish than those towards the

top, such as trial and repurchase or regular use. Thus, the percentage of prospective customers moved to each level will decline as they move up the pyramid.

The first task is to create a broad level of awareness among the target audience about the new product. This can be through repetitive advertising in a variety of media, for e.g. magazines, television, and radio.

The next step in the pyramid process is to communicate information so that a certain percentage of the target audience will not only be aware of the new product, but will also understand its features and benefits.

At the next level, the campaign is designed to create positive feelings towards the new product. A certain percentage of the customers who have been made aware of the new product must be moved to the affective stages of liking and preference. This is accomplished by advertising, which must effectively communicate the benefits to create favourable attitudes towards the product. At this stage, only a certain percentage of the target audience will develop a liking or positive feelings for the product and an even smaller number will be moved to the preference block.

The accomplishment of the preceding steps means that a certain percentage of the target audience will move to the action stage at the top of the pyramid. The marketing communication plan can now be designed to facilitate trial among customers by using advertising, sponsorships and sales promotion techniques, for e.g. coupons, discounts.

Koekemoer, (2004:38-39) maintains that the ultimate goal is to make customers use the new product so that they will repurchase it. Repurchase and regular use of the product will depend on the customers' evaluations and feelings after using it. However, the marketing communication programme may call for continued advertising and periodic sales promotion to retain customers and also to take new customers through the pyramid and get them to try the new product

3.4 THE COMMUNICATION PROCESS

Basic communication requires a sender (a source of the communication), a message and a receiver (or destination).

This basic model of communication (Figure 3.2) could be for a person sending a message to another person without paying attention to the response.

By expanding on this basic model, we will be able to understand the process of communication better. Lasswell developed his 5-W model, which states that communication must deal with five basic questions: Who? Says what? In what way? To whom? With what effect? This is depicted in Figure 3.3.

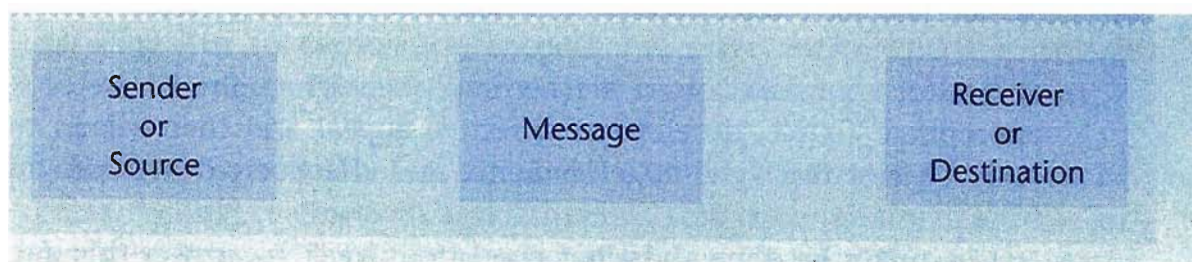


Figure 3.2 Basic Model of Communication (Source: Koekemoer 1998:34)

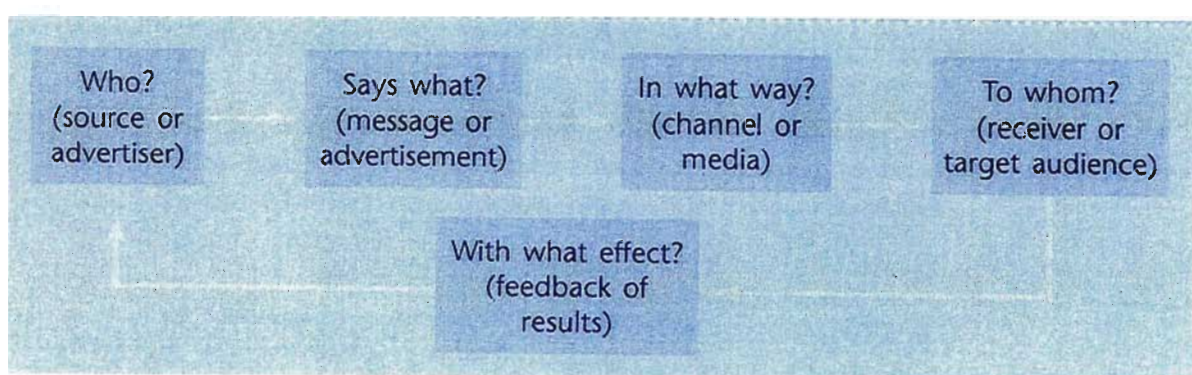


Figure 3.3 Lasswell's 5-W Communication Model (Source: Koekemoer 1998:34)

According to Koekemoer, (2004:41) the basis of this model is a message flow whereby the communication, starting with the source, is formulated into a message through a medium or channel to receivers constituting a target audience. The impact of this message is measured in terms of feedback in which the receiver's reaction to the message is communicated back to the source. The medium, message and source are selected based on the characteristics of the receiver or target audience. The receivers or target audience are an uncontrollable variable since the marketer cannot control their actions.

Lasswell's 5-W Communication Model (Figure 3.3) examines the sender's ability to successfully encode the message. This depends on the knowledge, past experiences, feelings, emotions and attitudes of the sender and receiver, which motivates them to act. This knowledge helps to encode an effective appeal or message, which is transmitted one-on-one or via mass media to the receivers who will decode the message and respond to it in the intended way (Koekemoer, 2004:42).

This model involves:

- Encoding – the sender (source) encodes a message hoping that the message decoded by the receiver will be what is intended to be communicated. The requirements for good encoding are knowledge, past experiences, feelings or emotions and attitudes.
- The intended message/the encoded message – the communicator's objective is to get the receiver to respond in a particular manner. This intended message should be the direct cause of the desired results. For e.g. if your service provider's objective is to increase awareness, then the message should increase the receiver's familiarity with the brand, service, benefits, etc. The communicator may achieve effective expression of the intended message by the careful selection of symbols. This process of encoding the message is the process of selecting the right symbols to represent the message idea. These symbols, when seen, heard or felt, should convey the intended message. Written or spoken words play a major role in transmitting ideas. For e.g. an articulate salesperson can take a highly

abstract product and express it in a concrete way. Visual symbols such as colour, size, shape and texture become necessary when the spoken or written word is not adequate for communication. This is especially necessary when the message is a mood or feeling. The use of sound can be to the communicator's advantage. Catchy jingles and sound effects contribute to a fuller expression of the message. The message, once encoded, can be presented in a variety of ways. Messages can be classified according to their appeal and 'tone of voice'. Appeals can be emotional or rational. Emotional appeals are usually either negative or positive, for e.g. the consequences you will suffer for not doing something like insuring your cellular phone. Rational appeals can be simple or complex. A simple appeal could be a 25% discount while a complex appeal could include a list of reasons for buying a particular cellular phone. Tone of voice can be light-hearted, humorous or serious. The combination of tone and appeal reflects the decision process we want to influence.

- Message transmission happens through a medium or channel – the medium of communication the sender chooses is the means of communication. This can be in the form of verbal or non-verbal communication. Verbal will be spoken or written, if spoken it will be a presentation, meeting, telephone message, recording or a video. Non-verbal will be a picture, a poster without words, a graphic design without words, a chart or a film without words.

The channel of communication can be formal or less formal. It is the route or direction in which the message will travel. The channel is also described as the method of transmission. The channel and medium can be treated as a spoken message (the voice, the radio, the television or the telephone). The channel for a written message is paper, a telegram, SMS or a fax. The channel is also referred to as vision or sound.

Noise can confuse the message or compete against communication. Noise refers to any interference or disturbance for e.g. literal noise like loud talking, coughing, telephone ringing.

- The receiver – the receiver is the target of the communication efforts. The receiver must be able to decode the message, must want to attend the message, interpret the message, and retain the message and act on it.
- Response – by capturing the receiver's attention and communicating relevant information, the communicator has created a good opportunity to influence behaviour i.e. by getting the receiver to accept the image of the service provider, changing the attitude of the receiver towards the service provider or convincing the receiver to buy the service provider's products more often.

3.5 THE COMMUNICATION MIX

Schultz et al (1995:85) are of the opinion that it is impossible for a marketer to establish effective communication with the target customers using only mass techniques like advertising, sponsorship, publicity. It is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference that separates him/her from the rest. Therefore, the marketer should recognize that to be successful the marketing communication concept must start at the corporate level since it sets the tone for the organisation's marketing strategy. This combines the elements of the marketing communications plan and the four elements of the marketing mix.

3.5.1 Product

Etzel et al. (2004:209, 210) define a product as a set of tangible and intangible attributes, which mainly include packaging, colour, price, quality and brand, plus the seller's services and reputation. A product may be a good, service, place, person, or idea.

The product offering communicates with the customers as follows: both the tangible and intangible attributes of the marketer's product offering are highly visible to customers. Therefore, products communicate by virtue of their appearance. Tangible products need to 'look good' on the shelf in terms of how the customer defines 'good'. This may refer to the physical appearance of the product such as a particular colour or the benefits of the product for e.g. being able to use your cellular

phone to connect to the internet. Intangible products can also be 'visible', for e.g. a customer visiting the service provider's store is served by well trained staff that are polite and surroundings are appealing to customers.

Products also communicate by their name or their brand name by which they are identified. A brand is a name, term, design, symbol or any other feature that identifies one seller's product offering as distinct from those of other sellers. The brand name is the part of the brand that can be spoken (letters, numbers or words). The brand mark is the part that cannot be spoken, it is the logo. These are commonly symbols, pictures, designs, distinctive lettering, colour or some combination of these. For e.g. the Vodacom, MTN and Cell C symbols



Products also communicate with customers in different ways. The way a product is packaged is a powerful tool that helps to sell the product. Attractive and innovative packaging gives the product 'eye appeal' which gets the attention of customers who otherwise might not even have noticed the product.

Koekemoer, (2004:8) explains that technologically sophisticated products such as cellular phones are supplied with detailed instruction manuals, which 'communicate' with customers in specific ways. The skilful designs of these manuals ensure that the technical literature assist customers in using the product correctly and also reinforce customers' perception of the product.

3.5.2 Price

Koekemoer (2004:9) defines price as the amount of money a willing buyer is prepared to pay a willing seller for a product offering at a point in time. Since customers generally equate a high price with high quality products, it can be said that price will give some indication of a product's quality. Thus, some marketers adopt a different approach to pricing by offering modest products at 'affordable' prices. This does not mean that the product is inferior. Customers expect a particular product type and will not accept products that fail to deliver basic levels of satisfaction or performance. In the cellular industry, customers who purchase later model cellular phones still expect the same benefits of the latest model on the market. As a result, price can also be used to differentiate products from one another and provide valuable information to customers. For instance, within a particular product line, different versions of the same product may be offered at different prices. This serves to inform customers that the marketer is catering to a number of target markets. From the above it is clear that price 'communicates' with customers in a very direct and important way.

3.5.3 Distribution

Distribution is the process of ensuring that the marketer's product offering is made available to the targeted consumers in the right place/s, at the right time, in the right quantities, in the right condition, and at the right cost. A variety of intermediaries called the distribution channel is used to ensure that this takes place in practice (Koekemoer, 2004:10).

Marketers have to decide on a suitable distribution strategy. This will depend on the type of product and the type of customers targeted. There are three distribution channel structures:

- Intensive where product is made available at every possible outlet, suggesting that this product is for everyone
- Selective where the product is available in selected outlets only
- Exclusive where the product is available in certain small number of outlets

3.5.4 Promotion (Marketing Communication)

Koekemoer, (2004:11) defines promotion as the embodiment of collective activities, materials, and media used by a marketer to inform or remind prospective customers about a particular product offering and to attempt to persuade them to purchase or use it. Promotion occurs when marketers are sensitive to customers' needs and wants and communicate with them in a responsible, respectful and relevant way. Marketing communication (promotion) consists of six elements: advertising, personal selling, sales promotion, direct marketing, public relations and sponsorship.

3.5.4.1 Advertising

Definitions

Koekemoer (2004:65) maintains that advertising is a means of making known what we want to sell or want to buy, a means of informing existing and potential customers about a product, its special features and benefits and a means of persuading them to buy the product. More generally the purpose of advertising is to induce customers to respond favourably to the offerings of a firm.

Engel et al. (1994:5), define advertising as all forms of paid non-face-to-face communication of ideas, goods or services by an identified sponsor transmitted to a target audience.

Weilbacher (1984:8-9) offers two definitions of advertising:

Advertising is a marketing tool that helps sell brands of products and helps to build confidence in companies and institutions by conveying accurate and compelling information to consumers about the brand and company or institution.

Advertising consists of media messages paid for and signed by a business firm or institution that wishes to increase the probability that those reached by these messages will behave or believe as the advertiser wishes them to behave or believe.

Advertising is a mass communication process whereby verbal and non-verbal symbols are transmitted through a channel to a receiver with the objective of communicating an idea, changing or reinforcing an attitude or providing important information about a particular product or service.

Kerin et al (2004:327) state the advantages of advertising:

- it can be attention-grabbing
- it can communicate specific product/service benefits to prospective buyers
- the advertiser can control what he wants to say and to whom the message is sent
- allows the advertiser to decide when to send the message and how often
- since advertising is non-personal, once the message is created, the same message can be sent to all receivers in the market segment

The disadvantages are as follows:

- its is costly to produce advertisements
- the lack of direct feedback makes it difficult t know how well the message was received

The Advertising Communications Process

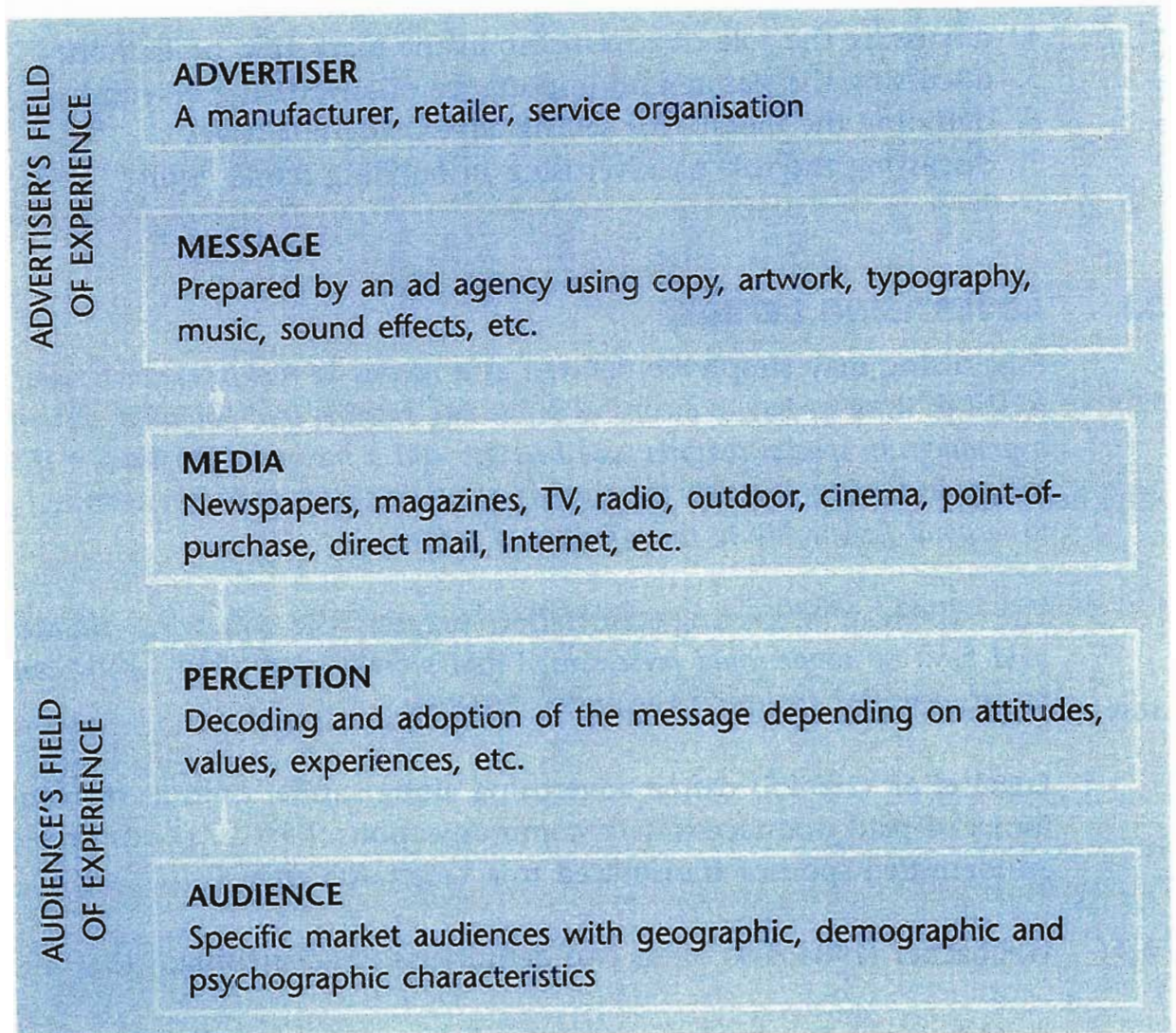


Figure 3.4 The Advertising Communications Process (Source : 1991:1)

The source of the information or message as shown in Figure 3.4 is known as the advertiser. This could be a manufacturer, retailer or service provider.

The message, also known as the advertisement, is normally prepared by an advertising agency that uses several elements such as copy, artwork, typography, music, and sound effects.

Since advertising is non-personal mass communication, the message is transmitted to the mass media via newspapers, magazines, television, radio, outdoor advertising, cinema and direct mail. When the message is transmitted it is picked up or decoded and adopted. The ultimate goal is to create a positive perception. This depends on attitudes, values and the experience of the receiver or target audience.

Koekemoer (1998:57) comprehensively defines advertising as any paid form of mass presentation of ideas, products and services by an advertiser, addressed to selected target audiences with the objective of creating awareness, informing, reminding, influencing and persuading them to buy the product or service or to be favourably inclined towards these ideas, products or services.

From the above definition, the following factors are clear:

- Paid form – advertising is a deliberate, sponsored message disseminated through different mediums for which payment is made. To the advertiser, advertising is also an expense that must be justified. Effective advertising at the lowest possible cost per message may stimulate demand for the product and help assure the advertiser of a long and profitable business life.
- Low-cost mass communication – advertising is a means of communication that enables advertisers to deliver a message to a large number of potential customers at the lowest possible cost. By delivery of frequent and economical messages, the advertiser is able to speak to thousands of consumers in a few days or even a few hours.
- Ideas, goods and services – advertising is concerned with ideas, tangible goods or services offered by institutions such as banks, garages and cellular phone service providers.
- Advertiser – advertising discloses or identifies in one or another source of ideas or products it represents.
- Selected target audience – advertising is not aimed at everybody. Each advertisement has a target audience it is intended to reach. Thus, each advertising message is tailor-made to address and influence the selected target audience.

- The objective of the advertisement – the specific objective varies from one advertisement to another.

Classification of advertising

Advertising can be classified by four main criteria: purpose, target audience, geographic area and medium. Each of these classifications includes a number of categories as depicted in Table 3.1.

Table 3.1 Classification of Advertising (Source : Koekemoer 2004:68)

<p>PURPOSE</p> <ul style="list-style-type: none"> ◆ Primary and selective demand ◆ Brand advertising ◆ Corporate image advertising ◆ Commercial/non-commercial advertising ◆ Action/response advertising ◆ Retail advertising 	<p>TARGET AUDIENCE</p> <ul style="list-style-type: none"> ◆ Consumer advertising ◆ Business-to-business advertising: <ul style="list-style-type: none"> – industrial advertising – professional advertising – trade advertising
<p>GEOGRAPHIC AREA</p> <ul style="list-style-type: none"> ◆ National advertising ◆ Regional advertising ◆ Local advertising ◆ International advertising 	<p>MEDIUM</p> <ul style="list-style-type: none"> ◆ Print advertising (newspapers and magazines) ◆ Broadcast/electronic advertising (radio, cinema and television) ◆ Outdoor advertising (fixed sites and transit) ◆ Internet

All three cellular service providers rely on national advertising to reach customers and potential customers. Their adverts feature in newspapers and magazines, on radio, television and at the cinema. They also have dedicated websites on the Internet and use billboards along national freeways.

Cell C launched their marketing campaign with adverts in 11 national publications, the world's biggest billboard and television and radio adverts.

Classification by purpose

- Primary and selective demand advertising – is designed to stimulate demand for the general product class or the entire industry. Selective demand advertising focuses on creating demand for a particular manufacturer's brand. Most advertising is concerned with stimulating selective demand and emphasises reasons for buying a particular brand. Since advertisers assume that there is a favourable level of primary demand for the product class, they focus their attention on increasing market share, by giving consumers a reason to buy their brand.
- Brand advertising – this is primarily aimed at consumers. It creates a demand among consumers so that retailers will put pressure on suppliers to supply more of the brand in order to meet the demand.
- Corporate image advertising – this promotes the organisations mission or philosophy rather than a specific product, for e.g. Vodacom sponsors Rugby in South Africa.
- Commercial and non-commercial advertising – while commercial advertising seeks profits, non-commercial advertising is used to seek donations, volunteer support, or change consumer behaviour.
- Action/response advertising – this refers to advertisements which are intended to bring about immediate action by their audience. The objective of this advertising is to create awareness, create interest in and an image for a product and to influence viewers to select and buy a specific brand. Action advertising seeks an immediate; direct response from the viewer for e.g. a 60 second T.V commercial about Cell C's latest offerings may devote the first 50 seconds to image building and the last 10 to a toll free number for immediate information.
- Retail advertising – this advertising attempts to bring consumers from a target area into specific retail stores to buy their merchandise.

Classification by target audience

Belch and Belch (2004:19) identified two broad categories: consumer advertising and business-to-business advertising. Consumer advertising includes brand or service advertising on a national or local basis, retail advertising and direct response marketing. Consumer advertising is aimed at people who buy the brand or service for their own or someone else's use.

Direct response advertising is a method of direct marketing whereby a product is promoted online or through an advertisement that offers the customer the opportunity to purchase directly from the manufacturer.

Cell C has launched Cell C Direct, a one-stop service for anyone wishing to purchase a Cell C contract package from the comfort of his or her home. Jose Dos Santos, Managing Director of Cell C says, 'Cell C Direct is a one-stop shop which aims to provide prompt, efficient service with free delivery to your door anywhere in South Africa.'

http://www.cellc.co.za/common/includes/news_headlines_detail.asp?cl_pkiArticleNo=5

How advertising works

Koekemoer, (2004:78) explains that advertising endeavors to "turn people's minds around". This is achieved through six stages:

- Exposure – this refers to exposing the target audience to the advertising messages. Since consumers are selective in their demand for products they need to be exposed repeatedly to be persuaded.
- Attention – the aim of advertising is to create awareness or grab attention. This is achieved by doing something different from the norm.
- Comprehension – noticing an advertisement initially does not mean you understand the message. Thus, comprehension deals with meaning and involves the clear understanding of the message by the target audience as intended by the communicator.

- Acceptance – during this stage, the target audience accepts the credible message because it conforms to their existing beliefs and attitudes. The activities, images and models in the advertised message must be acceptable.
- Retention – this deals with long-term memory. The competitive urge for the product is entrenched by means of reminder advertising. For e.g. Cell C adverts use the same voice and MTN uses “Yello Summa”.
- Action – the ultimate purpose of advertising is to persuade customers to buy. Advertisements are created to inform the target audience, create preference, build image and eventually lead to the target audience acting on this information

Fill (1999:268) identified four main frameworks that provide a collective view on how advertising works:

- The sales framework – this assumes that advertising has a short term, direct impact on sales. This effect is measurable. An example is direct response advertising, for instance, Cell C has launched Cell C Direct.
- The persuasion framework – this framework maintains that advertising works because it is capable of being persuasive. Persuasion is brought about by gradually moving buyers through a number of sequential steps.
- The involvement framework – involvement – based advertisements work by drawing members of the target audience into the advertisement. Involvement with the product develops into the involvement with the advertisement. For e.g. the emergence of technologically advanced cellular phones.
- The salience framework – salience models are based on the premise that advertising works by standing out by being radically different from all other advertisements in the product class. The Cell C advertisements use the seductive voice of the same lady for all its advertisements.

Advertising Objectives

Criteria for setting objectives

Shimp (2003:239-41), identifies six criteria that good advertising objectives must satisfy:

- Objectives must include a precise statement of whom, what and when.
- Objectives must be quantitative and measurable.
- Objectives must specify the amount of change.
- Objectives must be realistic.
- Objectives must be internally consistent.
- Objectives must be clear and in writing.

Types of advertising objectives

Koekemoer (2004:89) identifies three types of advertising objectives:

- Informational – these objectives have the task of creating awareness and knowledge with the behavioural end result of trial usage, increased usage or sales leads.
- Attitudinal – these objectives have the task of associating the brand with a user type, creating brand attitudes and associating feelings with brand use in order to lead to loyalty.
- Behavioural – these objectives have the task of using awareness, knowledge, brand attitudes, etc. to create trial purchase or repeat purchase.

Advertising Media

Advertising media that will be focused on is the main above-the-line media, i.e. television, print, radio, cinema and outdoor.

Participants in the media process

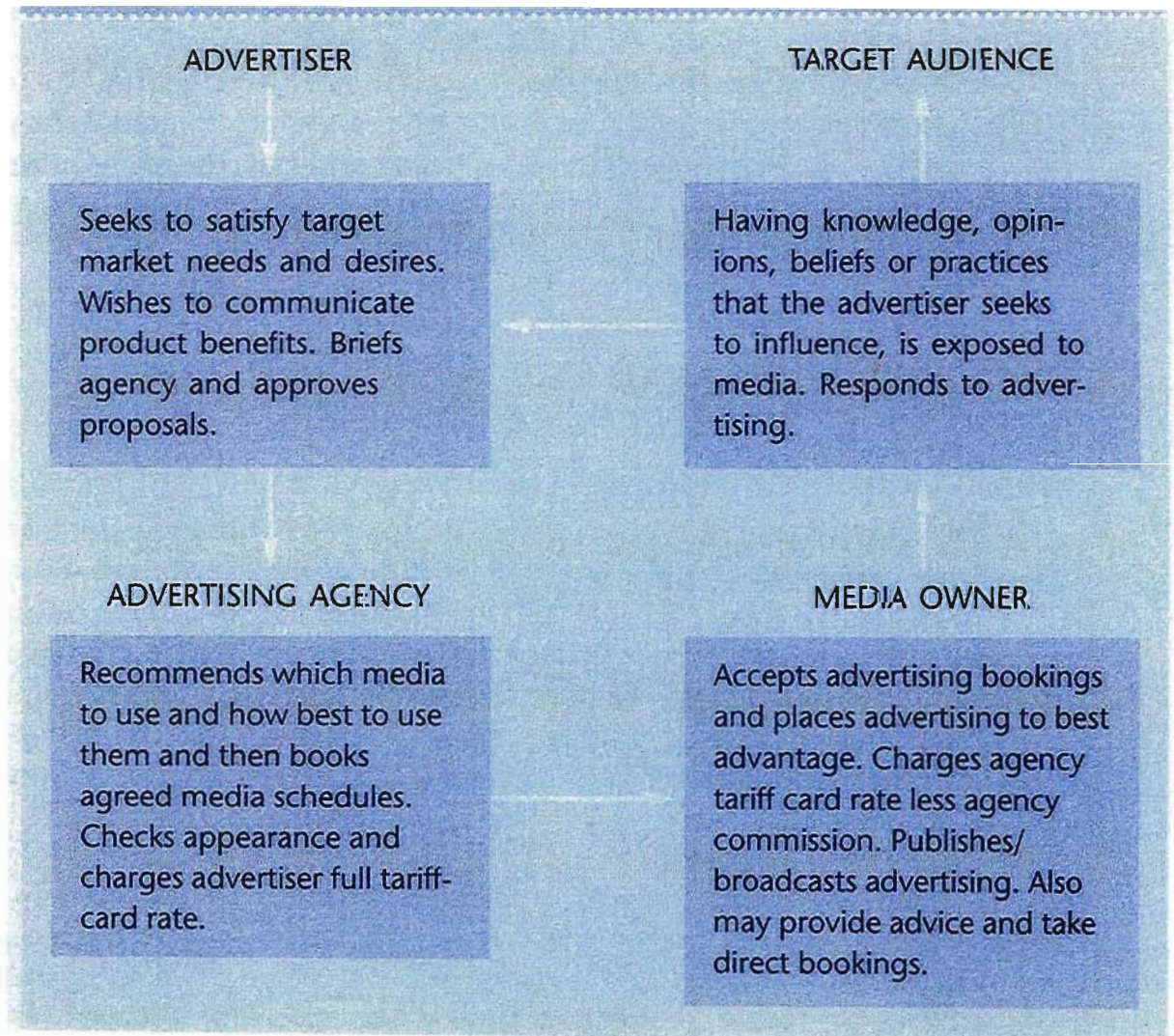


Figure 3.5 Participants in the Media Process (Source : Koekemoer 1987:147)

Figure 3.5 depicts the four participants in the media process as identified by Koekemoer, (2004:195):

- The advertiser – wants to satisfy the needs and desires of the target market, uses the advertising agency to communicate product benefits.
- The advertising agency – will recommend which media to use, how best to use them, book the media schedules, check appearance and charge the advertiser.
- The media owner – accepts the booking made by the ad agency, place the advertising as negotiated, charge the agency and publish or broadcast the advertising as negotiated.
- The target audience – crucial in this process as the advertising message in the media is directed at them. The ad agency creates advertising that will influence the target audience and reach the selected target audience. If the target audience does not respond to the advertising, it means that the creative message is not working, the media is not reaching the target audience or the product is over-priced or does not live up to expectations

The media of advertising

- Print media

Of the total expenditure on advertising across all media, approximately half is spent on the printed word. The two main types of media in this class are newspapers and magazines. Print media are very effective at delivering a message to the target audience. Most people have access to either a newspaper or magazine since they read to keep up to date with news and events or as a source of entertainment. People tend to have consistent reading habits and buy the same print media regularly. For e.g. most people read the same newspaper daily and their regular choice of magazine reflects their business or leisure interest. Thus, advertisers are able to focus on those media that will be read by the type of people they think will benefit the most from their product or service (Koekemoer, 2004:196). Cellular companies will decide on which print media to advertise in based on who their target audience is for the particular product or service or package they are offering.

Newspapers are essentially for news. They are made with lower quality paper, have a short life span and offer immediacy and coverage. Advertisements in newspapers compete with other advertisements and with editorials, news articles and headlines. Cellular companies advertise in daily, weekly, local, regional and national newspapers.

Muller, (1999:1811) explains that magazines are high production quality publications that are targeted at particular audiences. They are used to create a particular image and position a brand. Magazine readers are more easily reached, spend more time reading magazines, are more involved in editorials, have greater advertisement readership and are more responsive to advertising

Print media allows advertisers to explain their message visually and verbally; most other media cannot do this. Explanations can be in the form of pictures, photographs or demonstrations. Also words can be used to describe the uses of a product, its advantages and benefits. Therefore, advertisers in practice are able to use a combination of visual and verbal communication.

Table 3.2 outlines the strengths and weaknesses of print media:

Table 3.2 Strengths and Weaknesses of Print Media (Source : Strydom et al 2000: 373-4)

MEDIA	STRENGTHS	WEAKNESSES
Newspapers	<ul style="list-style-type: none"> ◆ Provide illustrations and explanations ◆ Suitable for high frequency ◆ Adaptable to change ◆ Relatively cheap per reader ◆ Geographically selective ◆ Buyers use it as a guide ◆ A good news medium ◆ High coverage 	<ul style="list-style-type: none"> ◆ Poor reproduction ◆ Short lifespan ◆ Is read selectively ◆ Reaches a general audience ◆ Many advertisers and little chance of dominating ◆ Clutter ◆ Low attention getting
Magazines	<ul style="list-style-type: none"> ◆ Good reproduction ◆ Longer lifespan ◆ Reaches specific market segments ◆ Usually loyal readers ◆ National coverage ◆ Good image creator 	<ul style="list-style-type: none"> ◆ Limited flexibility due to long lead time ◆ Many advertisers and little chance of dominating ◆ Not geographically selective ◆ Short time to convey the message

For the cellular companies, advertising in newspapers has the following strengths:

- Customers and potential customers can look at the pictures and read the print.
- Customers can get immediate information about different offerings, prices, geographic location of stores and contact numbers.

On the other hand, advertising in magazines will ensure that cellular companies reach a specific target audience on a national level.

- Electronic/broadcast media

Koekemoer, (2004:198) identified television and radio as the two main forms of electronic media. Advertisers use electronic media because they can reach mass audiences with their messages at a relatively low cost per person. In South Africa, most people have access to a television set and a radio. The majority of viewers use television passively as a form of entertainment. Radio demands active participation and can reach people who are in and out of the home environment.

Further, electronic media allow advertisers to add visual and /or sound dimensions to their messages. The ability to show the benefits or results of a particular product gives life and energy to the advertiser's message. Television uses sight, sound and movement, whilst radio uses its audio capacity to convey messages. Thus, both have the great potential to tell stories and appeal to the target audience's emotions when delivering a message. This cannot be done by print media.

Koekemoer elaborates further that when transmitting messages via electronic media, a small period of time is used (usually 20, 30, or 60 seconds). The cost of the different time slots varies throughout a single transmission day and according to the popularity of individual programmes. The more listeners / viewers a programme attracts, the greater the price charged for transmitting the advertising message. Radio is most suitable for low-involvement messages, where the need for elaboration is low since it seeks to draw attention, create awareness, remind listeners and improve levels of interest. Television has more impact since it is more visual. It has the ability to demonstrate, create an image and persuade people because seeing is believing.

According to Palmer (2004:457), the internet has opened up new opportunities for companies to communicate with their target markets. Companies can now enter into a one-to-one dialogue with their customers. Most companies, including the three cellular providers in South Africa, have their own websites which address mass audiences.

With MTN, electronic media receives the biggest slice of the advertising pie and print's share remains significant. MTN gets the widest reach from television.

http://www.themedia.co.za/article.aspx?articleid=26487&area=/media_insightcover_stori...

The strengths and weaknesses of electronic media for cellular companies are outlined in the table below:

Table 3.3 Strengths and Weaknesses of Electronic/Broadcast Media
(Source : Strydom et al 2000:374)

MEDIA	STRENGTHS	WEAKNESSES
RADIO	<ul style="list-style-type: none"> • Is a personal medium • Geographically selective in regional services, national coverage with certain transmissions • Can reach specific audiences at certain times • No literacy necessary • Listening sometimes habitual • Offers theatre of the mind • Low cost 	<ul style="list-style-type: none"> • Limited availability • No reference back to message • No illustration possible, audio only • Only short message • Is a background medium demanding attention – low attention getting
TELEVISION	<ul style="list-style-type: none"> • Involves most of the senses • Viewer is unlikely to ignore the message • Good for demonstrations • Programming allows for a degree of psychographic targeting • Wide coverage • Prestige value • Can involve the entire family • High impact 	<ul style="list-style-type: none"> • Limited availability of quality time • No reference back to message • Relatively expensive medium • Reaches a general audience • Relatively lengthy preparation • Repetition can irritate the viewer • Only national • High production and lighting costs

The strengths of using radio as a means of advertising for cellular companies is that it has the intimacy of a human voice, as in the Cell C advert, is portable and is very effective in reaching people of different ethnic groups and languages. It also reaches large numbers of people who cannot read. Its weaknesses are that messages are restricted by time and customers cannot refer back to messages and there is no visual appeal.

Television can be used to good effect by cellular companies who are advertising since it blends colour, sound and movement that provides realism. Since it's a visual medium, customers and potential customers can watch rather than listen to or read the advertisements.

As part of "Vodacom's Yebo Feva!" end of year campaign, South Africans were asked to spend a few days in November and December 2005 taking MMSs (picture and video) of their favourite summer moves and sending them to the advertising agency. More than 100 of the images in this 'album' have now become a television commercial with content created by extraordinary South Africans from every part of the country and is representative of its citizens' many different lifestyles <http://www.bizcommunity.com/Article/Print.aspx?1=196&c=12&ai=9036>

- Out-of-home media

This includes outdoor media and cinema. Billboards, signs and poster sites make up outdoor media. This includes bus shelters, sport stadium signs, buses, scoreboard ads, etc. They are large, mainly stationary media used by national advertisers. These are expensive to produce, offer high impact but are not very versatile. Cinema advertising has all the advantages of television advertising. Due to the large number of shopping centres in urban areas that house cinema complexes, a large number of people attend the cinema every week.

For example, Cell C launched its marketing campaign with what is conceivably the world's biggest billboard. Further, billboards have been widely used by Vodacom to create "the big brand feel". The Vodacom spokesman says that the group selects its customer segment and seeks out new and exciting channels like taxi ranks in South Africa. http://www.themedia.co.za/article.aspx?articleid=26487&area=/media_insightcover_stori...

- Digital interactive media

Koekemoer, (2004:200) maintains that this type of media was brought about because of the information superhighway. Digital interactive media are channels of communication with which

the audience can participate actively and immediately. Consumers can now order products directly with a computer keyboard and an electronic credit card. They can also manipulate images to better view a scene and find information about a product or service on the Internet. This presents a challenge to advertisers and agencies to experiment with their creativity

3.5.4.2 Personal selling

Definitions

Selling is the art of persuading people to want what the salesperson has – in terms of products, services or ideas. Another definition, salesmanship is the art of teaching others to buy. Kerin et al (2004:327), defines personal selling as the two way flow of communication between a buyer and a seller, designed to influence a person's or group's purchase decision. Copley (2004:332) describes personal selling as the "hard sell" that is epitomised by the "foot in the door" sales type.

Regardless of which definitions are used, persuasion is ultimately at the core of personal selling and salesmanship. It establishes people's needs and wants and persuades them to use the company products or services to satisfy them.

The three cellular companies use personal selling to good effect. Salespeople in the store can show customers the products, how it works, what special features it has and convince them that it is the right product for them.

Advantages and disadvantages of personal selling

Advantages:

- Obligation
- Tailored messages – the salesperson can tailor make messages for specific customers.
- Immediate feedback – customers can ask salespeople questions about various cellular products and get their answers immediately.
- Very persuasive.

- Complex information – the salespeople at the cellular store can explain complex information to customers in an easily understandable way.
- Demonstrations – the salesperson at the cellular store can demonstrate the features of the product to customers.
- Customer education – salespeople at the cellular store will be able to educate and inform customers about their contract agreements, warranties and guarantees.
- Relationship building – face to face interaction between salespeople and customers enables relationship building.
- Qualified prospects
- Expenses match requirements
- Closing the sale – the person to person nature of personal selling ensures that the sale is completed more often than not.
- Bottom-line responsibility

Disadvantages:

- Small number of contacts
- Costs per call
- Poor selling skills
- Messages may differ between salespeople

The promotion rule

Koekemoer, (2004:223) indicates that a general rule on promotion states that as the complexity of the product increases, the value of the product grows but the number of potential customers decreases. It then becomes economically feasible, assuming sufficient product value, to incur the necessary time and travel costs to personally visit a prospect.

In contrast, as the value of the product decreases, the number of potential buyers increases, and advertising becomes the more cost-effective way to promote the product.

The sales communication process

For Blem, (2003:47) communication in a sales context, is the act of transmitting verbal and non-verbal information and understanding between seller and buyer

The figure below is a simple communication model, which illustrates how the salesperson or buyer communication process works:

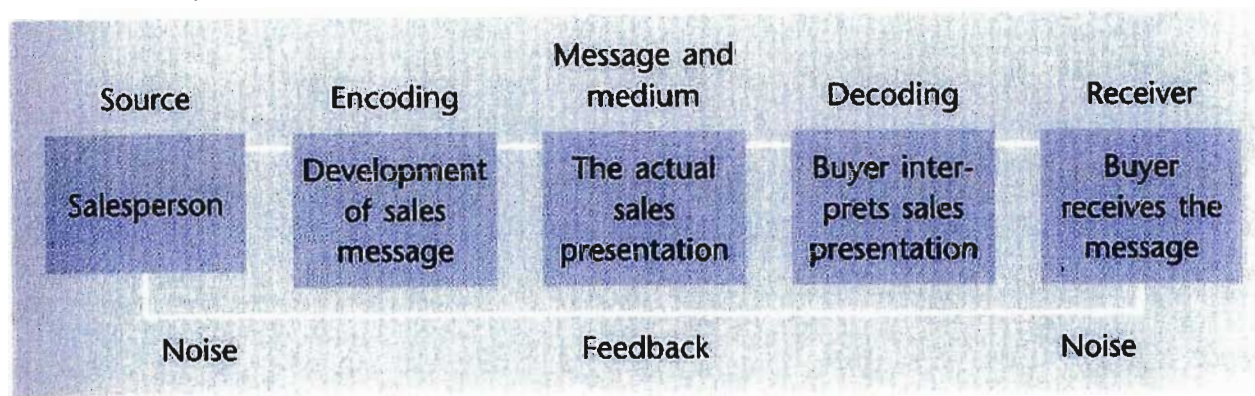


Figure 3.6 The Salesperson/Buyer Communication Process (Source : Futrell 1994:103)

The model can be explained as follows:

- Source – this is the salesperson
- Encoding process – the salesperson converts ideas and concepts into the language and materials used in the sales presentation (for e.g. leaflets from Cell C; MTN or Vodacom).
- Message – provides the information conveyed in the sales presentation.
- Medium – the form of communication used i.e. discussion, words, visual materials and body language.
- Decoding process – the information is received and translated into meaningful information by the receiver or prospect.
- Feedback – reaction (verbal or non-verbal) is transmitted back to the sender.
- Noise – this creates barriers to effective communication.

Persuasive communication

In order to be successful, a salesperson must master the art of persuasive communication. This requires the following:

- Two-way communication
- Questions
- Listening
- Body language
- 'Magic' words
- Total communication skills

Sales tasks, sales positions and salesperson's activities

For Koekemoer (2004:229), sales development involves the generation of new customers by encouraging change of supplier or use of a new product or service. Missionary selling helps pull the product through the market. Maintenance selling involves the generation of sales volume from existing customers. Support selling involves providing continuing service to the customer

Salespeople are either order takers or order getters. Since order takers accept orders, they tend to be more reactive than proactive. Order getters spend most of their time on sales development and create sales. It is essential for a salesperson to know the company history, executives and key personnel, marketing policy, pricing and credit policy and customers and competitors.

The future of personal selling

Copley, (2004:333) acknowledges that selling has changed and will continue to change rapidly over time. Thus, the salesperson of the future will need to focus on the following issues: sophistication of customers, professionalism of the buying function, better sales training, improved telecommunications, technology and the Internet

3.5.4.3 Sales promotion

Definitions

Rossiter and Percy (1987:309) said that sales promotion consists of a repertoire of techniques designed to 'move sales forward' more rapidly than would otherwise occur. Kotler (1988:645), described sales promotion as a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of a particular product by consumers or the trade. Etzel et al. (2004:550) define sales promotion as demand stimulating devices designed to supplement advertising and facilitate personal selling. Examples of sales promotion devices are coupons, premiums, in-store displays, sponsorships, trade shows, samples, in-store demonstrations and contests. According to Kerin et al (2004:328), sales promotion is a short-term offer of value designed to arouse interest in buying a good or service. For e.g. all three service providers offer customers and potential customers free gifts and free minutes to stimulate and encourage them to use their products. MTN sponsors the South African domestic cricket competition.

Factors influencing the sales promotion strategy

- Product-related factors – includes product type, price, brand image and the product's stage in the life cycle.
- Customer-related factors –includes the characteristics of the target market, type of buying decision involved, involvement level and psychological risk level.
- Organisation-related factors –includes the overall marketing communication strategy and resources available.
- Situation-related factors – includes the prominence of the company in its environment and competitor's activities.

Advantages and disadvantages of sales promotion

Lancaster and Reynolds (2005:199) list the following advantages:

- easily measured response
- quick achievement of objectives
- can be relatively cheap

- direct support of sales staff

The disadvantages Lancaster and Reynolds (2005:199) cite are as follows:

- price-discounting can cheapen brand image
- short-term advantages only
- difficulty in communicating brand message
- can cause problems with retailers who might not want to co-operate

Sales promotion to consumers and end-users

The simple reason consumers respond to the sales promotion efforts of marketers are that they offer rewards. These rewards vary considerably but are either cash savings or free gifts. In many cases the rewards are immediate, while in others they are delayed.

The most common types of consumer sales promotion tools available are explained below:

- Sampling

It can be defined as any method used to deliver an actual or trial-sized product to prospective consumers. The concept of a 'free sample' is very easy for consumers to understand, thus, this form of sales promotion is widely used and considered to be the most effective in influencing trial purchase. The logic behind the free sample of a product is simple: consumers are offered an opportunity to try the product without any specific commitment to buy it. The marketer hopes that the consumer will be so impressed with the sample that he/she will purchase the product. Samples are offered and delivered to consumers in several ways: direct mail, door-to-door, in or on the package of another product, in high-traffic locations (e.g. shopping malls, airports), in shops (by demonstrations) and in newspapers and magazines (e.g. as fragrances on tear-out strips). For e.g. Virgin Mobile gave their promoters the latest cellular phones to use over the weekend before launching their cellular phone packages on offer.

Koekemoer, (2004:314) acknowledges that sampling is favourable under the following circumstances:

- When the new or improved brand is either demonstrably superior to or has distinct relative advantages over competitive brands.
- When the new product concept is so innovative that it is difficult to convey its uniqueness by means of advertising alone.
- When the marketer has an adequate promotional budget

- **Coupons**

According to Lamb et al (2005:473) a coupon is a certificate that entitles consumers to an immediate price reduction when they buy the product. Coupons are a good way to encourage product trial and repurchase. They are likely to increase the amount of a product bought.

The coupon specifies three things: the specific brand and package size that must be purchased, the value of the coupon and the expiration date of the coupon. Coupons are offered by marketers for a variety of reasons and in a variety of ways. The general objective is to induce purchase.

The extensive use of coupons suggests that they are effective. There are different types of coupons: point-of-purchase coupons, mail-and-media-delivered coupons and in- and on-pack coupons. Most coupons are distributed through print media (newspapers and magazines).

- **Premiums**

According to Copley (2004:195) a premium is an extra item offered at a low price or free. It can be effective at increasing sales. Premiums can attract brand switchers and are used with current users to increase repeat purchases. The three most common types of premiums are: in-, on- and near-pack premiums, free-in-the-mail premiums and self-liquidating premiums.

For e.g. customers and/or prospective customers are offered premiums to induce or encourage them to enter into new cellular phone contracts, renew their contracts or switch service providers.

- Price-offs

This promotion entails a reduction in the brand's regular price. This type of promotion benefits both consumers and marketers. It's useful for marketers since by rewarding present brand users they can maintain brand loyalty and consumers can be induced to purchase larger quantities.

- Bonus packs

With a bonus pack, marketers give consumers an extra quantity of a product without an increase in the price for the regular size.

- Refunds and rebates

This is a cash discount or reimbursement given to consumers upon submission of proof of purchase. Marketers of fast moving consumer goods typically provide refunds, whereas marketers of consumable durables provide rebates. Refunds and rebates offer delayed rewards.

- Tie-in promotions

This refers to a simultaneous promotion of two or more brands in a single campaign where promotional resources are pooled.

- Loyalty/reward programmes

Lamb et al (2005:475) state that the objective of loyalty programmes is to build long-term mutually beneficial relationships between a company and their key customers.

This is an incentive-based promotion aimed at increasing long-term repeat-purchase behaviour. For e.g. cellular phone service providers offer their customers, free SMS's and free peak and off-peak airtime minutes.

As part of its exciting new programme to reward its more than 15.5 million loyal customers, Vodacom launched the most exciting television game show ever to be screened in South Africa called Yebo Millionaires. It was aired on SABC1 from October 2005 to April 2006.

“Yebo Millionaires is exclusive to Vodacom customers and is open to contract, prepaid and top-up customers. This exhilarating loyalty programme will reward Vodacom customers with cash prizes in excess of R1 million every week .”

(http://www.vodafone.com/article_with_thumbnail/0,3038,CATEGORY_ID%3D20202%...)

3.5.4.4 Public Relations

Public relations is the marketing function that evaluates public attitudes, identifies areas within the organisation the public may be interested in and executes a plan of action to earn public understanding and acceptance. Marketers use public relations not only to maintain a positive image but also to educate the public about the company's goals and objectives, introduce new products and help support the sales effort (Lamb 2005:406).

According to Rensburg and Cant (2003:34) public relations is found in every company and institution. The aim should always be to establish good public relations, which work positively for the company. For an organisation, every phone call, every letter, every face-to face encounter, is a public relations event. Baines et al (2004:7) describes public relations practice as the art and social science of analysing trends, predicting their consequences, counselling organisation leaders, and implementing planned programmes of action that will serve both the organisation's and the public interest. Smith and Taylor (2004:444) provide a simple definition of public relations: the development of and maintenance of good relationships with different publics.

As stated by Rensburg and Cant, (2003:35), the Public Relations Institute of Southern Africa (PRISA) defines public relations as follows:

"It is the management, through communication, of perceptions and strategic relationships between an organisation and its internal and external stakeholders. The Public Relations News maintains that public relations are the management function that evaluates public attitudes, identifies policies and procedures of an organisation with the public interest and executes a program of action and communication to earn public understanding and acceptance. "

As stated by Dominick (2005:343), the following definition of public relations is approved by the World Assembly of Public Relations:

"Public relations is the art and social science of analysing trends, predicting their consequences, counseling organisation leaders and implementing planned programs of action that serve the organisation and the public's interest. "

From the above it is clear that the public's perception of an organisation is very important. Public relations play a vital and key role in developing an understanding and support for an organisation and its public. It helps to define and explain relationships of mutual benefit between the organisation and its stakeholders, which results in a balanced and positive image for the organisation.

Functions of Public Relations

Skinner et al. (2004:10), has identified a number of key functions of public relations:

- Research – it involves gathering of information about public opinion, trends, emerging issues, politics and media coverage. It also includes programme implementation and assessing programme impact to evaluate programme effectiveness.
- Programming and counselling/ Planning and advising – this involves collaborating with management to solve problems.
- Media relations and placements – this key function involves contacting news media, magazines, writers and trade publications with the intention of getting them to publish or

broadcast news and features about their organisation. All three service providers feature regularly in the media.

- Organising – this involves organising media conferences, conventions, exhibitions, open-house days, anniversary celebrations, contests and fundraising.
- Writing – the PRP has to write news releases, newsletters, correspondence, reports, booklets, texts, television copy, advertisements and technical material.
- Editing – PRP's are involved in editing special publications, employee newsletters, reports and other communications directed at internal and external publics.
- Production – this challenging task involves creating communications using multimedia knowledge and skills. The PRP has to use art, photography and design for brochures, booklets, reports and advertisements and record and edit audio and video tapes and prepare audiovisual presentations.
- Speaking – the PRP speaks or arranges for other people to address meetings.
- Training – the PRP works with various groups and individuals to prepare them for dealing with the media, making presentations and other public appearances.
- Management – the public relations function has to be managed in terms of personnel, budget and action programmes.

It is clear from the above that public relations incorporates all aspects that is undertaken to improve mutual understanding between an organisation and its public. This includes advice on the image of an organisation, elimination of sources of misunderstanding and improving communication between the public and the organisation.

The Process of Public Relations

Since public relations is a management function, it involves itself in strategic and tactical planning. The task of public relations is to guide the organisation proactively and reactively.

There are seven stages involved in planning a public relations programme. These steps are illustrated in the figure below:

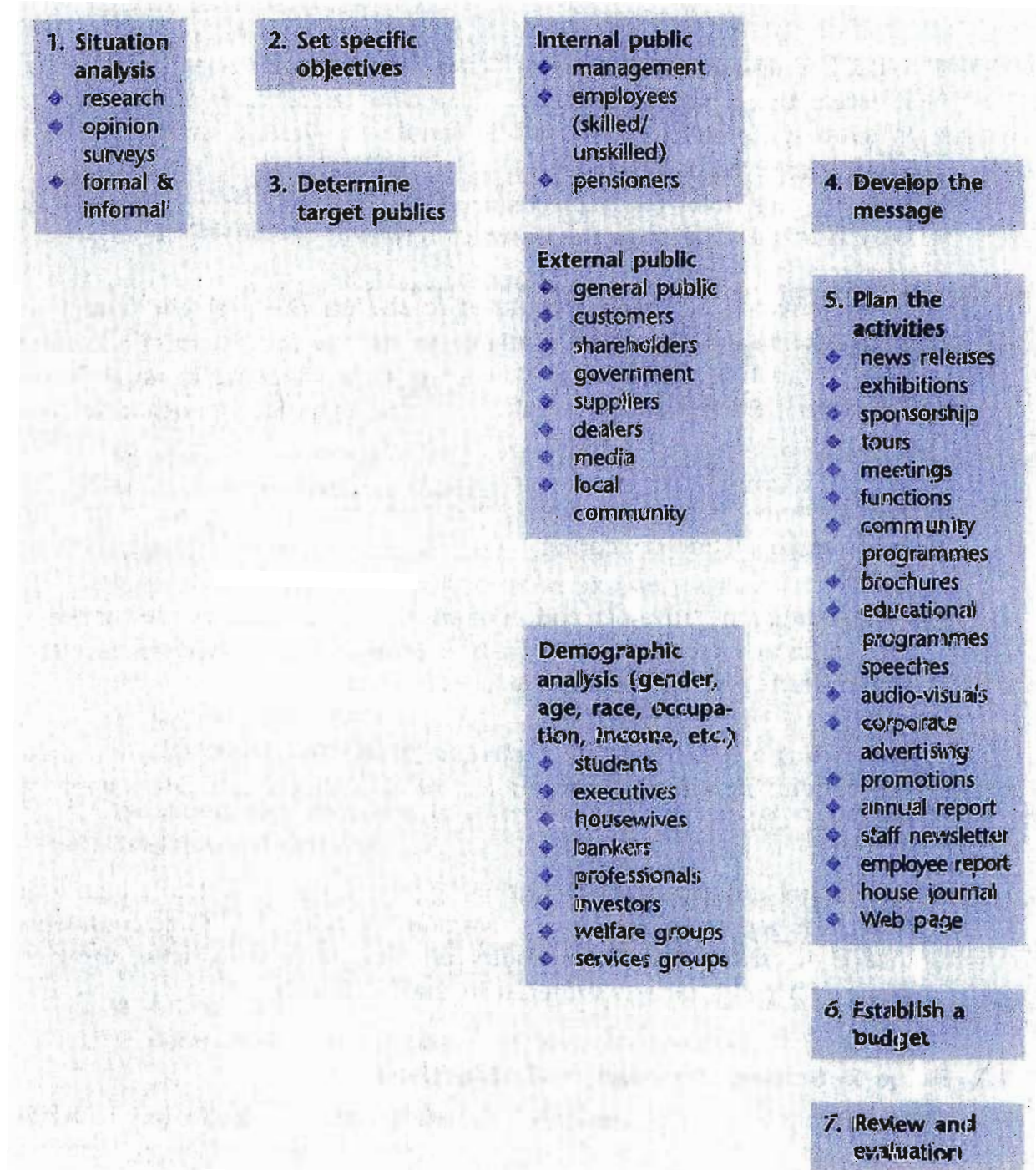


Figure 3.7 Planning a Public Relations Programme (Source : Skinner et al 2001:107)

Tools and techniques of Public Relations

There are a variety of public relations tools and techniques that are used to communicate efficiently between an organisation and its stakeholders. This is shown in Figure 3.8.

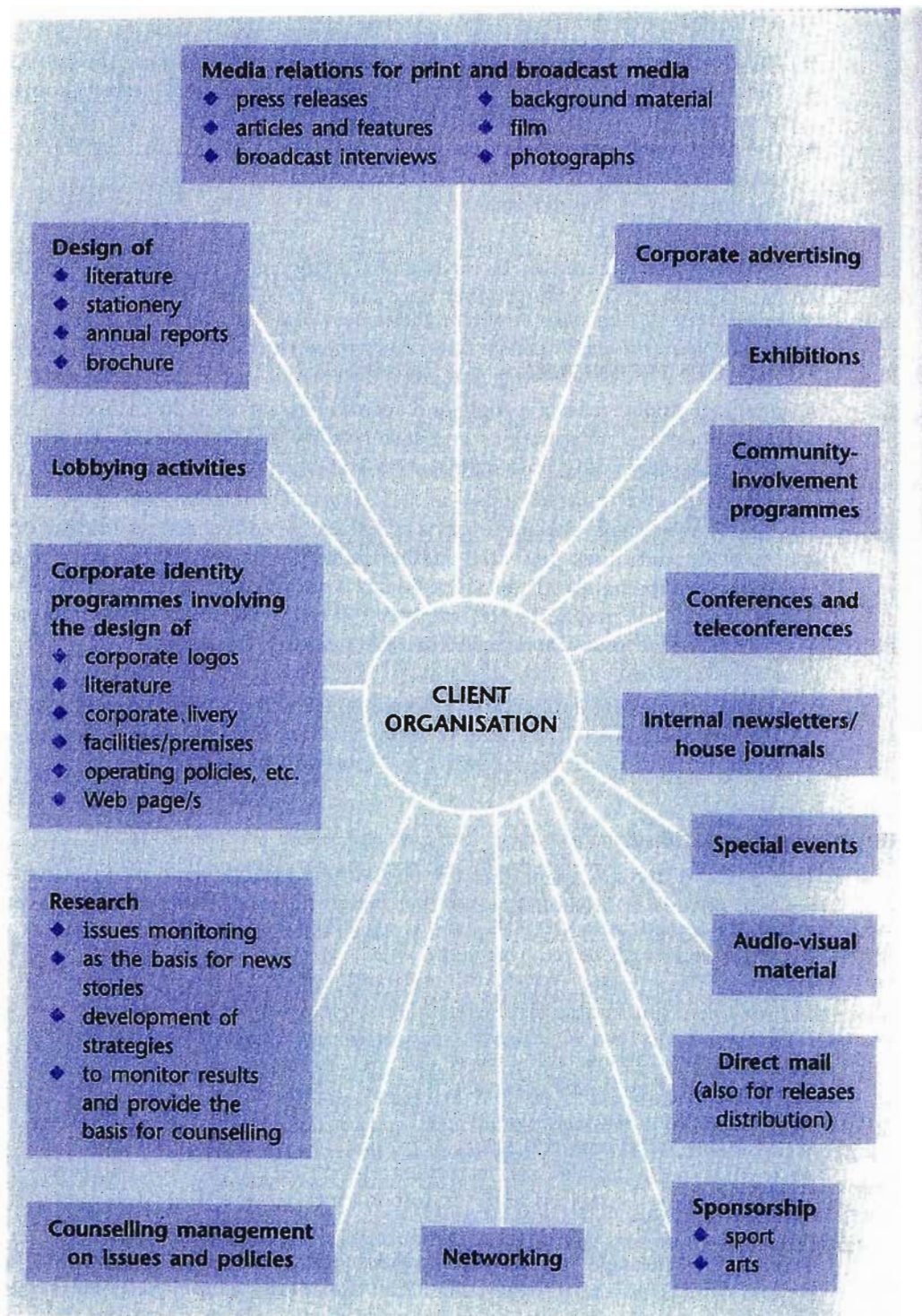


Figure 3.8 Public Relations Tools and Techniques (Source : Skinner et al 2001:10)

- Media relations

This is one of the most important responsibilities of the PRP. Messages must be framed to be newsworthy. Messages must also be understandable, uncomplicated, free of jargon and simple to grasp.

- Publications

The research, design and production of a wide range of internal and external publications is also important. Internal communication programmes include both the written and spoken word. Employee publications include house journals, newsletters, handbooks and manuals.

- Corporate image

This looks at the net result of the combined experiences; impressions, beliefs, feelings and knowledge people have about a company. Corporate image represents a company and what it does or does not do, the image of its products or services, its letterheads, Web pages, brochures, offices and trucks, the way it treats its employees and its recruitment policies.

- Corporate advertising

Rensburg and Cant, (2003:161) affirm that corporate advertising focuses on the reputation of an organisation or institution. It is advertising on the organisation's behalf to promote the business or financial interest of the organisation

This is divided into three types:

- General corporate image building (in print, audiovisual and Web page media). This type of advertising strengthens an organisation's image in the eyes of the public.
- Investor and financial relations advertising. This is aimed at the financial community.
- Advocacy – this is issue advertising and is used when an organisation wants to take a public stand on an issue, for e.g. when Cell C, MTN and Vodacom took a stand for the proudly South African campaign.

- Promotional activities

Skinner et al., (2004:8) maintains that PRP's devote a great deal of time and effort to high profile and media sensitive promotional activities. They use their specialised skills to organise conferences and teleconferences, plan exhibitions, prepare audio-visual material and direct mail literature and organise special events

- Disaster and issues management

Although PRP's cannot predict a specific disaster or crisis, they can anticipate that they can happen. Thus, the conscious preparation for the inevitability of such events is required.

- Lobbying

Cutlip et al. (1994:17), define lobbying as the specialised part of public relations that builds and maintains relations with government primarily for the purpose of influencing legislation and regulation. Lobbyists must have the ability to construct and present convincing communications to government officials. They must also have knowledge of government, legislation, public policy and public opinion processes.

- Networking

Networks are groups of people with different backgrounds who exchange information, experience or contacts for professional or social purposes. Networking plays an important role when PRP's are communicating with various power structures to influence behaviour.

3.5.4.5 Sponsorship

Introduction

According to Koekemoer (2004:456), sponsorship is the alignment of a brand with an activity in order to exploit the commercial potential created by the association, thereby positively impacting brand image and /or sales amongst the sponsor's target market, in order to attain marketing and corporate objectives. Koekemoer further describes sponsorship as the provision of resources (money, people, and equipment) by an organisation (the sponsor) directly to a beneficiary or

sponsor. A simpler definition is that sponsorship is a business relationship between a provider of funds, resources or services and an individual, event or organisation that offers association and rights in return, that may be used for commercial advantage. Rensburg and Cant (2003:158), describe sponsorship as a development of patronage. It consists of giving monetary or other support to a beneficiary to make it financially viable.

According to Smith and Taylor (2004:482), some sponsors see sponsorship as a form of enlightened self-interest, where a worthy activity is supported with cash and /or consideration in return for satisfying specific marketing objectives.

Sponsorship offers the opportunity of brand-building and the selling of the marketer's goods and services since it is a powerful marketing/communications tool. It provides the unique opportunity of building relationships with consumers by creating an emotional bond. Sponsorship creates the 'feel-good' factor among consumers. For e.g. rugby fan will enjoy watching the match and the appearance of Vodacom's brand name will communicate (in effect) that Vodacom shares the fan's values and interests and is, therefore, his/her type of product. As a result, the brand becomes the consumer's type and if the consumer is already using the brand, it ensures continued purchase thereof. Further, sponsorship is very flexible since it can be tailor made to meet a variety of objectives. It also demonstrates relevance and social responsibility and shows that the organisation cares for is concerned about its consumers and society.

Types of sponsorship

Jenkins and Yadin (1998:182) identify the following types of sponsorship:

- Sports – Vodacom sponsors the two soccer giants Kaizer Chiefs and Orlando Pirates, Bloemfontein Celtic soccer club and the Vodacom league, which is the feeder to the premier league.
- Cultural events and interests – Cell C won international art award for its innovative 'For the city' art advertising campaign in downtown Johannesburg.
- Publications

- Exhibitions
- Education – Cell C joined the Robben Island Museum in the Gateway to Robben Island initiative, which has enormous historical and social significance to young people in South Africa. Cell C in association with SABC 1 spread the word that “All you need is love”.
- Causes and charities – Cell C has been a sponsor of the East Coast Radio Toy Story 2005. Also been involved in 16 Days of Activism: Unite Against Women and Child Abuse. In 2002 Cell C launched a major initiative to highlight the plight of orphans and vulnerable children in South Africa. The six-week campaign was in support of the Heartbeat Centre for Community Development, which cares for orphans and child-headed households.
- Professional awards
- Local events

Benefits of sponsorship

Koekemoer (2004:457) identified the following benefits of sponsorship:

- Flexibility – many events and activities can be sponsored in many different ways and events can be selected to fit demographic and psychographic requirements. This provides the opportunity to connect with consumers one-on-one by associating the company (brand or product) with the qualities of the event or activity while projecting the organisation’s personality, values and style.
- Brand equity – brand exposure, value and brand exclusivity can be provided by sponsorship. It can also serve as an important branding vehicle that can expand, reinforce and alter brand personality traits. Furthermore, it can generate brand loyalty and long-term corporate awareness.
- Media exposure – with sponsorship, the marketer can dominate the ‘stage’ without having to compete with other promotions. The value of an advertisement campaign can be extended by creating a dynamic, interactive environment that makes messages more relevant and persuasive.
- Cost effectiveness – coverage and brand awareness is obtained at a more favourable rate, which adds greater value to the advertising rand.

- Industrial labour relations – the company's reputation and image is enhanced and this impacts on staff morale and the quality of future applicants.
- Open doors – sponsorship creates long-term relationships and it creates influence. It enhances its ability to do business locally and nationally through corporate hospitality and a good corporate image and reputation.
- Crosses all frontiers – sponsorship are global and cross all barriers.
- Presents new challenges – sponsorship presents great challenges to creativity and reveals ingenuity in marketers.
- Unites the nation – sport sponsorship in particular helps to reduce conflict and unite a country, for e.g. Vodacom sponsors the Super 12 rugby, MTN sponsors soccer in South Africa.

Reasons for sponsoring

Jefkins and Yadin (1998: 181), cite the following reasons for sponsorship:

- To augment advertising campaigns through the publicising of company and product names which will offer wide coverage by the media.
- To assist the marketing policy, as when sponsors give financial support to something that interests potential customers.
- To show a sense of social responsibility, for e.g. in August 2005 Cell C commissioned 35 artists to produce art for the city's buildings. This artwork has transformed the CBD, bringing colour and excitement to the city.

"Cell C has helped bring the cows to South Africa and will adorn not one but three cities - Johannesburg, Durban and Cape Town. Following on the international success of CowParade, CHOC SA (Childhood Cancer Foundation) obtained the rights to bring CowParade to South Africa with full sized fiber-glass cows, creatively decorated, painted and adapted to represent the people, places, culture and heritage of this unbelievable country. The South African CowParade has coincided with the simultaneous launches of the Parade in Manchester and Stockholm in 2004." (http://www.cellc.co.za/common/includes/about_social_involvement_iframe.asp)

"Cows are featured in various public areas around the country displaying the "udderly" unique talents of our local artists. Launched in September 2004, CowParade culminated in an auction in May 2005. All proceeds from the auction went go to CHOC - for children with cancer."
(http://www.cellc.co.za/common/includes/about_social_involvement_iframe.asp)

Cell C is proud to be part of the CowParade for a number of reasons, namely:

- CowParade delivers on the three main areas of good corporate citizenship, namely people, planet and prosperity.
- This is a natural extension of the successful Art in the City initiative.
- All proceeds will go to a worthy cause, as CHOC will be the main beneficiary.
- South African artists gain exposure and development through the CowParade
- The CowParade and Cell C will be exposed to the nation in the three main cities
- The CowParade is an innovative activity that strongly reflects the Cell C brand

(http://www.cellc.co.za/common/includes/about_social_involvement_iframe.asp)

Who benefits?

All proceeds from the CowParade campaign and the Auction will go to CHOC (Childhood Cancer Foundation, established 1979). CHOC (an abbreviation of "Childrens Hematology Oncology Clinics - NPO: 001-338) is a countrywide voluntary organisation. It brings together the parents of children who suffer from all varieties of cancer or life threatening disorders.

“Regional divisions of the organisation are based in Johannesburg, Pretoria, Western Cape, Free State and KwaZulu Natal. The goal of CHOC is to improve the welfare and quality of care for children with cancer. The organisation which is not Government funded, provides direct practical help to children with cancer, from diagnosis onwards. CHOC recognises the inevitable disruption to family life when a child faces vigorous and often lengthy treatment. In accordance with internationally recognised standards and practice, most children with cancer are treated at one of the several specialised treatment centres in South Africa for childhood cancer, which are in academic or tertiary hospitals. CHOC focuses on ensuring that these centres are able to provide a high level of treatment for all the children, together with holistic support for all the members of the affected families.”

Baines et al (2004:341) provide the following reasons for sponsorship:

- Audience awareness – it offers the sponsor intensive repetition of the brand which generates awareness amongst target groups.
- Employee and customer relations - employees will take pride in sponsorship activities and participate in them.

Potential pitfalls

Sponsors need to be aware of the following potential pitfalls as identified by Koekemoer (2004:459):

- Ignorance of contractual rights – it is essential that sponsors understand the legal aspects of the sponsorship contract. Thus, an attorney should be present when negotiating the contract to ensure you are fully aware of your rights and how the contract is drawn up.
- Ambush marketing – this is when an organisation attempts to create the impression of being an official sponsor of an event or activity by affiliating itself with that event without having paid the sponsorship rights-fee or being party to the sponsorship contract.
- Broadcast rights – check whether broadcast rights are included in the sponsorship contract, if not, negotiate with the parties concerned.

- Staff – since sponsorship is complex and specialised, staff managing it have to have the appropriate skills and be adequately qualified and trained.
- Expense
- One-off sponsorships
- Agents
- The media

Planning and managing sponsorship

The planning of a sponsorship requires a holistic view that relationships exist between the sponsorship management decision-making areas. Koekemoer (2004:462) suggests that the following be linked:

- The sponsor sets a range of sponsorship objectives given the selected target audience.
- Select the appropriate sponsorship.
- Implement and leverage the sponsorship.
- Evaluate the effectiveness of the sponsorship.

Sponsorship Selection

According to Koekemoer (2004:464) sponsorship selection is usually based on the following criteria:

- Target market coverage – the sponsored event must reach the consumers with whom the marketer wishes to communicate.
- Timing/seasonality – consider the product seasonality and ensure that the event does not take place on the same day as a major sporting event.
- Competitor activity – undertake a general market investigation to obtain information about your competitors' sponsorship involvement.
- Communication factors – different types of sponsorship convey different messages and this will determine the communication strategies to be used and the media interest.
- Event profile – this includes the event history and previous sponsors.

- Potential media exposure – TV exposure is one of the most important features of sport sponsorship.
- Product or brand relevance – the perceived synergy between sponsor and event is advantageous, for e.g. a direct brand link (Vodacom sponsoring the Super 12 rugby), an indirect brand link, an image link (MTN sponsoring a rock concert) and a corporate image link (Cell C sponsoring Toy Story 2005).
- Image – the event must fit the corporate and brand image and conform to the sponsorship policy of the organisation.
- Budget/costs – need to consider whether the sponsorship is affordable and represents value for money.

MTN uses the following sponsorship criteria:

- The alignment of the sponsorship to MTN Business and Communication Objectives.
- There must be a strategic fit between the sponsorship's target markets and those of MTN.
- The sponsorship must have a strong media element to allow for a broad reach among MTN's target markets.
- The sponsorship must provide a platform drive usage of the MTN network.
- The sponsorship must offer a substantially favourable return on investment.
- MTN will not consider the sponsorship of an individual.
- It is also important to note that sponsorship is not a donation. www.mtn.co.za

In selecting the type of sponsorship to get involved in, prospective sponsors should be aware of the following considerations:

- Levels of sponsorship in sport

- International sponsorship – Vodacom sponsors the Tri-Nations Rugby, which sees South Africa, New Zealand and Australia compete against each other and Super 14 rugby where teams from these three countries compete.
- National team sponsorship – Vodacom sponsors the South African Football Association (SAFA) and the men's and women's teams: Bafana Bafana and Banyana and the national under 20 team, Amajita. They also sponsor NOCSA and DISSA.
- Provincial team sponsorship –League sponsorship – MTN sponsors the Premier league. The MTN Cup is a national under 16 schools football tournament which is run under the auspices of the United Schools Sport Association of SA (USSASA Football). Each year for the past few years more than four thousand schools from all corners of South Africa take part in the tournament which culminates in one school being crowned national champions. Every year in excess of seventy thousand kids participate in the MTN Cup, which has served as a springboard to careers of many top players in some of South Africa's Premiership teams.
- Individual club sponsorship - Vodacom sponsors Kaizer Chiefs, Orlando Pirates and Bloemfontein Celtic soccer teams. They also sponsor the Bulls, Cheetahs and Stormers rugby teams. Vodacom also sponsors the Pretoria Country Club.
- Individual athlete sponsorship.
- Development sponsorship – Cell C has shown a convincing commitment to the betterment of the lives of the disadvantaged communities throughout South Africa. Over 85% of Cell C staff is made up of previously disadvantaged individuals. They are also committed to local business and skills and invest billions in goods and services. In 2002 Cell C launched a major initiative to highlight the plight of

orphans and vulnerable children in South Africa. The six-week campaign was in support of the Heartbeat Centre for Community Development that cares for orphans and child-headed households.

In early 2004 MTN became the title sponsor of the South African Music Awards an initiative that was born back in 1994 when the music genres such as Kwaito first hit the music scene. Since then, the SA Music Awards has become a premier event on the South African music calendar with its main aims being to celebrate and recognize the very best of South Africa's musical talent

In 2004 MTN became the title sponsor of the famous Joyous Celebration, a gospel-touring group that was founded in 1996. Over the years, the group has gained popularity because of its high-energy, good quality musical performances and magnificent staging as well as the straightforward entertainment it delivers. MTN Joyous Celebration has also become has also become a springboard for many now famous musicians and artists.

- Social responsibility – Cell C, MTN, Vodacom signed a Code of Conduct Practice agreement designed to ensure that reasonable steps are taken by the operators to protect children from accessing unsuitable mobile content. This agreement will make it easier for the operators to encourage responsible use of mobile content by consumers.

http://www.cellc.co.za/common/includes/news_headlines_detail.asp?cl_pkiArticleNo=91

- Education – Cell C in association with SABC 1 is bringing South Africans a new prime time reality show, "All you need is love". This programme, which features South Africans talking about or reaching out to people they care about, is unique in reality television.

http://www.cellc.co.za/common/includes/news_headlines_detail.asp?cl_pkiArticleNo=25.

MTN Soccerzone is a live television magazine programme that is broadcast every Monday on the SABC 1 channel between 21h00-22h00. MTN SoccerZone is an action-packed show that features weekly Premier Soccer League highlight as well as highlights of major African tournaments specifically, the MTN CAF Champions League. The show is hosted by popular television and radio personality Robert Marawa.

In 2003 in a twenty week, R3.5 million project known as Youth Vote SA, Cell C covered the costs of an education programme run by Independent Newspaper Group aimed at showing South African youth how to vote and the importance of voting

http://www.cellc.co.za/common/includes/news_headlines_detail.asp?cl_pkiArticleNo=55

- Goodwill – during the festive season in 2003, Cell C sponsored two helicopters to carry paramedic personnel to provide free emergency assistance to holidaymakers and travellers on the main routes to and along the coast, as part of their Red Hot summer campaign. Cell c joined with Engen to help reduce road carnage and render medical assistance when accidents occur

http://www.cellc.co.za/common/includes/news_headlines_detail.asp?cl_pkiArticleNo=60

In considering a combination of levels in sport sponsorship a company should for example, select a national team for its primary sponsorship programme and get extra value by sponsoring development in the same sport.

- Technical sponsors in sport – these sponsors are entitled to secondary sponsorship rights. They supply the team's kit.
- Licensing and merchandising – this is an important factor that can be very profitable and provide added value to the leverage of the sponsorship
- International factors – sponsors must be aware of their rights on an international level.

3.5.4.6 New Media

Introduction

Technology has had a profound impact on virtually every aspect of our lives over the past two decades. The way we work, play and communicate has changed completely because of the growth of the Internet, the World Wide Web and the dramatic increase in the use of cellular phones.

Internet

The Internet is the single largest communications system ever developed. It is not one single entity, but is made up of millions of computers connected to each other in countries all over the world.

The Internet is simply about moving bits from one place to another. Negroponte (1995:12) explains it as follows: 'the information superhighway is about the global movement of weightless bits at the speed of light'.

The World Wide Web

Dominick (2005:301) explains that the World Wide Web (WWW) is a network of information sources incorporating hypertext that allows the user to link one piece of information to another. The web is part of the internet and it incorporates text, graphics, sound and motion.

Koekemoer, (2004:518) states that although the major job of the Internet is to move bits of data from one computer to another, there are two key aspects, which are critical to the Internet's success:

- The infrastructure must move the bits as quickly as possible
- It must be easy for users to exchange bits, regardless of what computer or operating system they are using.

The World Wide Web is not a place or a thing; it is a set of rules or conventions for exchanging information over the Internet. The World Wide Web sits on top of the Internet. It uses its existing technology and channels.

E-Mail

E-mail is the only communications medium that links directly to another medium, the Web. It is also the most inexpensive medium for global communication.

Communication channels are labelled as follows:

- Pull – these channels require the user to actively go and retrieve the information. The Web is a pull channel since it requires active participation of a human being to retrieve the information.
- Push – these channels deliver information to the user and all the user has to do is receive it. Examples of push channels are radio, television, E-mail.

The success of E-mail has a lot to do with the fact that it is a push channel. It makes it easy to use and requires a minimum amount of effort on the part of the recipient.

E-mail can:

- Deliver personalised information to customers (for e.g. service providers can communicate with current and potential customers through invoices, statements and transaction confirmations).
- Drive transactions and Website traffic (for e.g. service providers communicate with cellular phone users through news alerts, promotions and competitions).
- Build relationships with customers
- Compliment and support other channels
- Be a value-added service (service providers can offer news and information to attract and retain customers).

There are two key objectives for effective E-mail marketing:

- Obtain permission to communicate with your customers or prospects.
- Build long term relationships by sending e-mails that are relevant to your customers' and prospects' information needs.

This is the beginning of a relationship and a dialogue that will drive prospects and customers up the loyalty ladder since E-mail marketing can give you higher and quicker response rates than other marketing channels. It also has the ability to analyse campaign results and information.

E-mail can also be a powerful support medium to reinforce an organisation's current advertising message.

Dominick (2005:299) identified the following advantages of e-mail:

- it is fast, cheap and reliable
- it is the most widely used internet resource

The following disadvantages were also cited by Dominick (2005:300):

- it is not as formal as a printed letter and may be inappropriate for some tasks. for e.g. telling someone that they are fired
- it is not as a private letter in an envelope so other people may have access to it
- it comes with the nuisance of spam, which is the cyber equivalent of junk mail
- there is the problem of information overload

Instant Messaging (IM)

IM is an interactive, real-time, person-to-person, live chat using a keyboard, voice or Web camera. The benefits of IM are speed and its convenience. This technology can also be used to facilitate live chats between a customer needing assistance with their cell phone and a customer service representative.

Mobile Marketing

A survey carried out by the Financial Times in 2002; found that there were 550 million PC users with access to the fixed Internet and 500 million cell phone users with built-in Web browsers. This clearly illustrates that mobile phones are going to become a key medium and communications channel in the future. As Tomi Ahonen (2003) says, the mobile phone is 'the most personal, most addictive, most widely adopted and most valued device today'.

A mobile phone is treated by most people as a personal accessory, almost an extension of the owner's personality. Thus, mobile campaigns must be designed with this in mind, to match the brand personality and to be relevant to its target market. Permission marketing is a non-negotiable approach for this medium. Since the mobile phone is such a personal device, unsolicited SMS messages can generate more anger and resentment from recipients than unsolicited e-mail does.

For mobile marketing to work, the opt-in approach is crucial. Recipients have to actively sign up or give permission for the organisation/advertiser to communicate with them. This ensures that the

interactive nature of the medium is used to its fullest. Mobile technology allows marketers to engage recipients in a dialogue that is even more immediate than e-mail.

Effective mobile communication must always be relevant and offer the recipient something of value to ensure his or her response and participation. The advertising and promotional material used should always have clear and easy-to-follow instructions, and should use examples to illustrate the process.

The mobile wave

Koekemoer, (2004:553) maintains that wireless service providers refer to their next generation networks for voice and data communications as 3G or Third Generation networks. The main advantages of the new 3G networks are that they will introduce a global standard for mobile telecommunications as well as a dramatic increase in bandwidth (144kb to 2MB per second). This will encourage the mainstream use of multi-media applications on mobile phones such as streaming audio and video and large file transfers. Some countries have introduced a 2.5G Network service, which is an intermediate step between second and third generation networks. It provides download speeds of between 64kb and 144kb per second

South African mobile phone users are currently on the GSM system, which is a 2G or Second Generation network. This is a digital network standard that is used by over 64% of the mobile networks in the world. It is designed for voice, data, fax and simple Web or Email access that averages a download speed of 10kb per second. GSM has international roaming capabilities, which are supported, in over 159 countries, and it offers short messaging services (SMS), wireless application port (WAP) and general packet radio services (GPRS).

Evans,(2002) identifies SMS has currently the most widely used of these applications, with over 50 billion global text messages being sent within the first quarter of 2001, according to the GSM Association

What is GPRS?

GPRS is an acronym for General Packet Radio Service. It is a mobile communications technology designed for transmission of data rather than voice.

It offers 'always-on' Internet connection and lets you use your phone (or rather device) to browse the Web, send and receive multimedia messages and access services specific to your location, and use your phone for its main conventional use: voice calls. When you set up your GPRS connection, you get almost immediate connection. There is no need to dial-up or use a modem. Your phone transmits and receives data through 'packet-switching': the information is broken up into several 'packet radio service', each carrying the destination address. Email is delivered in a similar way. GPRS facilitates new applications that have not previously been available over GSM networks due to the limitations in speed and message length.

GPRS is often known as 2.5G, that is, half a step up from current second generation phones as opposed to third generation technology. You can send voice, text, still images and video between phones, thus cell phones are no longer simply mobile phones. Rather through GPRS, images get transmitted to the handset and scaled down web sites to fit a phone screen and this has become the new wave

<http://www.mobileafrica.net/mobile-technology-spotlight-what-is-gprs.php>

3G Technology

3G is one of the latest technologies to be incorporated into mobile devices today. With 3G, people are able to get data and information at almost anytime and from any place.

3G (Third Generation) is also known as UMTS (Universal Mobile Telecommunications System) and is said to be the next generation of mobile network. 3G is described by Cellular (2004) as being a generic name for a set of mobile technologies and other equipment which comprise a host of high-tech infrastructure networks, handsets, base stations, switches and other technology that enables cell phones to offer high-speed Internet access, data, video and CD-quality music services. 3G

cellular phones were first launched in Japan in October 2001 and were introduced into South Africa in December 2004. This phone was designed so users would be able to surf the Internet, view pictures of the people they are talking to, watch movies and listen to music on their handsets (BBC News, 2001).

The benefits of 3G are that you can do it much better, a lot faster and from almost anywhere. It also allows for higher call volumes and supports multimedia applications such as video photography (3G Newsroom.com n.d).

Some of the latest features brought about by 3G is as follows:

- Video calling – with 3G you can now actually see the person on the other side that you are talking to.
- Obtaining information and news – with 3G technologies, it is possible to access any site on the Internet by using your phone as a modem. “You can use your favourite search engine to find information on the weather, daily news, stocks and practically any other information you require.”
- E – mail – “you can use your cell phone directly to send e-mails or connect it to your laptop or PDA (Personal Digital Assistant).”
- Games – the games we are able to engage in are more interactive, exciting and developed. 3G allow us to download these games at anytime from anywhere.
- Film – the speed and quality of 3G contributes to enhancing the quality of film over mobile devices to view film trailers, reviews and interviews. “Your cell phone can also be used to download ring tones, wallpapers and enter competitions.”
- Sport – “the incredible speed and video quality of 3G phones allows you to view highlights from your phone and have access to the latest scores.”
- Music – it’s now possible to download songs, music videos and interviews. “You can even compose your own music through your cell phone “

(<http://www.intoweb.co.za/articles-3g.html>).

What is EDGE?

EDGE is an acronym for Enhanced Data Rates for Global Evolution. It basically entails enhancements in data capability providing capacity for voice traffic, along with high-speed data capabilities. These new services include music/video clips downloading, full Multimedia Messaging, high speed Internet access and email. EDGE is a 3G technology that delivers broadband-like data speeds to mobile devices. It is relatively new mobile communications technology platform.

The first generation (1G) of mobile telephony is the plain old analogue mobile networks that only provide basic telephony with poor signal quality and prone to eaves-dropping. The second generation (2G) includes digital networks like CDMA, TDMA, and GSM. 2G networks provide superior sound quality, a high level of security due to digital encryption, additional data services such as SMS, EMS, Caller ID and a host of others. 3G networks go a step further from what is possible on 2G by providing increased speed, service quality, security and more.

EDGE is an improvement on the GPRS network and allows consumers to connect to the Internet and send/receive data, including digital images, browse web sites, at up to three times faster than possible with an ordinary GSM/GPRS network. EDGE enables GSM operators to offer higher-speed mobile-data access, serve more mobile-data customers, and free up GSM network capacity to accommodate additional voice traffic

(<http://www.mobileafrica.net/mobile-technology-spotlight-what-is-edge.php>).

Currently, Cell C subscribers are able to transmit data through their handsets at a much faster speed – in fact three times faster than the speed of GPRS. Cell C's network provides EDGE coverage to 90% of metropolitan areas. Services such as Internet access, MMS, video and audio downloads can now be enjoyed by customers at speeds of up to 240kbps
(<http://www.mobileafrica.net/news-africa.php?id=1019>).

Vodacom's Mobile TV Service

"On 1 December 2005 Vodacom launched the first Mobile TV entertainment service on Vodafone live! 3G cell phones with a wide choice of TV channels and programmes, recently adding two new TV channels, Sky NEWS and HBO, as well as the hit TV series '24', running on the Fox channel."

"From 20 – 22 January 2006 Vodacom customers with Vodafone live! 3G cell phones will be able to watch the Women's World Cup Golf series live on their cell phones through Vodacom's new Vodafone live! Mobile TV service." (<http://www.mobileafrica.net/news-africa.php?id=1127>).

An article in the Sunday Tribune, 4 June 2006, outlines how MTN launched a publicity campaign around the live games it would broadcast on its network from the Soccer World Cup in Germany.

<http://www.sundaytribune.co.za/index.php?fArticleId=3276257>

Tomi Ahonen, on his website, www.tomiahonen.com lists examples of how mobile technology has been used so effectively throughout the world. He has also identified the following key trends and examples of how they have been applied:

Trend 1 : SMS-to-TV messaging

Applications:

- Used in various reality TV shows such as Big Brother and Idols, where voting for someone is part of the game.
- Used by talk shows for comment lines and polls.
- Used by TV stations to run ongoing chat boards where viewers send premium cost SMS messages that are displayed on and scrolls across the screen.

Trend 2 : Multimedia Messaging Service (MMS)

This allows you to send photographs and video through your mobile phone. This idea took off at the end of 2002 with the introduction of camera phones into the mainstream. As 3rd Generation services and phones begin to enter the market, more applications for MMS will be developed.

Trend 3 : M-commerce

This refers to the value-added mobile data services of ring tones and downloadable logo characters. These two content services continue to generate the highest revenues on the mobile internet.

There are several factors that must be in place to make M-commerce a reality:

- consumers will need easy-to-carry wireless devices that they will always have with them, terminals have to be available at stores and vending machines. Both these devices must have the necessary infrastructure to enable transactions.
- there must be a high density of customer devices and terminals since it has to save time, be convenient and work everywhere.
- there must be a worldwide standards initiative

(<http://www.witiger.com/ecommerce/m-commercekillerap.htm>).

Two major segments that can benefit from anywhere, anytime access to information and services are:

- financial services providers – their distribution systems and customer interfaces have gone through major changes. By innovatively combining mobile technology with other distribution channels, financial service providers can establish closer, more profitable and more stable customer relationships. It's all about satisfying the customer in a rapidly changing technological environment and a highly stressed competitive environment. For financial service providers, the mobile phone has introduced a new channel to reach customers – one that is personal, easy-to-use, secure, location and time independent. Bank branches are increasingly expensive to operate, and the established self-service solutions, such as ATM's and Internet banking cannot provide competitive efficiency or satisfy the needs of the new generation of customers, who want to do business when it is most convenient for them.
- corporations with a mobile workforce – 'Work is no longer a place' since not all employees spend their working hours at their desks or in the office. Many jobs require travel and the biggest obstacle to getting the job done while on the road is lack of access to the tools that are used at the office, tools like e-mail, the corporate Intranet and databases. Mobile

access to corporate applications will increase a company's efficiency and responsiveness and raise customer service (<http://www.witiger.com/ecommerce/m-commerckillerap.htm>).

A 2003 survey estimated that only half of South African adults had a bank account, but a third of those without an account owned a mobile phone. Cell phones have already spread quicker than bank accounts across the rest of Africa. FinMark, a British-backed non-governmental organisation that looks at ways financial markets can help the poor, estimates at least half of all bank accounts in South Africa will be administered via cell phones within five years. MTN (MTNJ.J), Africa's biggest mobile operator by sales, hopes the new banking service will serve as a retention tool for existing high-spending cell phone customers (<http://www.witiger.com/ecommerce/m-commerckillerap.htm>).

According to an article in Finance and Economics, about half a million South Africans now use their mobile phones as a bank. Besides sending money to relatives and paying for goods, they can check balances, buy airtime and settle utility bills. Mobile banking is just an example of a wider phenomenon in South Africa. with its odd mix of advanced capitalism and developing-world economics, the country is successful in luring people who previously dealt only in cash or barter to the world of formal finance.

(http://www.economist.com/finance/PrinterFriendly.cfm?story_id=8089667)

Cell phones are already used for music downloads, text messaging and video games. But here in South Africa, they are beginning to perform another function: personal piggy bank. With the new technology, a grandmother in a rural area can receive money from her son, working hundreds of miles away, with the beep of her cell phone. A teenager can buy groceries with a few punches of keys. Not a coin needed to change hands. It's a high-tech solution designed to help poor people here who never had access to banks, cash machines or credit cards. And it's another example of using digital technology to fast forward development in remote areas

(<http://www.witiger.com/ecommerce/m-commerckillerap.htm>).

Trend 4 : Entertainment

The real big growth opportunity in the mobile environment is entertainment: games, virtual dating, and sport-related services such as scores, previews and analysis. Mobile music is another growing opportunity, for example, hit singles are released as ringing tones and music videos are offered on mobile phones.

In Cape Town, South Africa – Multichoice is working on a trial that will allow DSTV programmes to be viewed on a mobile device. A technology called digital video broadcasting – handheld (DVB-H) – will deliver high quality video to a cell phone and, unlike streaming services, is not affected by the number of users accessing the service. The technology will also allow a range of other handheld devices to receive broadcasts. Analysts expect to see 10 million DVB-H capable handsets in 2007 and over 300 million by the end of the decade

(<http://www.mobileafrica.et/news-africa.php?id=1160>)

Trend 5 : Business efficiency

The mobile phone is probably the most important tool for people in business. The mobile phone has various uses:

- Doctors can be routed for house calls.
- Delivery companies can use mobile technology to track their vehicles, drivers and individual parcels.

The Future of New 21st Century Media

Koekemoer (2004:558) discusses a range of new trends and technologies that are being introduced and developed for both the Internet and the mobile communications arena:

- Bandwidth increases : this gives users access to the high speed Internet which in turn will allow for the increased use of rich and streaming media.
- Integration into appliances : access to Web content is increasingly being integrated into phones, televisions and home appliances. This provides an unprecedented level of integrated data communication.

- **Wireless networks** : Wi-Fi, or wireless area network technologies are improving rapidly, providing reliable, high bandwidth technology that is accessible through hot spots in crowded city centres, and on the move, providing the same mobility and faster access speeds than current mobile phones. In South Africa, coffee chain Mugg and Bean and the Airports Company have both installed WiFi hot spots around the country to meet the needs of business travelers.

It is clear from the above that new developments in Internet and communications technology will rapidly advance and change over time. Thus, marketers today need to stay abreast of these emerging technologies and changes and monitor the next 'new wave' that could impact on our future customers.

The Future of Mobile Technology

In Africa, cell phones are booming. According to Dobek Pater, an analyst from South African research firm BMI-Techknowledge, "with mobile, a person is not tied to one spot". This is suitable for the business environment as well as for the many Africans who are often transient and have no permanent or formalised dwelling. Furthermore, mobile networks can be rolled out faster than fixed-line at a lower cost.

"Growth rates vary from country to country, but on average Africa has grown almost 50% a year in the past few years. With the increasing liberalisation of African telecommunications markets, smaller operators are appearing on the scene, providing niche market services primarily in bigger urban centres, using almost exclusively wireless technology to quickly connect clients and exploit the huge pent-up demand for means of communication."

<http://www.mavenmedia.co.za>

A good idea of where mobile technology is going in Africa, is to consider that one is able to make a call from a cell phone from the top of Mt Kilimanjaro.

'If you can connect there, you should be able to connect anywhere,' says Heinz Stephan, director product and technology at Comztek. He believes that to understand where mobile technology is headed we first need to see where it came from.

<http://www.mobileafrica.net/news-africa.php?id=1150>

The telephone facilitated contact and, now, the Internet continues to propel connectivity to new heights. With the worldwide web, access to information and communication between widely dispersed individuals is commonplace and almost everyone is accessible, regardless of their geographic location. 'While the computer took care of our data connectivity needs, the cell phone ensures personal contact. However, this separation was still a barrier to true anytime, anywhere communication, especially for business purposes. Hence the need for business to carry and access information wherever they are, led to the emergence of the Personal Digital assistant (PDA). It was logical that the PDA and the cell phone would eventually merge since many of their functions overlapped.

Combining the two provided users with the benefits of both in a single device – we were now not only contactable but also connected. In this mobile world, the technology that allows us to connect to such resources as the Internet is mainly GPRS and 3G with a connection speed ranging from 9kbps to 2Mbps. 'Mobile technology is unique in that it has the ability to combine both contact ability and connectivity services,' says Stephan.

<http://www.mobileafrica.net/news-africa.php?id=1150>

'On the flip side, the wireless network, which relies on technology such as WiFi, provides link speeds ranging from 2Mbps to 108Mbps. The future is obviously the marrying of the two technologies – mobile and wireless – to ultimately provide an always-on, always-connected, transparent roaming environment,' Stephan continues. He says the future is intelligent Internet-enabled mobile devices. Predicted by some to become as prevalent as fixed-line telephones by 2008, intelligent Internet-enabled mobile devices are being driven by five main factors:

- Messaging, mainly MMS
- The need to be contactable at all times
- The need to be connected to the Internet at all times
- The rapid proliferation of mobile applications and the mobile enablement of applications. A good example of this is Mobile Google.
- VPN services, particularly for business users.

'In the business arena, the benefits of true mobile technology are unquestionable, particularly in the sales and service industries,' says Stephan. 'Employees must be contactable and at the same time be able to connect to the Internet as well as to corporate data resources. 'This has become a global trend with birth of the nomadic workforce and the need for companies to reduce overheads such as office space and improve productivity. This is further driving the evolution of mobile technology. Economies of scale, increasing demand and decreasing costs will further drive the adoption of a mobile lifestyle and the availability of the technology to achieve it'. Ultimately Stephan sees a meshing of technologies such as WiFi, Wi Max and traditional mobile packet transmission technologies such as GPRS and 3G in the not too distant future.

'This will create an interesting technological landscape where mobile technology will seamlessly interact among business, home and Internet environments without the user even noticing the transition – in essence very much the way a cell phone switches between transmitters without the user ever noticing.' 'Mt Kilimanjaro will no longer be the escape from the rat race that many of us believe that it is. We will have to accept it, adapt our lifestyles and business processes and then the world will be better for it,' he concludes

(<http://www.mobileafrica.net/news-africa.php?id=1150>).

The long-awaited regulations regarding number portability have been promulgated and published in the Government Gazette. Communications minister Ivy Matsepe-Casaburri approved the regulations in terms of section 96 of the Telecommunications Act.

The regulations provide for all networks operators that terminate calls to subscribers identified by geographical numbers (landline operators) to provide for number portability within a geographical area, as well as portability to another network.

The regulations also state that mobile network operators must provide number portability not later than nine months after the promulgation of the regulation. The implementation of such portability is also to be governed by mobile functional specifications provided by way of government notice.

Number portability is meant to impact on an operator's ability to retain its customers. The access to portability does not create the desire to leave the network. Service level is the key issue that will determine whether people would choose to port or not. This will make service providers more competitive. (<http://www.itweb.co.za/sections/quickprint/print.asp?StoryID=155994>)

Mobile Number Portability allows one the freedom to move or port one's mobile number from any service provider or network to another, while keeping the same number.

Advantages:

Service providers and networks will compete for business by:

- reducing contract costs and call rates
- offering more specials and deals
- increasing service levels during the contract period
- offering the choice of any network while keeping the original number
- avoiding costs to change one's number, reprint stationery and signage, and loss of business from missed calls

Disadvantages:

There will be some drawbacks:

- cancellation costs for moving your contract to another service provider or network
- affect call rates as one will not be able to identify which network one is calling by looking at the number

- one's current value added services may be lost, and one may not be offered these services by the new service provider or network

The mobile number will remain the same but one is likely to forfeit all your existing services e.g. itemised billing, caller line identity (CLI) and insurance. One will have to re-register these services with the new service provider.

http://www.nashuamobile.com/nm_portal.asp?link=number_portability_guide&sitedid=ve...

MXit has enjoyed phenomenal growth since its launch in May 2005. It has gained popularity among school children because it enables them to send and receive messages for much less than the cost of a sms and is used as though the senders and receivers are in unbroken conversation. Statistics released by Clockspeed Mobile the company that developed MXit reveal that in 2006 45% of users fall in the 12 – 17 age groups. MXit is also in the process of a joint venture with Childline, allowing for children to receive online counseling should they need it.

http://www.int.iol.co.za/general/news/newsprint.php?art_id=vn20061023101517710C334...

Popular instant-message provider MXit will be forging stronger links with the police to rid its system of potential sex predators. The chatroom service recently alleged pedophile to kidnap an underage girl. Herman Heunis, the founder and chief executive of MXit, told the Star that they were looking at ways of beefing up security of their service by giving police detectives more access to their chat rooms

http://www.iol.co.za/general/news/newsprint.php?art_id=vn20061019033513414C68065...

3.6 EVALUATING MARKETING COMMUNICATIONS EFFORTS

Introduction

The investment and expenditure on marketing communications (advertising, personal selling, sales promotion, public relations and sponsorship) is costly. Budgets for these efforts are increasing yearly and the investment in these tools has to be justified. The discussion to follow will focus on those research techniques that are of value to both the marketer (advertiser) and the advertising agency.

3.6.1 Evaluating Advertising

Koekemoer (2004:485) explains how evaluation of the advertising occurs at various stages of planning and scheduling of the advertising. During the creative development stage, people in the ad agency can make a judgmental analysis of the creative concept. It is useful to use the word SCORE to evaluate the creative concept:

- S – Simplicity
- C – Credibility
- O - Originality
- R - Relevance
- E – Empathy

Creative concept testing which involves the target audience evaluation of various creative strategies must also be undertaken. This helps to separate viable ideas from unviable ones and indicates the varying degrees of acceptance or rejection of a strategy. Pre-testing helps distinguish between strong and weak advertisements. Post-testing is done once the advertisement is scheduled in the media.

3.6.2Evaluating Personal Selling Efforts

The performance of the salesperson and the sales force is evaluated. Both quantitative and qualitative methods are used to evaluate the performance of a salesperson.

Fill (1995:484-5) identifies the following main areas of evaluating a salesforce:

- the objectives set in the marketing communications mix
- the level of interaction with the other elements of the mix
- activity measures and achievement against quotas
- the effectiveness of the sales channels used
- the quality of the relationship established with customers

3.6.3Evaluating Sales Promotion Efforts

Since the purpose of sales promotion is to influence purchase behaviour, it's measured as follows: Pre-testing of sales promotion, testing sales promotion aimed at the trade, testing sales promotion aimed at salespeople (reps) and testing sales promotion aimed at consumers.

3.6.4Evaluating Public Relations

Koekemoer, (2004:505) identifies public relations as mainly responsible for the identity and corporate image presented to the organisation's stakeholders as part of a planned programme of communications to ensure the visibility and profile of the organisation. Thus, public relations is focused on communication activities such as awareness, preference, interest and conviction. Attention should then focus on levels of interest, goodwill and attitudes held towards the organisation as a result of all the planned and unplanned cues of the organisation.

A content analysis is undertaken with the following criteria; frequency of coverage, placement within the paper, coverage, messages conveyed and editing of releases. Logo identification, slogan research, corporate image studies, communications audit and crisis performance evaluation is also carried out.

3.6.5 Measuring effectiveness of Sponsorship

According to Koekemoer, (2004:508), sponsorship 'success' refers primarily to whether or not a return on the sponsorship investment was obtained

These are the steps in the measurement process:

- identify internal and external resources that can be used in evaluating sponsorship
- identify the measurement methodology and determine timing and cost
- identify the decisions that will be made with the research results
- identify who needs the results
- what should be measured?
 1. those exposed to the sponsorship
 2. those aware of the sponsorship
 3. the ability of the sponsorship to change perceptions of the brand or consumer attitudes to the brand
 4. those who bought the brand
- measuring media exposure
 1. coverage data
 2. viewership / readership data
 3. measuring the sponsor's name exposure within the broadcast or article
 4. television coverage
 5. press evaluation
 6. measure recall and association to the sponsor's brand or company
- measuring the effects of the sponsorship
- other facets of sponsorship that can be evaluated
 1. community and public relations
 2. product sampling
 3. customer hospitality experience
 4. communication of product or service attitudes
 5. distribution levels
 6. new distribution channels

7. links with opinion leaders
 8. employee morale
 9. ticket revenue
 10. merchandise royalties
- sponsorship post-mortem

3.7 CONCLUSION

This chapter addressed the issue of communications, starting with the definition, process, theories and models, identifying and explaining the communications mix and new media and ending with the evaluation of the communications effort. Communication can simply be described as the 'exchange of ideas' or as 'the process of establishing a commonness or oneness of thought between a sender and a receiver'. Basic communication requires a sender (a source of the communication), a message and a receiver (or destination). This basic model of communication could be for a person sending a message to another person without paying attention to the response.

Technology has had a profound impact on virtually every aspect of our lives over the past two decades. The way we work, play and communicate has changed completely because of the growth of the Internet, the World Wide Web and the dramatic increase in the use of cellular phones. The investment and expenditure on marketing communications (advertising, personal selling, sales promotion, public relations and sponsorship) is costly. Budgets for these efforts are increasing annually and the investment in these tools has to be justified.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter describes the nature of the study, the survey method and the research instrument employed. It further describes how the data for the study was analysed.

Research methodologies and types of designs have their own structural requirements and share common principles. In addition to the writing being systematic and chronologically sequenced, it must follow the pattern of actions taken by the researcher, understand the reasons for all the steps taken, provide sufficient data and ensure that the data is rich in description and detailed in its analysis (Henning et al, 2005:99).

4.2 THE NATURE OF THE STUDY

According to Mouton (2004:100), in the human sciences, "measuring instrument" refers to such instruments as questionnaires, observations schedules, interviewing schedules and psychological tests. There are basically two options of gathering data: either use existing instrumentation or design and construct your own. In social sciences, focus is on the use of existing instrumentation. This has certain advantages which include the saving of time and money and the instrumentation has high validity and reliability.

According to Kinnear et al (1996:129), a research design is the basic plan that guides the data collection and analysis phases of the research project. It is the framework that specifies the type of information to be collected, the sources of data and the collection procedure. A good design will make sure that the information gathered is consistent with the study objectives. Kumar (2005:84) defines a research design as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically.

Ghuri and Gronhaug (2005:56) suggest that the strategic choice of research design should come up with an approach that allows for solving the research problem in the best possible way – within

the given constraints. Thus, a research design should be effective in producing the wanted information within the constraints put on the researcher for e.g. time and budgetary constraints.

The research method employed for the study is the questionnaire method. After conducting in-depth interviews, questions that the researcher felt were pertinent arising from interviews were asked.

According to Struwig and Stead (2001:4) quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures.

The characteristics of quantitative research as identified by Struwig and Stead (2001:4-6) is discussed below:

- Constructs and Measurement

Quantitative research examines constructs (variables) which are based on hypotheses derived from a theoretical scheme. Quantitative research normally gives a weak theoretical account of how constructs are derived. Constructs, however, are the central focus in quantitative research. To conduct quantitative research the constructs studied must be measured. The measurement of constructs tends to be undertaken through the use of questionnaires and/or some form of structured observation. When you conduct quantitative research, you must specify precisely how the construct will be measured.

- Causality

Quantitative research often tries to establish causal relationships (cause and effect relationships) between constructs. The frequent use of independent and dependent variables by quantitative researchers is evidence of the widespread tendency to establish causal relationships between variables (constructs). A causal relationship between constructs explains why things are the way they are by specifying the causes thereof.

- Generalisation

The quantitative researcher wishes to generalize results beyond the confines of the research sample. A great deal of attention is paid to sampling issues and particularly to the representativeness of samples. It is important to establish that findings can be generalized legitimately to a wider population. This preoccupation with establishing generality can probably be attributed to the quantitative researchers' tendency to imitate the methods and style of the natural scientist.

- Replication

The replication of a study provides a way of determining the extent to which findings are applicable to other contexts. It also serves as a means of checking the biases of the investigator. A study is replicable when the study's research process is clearly and accurately described. This enables other researchers to repeat the study should they wish to do so. One of the reasons that Qualitative research is often criticized by quantitative researchers is because of the difficulty replicating qualitative research findings. Whether quantitative research is in fact replicated does not seem to be the issue, otherwise it would be a frequent activity of quantitative researchers. The critical issue, however, is that the study can be replicated. Natural scientists can also expect experiments to be replicable.

- Individual as focus

In quantitative research the individual is the focus of the empirical inquiry. Survey instruments are administered to individuals and the individual's (not the group's) responses are required. The individual's responses are then aggregated (collected) to form overall measures for the sample. There is no requirement that individuals should know each other, only that their responses can be analysed. The individualistic element in quantitative research has to do with its techniques of investigation, which use the individual as a sort of data, largely independent from other individuals. Quantitative researchers are influenced by positivism, and view reality as if it were identical to the natural order. Their research is linked to the practices of the natural scientist. While all the characteristics of what are conventionally taken to be positivism can be

found in quantitative research, not all characteristics of quantitative research are directly attributed to positivism. It would be more sensible to see some characteristics as a manifestation of (evidence of) the natural sciences.

Quantitative research refers to studies whose findings are mainly the product of statistical summary and analysis. Qualitative research produces research findings that are not arrived at by statistical summary or analysis and lack quantification altogether (Shaughnessy and Zechmeister 1997:22). McDaniel and Gates (1998) state that quantitative research uses mathematical analysis and can reveal statistically significant differences between samples while qualitative research could be used to examine the attitudes, feelings and motivations of the samples. Qualitative research is usually much cheaper than quantitative research. There is no better way than qualitative research to understand the in-depth motivations and feelings of customers. Qualitative research can also improve the efficiency of quantitative research. It is becoming more common for marketing researchers to combine qualitative and quantitative research. When conducting research for the purpose of this study, both qualitative (focus groups) and quantitative methods were used, as the research required using the two methodologies in conjunction with each other to affect a better final research product. In this research, qualitative research blended in with quantitative measures by providing a more thorough understanding of how cellular companies use communication to improve relationship marketing.

Welman et al (2005:8) summarises the direct contrast between quantitative and qualitative research:

- Quantitative research evaluates objective data consisting of numbers while qualitative research deals with subjective data produced by the minds of human beings. Qualitative data are presented in language instead of numbers.
- Quantitative researchers use a process of analysis based on complex structured methods while qualitative research is based on flexible, exploratory methods.
- Quantitative researchers focus more on reliability while qualitative researchers focus on validity.

- Quantitative research relies on larger numbers while qualitative research involves small samples.

According to Kumar (2005:23) the accuracy of your findings largely depends upon the way you select your sample. The basic objective of any sampling design is to minimize, within the limitation of cost, the gap between the values obtained from your sample and those prevalent in the population. The underlying premise in sampling is that, if a relatively small number of units are selected, it can provide – with a sufficiently high degree of probability – a fairly true reflection of the sampling population that is being studied.

Sampling theory is guided by two principles:

1. The avoidance of bias in the selection of a sample and
2. The attainment of maximum precision for a given outlay of resources.

Marketing research gathers information about the parameters of a population. A population consists of all the elements (people, products, organisations, markets, and so on) of a marketing research project or problem. In this study, the population consists of cellular phone users. A parameter is a characteristic or measure of the population. Information about the population is gathered by means of a sample. When all the elements of the population cannot be included in the research study, a representative sample is drawn. A sample is a subgroup of the population that is selected to participate in the research (Cant et al 2003:124)

A sampling unit may contain people, stores, households or products. One task is to specify which sampling unit is appropriate. The choice will depend on the purpose of the study. The sampling frame usually is a list of population members used to obtain a sample (Kumar et al 2002:302-3)

The size of a sample can be determined either by using statistical techniques or through some ad hoc methods. Ad hoc methods are used when a person knows from experience what sample size to adopt or when there are some constraints, such as budgetary constraints, that dictate the sample size (Kumar et al 2002: 316).

According to Cant et al (2003:124) the sampling process consists of five steps: defining the target population, determining the sample frame, selecting a sampling technique, determining the sample size, and executing the sampling process.

Step 1: Define the target population

The target population is the collection of elements or objects from which information is to be gathered to solve the research problem. Elements could be people from which information must be gathered. The target population for this study are the cellular phone users. The target population determines which elements can and cannot be included in the sample, which is why the target population must be defined precisely. The target population can, for example, be based on a geographic location or demographic characteristics. Sometimes it is difficult to specify elements as they form part of certain units. Therefore, sampling units are sometimes used to select elements. A sampling unit is a basic unit containing the elements of the population.

Step 2: Determine the sample frame

A sample frame represents the elements of the target population. A non-probability sampling frame was used for this study for two reasons:

- ☛ A sampling frame for the service providers was out of the question due to confidentiality
- ☛ Records of pre-paid customers are not kept, hence the absence of a sampling frame

Under the circumstances, convenience sampling was deemed most appropriate.

.Step 3: Select a sampling technique

The way in which the sample will be drawn must be determined. The researcher has five basic alternatives to choose from:

- probability and non-probability sampling methods ;
- single unite sampling and cluster sampling ;
- unstratified and stratified sampling methods;
- equal unit probability and unequal probability sampling; and
- single stage and multistage sampling methods

Probability sampling methods

There are four probability sampling methods: simple random sampling, stratified sampling, cluster sampling and systematic sampling,

- Simple random sampling: With this type of sampling, each element in the population has a known and equal chance of being selected for the sample. Every element is selected independently. A simple example of simple random sampling would be to place all the elements of a population in a container and draw the sample from this.
- Stratified sampling: the chosen sample is forced to contain units from each of the segments, or strata, of the population (Parasuraman et al 2004:363).
- Cluster sampling: clusters of population units are selected at random and then all or some of the units in the chosen clusters are studied (Parasuraman et al 2004:365).
- Systematic sampling: a cluster of units is pulled from a population by selecting the first unit randomly and the remaining units systematically (Parasuraman et al 2004:366).

Step 4: Determining the sample size

The sample size is the total number of elements included in the research. The sample size must be big enough to ensure that reliable and valid conclusions can be made about the population. The sample size for this study was 300.

Step 5: Execute the sampling process

It is important that the researcher knows how the sample should be drawn. If selected elements are not available to participate in the research, the researcher must know exactly what to do to ensure that the sample is selected correctly.

When the research problem is specified and an appropriate research design and data collection instrument developed, the next step in the research process is to select those elements from which the information will be collected. One possibility is to collect information from each member of the population. Another way is to collect information from a portion of the population by taking a sample of elements from the larger group, and on this basis, infer something about the larger

group. For quantitative studies in particular, sampling is extremely important (Ghauri and Gronhaug 2005:145).

According to Ghauri and Gronhaug (2005:148-9) the best-known probability sample is simple random sampling. A key characteristic of such samples is that all units in the population have the same chance (probability of being included). Therefore, simple random sampling was used for this study.

To conduct a random sample the following questions must be considered:

1. What is the basic unit to be examined?
2. How should the population, more specifically the target population, be delineated?
3. What variables or parameters are of interest? Research results are very often expressed in terms of variables or parameters. Parameters describe aspects of variables. The population can be described in terms of variables or parameters. A variable can be described as a set of values related to a population in such a way that each unit has one and only one value from the set. A value can be defined as a piece of information regarding a particular aspect of a unit. Typical parameters to be estimated in a sampling survey are population total, population means, population proportions, population variations and population ratios. When more than one variable is involved, additional parameters of interest might be, for example, population correlation coefficients and population regression coefficients.
4. How should the sample be drawn? As noted above, in simple random sampling all units in the population have the same probability of being included. In the case of a total listing of all units, the sample can be drawn as in a lottery. Prepared tables of random digits exist as well.
5. How many units should be included? This is a question of sample size.

Another reason for simple random sampling being used for this study is that the method is easy to understand and apply.

Drawbacks as suggested by Ghauri and Gronhaug (2005:149) are as follows:

- A complete frame (A list of all units in the population) is needed.
- In some studies, e.g. surveys by personal interviews, the costs of obtaining the samples can be high if the units are widely geographically scattered.
- The standard errors of estimators can be high. This is a major reason for applying other sampling procedures i.e. to reduce standard errors of estimation for the same sample size.

Cant et al (2003:129) provided the following limitations of the random sampling method are that it is sometimes difficult to define the sample frame, which is necessary for this sampling method. It is also very time consuming. This type of sampling can also increase costs significantly, especially if the sample drawn is geographically spread, as transport and other costs can be high.

4.3 SELECTION OF SUBJECTS

Ethical clearance was obtained from the Research Administration at the University of KwaZulu – Natal. All subjects were aware of the purpose of the study and the aims and objectives. All subjects signed and consented to be part of the study.

The target population consists of existing cellular phone users from whom the researcher attempted to draw conclusions and make generalizations. In KwaZulu-Natal, 251 cellular phone users volunteered and participated in this study. Informed consent was required of each of the respondents. 53% were contract customers and 36% were prepaid customers. There were 94 males (38%) and 141 females (56%) in the sample. The study is perceived important to bridge the gaps identified in the literature study and provide guidelines for the relationship marketing component of cellular phone marketing.

4.4 THE SURVEY METHOD

Interviews were used to assist the researcher in formulating the final questionnaire. The interview schedule was organized around the following questions. These questions were posed to cellular phone users in KZN:

- Biographical information pertaining to age, gender, service provider and whether contract or prepaid
- Reason/s for choosing the particular service provider
- Reasons, if any, for changing the choice of service provider
- Relationship marketing in the cellular industry
- How cellular companies communicate with customers

The interviews helped the researcher to identify pertinent issues related to communication and relationship marketing in the cellular industry. It was decided that the questionnaire be administered to 300 cellular phone users. Of the various techniques available, the postal method was considered the most convenient and cost effective.

A six-week allowance was made for respondents to complete and return the questionnaires. Returns were monitored and cellular phone users who did not respond by the end of three weeks were contacted telephonically in order to ascertain if they received the questionnaire, and also stress the importance of their responses to the study, as well as its mutual benefit. It was encouraging to note that there was a steady increase in the response rate following these telephonic reminders. At the end of six weeks, 251 responses were received out of a sample of 300. The overall response rate was 83.7%.

4.5 REASON FOR DESIGNING A SPECIFIC QUESTIONNAIRE FOR THE RESEARCH

Since this topic has not been researched in South Africa, the researcher felt it was necessary that a questionnaire be specifically designed for this study. There was no study to consult that could advise the researcher about possible/relevant questions that could be asked. Thus the author's

theoretical knowledge and communications with cellular phone users advised the researcher appropriately.

4.5.1 THE QUESTIONNAIRE

A questionnaire is a written list of questions, the answers to which are recorded by respondents. In a questionnaire the respondents read the questions, interpret what is expected and then write down the answers. The only difference between an interview schedule and a questionnaire is that in the former it is the interviewer who asks the questions (and if necessary, explains them) and records the respondents' replies on an interview schedule and in the latter replies are recorded by the respondents themselves. This distinction is important in accounting for the respective strengths and weaknesses of the two methods. In the case of a questionnaire, as there is no one to explain the meaning of questions to respondents, it is important that questions are clear and easy to understand. Also, the layout of a questionnaire should be such that it is easy to read and pleasant to the eye and the sequence of questions should be easy to follow. A questionnaire should be developed in an interactive style. This means that respondents should feel as if someone is talking to them (Kumar 2005:126).

Kumar (2005:132) submits that the form and wording of questions is extremely important in a research instrument as they have an effect on the type and quality of information obtained. The questions should therefore be appropriate and relevant.

In an interview schedule or questionnaire, questions may be formulated as:

- Open – ended; or
- Close – ended.

In an open-ended question the possible responses are not given. In the case of a questionnaire the respondent writes down the answers in his/her words, where as in the case of an interview schedule the investigator records the answers either verbatim or in a summary describing a respondent's answer. In a close ended question the possible answers are set out in the

questionnaires schedule and the respondent or the investigator ticks the category that best describes the respondents answer'. It is usually wise to provide a category 'Other/please explain' to accommodate any response listed when deciding whether to use open-ended or close – ended questions to obtain information about a variable, visualize how you plan to use the information generated. This is important because the way you frame your questions determines the unit of measurement by which the responses can be classified. In turn the unit of measurement dictates what statistical procedures can be applied to the data and the way the information can be analysed and displayed.

Both open and closed-ended questions can be used. The advantages and disadvantages of using both types of questions are discussed below. Open-ended questions have a number of advantages and disadvantages as identified by Kumar (2005:134):

- Open-ended questions provide in depth information if used in an interview by an experienced interviewer. In a questionnaire, open-ended questions can provide wealth of information provided respondents feel comfortable about expressing their opinions and are fluent in the language used. On the other hand, analysis of open-ended questions is more difficult. The researcher usually needs to go through another process – content analysis – in order to classify the data.
- In a questionnaire, open-ended questions provide the respondents with the opportunity to express themselves freely, resulting in a greater variety of information. Thus are not conditioned' by having to select answers from a list. The disadvantage of free choice is that, in a questionnaire some respondents may not be able to express themselves and so information can be lost.
- As open-ended questions allow respondents to express themselves freely, they virtually eliminate the possibility of investigator bias (investigator bias is introduced through the response pattern presented to respondents). On the other hand, there is a greater chance of interviewer bias in open-ended questions.

According to Kumar 2005:135, close-ended questions, like open-ended questions, have many advantages and disadvantages:

- One of the main disadvantages of close-ended questions is that the information obtained through them lacks depth and variety.
- There is a greater possibility of investigator bias because the researcher may list only the response patterns that s/he is interested in or those that come to mind. Even if the category of "other" is offered, most people will usually select from the given responses, and so the findings may still reflect the researcher's bias.
- In a questionnaire, the given response pattern for a question could condition thinking of respondents, and so the answers provided may not truly reflect respondents' opinions. Rather, they may reflect the extent of agreement or disagreement with the researcher's opinion or analysis of a situation.
- The ease of answering already made list of responses may create a tendency among some respondents and interviewers to tick a category or categories without thinking through the issue.
- Close-ended questions, as they provide 'ready made' categories within which the respondents reply to the questions asked by the researcher, help to insure that the information needed by the researcher is obtained.
- Because the possible responses are already categorized, they are easy to analyse.

The questionnaire for this study was divided as follows:

- Biographical Data

These are questions 1 and 2. Respondents were asked to place crosses next to questions related to age, gender, race, home language, number of years that they have been a cellular phone user, specify contract or prepaid and indicate their service provider. These questions assisted the researcher in gaining information about the profile of typical cellular phone users in terms of age, gender language, etc.

- Service provider

Questions 3 to 8 comprised closed ended questions related to the respondents service provider. Respondents were asked if they ever regretted their choice of service provider, which alternate service provider they would chose and whether they had changed service provider in the last three years.

- Cellular phone contracts

This section comprised questions 9 to 13 which dealt with cellular phone contracts. Respondents were asked to what extent their service provider explained their contract and whether they understood their contract.

- Service provider staff

Questions 14 to 16 deal with staff of the service provider, how they interact with customers and their knowledge and expertise in the field.

- Service provider

Questions 17 to 23 are designed to get an indication of how the service provider operates in terms of reliability, catering for customers' individual needs and assisting customers.

- Communication

The way in which service providers communicate with their customers is indicated by answers to questions 24 to 27.

- Recommendation of service provider

Questions 28 to 30 ask respondents whether they would recommend their current service provider to friends and family.

- Procedure to be followed on termination of contract

Questions 31 and 32 allow the interviewer to ascertain whether respondents are aware of the procedure to follow upon the termination of their cellular phone contract.

- Improvement of services rendered by service provider

Questions 33 to 41 are designed to get an indication of service providers current level of service to customers which may lead to an improvement in the future.

4.6 PILOT STUDY

The preliminary questionnaire was distributed to fifty respondents in KwaZulu-Natal. Prior arrangements were made to meet with each respondent and the questionnaire was completed in the presence of the researcher.

Immediate feedback was obtained with regard to:

- Clarity of questions
- Understandability of questions
- Ambiguity
- Identification of semantic difficulties encountered when completing the questionnaire
- Identification of other confusing aspects and queries

The findings and recommendations made by the pilot group will be examined in order to prepare the final questionnaire to be administered to the study population.

4.7 RELIABILITY OF THE QUESTIONNAIRE

The reliability of a measure is its consistency. A measure is reliable if the measurement does not change irrespective of the number of times it is measured. For the purpose of this study, reliability was measured by using a group of cellular phone users. Questionnaires were administered to these users and re-administered a week later. The responses of both sets of questionnaires were fairly similar, leading to the conclusion that the questionnaire used for the purpose of this study was

fairly reliable. There was no statistically significant difference between test one and test two for the pilot study.

4.8 ADMINISTERING THE QUESTIONNAIRE

The questionnaire was administered between December 2005 and March 2006. Each questionnaire was accompanied by a covering letter, which provided details of the researcher and the purpose of the study. The following conditions were offered to all respondents:

- 1) Confidentiality was guaranteed.
- 2) Results of the study would be made available to the respondents and also service providers would make recommendations with respect to communication.
- 3) A free reply-paid envelope was provided with each questionnaire sent, in order to minimize the inconvenience to respondents. A total percentage of 85% was received. This is higher than the normal response rate for questionnaire studies.

The questionnaire is used predominantly to collect primary information from the targeted population. The questionnaire has the following advantages:

- It is easy to understand.
- It can be administered to large numbers of people.
- They are relatively economical since they eliminate travel time and cost.
- They can be completed relatively quickly and overcome the problem of interviewer bias.
- The assured anonymity of the responses eliminates any doubts cellular phone users might have about answering questions of a contentious nature and allows them to be honest.
- The questionnaire was also designed for ease of completion at the respondent's convenience.

However, the questionnaire study has inherent limitations:

- Respondents may discard and forget about them, leading to a lower response rate.
- They can only be used for literate populations
- Respondents may misinterpret items, offer wrong information or fail to answer all the questionnaires that may lead to some questionnaires being discarded.
- The respondent will not be able to ask questions.
- Could be difficult to interpret subjects' responses
- Difficult to check if the respondent understands the questions.
- Very low response rate and response bias.
- The researcher has no control over the order in which the respondent proceeds through the questionnaire.

The researcher attempted to overcome these shortcomings by telephonically reminding the respondents to complete and return the questionnaire. The questionnaire was worded appropriately to make it easy for the respondents to answer all questions, thus, minimizing the risks of cellular phone users not answering all the questions.

4.9 ANALYSIS OF DATA

Ultimately, all fieldwork culminates in the analysis and interpretation of some set of data. Analysis involves "breaking up" the data into manageable themes, patterns, trends and relationships. The aim of analysis is to understand the various constitutive elements of one's data through an inspection of the relationship between concepts, constructs or variables, and to see whether there are any patterns or trends that can be identified or isolated, or to establish themes in the data (Mouton, 2004:108).

The field of statistics involves methods for describing and analyzing data and for making inferences (decisions) about phenomena represented by the data. Methods in the first category are referred to as descriptive statistics; methods in the second category are inferential statistics. Descriptive statistics enable the researcher to summarize and organize data in an effective and meaningful

way. Inferential statistics are used to make inferences by interpreting patterns. For example, if we hypothesize that blue-collar workers are less politically conservative than professionals, given that adequate data were collected, we would employ inferential statistics to determine whether differences between the groups support our expectations (Ghuri and Gronhaug 2005:159).

Ghuri and Gronhaug (2005:160) explain that after data have been coded and prepared for processing they are ready for analysis. The researchers' first task is to construct frequency distributions to examine the patterns of responses to each of the variables under investigation. A frequency distribution of a single variable, known as univariate frequency distribution, is a table that shows the frequency of observations in each category of the variable. To construct a frequency distribution, the researcher simply lists the categories and counts the number of observations in each.

According to Ghuri and Gronhaug (2005:161), frequency distributions are a useful way to communicate information about their data, for example to the users. An alternative way of presenting the data is by using graphs. Three of the graphs most commonly used are the pie chart, the bar chart and the histogram. Both the pie chart and the bar chart can be used at the nominal and ordinal levels. The histogram is used to display measure at interval or ratio levels.

The pie chart shows differences in frequencies or percentages among categories of nominal or ordinal scaled variables by displaying the categories as segments of a circle. Like the pie chart the Bar chart is a tool for displaying nominal or ordinal data. Bar charts are constructed by labeling the categories of the variables along the horizontal axis and drawing rectangles of equal width for each category. The height of each rectangle is proportional to the frequency of the category.

Histograms are used to display frequency of distributions of interval or ratio level data. A histogram looks like a bar chart with no spaces between the rectangles. Unlike the bar chart, a histogram cannot display information for more than one variable.

Once the questionnaires were received, they were coded, and responses were captured on computer. The Statistical Programme for Social Sciences (SPSS) version 11 for Windows was used to conduct the statistical tests, which included frequencies and percentages, cross tabulation with chi square to measure whether association exists between variables and contingency coefficient to measure strength of relationship between nominal variables. The Microsoft Excel programme was used to generate the preliminary analysis comprising bar graphs, pie graphs and tables. Means, percentage frequencies and test of significance were also conducted on the data. The statistical difference between communication styles of service providers was determined. Data were presented using tables, bar graphs, pie charts and T-tests. Open-ended questions were also interpreted.

4.10 CONCLUSION

This chapter has discussed the methodology employed to conduct the study. It examined the selection of subjects, the survey method and the research instrument employed. The next chapter will provide a discussion and analysis of the results.

CHAPTER FIVE
RESULTS AND DISCUSSIONS

5.1 INTRODUCTION

The objective of this chapter is to analyse the results of the study and thereafter provide an in depth discussion.

NOTE:

- Some of the percentages do not total 100%.because of missing answers on the questionnaires.
- Some of the percentages add up to more than 100% because respondents chose more than one answer.

5.2 BIOGRAPHICAL DATA OF RESPONDENTS

Table 5.1 Biographical data of respondents

TOTAL NUMBER OF CELLULAR PHONE USERS = 251	PERCENTAGE (%)
Age: 18 – 25	27
26 – 35	29
36 – 45	25
46 – 55	10
older than 55	5
Gender: Male	38
Female	56
Race: Black	25
White	14
Asian	50
Colored	5
Other	0,4
Home Language:	
English	65
Afrikaans	9
Zulu	22
Other	6

Data from Table 5.1 indicates that the majority of cellular phone users (56%) were within the age group 18 – 35 years. This could be attributed to the fact that people in this age group are working and earning a steady income and have credit references that enable them to take out a cellular phone contract. Also people in this age category need a cellular phone for work purposes or since they travel long distances or they may need it as a personal communication tool and certainly as a communication tool for security reasons given the unprecedented wave of crime sweeping this country.

For most of the younger members in this group, the cellular phone is a fashion accessory, a means to express their vanity and a means to chat and keep in touch with their friends. They use sms, mms, video facilities, chat rooms, the internet and the other cellular phone accessories and services to great effect.

Within the age group of over 55's, only 5% responded. This could be because older people are not so technologically minded and are wary of change. They probably do not recognize the need for a cellular phone since they never had one before.

Of the 29% cellular phone users within the age group 26 – 35 years:

31% chose Cell C

34% chose MTN

21% chose Vodacom

Table 5.2 Analysis of the three service providers in terms of age

AGE	CELL C N=61	MTN N=98	VODACOM N=68
18 -25	23%	28%	38%
26 -45	25%	27%	29%
46 – 55	15%	6%	11%
OVER 55	7%	5%	2%

When comparing across the service providers (Table 5.2):

- Vodacom has a higher proportion of 18 – 25 year old respondents (38%)
- MTN and Cell C have more respondents in the 26 – 45 year age category
- 50% of respondents had a combination of service providers.

Results from the year-long Mobility 2005 research project undertaken by independent research organisation World Wide Worx indicate the following:

- Age was found to be a major differentiator of the way South Africans use their cellular phones, particularly in the choice of contract versus pre-paid accounts.
- Of the 2400 sample population nationally, 33% were on contract while 64% on prepaid.
- 17% on contract are in the age category 20-24 with 78% on prepaid.
- Contract use rises steadily through the age groups until it peaks in the 46 - 49 age group, at 40%, and then begins to decline again
- More than half the respondents cited free phones or cheap phones as the reason for choosing their form of contract
- Average expenditure among contract users was R384 per month, and among pre-paid users R134.
- Not surprisingly, expenditure is lowest in the 16 – 19 age group, rising steadily to peak in the 35 - 44 age group, and then dropping steadily as age increases – confirming the old stereotype that yuppies are the most enthusiastic cell phone users.
- While an age gap exists between revenue and usage, it was found that adoption and planned adoption of non-voice applications, like picture messaging, cell phone banking and 3G, are strongest among younger people <http://www.theworx.biz/mobile05e.htm>. This is not surprising since the younger users are more conversant with the intricacies of the digital age.

Table 5.1 also indicates that 56% of cellular phone users are female. The reasons for this are thought to be as follows:

- Personal communication tool, for e.g. mums can check in on their children/family
- For safety, for e.g. can call for help immediately during emergencies and breakdowns
- For work purposes, especially in the case of flexible work roles and out-of-office work.
- To ensure that they are easily reachable, given the various responsibilities that they have.

Table 5.3 Analysis of the three service providers in terms of gender

SERVICE PROVIDER	MALE (%)	FEMALE (%)
CELL C	33	67
MTN	33	67
VODACOM	52	48
COMBINATION	45.5	54.5

Table 5.3 indicates that for both Cell C and MTN, female customers are greater than male customers, 67% for each. Vodacom has 52% male subscribers. Even the combination shows more female subscribers (55%).

This corresponds with Table 5.1 that indicates that 56% of cellular phone users are females and cites reasons for this.

As indicated in Table 5.1, 50% which is the majority of cellular phone users were Asian, 25% were Black, 14% White, 5% Coloured and other races were 0.4%.

The majority of Asian people surveyed (83%) use Cell C. 21% Black people and 20% White people prefer Vodacom. The majority of Coloureds also prefer Vodacom. Other race groups weigh in with 1% for MTN. 89% of the Asian people also have a combination service provider.

English was the predominant home language of respondents (65%). There were 22% Zulu speaking respondents, 9% speak Afrikaans and other languages weighed in with 6%. This

correlates with the statistics that the majority of respondents were Asian and their home language is English.

Table 5.4 Data of cellular phone users

TOTAL NUMBER OF CELLULAR PHONE USERS = 251	PERCENTAGE (%)
Years of being a cellular phone user:	
0 – 3	20
4 – 6	53
7 – 9	18
more than 9	8
Type of customer:	
Contract	53
Prepaid	36
Both	2
Service Provider:	
Cell C	24
MTN	39
Vodacom	27
Cell C and MTN	2
Cell C and Vodacom	2
MTN and Vodacom	1

In terms of duration of being a cellular phone user, Table 5.4 indicates that the majority of respondents have used cellular phones for 4 – 6 years (53%).

Data from Table 5.4 indicates respondents' choice of service provider as follows:

Cell C 24%, MTN 39% and Vodacom 27%. Most respondents are on MTN. This study showed the respondents attributed their preference for MTN because of the following reasons:

- MTN provides tailor made packages suitable to customers
- MTN covers rural areas
- MTN provides excellent customers services
- MTN does extensive marketing and advertising
- MTN has highly skilled/trained staff
- MTN maintains excellent communication with customers

This is in direct contrast to national figures that appeared in the Sunday Times which indicate that Vodacom is the leading cellular operator in South Africa. Vodacom has reported a 34.7% rise in total customers to 25.8 million in the last six months. Revenue increased by 20.3% to 19.5 billion, while profit also increased by 17.5% to 5 billion. Their customer base also increased in both the contract (27.9%) and prepaid (27.7%) market.

<http://www.sundaytimes.co.za/article.aspx?ID=317177>

Table 5.4 also shows that 53% of cellular phone users are on contract while 36% are prepaid and 2% fall into both categories. In her article, *Mobile Operators: their Contribution to Universal Service and Public Access*, Sonja Oestmann (2003), elaborates on the appeal of prepaid mobile. She cites affordability as the main reason for low-income users choosing a pre-paid mobile service. They are able to control their expenditure, can switch to just receiving calls in times of economic difficulty, hassle-free sign-up, and other similar features. Pre-paid also avoids credit checking, the need for a bank account and a binding long-term service contract and can therefore be used by people who already have bad debt and no steady income.

For the purposes of this study, the results indicate that the majority of Asian people (83%) are on Cell C. This correlates with the analysis that indicates: 72% are on contract and 53% are prepaid, whilst 100% are a combination.

The 53% of cellular phone users on contract and 36% prepaid customers are divided according to their age category as follows:

Table 5.5 Analysis of contract and prepaid users in terms of age

AGE	CONTRACT N=132	PREPAID N=90
18 -25	17%	47%
26 -45	33%	27%
46 – 55	31%	18%
OVER 55	12%	7%

The majority of contract subscribers (64%) fall within the age group 26 -55 years as indicated in Table 5.5 because:

- They earn good, steady income
- They have credit references
- They have cellular phones because of work related issues.

Forty seven percent of prepaid customers falling within the age group 18 -25 (Table 5.5) can be attributed to the following:

- This group consists mainly of students, school leavers, first time workers, contract workers and unemployed young people.
- They do not have a steady income or good credit reference which is necessary to enter into a contract

The 53% of cellular phone users on contract and 36% prepaid customers and 2% that fall into both are divided according to gender as follows:

Table 5.6 Analysis of contract and prepaid users in terms of gender

GENDER	CONTRACT N=132	PREPAID N=90	BOTH N=6
MALE	36%	37%	67%
FEMALE	64%	63%	33%

Table 5.6 links with earlier statistics and commentary that the majority of cellular phone users surveyed in KZN for the purposes of this study are female. This table clearly shows that females are the majority for both contract and prepaid options.

5.3 RESPONDENTS REGRETTING THEIR CHOICE OF SERVICE PROVIDER

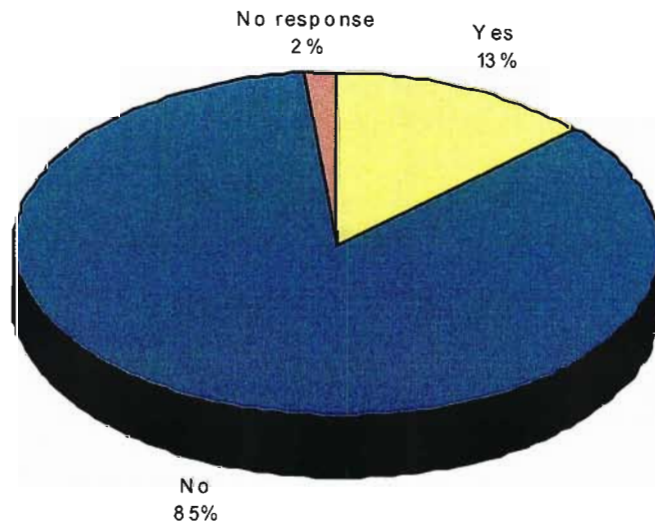


Figure 5.1 Choice of Service Provider

The majority of respondents (85%) did not regret their choice of service provider as indicated by Figure 5.1. this could be attributed to the fact that service providers tailor make packages for customers. The three service providers in South Africa provide variety and choice for cellular phone users. As a result, customers can make informed choices that fulfil their specific needs and requirements.

Customer loyalty means that customers are committed to purchasing products and services from a specific service provider and will resist the actions of competitors attempting to usurp their patronage. The contract serves as a bond with the service provider especially since they were not able to retain their phone number. However, with number portability which has been introduced on 11 November 2006, the likelihood of swapping among operators would be more real. Egan (2001:42-43) defines loyalty as the biased behavioural response, expressed over time by customers with respect to one supplier out of a set of suppliers which is a function of decision making and evaluative processes resulting in brand or store commitment. Peppers and Rogers (2004:56), approach customer loyalty from two different directions: attitudinal and behavioural. The attitudinal definition of loyalty implies that loyalty is a state of mind. Customers are loyal to a brand or company if they have a positive, preferential attitude toward it. They like the company, its products, or its brands, and they prefer to buy from it, rather than from the company's competitors. It is clear that the majority of respondents are loyal to their chosen service provider and they have a positive ongoing relationship that is satisfying and enduring. Any company wanting to increase loyalty in attitudinal terms will concentrate on improving its product, its image or other elements of the customer experience. In the behavioural definition, loyalty is not the cause, but the result of brand preference. A company wanting to increase customer loyalty will focus on whatever tactics will increase the amount of repurchase behaviour.

Loyalty must be seen as a biased repeat purchase behaviour, or repeat patronage accompanied by a favourable attitude. Many companies tend to concentrate on seeking new customers after securing a customer's order. They do not understand the importance of maintaining and enhancing the relationships with their current customers i.e. too little emphasis is placed on generating repeat business. Thus, the objective of relationship marketing is to turn new customers into regularly purchasing customers, and to progressively move them to being strong supporters of the organization. The statistics indicate that the three service providers in South Africa have been very successful in creating, enhancing and maintaining relationships with their customers.

Developing customer loyalty is about ensuring that we keep our current customers loyal by giving them more reasons to stay loyal. Foss and Stone (2001:484), maintain that most loyalty experts would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires, etc. They further explain that there are degrees of loyalty. Some customers are very loyal, some less so. Therefore, loyalty is developed by approaches that reinforce and develop a positive state of mind. The aim is not to make all customers loyal, but rather to improve the loyalty of those customers most likely to respond.

According to Gummesson (2002:230) the loyalty accounting matrix combines the attractiveness of a service provider (brain appeal) and the strength of the relationship (heart appeal). The most satisfied customers are called ambassadors. They find the service provider highly attractive, have a strong relationship with the service provider and will recommend the service provider to others. The next group consists of loyal customers who are slightly less enthusiastic than the ambassadors. The last two groups represent those who are actively searching for a new service provider and those who are already lost customers. The diagonal represents risk customers who are easy prey for competitors.

STRENGTH OF RELATIONSHIP

RISK	LOYAL	AMBASSADOR
SEARCHING	RISK	LOYAL
LOST	SEARCHING	RISK

ATTRACTIVENESS

The thirteen percent of respondents who regretted their choice of service provider stated the following reasons:

- 32% inefficient service
- 37% too costly
- 28% poor communication
- 4% cited other reasons

5.4 OPPORTUNITY TO CHOOSE ALTERNATE SERVICE PROVIDER

Table 5.7 Choice of Alternate Service Provider

TOTAL NUMBER OF CELLULAR PHONE USERS = 251	PERCENTAGE (%)
Cell C	17
MTN	28
Vodacom	41

Table 5.7 illustrates that 41% of customers would choose Vodacom as an alternate to their current service provider. This is in line with Vodacom's position as South Africa's leading cellular network.

Respondents' reasons for choosing Vodacom in this study are as follows:

- Vodacom is a winning company
- Vodacom is a respected company
- Vodacom is a caring company
- Vodacom believes that it can enhance people's lives and empower them by making it possible for all people to have access to mobile telecommunications

http://www.vodacom.co.za/about/company_info_the_vodacom_way.jsp

Respondents reasons for choosing an alternate service provider are as follows:

- 44% better rates
- 26% efficient service
- 28% better communication
- 3% other reasons

5.5 CHANGE OF SERVICE PROVIDER IN THE LAST THREE YEARS

Eighteen percent of respondents indicated that they did change service provider whilst 81% did not change. Reasons for changing could be attributed to the following:

- 21% inefficient service
- 42% high cost
- 17% poor communication
- 21% other reasons

5.6 CELLULAR PHONE CONTRACTS

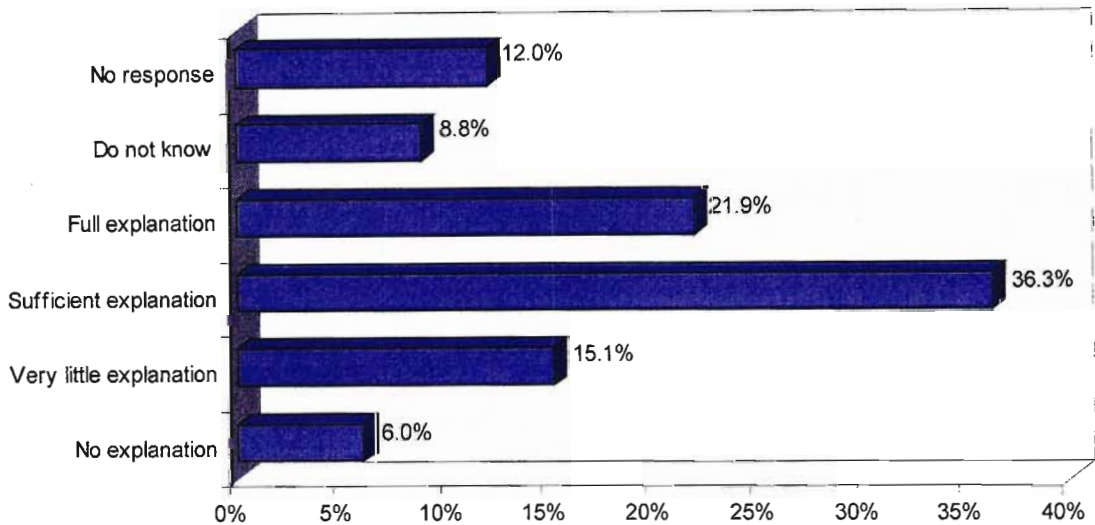


Figure 5.2 Explanation of Contract

According to Figure 5.2, 36% of cellular phone users were given a sufficient explanation of their contract. This reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers got no explanation.

With regards to their cellular phone contract that they had entered into, respondents' indicated the following:

- 14% did not read the contract at all
- 53% browsed through it
- 18% read it thoroughly
- 16% understood it fully

Fifty seven percent of respondents indicated that they understood the terms of their contract, 6% did not understand while 18% were not sure.

Their reasons for not understanding the terms of their contract are as follows:

- 10% fine print is illegible
- 47% too much legal jargon
- 31% not enough time to read through the contract
- 12% other reasons

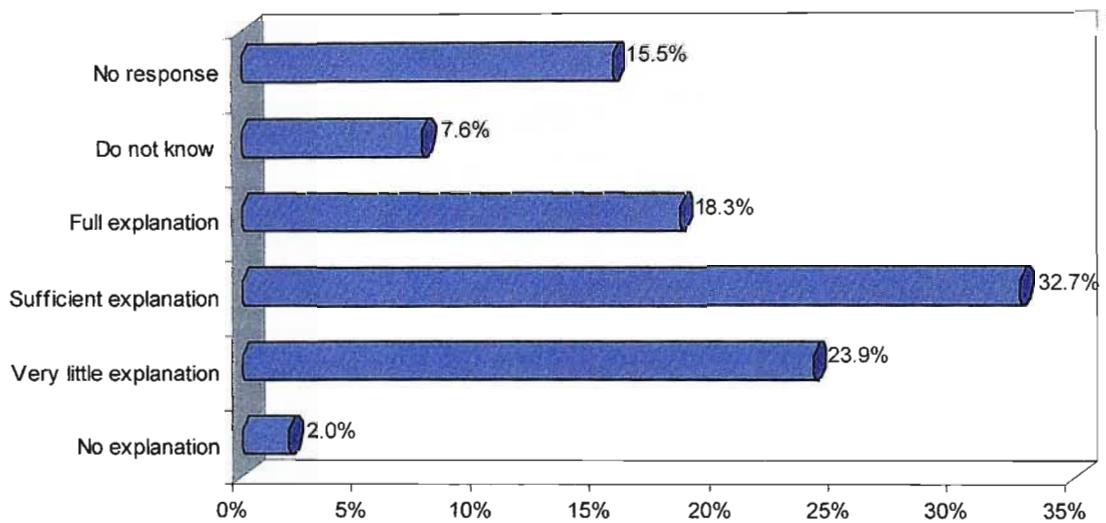


Figure 5.3 Explanation on terms of the contract, calculation of subscriptions and benefits of the contract

Data from Figure 5.3 shows that 32.7% of respondents were given further sufficient explanation on the terms of their contract, calculation of subscriptions and the benefits of the contract. This illustrates that the staff of service providers are knowledgeable and well trained to explain the contract to customers and handle their questions and queries.

5.7 SERVICE PROVIDER STAFF

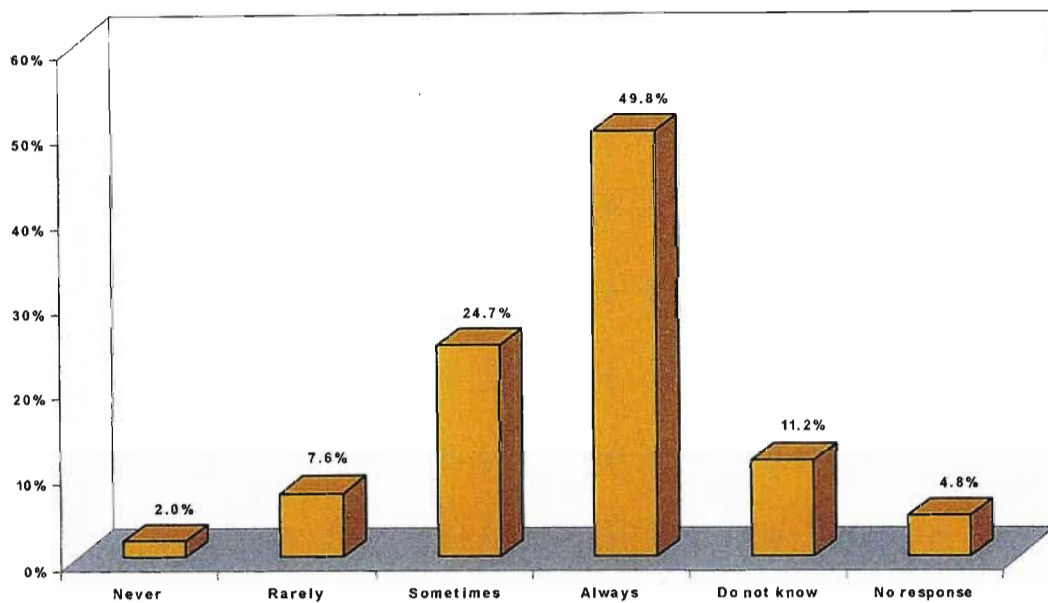


Figure 5.4 Staff response to requests and queries of customers

A reasonable number of respondents (49.8%) indicated that the staff of their service provider always responds to their requests and queries as shown in Figure 5.4. This illustrates the importance of well trained staff in creating and maintaining relationships with customers. Since staff create the first impression of the organization, it is vital that they are well trained and have the necessary communication skills to deal with customers in an effective and efficient manner.

Forty six percent of respondents indicated that their service provider staff have considerable professional technical knowledge to advise them, 33% indicated limited knowledge, 6% extensive knowledge and 2% indicated no knowledge.

Forty percent of respondents (40%) stated that service provider staff usually gave them individual attention, 29% stated that they always get individual attention 7% seldom while 1% not at all.

Staff needs to be motivated and processes need to be simplified, streamlined and customer directed. The process needs to flow and the customer's needs must be kept in focus at all times. How the customers are greeted, how the product/service is presented, how the experience is managed, how the experience is enhanced with the little touches and finally how the experience ends (the vital final touch) all contributes to the customers judgment of the service provider.

Brink & Berndt, (2004:12) identify excellent customer service as an integral part of relationship marketing. No business can consider implementing relationship marketing if it does not offer excellent customer services. Excellent customer services can be achieved by training all staff, even those who do not have direct contact with customers. Staff must understand that their own job satisfaction rests on the success of the organisation. Staff must be supported by technologies and processes to make them more effective. Front line staff must have the ability to communicate with customers in a manner that recognizes them, remembers their contact history, understands their current issues, predicts anticipated behaviour and suggests appropriate solutions. Front line staff are actually consultants who work with customers to add value to their company. The interaction between staff and customers is referred to as the service encounter i.e. the actual service the customer receives either face-to-face, by telephone, e-mail, or by mail. This service encounter is very important for all types of business.

MTN believes that the key to their success and growth is their employees. Therefore, they invest substantially in skills development: on average, 6% of their payroll is on training and this far exceeds the international industry average of 3.2% <http://www.mtn.co.za/?pid=10053>.

5.8 CONVENIENCE OF OPERATING HOURS

Sixty four percent of respondents agree that their service provider's operating hours are convenient, 9% disagree while 22% are uncertain.

5.9 ATTEMPTS BY SERVICE PROVIDER TO UNDERSTAND THE INDIVIDUAL NEEDS OF CUSTOMERS

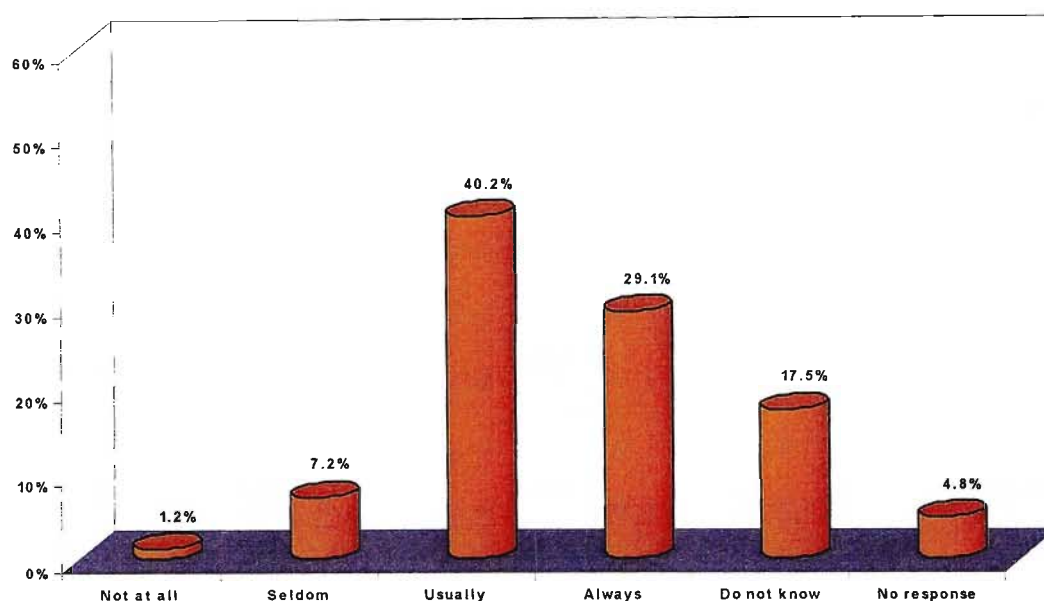


Figure 5.5 Staff attempts to give customers individual attention

Forty percent of customers indicated that the staff of their service provider usually gives them individual attention as illustrated by Figure 5.5 while 1.2% said they get no attention at all. The majority of the respondents (69.3%) indicated that they usually always received individual attention. This enhances the relationship with customers and ensures that they are satisfied and stay with their service provider.

One of the key aspects of relationship marketing in the cellular industry is to focus on individual customers. Individual customers play a key role, thus, the most profitable customers need to be identified so that the business can focus on customers appropriate to its strategy.

Business today, is supported by information, which has the ability to differentiate, customize and personalize, and which enables it to gather information about individual customers. Thus, it is possible to be more flexible and it has the ability to individualise the market offerings, the messages and the media to focus on individual customers.

Not all customers are the same. Different customers should be treated differently. The key is to know who the best customers are and to treat them accordingly. It is impossible for an organization with one million customers to cost effectively communicate one-on-one with all of them, therefore, customers need to be segmented or categorized, based on what is known about them. These segments can be described and quantified in terms of their value and potential value to the organization, and appropriate communication strategies can be designed for each segment.

5.10 SERVICE PROVIDER OFFERINGS TO SUIT INDIVIDUAL NEEDS

Thirty one percent (31%) respondents indicated that their service provider adapts offerings to suit their individual needs to some extent, 21% to a considerable extent, 16% to a great extent, 15% do not know and 13% to no extent. This is important in establishing and maintaining a relationship between the service provider and the customer.

Individual interaction leads to a better learning relationship between a customer and an organization. The more customers teach the organization, the better it becomes at providing exactly what they want. According to Brink & Berndt, (2004:25) in order to have knowledge of customers, it is necessary to obtain information. This information is then used to create a database for the customer, which becomes the foundation for relationship marketing. The database contains information about transactions, customer contacts, customer preferences, descriptive information and responses to marketing activities.

5.11 RELIABILITY OF THE SERVICE PROVIDER

A reasonable number of respondents (35%) stated that usually when their service provider promises to do something at a specific time, they do it. 23% stated that they always keep their promises.

Thirty five percent (35%) of respondents also indicated that their service provider is usually prompt to help them with problems.

Thirty two (32%) of respondents indicated that their service provider helped them from the beginning of their contracts.

All of the above show the reliability of the service provider which is vital in establishing a relationship with customers. The first impression created by the service provider will set the tone for the rest of the relationship to ensure that it endures over time.

5.12 COMMUNICATION BY THE SERVICE PROVIDER

Marketing entails much more than developing a good product, pricing it attractively and making it readily available to the target customers. Organisations need to communicate with their current and potential customers. They have to fulfill the role of communicator and promoter (Kotler, 2000:550). Therefore, communication is vital in the marketing process. The interaction between customers and sales personnel and the exchange of information between buyer and seller is an indispensable part of marketing and relationship building.

Organisations today have to establish, maintain and manage complex marketing communications systems with their customers, distributors, suppliers, and various other publics. Each group communicates with the organisation and also provides feedback to each other. Thus, for most companies the issue is not whether to communicate but rather what to say, to whom, how and when and where to say it.

According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value. More specifically, it is a cross-functional process for creating and nurturing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them.

Table 5.8 Methods of communication used by service provider

METHOD OF COMMUNICATION	PERCENTAGE (%)
FACE-TO FACE	5
SMS	60
E-MAIL	7
POST	26
OTHER	2

Table 5.8 clearly indicates that the majority of respondents (60%) indicated that their service provider communicates with them via sms.

Schultz et al (1995:85) are of the opinion that it is impossible for a marketer to establish effective communication with the target customers using only mass techniques like advertising, sponsorship, and publicity. It is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference that separates him/her from the rest

Table 5.9 Indication of methods of communication used by service providers according to gender

METHOD OF COMMUNICATION	MALE N=94	FEMALE N=141
FACE-TO FACE	9%	5%
SMS	75%	79%
E-MAIL	12%	7%
POST	29%	37%
OTHER	5%	2%

Seventy five percent (75%) males and 79% females reported that their service provider communicates with them via sms as shown in Table 5.9. This confirms the results of Table 5.8, which revealed that sms is the preferred method used by service providers for communication with their customers.

E-mail is the only communications medium that links directly to another medium, the Web. It is also the most inexpensive medium for global communication.

E-mail can:

- Deliver personalised information to customers (for e.g. service providers can communicate with current and potential customers through invoices, statements and transaction confirmations).
- Drive transactions and Website traffic (for e.g. service providers communicate with cellular phone users through news alerts, promotions and competitions).
- Build relationships with customers
- Compliment and support other channels
- Be a value-added service (service providers can offer news and information to attract and retain customers).

Table 5.10 Methods of communication preferred by respondents

PREFERRED METHOD OF COMMUNICATION	PERCENTAGE (%)
FACE-TO FACE	18
SMS	43
E-MAIL	16
POST	19
OTHER	3

Looking at Table 5.10, 43% of respondents indicated that sms was their preferred method of communication. 19% wanted communication via post while 18% preferred face-to-face.

Forty percent 40% of respondents indicated that the promotional materials of their service providers are appealing to some extent. 27% indicated to a considerable extent. 10% did not find it appealing.

Table 5.11 Appeal of service provider promotional material by the various race groups

APPEAL OF SERVICE PROVIDER PROMOTIONAL MATERIAL	BLACK N=38	WHITE N=34	ASIAN N=151	COLORED N=13	OTHER N=1
NOT AT ALL	16%	28%	56%	0%	0%
TO SOME EXTENT	14%	15%	67%	3%	0%
TO A CONSIDERABLE EXTENT	13%	9%	64%	12%	2%
TO A GREAT EXTENT	25%	13%	59%	3%	0%
OTHER	30%	20%	40%	10%	0%

Table 5.11 points out that 67% of Asian people found the promotional materials appealing to some extent and 64% to a considerable extent while 56% stated that it was not appealing to them at all.

Thirty four percent (34%) of respondents agreed that service providers usually communicate with them regularly regarding contract options, sms bundles, and improvements in technology. 22% indicated always, 22% indicated very little, 11% did not know while 5% said they were never contacted.

For the cellular companies, advertising in newspapers has the following strengths:

- Customers and potential customers can look at the pictures and read the print.
- Customers can get immediate information about different offerings, prices, geographic location of stores and contact numbers.

5.13 RECOMMENDATION OF THE SERVICE PROVIDER

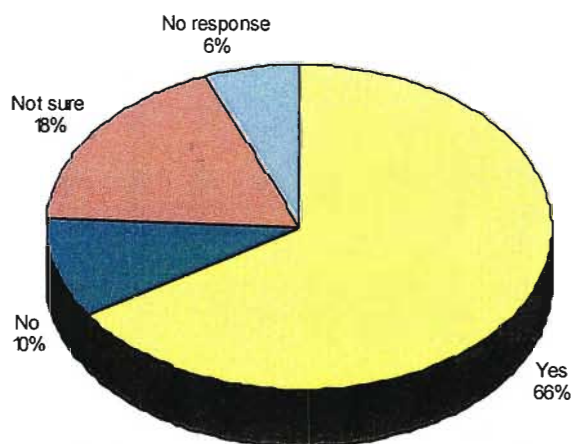


Figure 5.6 Recommendation of service provider

Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives as indicated by Figure 5.6. This could be because they were very satisfied with the service experience and formed a relationship with their service provider.

There is a considerable overlap between trust and satisfaction, since both represent an overall evaluation, feeling or attitude about the other party in a relationship. Satisfaction may be developed directly through personal experience or less directly through opinion and the experience of others. Satisfaction involves the perceived standard of delivery and depends on the duration of the relationship. Thus high levels of service need to be present throughout the delivery process. Satisfaction over time reinforces the perceived reliability of the organization and contributes to trust. Therefore, trust is a belief in a person's or organization's competence to perform a specific task under specific circumstances.

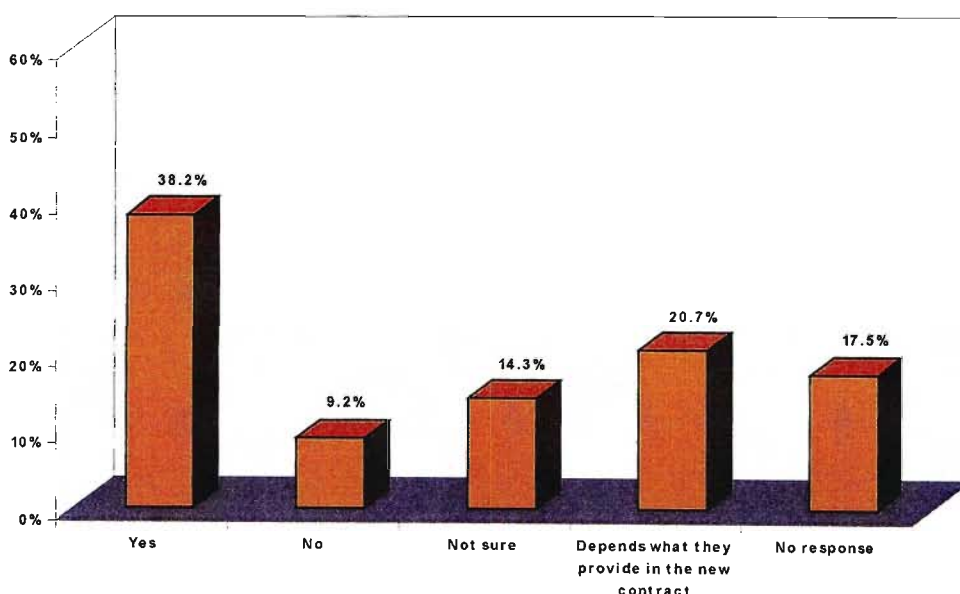


Figure 5.7 Renew contract with same service provider

Figure 5.7 indicates that only 38.2% of respondents will renew their contract with the same service provider. This could be attributed to the following:

- Excellent customer services
- Friendly staff
- Good communication

- Tailor made cellular phone packages
- Convenient operating hours
- Good reputation
- Creative advertising
- Cheaper rates

Respondents indicated the following reasons for not renewing their contract with the same service provider:

- 27% inefficient service
- 33% high costs
- 31% poor communication
- 8% other reasons

5.14 PROCEDURE TO BE FOLLOWED ON TERMINATION OF CONTRACT

A small proportion of respondents (38%) know the procedure to follow when their current contract ends. This can be attributed to the fact that service providers do not communicate regularly and timeously with customers. 14% do not know the procedure to follow, 22% have some idea while 4% prefer to be advised before the contract ends.

When asked if their service provider informs them when their contract is going to end, 48% indicated yes, 14% no and 20% have some idea.

5.15 IMPROVEMENT OF SERVICES RENDERED BY SERVICE PROVIDER

Table 5.12 Respondents indications of how service providers can improve their services

SERVICE	PERCENTAGE (%)
IMPROVE COMMUNICATION	18
DECREASE COSTS	42
PROVIDE PACKAGES TO SUIT INDIVIDUAL NEEDS	25
MORE EFFICIENT SERVICE	15

According to Table 5.12, 42% of respondents indicated that their service provider could improve services to them by decreasing costs. 25% indicated they should provide packages to suit individual needs.

Fifty three percent (53%) showed that to some extent their service provider does create value for them as customers. 17% showed that it is done to a considerable extent.

Table 5.13 Value created by service provider in terms of gender

VALUE CREATED BY SERVICE PROVIDER	MALE N=94	FEMALE N=141
NOT AT ALL	15%	7%
TO SOME EXTENT	56%	56%
TO A CONSIDERABLE EXTENT	12%	20%
TO A GREAT EXTENT	11%	4%
DO NOT KNOW	6%	12%

Male and female customers (56%) agree that their service provider creates value for them to some extent as indicated in Table 5.13.

Kotler (2001:20) suggests that customers will buy from the firm that they perceive offers the highest customer delivered value. Customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits that customers expect from a given product or service. Total customer cost is the bundle of costs that customers expect to incur in evaluating, obtaining, using and disposing of the product or service.

Thirty four (34%) of respondents agree that to some extent their service provider allows them to specify what accessories they would like with their cellular phone. 28% indicated that this did not happen at all.

Forty two percent (42%) of respondents rated their relationship with their service provider as good. 36% rated it as average, 10% poor and 8% excellent.

Fifty percent (50%) of respondents are seldom contacted by their service provider to acquire new information, whilst 26% are not contacted at all and 18% are contacted regularly.

Interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, a learning relationship is created and the customer will become very loyal. When interacting with customers, ensure that your interactions are always welcomed, protect the customer's privacy, invite dialogue by making contact numbers and web addresses available, ensure that the customer can see value from each interaction and be sensitive to the customer's time. Technology has made interactions increasingly less costly; therefore it is affordable for businesses to interact with a wider range of customers economically. Organizations are able to streamline and automate many of their manual interactions required in serving customers. This reduces cost and saves time.

5.16 PRIVACY AND TRUST

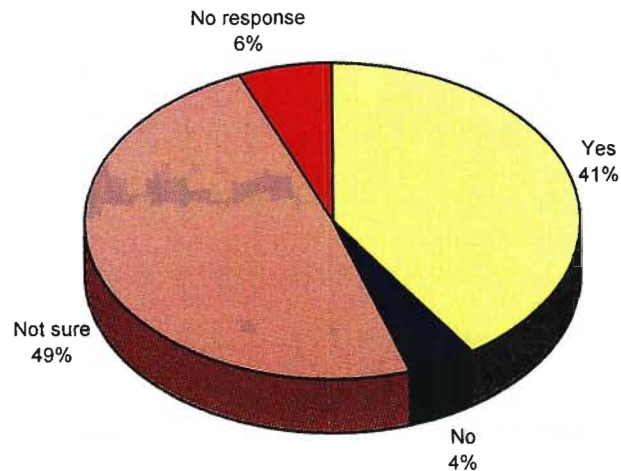


Figure 5.8 Protection of customers' privacy

According to Figure 5.8, only 41% of respondents agree that their service provider protects their privacy. However, the majority of respondents (49%) were not sure that their privacy was protected. This might be attributed to the fact that cellular phone users are constantly inundated with calls and sms's from different company representatives selling various products and services, it would seem that they are provided with subscribers lists from the various service providers. Therefore, cellular companies can improve their levels of customer privacy by instituting stricter measures that ensure that their customer details are not shared with other companies.

According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer based on individual information, it should recognise that customer data is its most valuable asset, should secure and protect that data, and also share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge.

This privacy pledge will include:

- The kind of information generally needed from customers
- Any benefits customers will enjoy from the service provider's use of individual information

- An individual's options for directing the service provider not to use or disclose certain kinds of information
- Any events that might precipitate a notification to the customer by the service provider

A company can jeopardise its relationship with its customers by engaging in unethical practices that compromise customer privacy. Instituting a privacy policy serves to reassure customers of a company's intentions. For example, the three cellular service providers in South Africa believe that customer loyalty depends on trust and protection of privacy. Therefore, they do not send sms and e-mail promotions to customers without their permission.

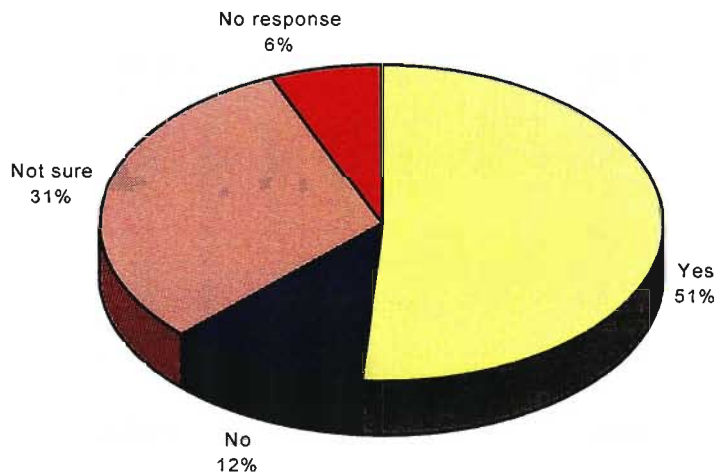


Figure 5.9 Level of trust of service provider

Figure 5.9 shows that 51% of respondents trust their service provider. This figure needs to increase in light of trust being an essential element in any relationship. Service providers can achieve this by improving the quality and frequency of communication with their customers. This will then bode well for the relationship between the customer and the service provider and ensure that the customer is now in an established relationship that he/she will maintain into the future.

Trust and commitment is an important indicator when relationship marketing strategies may be potentially valuable. Morris, Barnes and Lynch (1999) defined trust as a willingness to rely on an exchange partner in whom one has confidence. In other words, the word of another can be relied upon. This exchange partner may be an individual, e.g. a sales representative from your service provider, an organisation, or a brand or symbol (Hart, 2003:131). Bowen and Shoemaker (1998) identify the fundamental building blocks of trust as achieving results, demonstrating concern and acting with integrity.

Evans, O'Malley and Patterson (2004:213), consider trust to be the basis of relationships and the glue that holds it together. Unless there is a minimum level of trust between the parties, it is unlikely that a relationship will be initiated at all. If trust breaks down, the relationship is likely to be dissolved. In order for customers to trust in their service provider, they must have confidence in their service provider's ability and willingness to keep their promises. Trust is particularly important for services, which by their nature are highly intangible, for example in the cellular phone industry, there is a need for a minimum level of customer trust at least before service delivery is initiated. The trust that a customer places with the service provider is mainly based upon their own experience with that provider or with similar organisations. Trust in a relationship brings harmony and stability.

Commitment is connected with the notion of trust. Morris et al defined commitment as an enduring desire to maintain a valued partnership. This implies that both parties will be loyal, reliable and show stability in their relationship. According to Peppers and Rogers (2004:45), commitment is the belief that the importance of a relationship with another is so significant as to warrant maximum effort at maintaining it. Like trust, commitment is viewed as extremely important in the formation of customer relationships. Morgan and Hunt (1994) submitted that, 'The presence of relationship commitment and relationship trust is central to successful relationship marketing... Commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success.'

5.17 RATING OF THE SERVICE PROVIDER

Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.

The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. These findings should be of great concern to the cell phone service providers as the majority of respondents have rated the response time for both emergencies and technical problems as average.

5.18 RELIABILITY TEST

Cronbach's alpha test for reliability could not be used since data were on different scales. Instead, the contingency coefficient was used to test whether responses were similar. A value of 0.6 and more for the contingency coefficient showed a good relationship between two "similar" questions. Significant cross tabulations showed a good association between the patterns of responses for both questions

5.18.1 Cross tabulation between Questions 9 and 13

			Q13					Total
			No explanation	Very little explanation	Sufficient explanation	Full explanation	Do not know	
Q9	No explanation	Count	3	5	2	1	3	14
		% of Total	1.4%	2.4%	1.0%	.5%	1.4%	6.7%
	Very little explanation	Count	2	26	7	0	1	36
		% of Total	1.0%	12.5%	3.4%	.0%	.5%	17.3%
	Sufficient explanation	Count	0	21	52	9	1	83
		% of Total	.0%	10.1%	25.0%	4.3%	.5%	39.9%
	Full explanation	Count	0	2	16	33	3	54
		% of Total	.0%	1.0%	7.7%	15.9%	1.4%	26.0%
	Do not know	Count	0	4	5	2	10	21
		% of Total	.0%	1.9%	2.4%	1.0%	4.8%	10.1%
Total		Count	5	58	82	45	18	208
		% of Total	2.4%	27.9%	39.4%	21.6%	8.7%	100.0%

Symmetric Measures

		Value	p
Nominal by Nominal	Contingency Coefficient	.686	.000
N of Valid Cases		208	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Relationship is significant ($p < 0.05$) and relationship is strong (Value > 0.6). The responses for both questions are similar. For example, 83% indicated "Sufficient.." for Q13 and 82% indicated "Sufficient..." for Q9. 54% indicates "Full..." for Q13 and 45% for Q9.

5.18.2 Cross tabulation between Questions 20 and 21

			Q21					Total
			Never	To a minor extent	Usually	Always	Do not know	
Q20	Never	Count	6	3	2	1	1	13
		% of Total	2.5%	1.3%	.8%	.4%	.4%	5.5%
	Sometimes	Count	1	29	12	6	2	50
		% of Total	.4%	12.3%	5.1%	2.5%	.8%	21.2%
	Usually	Count	2	11	52	15	4	84
		% of Total	.8%	4.7%	22.0%	6.4%	1.7%	35.6%
	Always	Count	0	5	15	35	1	56
		% of Total	.0%	2.1%	6.4%	14.8%	.4%	23.7%
	Do not know	Count	0	4	6	4	19	33
		% of Total	.0%	1.7%	2.5%	1.7%	8.1%	14.0%
Total		Count	9	52	87	61	27	236
		% of Total	3.8%	22.0%	36.9%	25.8%	11.4%	100.0%

Symmetric Measures

		Value	p
Nominal by Nominal	Contingency Coefficient	.708	.000
N of Valid Cases		236	

- Not assuming the null hypothesis.
- Using the asymptotic standard error assuming the null hypothesis.

Relationship is significant ($p < 0.05$) and relationship is strong (Value > 0.6). The responses for both questions are similar. For example, 84% indicated "Usually.." for Q21 and 87% indicated "Usually..." for Q20. 56% indicates "Always..." for Q21 and 61% for Q20.

5.18.3 Cross tabulation between Questions 20 and 22

			Q22					Total
			Never	Sometimes	Usually	Always	Do not know	
Q20	Never	Count	1	8	2	1	1	13
		% of Total	.4%	3.6%	.9%	.4%	.4%	5.8%
	Sometimes	Count	2	17	15	2	8	44
		% of Total	.9%	7.6%	6.7%	.9%	3.6%	19.7%
	Usually	Count	3	6	45	14	10	78
		% of Total	1.3%	2.7%	20.2%	6.3%	4.5%	35.0%
	Always	Count	1	2	12	30	9	54
		% of Total	.4%	.9%	5.4%	13.5%	4.0%	24.2%
	Do not know	Count	3	4	6	3	18	34
		% of Total	1.3%	1.8%	2.7%	1.3%	8.1%	15.2%
Total	Count	10	37	80	50	46	223	
	% of Total	4.5%	16.6%	35.9%	22.4%	20.6%	100.0%	

Symmetric Measures

		Value	p
Nominal by Nominal	Contingency Coefficient	.587	.000
N of Valid Cases		223	

- a. Not assuming the null hypothesis.
- b. Using the asymptotic standard error assuming the null hypothesis.

Relationship is significant ($p < 0.05$) and relationship is strong (Value < 0.6). The responses for both questions are similar.

5.18.4 Cross tabulation between Questions 21 and 22

			Q22					Total
			Never	Sometim	Usually	Always	Do not know	
Q21	Never	Count	4	5	0	0	0	9
		% of Total	1.8%	2.3%	.0%	.0%	.0%	4.1%
	To a minor extent	Count	4	25	11	1	9	50
		% of Total	1.8%	11.4%	5.0%	.5%	4.1%	22.7%
	Usually	Count	0	4	56	12	10	82
		% of Total	.0%	1.8%	25.5%	5.5%	4.5%	37.3%
	Always	Count	0	1	8	35	8	52
		% of Total	.0%	.5%	3.6%	15.9%	3.6%	23.6%
	Do not know	Count	2	2	4	1	18	27
		% of Total	.9%	.9%	1.8%	.5%	8.2%	12.3%
Total		Count	10	37	79	49	45	220
		% of Total	4.5%	16.8%	35.9%	22.3%	20.5%	100.0%

Relationship is significant ($p < 0.05$) and relationship is strong

5.19 CONCLUSION

This chapter has described the results of the study. The results were presented in the form of tables and graphs. This chapter forms the basis of the discussion in the following chapter.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The objective of this chapter is to state the main conclusions that were drawn from the study based on the empirical research gathered.

6.2 CONCLUSIONS

From the research the following conclusions based on the research findings of the study can be drawn.

- The majority of cellular phone users were satisfied with the communication efforts of their service provider. The majority of respondents indicated that their service provider's promotional materials were appealing and their service provider communicated with them regularly.

The literature study also yielded the same results: emphasising Kotler's (2001:21) definition of satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Thus, satisfaction as a function of perceived performance and expectations will result in customer dissatisfaction if performance falls short of the expectations and in customer satisfaction if it exceeds expectations.

Many companies aim for high customer satisfaction since this creates an emotional bond with the brand and results in high customer loyalty. Clearly, the key to generating high customer loyalty is to deliver high customer value. According to Peppers and Rogers (2004:46), the overall role that customer satisfaction plays in the formation of relationships is intuitive since a dissatisfied customer will generally seek to replace the service provider. This threat has increased since the advent of cell phone number portability.

- Results from the study show that the communication tools used by the service providers were effective in promoting relationship marketing. The most used method of communication was sms, followed by post, e-mail and face-to-face contact. When asked about their preferred method of communication, the majority of customers indicated sms, followed by post, face-to-face contact and e-mail.

The results of this study clearly indicate that the majority of respondents (60%) indicated that their service provider communicates with them via sms.

Seventy five percent (75%) of males and 79% of females agree that their service provider communicates with them via sms.

The preferred method of communication from their service providers though, revealed a different picture, where 43% of respondents indicated that sms was their preferred method of communication. 19% wanted communication via post while 18% preferred face-to-face communication. A further 16% showed a preference for communication by e-mail.

- Existing customers will definitely become advocates of their service provider. This is evident since the majority were satisfied with their choice of service provider. Furthermore, the majority also indicated that they would renew their contract with the same service provider. Lastly, since most of the customers were satisfied with their service experience, they stated that they would recommend their service provider to their friends, family and relatives.

The majority of respondents (85%) did not regret their choice of service provider and this could be attributed to the fact that service providers tailor make packages for customers. The three service providers together with the fourth entrant in the industry in South Africa provide variety and choice for cellular phone users. As a result, customers can make informed choices that fulfill their specific needs and requirements.

This study endorses the view held by Evans, O'Malley and Patterson (2004:219) who offer the following criteria by which cellular phone users evaluate satisfaction:

- Economic satisfaction which results in an evaluation of the economic outcomes that flow from the relationship
- Social satisfaction which addresses the psychological aspects of the relationship

Increasing customer satisfaction is valuable because it can lead to repeat business and service providers can achieve this by building good relationships with their customers. This is the key to keeping a business productive and profitable which can be difficult in a competitive market where so many companies are in competition for customers.

- With regards to cellular phone contracts, customers indicated that they were given sufficient explanation of the terms of the contract, calculation of subscriptions and the benefits of the contract.

While only 36% of cellular phone users were given a sufficient explanation of their contract, a further 21,9% of the respondents received full explanation. The onus it appears is on the customers to familiarize themselves with the terms of the contract. An adequate explanation by the staff of the contract reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers did not get an explanation.

As with many contracts, customers tend not to accord them the importance that they deserve at the time of entering into the contract. It only tends to become important when they experience a problem, complain about it and then find that they are referred to the terms when it is a little too late. In respect of the cellular phone contract, respondents' indicated the following:

- 14% did not read the contract at all
- 53% browsed through it

- 18% read it thoroughly
- 16% understood it fully

These results suggest that cellular service providers need to adapt a greater educational role when signing contracts with their customers.

Fifty seven percent of respondents indicated that they understood the terms of their contract, 6% did not understand while 18% were not sure.

Their reasons for not understanding the terms of their contract are as follows:

- 10% find the fine print is illegible
- 47% indicated that there was too much legal jargon
- 31% did not have enough time to read through the contract
- 12% had other reasons

This is an area that requires attention on the part of the customer and education of their rights and obligations under contracts will certainly help in addressing this.

- Service provider staff were found to be friendly, efficient, effective and well-trained in responding to customer requests and queries. Staff also provided individual attention to customers.

As indicated in the literature review, interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time, helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, an enduring relationship is created and the customer will become very loyal. When interacting with customers, it is suggested that the company ensures that interactions are always welcomed, that the customers privacy is protected, that dialogue is encouraged by making contact numbers and web addresses available and that the customer can see

value from each interaction and will thus be appreciative of the consideration accorded to him/her.

Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.

The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. There is clearly a need for improvement in responding to emergencies and technical problems and will contribute towards customer loyalty.

- Cellular service providers should be concerned about the privacy and trust perceived by their customers. A large number of respondents (49%) were not sure that their privacy was protected. Furthermore, a total of 43% of the respondents indicated that they were not sure that no trust existed between them and the service providers.

According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer based on individual information, it will recognise that customer data is its most valuable asset, will secure and protect that data, and will share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge. This privacy pledge as submitted by Peppers and Rogers (2004:235) will include:

- The kind of information generally needed from customers
- Any benefits customers will enjoy from the service provider's use of individual information
- An individual's options for directing the service provider not to use or disclose certain kinds of information
- Any events that might precipitate a notification to the customer by the service provider

According to this study only 41% of respondents agree that their service provider protects their privacy. There is sufficient scope to increase the level of customer privacy as this will enhance the relationship between the service providers and their customers.

What would be encouraging to service providers is that 51% of respondents trust their service providers. Trust is an essential element in any relationship. This bodes well for the relationship between the customer and the service provider. The customer is now in an established relationship that he/she will maintain into the future. Again there is an opportunity for the service providers to substantially increase the level of trust of their customers.

The discussion above points to issues that the study revealed to be addressed by cellular companies to enhance their relationship with their customers. Arising from this study, are other aspects that need to be addressed.

6.3 RECOMMENDATIONS

The following recommendations with regard to relationship marketing and communication should be considered:

- It is important that customers understand the future direction that their service provider will take. Customers must be informed of long and medium term plans, new developments and any fundamental changes that are going to take place. Customers also need to be convinced that their service provider will remain committed to the success of their businesses (Smith 2001:159) which will ensure a continuing relationship into the future.
- Service providers should conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them and their performance. This may also be to inform customers about developments with the organisation.

- As well as measuring customer satisfaction, service providers must be prepared to review their performance with key customers and discuss measures for improving performance. By taking this proactive attitude to performance measurement, service providers will demonstrate high levels of customer care.

- Service providers need to improve their communication process – they need to communicate with customers on an on-going basis about information, policies and updates on technology.

- Since service is the nerve centre of any organization, service providers must improve on their service to customers in the following respects:
 - Need to improve on their response time for emergencies and technical queries. They could accomplish this by providing more in-depth staff training, especially on technical aspects and increase the number of staff at the call centres.

 - Service providers must update customer records regularly since this will ensure that they provide timeous, effective and efficient service to their customers.

 - Service provider staff should take more time and effort to explain the contract to customers so that they fully understand the terms and conditions

 - Customers must be given repeated reminders to help increase their esteem level and make them feel important. This will ultimately result in fostering long term profitable relationships with customers

 - Ensure that customers feel inclined to recommend their service provider to family and friends. Hence, service providers need to impress customers with their quality of service. Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives as indicated. This could be because

they were very satisfied with the service experience and formed a relationship with their service provider.

- A large percentage of cellular phone users are Isizulu speaking whilst all correspondence from service providers are in English only. Service providers need to take this into consideration and the fact that South Africa has 11 official languages and start corresponding in their vernacular as well.
- Service providers need to make greater efforts to understand the specific needs of customers; they can achieve this through intensive marketing research. This will enable them to adapt their offerings to suit the individual needs of their customers.
- Service providers need to honour their promises in respect of time schedule and they need to be prompt in helping their customers. This needs to start from the beginning of the relationship.
- Service providers must develop a proactive approach to relationship marketing. This will help to create a better understanding of their customers and improve and enhance their image.
- Service providers must amend their systems and operating procedures to ensure improvements in both the level of customer privacy and the degree of trust of their customers.

6.4 SUGGESTIONS FOR FUTURE RESEARCH

- Further research may be conducted to investigate how the fourth cellular service provider, Virgin Mobile, uses communication to establish and maintain relationships with their customers as well as exploring the impact of Mobile Number portability on services among all of the network providers.
- A sample of the under 18-age group can be used to explore the impact of Mxit and other chat room services which have revolutionized communication among youngsters.
- As cellular technology is rapidly advancing, research can be conducted on 3G technology and its capability and its impact on customers in terms of communication and relationship marketing.

6.5 RESEARCH SUMMARY

The purpose of this study was to identify how cellular companies use communication to promote relationship marketing. A valid sample of 251 cellular phone users of the 300 who were targeted was used for this study. The theory surrounding relationship marketing and communication was used for this study. Data was analysed using the SPSS computer package. It can be concluded that service providers successfully used communication to create, enhance and maintain relationships with their customers. Certain conclusions and recommendations have been made that will enable cellular companies to improve their communication, which will also contribute towards improvement in their relationship marketing.

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(site accessed 29 November 2006)

APPENDIX ONE – LETTER OF CONSENT

POSTAL ADDRESS

5 Oceanview Walk
Silverglen, 4092
Tel: (033) 845 8879 Fax: (033) 845 8831
Home (031) 4032178
Cell 084 4032178
E-mail: verasamyd@dit.ac.za

6 March 2006

Dear respondent

Re: Informed consent: Masters in Commerce (M.Com)

I currently am employed as a lecturer in the Department of Public Relations Management at the Durban Institute of Technology (DIT). My qualifications include the following degrees:

- Bachelor of Commerce (B.Com) [U.D.W.]
- B.Com Honours [U.D.W.]

I am currently a Masters student in the Discipline of Marketing, School of Management Studies at the University of KwaZulu-Natal. My research topic is "*How cellular companies use communication to improve relationship marketing*". My supervisor is Professor Kasturi Poovalingum. My research methodology is both exploratory and explanatory. It aims to investigate how cellular companies use communication to establish, maintain and improve their relationship with their customers. A study of this nature has not been conducted in South Africa before therefore the findings will be beneficial to the entire cellular industry. In addition it will further assist in improving the levels of service delivery and ultimately improve relationship marketing.

To complete this study I require 15 minutes of your time to complete the attached questionnaire. Your responses will assist me to obtain the relevant information for the synthesis of this research. Please use the enclosed self-addressed envelope to return the questionnaire. Anonymity is guaranteed. The potential benefits of completing the questionnaire include, and are not limited to:

- More efficient service through improved communication by service providers
- Establishing and maintaining relationship between customers and service providers

Regretfully, no payments will be made to you however you are free to withdraw from this study at any stage. You will be given time to read, understand and question the information before consenting. You are given the assurance by the researcher that your responses to the questionnaire will be confined to the use of the study and confidentiality will be strictly observed. In case of any queries, feel free to contact on the above telephone/e-mail details. I would like to thank you for your invaluable time and information.

Yours sincerely

Daya Veerasamy [Miss]

Signature of respondent

Date

APPENDIX TWO – QUESTIONNAIRE

“How cellular companies use communication to improve relationship marketing”.

1. Please cross (X) the appropriate box							
Age		Gender		Race		Home Language	
18 – 25		Male		Black		English	
26 – 35		Female		White		Afrikaans	
36 – 45				Asian		Zulu	
46 - 55				Colored			
Older than 55				Other - Specify		Other - Specify	

2. Please cross (X) the appropriate box					
How long have you been a cellular phone user?		Are you a:		Indicate your service provider:	
0 – 3 years		Contract customer		Cell C	
4 – 6 years		Prepaid customer		MTN	
7 – 9 years				Vodacom	
More than 9 years					

3. Have you regretted your choice of service provider?			
Yes		No	

4. If yes, why?	
Inefficient service	
Too costly	
Poor communication	
Other – Specify	

5. If you had an opportunity to choose an alternate service provider, what would your choice be?					
Cell C		MTN		Vodacom	

6. Provide reasons for your answer:	
Better rates	
Efficient service	
Better communication	
Other – Specify	

7. Have you changed your service provider in the last three years?			
Yes		No	

8. If yes, why?	
Inefficient service	
Too costly	
Poor communication	
Other – Specify	

9. To what extent did your service provider explain the contract?	
No explanation	
Very little explanation	
Sufficient explanation	
Full explanation	
Do not know	

10. With regard to your contract, have you:	
Not read it at all	
Browsed through it	
Read it thoroughly	
Understood it fully	

11. Do you understand the terms of your contract?			
Yes		No	
		Not sure	

12. If no, why do you not understand?	
Fine print is illegible	
Too much legal jargon	
Not enough time to read the contract	
Other – Specify	

13. How much of an explanation does your service provider give customers on the terms of the contract, calculation of subscriptions and the benefits of the contract.	
No explanation at all	
Very little explanation	
Sufficient explanation	
Detailed explanation	
Do not know	

14. The staff of your service provider responds to requests and queries of customers.									
Never		Rarely		Sometimes		Always		Do not know	

15. In your opinion, to what extent does your service provider staff have professional technical knowledge to advise customers?	
No knowledge	
Limited knowledge	
Considerable knowledge	
Extensive knowledge	
Uncertain	

16. The staff of your service provider gives customers individual attention.									
Not at all		Seldom		Usually		Always		Do not know	

17. The operating hours at your service provider is convenient for you.					
Agree		Disagree		Uncertain	

18. To what extent does your service provider make attempts to understand the specific needs of customers?	
Makes no attempt to understand	
Makes little effort to understand	
Makes some effort to understand	
Understands the specific needs fully	
Do not know	

19. To what extent does your service provider adapt offerings to suit individual needs of customers?	
To no extent	
To some extent	
To a considerable extent	
To a great extent	
Do not know	

20. When your service provider promises to do something at a specific time, do they keep to this?									
Never		Sometimes		Usually		Always		Do not know	

21. When customers have a problem (e.g. error in statement, technical difficulties) does your service provide help promptly?									
Never		Sometimes		Usually		Always		Do not know	

22. Does your service provider render services to assist customers from the inception (beginning) of their contract?									
Never		To a minor extent		Usually		Always		Do not know	

23. When customers need to make changes (e.g. change in address, bank details) do they encounter problems?									
Always		Sometimes		Usually		Never		Do not know	

24. How does your service provider communicate with you?	
Face-to-face	
SMS	
E-mail	
Post	
Other – Specify	

25. How would you prefer your service provider to communicate with you?	
Face-to-face	
SMS	
E-mail	
Post	
Other – Specify	

26. To what extent is the promotional material (pamphlets, catalogues, advertisements and brochures) associated with your service provider appealing to you?	
Not at all	
To some extent	
To a considerable extent	
To a great extent	
Do not know	

27. Does your service provider communicate with customers regularly regarding contract options, SMS bundles, improvements in technology, etc?									
Never		Very little		Usually		Always		Do not know	

28. Would you recommend your service provider to your friend or relative?					
Yes		No		Not sure	

29 When your contract ends, will you renew it with the same service provider?				
Yes	No	Not sure	Depends what they provide in the new contract	

30. If no, why?	
Inefficient service	
Too costly	
Poor communication	
Other – Specify	

31. When your contract ends, do you know the procedure to follow?	
Yes	
No	
Have some idea	
Prefer to be advised by service provider before contract ends	

32. Does your service provider inform you when your contract is going to end?			
Yes	No	Not sure	

33. Please indicate how your service provider can improve its service to you.	
Improve communication	
Decrease costs	
Provide packages to suit individual needs	
More efficient service	

34. Do you believe that your service provider creates value for you as a customer?	
Not at all	
To some extent	
To a considerable extent	
To a great extent	
Do not know	

35. Does your service provider allow customers to specify what accessories you would like with your cell phone?	
Not at all	
To some extent	
To a considerable extent	
To a great extent	
Do not know	

36. How would you rate your relationship with your service provider?							
Excellent	<input type="checkbox"/>	Good	<input type="checkbox"/>	Average	<input type="checkbox"/>	Poor	<input type="checkbox"/>

37. How often does your service provider interact with you to acquire new information?					
Regularly	<input type="checkbox"/>	Seldom	<input type="checkbox"/>	Not at all	<input type="checkbox"/>

38. Does your service provider protect your privacy?					
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Not sure	<input type="checkbox"/>

39. Do you trust your service provider?					
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Not sure	<input type="checkbox"/>

40. How would you rate your service provider's response time in emergencies?							
Fast	<input type="checkbox"/>	Average	<input type="checkbox"/>	Slow	<input type="checkbox"/>	No response	<input type="checkbox"/>

41. How would you rate your service provider's response time for technical problems?							
Fast	<input type="checkbox"/>	Average	<input type="checkbox"/>	Slow	<input type="checkbox"/>	No response	<input type="checkbox"/>

Thank you very much

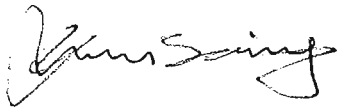
12 February 2007

To whom it may concern

I, Nalini Munisamy, do hereby acknowledge that I have edited Miss D. Veerasamy's (student number 9260605) completed Masters Dissertation.

Thank you

Nalini Munisamy



ID: 6610070194089

Contact Nos.

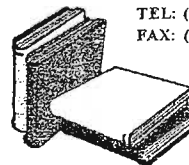
0845207369



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ALL CORRESPONDENCE TO BE ADDRESSED
TO: THE HEAD - RESEARCH ADMINISTRATION

23 SEPTEMBER 2003

**MS. D. VEERASAMY
BUSINESS MANAGEMENT STUDIES**

Dear Ms. Veerasamy .

ETHICAL CLEARANCE - 03185A

I wish to confirm that ethical clearance has been granted for the following project:

"The communication efforts of cellular companies in promoting relationship marketing"

Thank you

Yours faithfully

Ximba

MS. PHUME XIMBA
(for) HEAD: RESEARCH ADMINISTRATION

PS: The following general condition is applicable to all projects that have been granted ethical clearance:

THE RELEVANT AUTHORITIES SHOULD BE CONTACTED IN ORDER TO OBTAIN THE NECESSARY APPROVAL SHOULD THE RESEARCH INVOLVE UTILIZATION OF SPACE AND/OR FACILITIES AT OTHER INSTITUTIONS/ORGANISATIONS. WHERE QUESTIONNAIRES ARE USED IN THE PROJECT, THE RESEARCHER SHOULD ENSURE THAT THE QUESTIONNAIRE INCLUDES A SECTION AT THE END WHICH SHOULD BE COMPLETED BY THE PARTICIPANT (PRIOR TO THE COMPLETION OF THE QUESTIONNAIRE) INDICATING THAT HE/SHE WAS INFORMED OF THE NATURE AND PURPOSE OF THE PROJECT AND THAT THE INFORMATION GIVEN WILL BE KEPT CONFIDENTIAL.

cc. Director of School

→ cc. Supervisor